



Franchise Potential in Food Industry Expansion Strategies in East Kalimantan

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ABSTRACT: This study investigates the franchise potential in the food industry as part of expansion strategies in East Kalimantan, with a focus on the Wong Solo Group amid Indonesia's capital relocation. Utilizing qualitative methods, including SWOT, PESTLE, Porter's Five Forces, and the VRIO framework, the research provides a comprehensive analysis of strategic positions and opportunities for business expansion. The study reveals significant opportunities for growth driven by demographic changes, economic development, and increased consumer spending. Key findings indicate that Wong Solo Group's established brand and operational expertise offer a strong foundation for expansion. However, challenges such as regulatory changes and intense competition need to be addressed. The SWOT analysis highlights internal strengths such as brand reputation and product innovation, while the PESTLE analysis underscores external opportunities and threats. Porter's Five Forces analysis identifies competitive pressures within the food industry, and the VRIO framework assesses the group's resources and capabilities. The study concludes with strategic recommendations for Wong Solo Group to leverage its strengths, address its weaknesses, capitalize on opportunities, and mitigate threats. These recommendations aim to ensure successful franchise expansion in the dynamic market environment of East Kalimantan, providing a roadmap for sustained growth and competitive advantage.

KEYWORDS: Expansion Strategy, East Kalimantan, Franchise, Food Industry, SWOT Analysis, PESTLE Analysis, Porter's Five Forces, VRIO Framework.

INTRODUCTION

The relocation of Indonesia's capital to East Kalimantan is expected to drive significant demographic and economic changes, presenting new opportunities and challenges for the food and beverage (F&B) industry. As of 2021, East Kalimantan had a population of 3.77 million, supported by 2,098 restaurants, indicating a vibrant F&B sector poised for growth. The capital relocation is anticipated to further stimulate this growth, offering strategic expansion potential for established businesses like Wong Solo Group. Wong Solo Group, known for its strong Halalan Thoiyiban branding and diverse menu, is well-positioned to capitalize on these changes. The primary objective of this study is to evaluate the franchise potential for Wong Solo Group in East Kalimantan. Utilizing qualitative methods such as SWOT, PESTLE, Porter's Five Forces, and the VRIO framework, this research aims to provide a comprehensive analysis of the strategic opportunities and challenges posed by the capital relocation. This study seeks to offer actionable insights and strategic recommendations for Wong Solo Group to navigate the dynamic market environment and achieve successful expansion. The findings are intended to guide Wong Solo and other businesses aiming to capitalize on the emerging opportunities in this region.

LITERATURE REVIEW

A. Strategic Management

Strategic management involves the comprehensive handling of an organization's cross-functional decisions, focusing on formulation, implementation, and evaluation to help achieve its goals. According to Kotler (1988), it's about creating and maintaining an organization's viability, objectives, and resources in response to its surroundings. Anđelić (2008) describes it as the art of making, executing, and assessing decisions that enable an organization to meet its objectives. Wells (2000) views strategic management as a methodology company leaders use to forecast the future and devise necessary strategies to reach that future. Todorović (2003) sees it as directing an organization's actions by analyzing opportunities, threats, strengths, and weaknesses to pinpoint critical success factors.

B. PESTLE Analysis

PESTLE analysis is a framework for assessing the macro-environmental influences on an organization. Gamble et al. (2015) define PESTLE as an abbreviation representing Political, Economic, Sociocultural, Technological, Legal, and Environmental factors. This tool assists organizations in comprehending the extensive environmental factors that impact their operations, which is especially pertinent to Wong Solo Group's expansion plans in East Kalimantan.

C. SWOT Analysis

SWOT analysis serves as a fundamental tool in strategic planning, enabling the identification and evaluation of an organization's internal strengths and weaknesses, as well as external opportunities and threats. Thompson et al. (2007) highlight SWOT as a simple, yet powerful approach to sizing up an organization's resource capabilities and deficits, market opportunities, and external risks. This model forms the basis for strategic decision-making and planning.

D. Porter's Five Forces

Developed by Michael Porter in 1979, Porter's Five Forces model analyzes the competitive factors within an industry that affect its profitability. The model outlines five key components: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products or services, and the level of industry rivalry. This tool helps organizations comprehend the dynamics of the industry and formulate strategies to enhance their competitive position.

E. VRIO Framework

The VRIO framework, established by Barney (1991), is a tool used to evaluate a company's resources and capabilities to determine if they provide a sustainable competitive edge. This model consists of four main criteria: Value, Rarity, Imitability, and Organization. To bestow a competitive advantage, a resource must be valuable, rare, difficult to imitate, and effectively organized within the company.

