INNOVATION IN BUSINESS MODELS:
FRANCHISE INDUSTRY CASE STUDY

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ABSTRACT
Business model has grown huge in the era of 1990s. The development occurred has shown that the role of an evolving business mechanism will affect the activities pattern in its self. In Indonesia, Franchise has begun to develop in the middle of 1980s and it shows a significant positive progress. Some of the pioneers in Indonesian market are the food service, or the fast food restaurant such as McDonald, Burger King, and Kentucky Fried Chicken (KFC). Early 1998s, after the Indonesia monetary crisis has passed, local franchisor began to rise up with a cheap set