F. Conceptual Framework

In this chapter, researcher build the theoretical foundation that underpins the exploration of Wong Solo's expansion in East Kalimantan's Food and Beverage (F&B) sector during the impending capital relocation. Researchers start by reviewing relevant literature and establishing key concepts. The conceptual framework draws from established theories in strategic management, external and internal environment analysis, and analytical tools. This framework will guide researcher in addressing the research questions and navigating the complexities of the study.

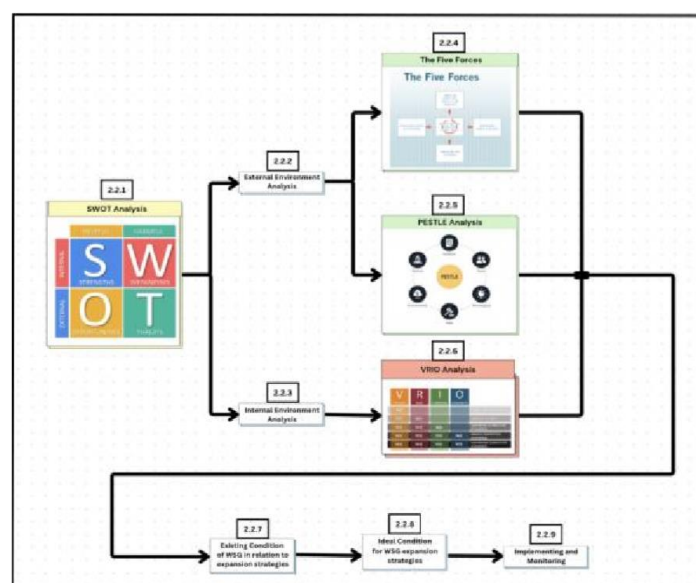


Figure 1. Conceptual Framework

Source: Constructed by Author based on Literature Review

METHODOLOGY

This study adopts a qualitative research design to explore the strategic expansion potential for Wong Solo Group in East Kalimantan, leveraging semi-structured interviews with key stakeholders such as the group's management, local government officials, industry experts, and franchisees. The interviews aimed to gather detailed insights into strategic considerations, operational challenges, market opportunities, and stakeholder perspectives. Secondary data was also collected from industry reports, market analyses, academic journals, and government publications to provide a broader context for understanding the macro-environmental factors and industry trends affecting the F&B sector in East Kalimantan. Analytical frameworks including SWOT, PESTLE, Porter's Five Forces, and the VRIO framework were employed to evaluate internal and external factors influencing Wong Solo's strategic decisions. The SWOT analysis identified strengths such as brand reputation and operational efficiency, weaknesses like limited digital presence, opportunities from economic growth and increased consumer demand, and threats including regulatory changes and intense competition. PESTLE analysis assessed political, economic, social, technological, legal, and environmental factors, while Porter's Five Forces examined competitive pressures within the industry. The VRIO framework evaluated the group's resources and capabilities for sustaining a competitive advantage. Data analysis involved thematic analysis to identify key themes and patterns, with data coding, theme development, comparative analysis, and strategic insights formulation. Ethical considerations included informed consent, confidentiality, and participant anonymity, with ethical approval obtained from the relevant institutional review board. This comprehensive methodology ensures a thorough and ethically conducted exploration of the strategic expansion potential for Wong Solo Group in East Kalimantan.

RESULTS AND DISCUSSION

SWOT Analysis

The SWOT Analysis of Wong Solo Group underscores its strong brand identity and loyal customer base, enhanced by adherence to Halalan Thoiyiban principles, as key strengths. These elements are crucial in appealing to the local demographic context of East Kalimantan. However, the group faces significant weaknesses, particularly its limited technological adoption and insufficient digital marketing strategies, which impede its ability to effectively reach the younger, tech-savvy consumer segment. On the opportunity front, the relocation of Indonesia's capital to East Kalimantan presents potential for market expansion due to anticipated population growth and economic activity, offering Wong Solo an opportunity to diversify its product offerings to cater to broader tastes. Conversely, the threats facing the group include escalating competition from both local and international franchises and potential regulatory changes that may arise with the capital shift. Figure 2 summarizes the SWOT Analysis of Wong Solo Group.



Figure 2. SWOT Analysis

Source: Constructed by Author based on Primary and Secondary Data

A. TOWS Matrix

The TOWS Matrix identifies strategic directions based on the SWOT findings. Utilizing its strong brand and operational expertise (SO Strategies), Wong Solo can seize new market opportunities spurred by demographic and economic changes, such as expanding the menu to include a variety of cuisines that attract a wider audience. To counteract competition and regulatory changes (ST Strategies), leveraging brand loyalty and distinct market positioning will be crucial. Addressing the digital shortfall (WO Strategies) is vital for capturing the younger market segment through enhanced online presence and targeted digital marketing. Moreover, fortifying technological capabilities and innovating in marketing approaches (WT Strategies) are imperative to navigate the competitive threats and adapt to potential regulatory adjustments efficiently. Figure 3 summarizes the TOWS Matrix of Wong Solo Group.

Internal Factors			
External Factors		Strengths (S)	Weaknesses (W)
	Vision: Reach the target of 400 billion rupiah from 150 billion rupiah per year	- Established presence with multiple outlets. - Adaptation to digital trends and technology. - Product innovation targeting millennial preferences (e.g., Mie Manjur).	- Employee satisfaction and effectiveness in the new capital. - Dependency on internal promotions and existing staff knowledge.
	Opportunities (O) - Expansion opportunities with the relocation of Indonesia's capital to East Kalimantan. - Increasing population in satellite areas around the new capital.	Strengths/ Opportunities (SO) - Expand digital marketing and online delivery in East Kalimantan - Use existing outlets for launching new products in new areas	Weaknesses/ Opportunities (WO) - Implement targeted training programs for employees - Develop incentive programs to increase employee effectiveness
	Threats (T) - High operational costs in East Kalimantan. - Intense competition from local restaurants. - Regulatory challenges in a developing area.	Strengths/ Threats (ST) - Use technology to cut costs and maintain profitability - Leverage brand to negotiate better deals with suppliers	Weaknesses/ Threats (WT) - Hire external talent for innovative ideas and perspectives - Form partnerships with local businesses to reduce competition

Figure 3. TOWS Matrix

Source: Constructed by Author based on Primary and Secondary Data

B. PESTLE Analysis

The PESTLE analysis reveals that the political environment is stable, yet subject to regulatory changes that could impact operations. Economically, East Kalimantan's growth could boost consumer spending in the F&B sector. Socially, the region's diverse culture presents an opportunity for Wong Solo to cater to various preferences. Technologically, there is a pressing need for improved digital platforms. Legally, stringent compliance with food safety and labor laws is critical. Environmentally, integrating sustainable practices could enhance the brand's appeal to environmentally conscious consumers. Figure 4 summarizes the PESTLE Analysis of Wong Solo Group.



Figure 4. PESTLE Analysis

Source: Constructed by Author based on Primary and Secondary Data

C. The Five Forces

The analysis of Porter's Five Forces shows a moderate threat of new entrants due to Wong Solo's established brand, though the F&B industry's capital-intensive nature tempers this threat. The bargaining power of suppliers is low, allowing Wong Solo favorable terms, whereas the high bargaining power of buyers and the threat of substitutes from other dining options present challenges. Competitive rivalry in the F&B sector in East Kalimantan is intense, necessitating robust competitive strategies. Figure 5 summarizes The Five Forces of Wong Solo Group.

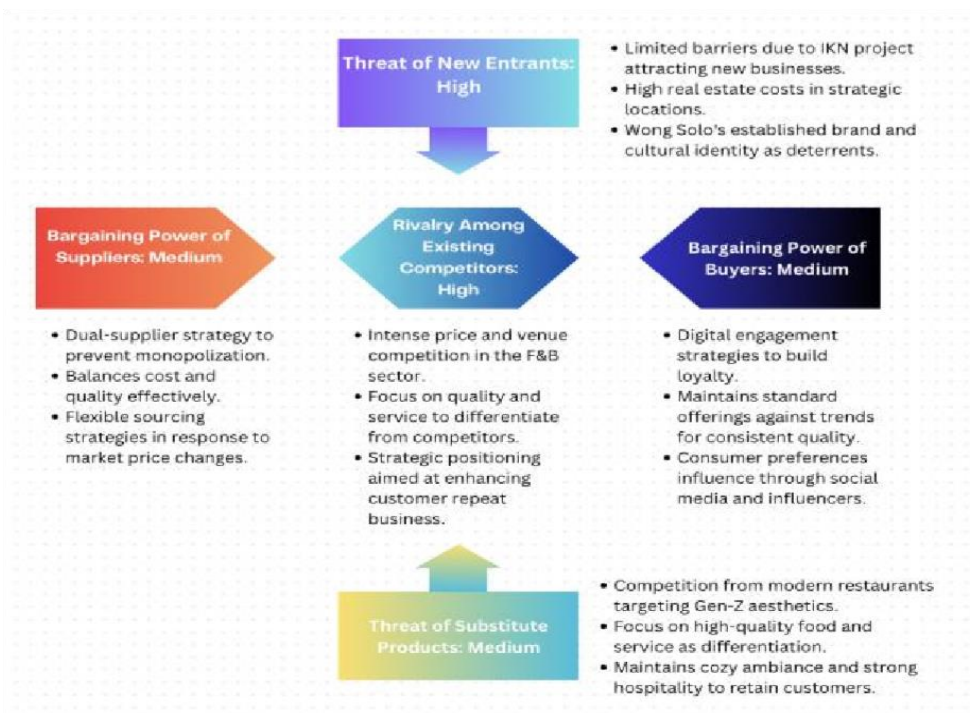


Figure 5. The Five Forces

Source: Constructed by Author based on Primary and Secondary Data



D. VRIO Framework

The VRIO Framework identifies Wong Solo's brand reputation and franchise model as valuable assets that are rare and difficult to imitate, providing a competitive edge in the market. However, while the organization's structure supports current operations, it requires enhancements in digital capabilities and innovation to maintain and expand its competitive advantage effectively.

Table 1. VRIO Framework

Resource	Value	Rarity	Imitability	Organization	Competitive Advantage
Brand Reputation	Yes	No	High Cost	Yes	Competitive Parity
Management Experience	Yes	No	Moderate	Yes	Competitive Parity
Halal Certification	Yes	No	Moderate	Yes	Competitive Parity
Franchise Model	Yes	No	High Cost	Yes	Temporary Advantage
Local Market Knowledge	Yes	Yes	High Cost	Yes	Sustained Advantage

Source: Constructed by Author based on Primary and Secondary Data

E. Existing Condition of Wong Solo Group in Relation to Expansion Strategies

Wong Solo Group operates with a well-established brand known for its quality and dedication to Halalan Thoiyiban principles, which have enabled it to gain a loyal customer base in its existing markets. However, as the group eyes expansion into East Kalimantan, several gaps and challenges become apparent, primarily related to technology and market penetration. Technologically, the group has lagged in adopting advanced digital marketing strategies and online ordering systems, which are crucial for attracting and retaining the younger demographic prevalent in East Kalimantan's growing urban centers. Additionally, Wong Solo's current marketing strategies are not sufficiently tailored to address the diverse and changing consumer preferences in the new capital, potentially limiting its ability to effectively penetrate this new market. Operational scalability is also a concern, with existing processes and infrastructures not fully equipped to handle significant expansions without compromising service quality or operational efficiency. These limitations underscore a need for strategic adjustments to ensure successful market entry and sustainable growth in East Kalimantan.

F. Ideal Condition for Wong Solo Group Expansion Strategies

For optimal expansion into East Kalimantan, Wong Solo Group needs to strategically overhaul its approach to technology, marketing, and operational scalability. Technologically, the group should invest in robust digital platforms that support not only marketing and brand engagement but also streamlined online ordering and delivery systems that cater to the tech-savvy population. Marketing strategies should be diversified to include campaigns specifically designed for East Kalimantan's demographic, emphasizing cultural affinity and local tastes while promoting the brand's unique selling propositions like its commitment to Halalan Thoiyiban standards. On the operational front, Wong Solo needs to enhance its supply chain and logistics frameworks to ensure efficiency and reliability as they scale, possibly through partnerships with local suppliers to mitigate risks associated with supply chain disruptions. Moreover, investing in training and development programs for staff to ensure high service standards are maintained as the business scales up will be crucial. Strategically, Wong Solo should also explore opportunities for community engagement and corporate social responsibility initiatives to build goodwill and integrate deeply with the local community, further solidifying its market presence in East Kalimantan. These strategic enhancements will position Wong Solo Group to not only enter but also thrive and maintain a competitive advantage in the East Kalimantan market.

CONCLUSION

This study has comprehensively analyzed the strategic expansion potential for Wong Solo Group in East Kalimantan, employing frameworks such as SWOT, PESTLE, Porter's Five Forces, and the VRIO. While Wong Solo's strong brand recognition and adherence to Halalan Thoiyiban principles establish a solid foundation, challenges in technological adoption, digital marketing, and operational scalability are highlighted as key areas requiring improvement. These challenges need to be strategically addressed to



capitalize fully on the opportunities presented by the demographic and economic changes due to the relocation of Indonesia's capital to East Kalimantan.

To ensure successful expansion and long-term sustainability, strategic recommendations for Wong Solo include advancing digital capabilities to improve customer engagement, diversifying marketing strategies to better align with local consumer preferences, and enhancing supply chain management to support scalable operations. Additionally, fostering innovation and continuous improvement is crucial for maintaining competitive advantage. By effectively implementing these strategies, Wong Solo Group can not only expand successfully in East Kalimantan but also set new standards for operational excellence and market leadership in the Indonesian food and beverage industry.

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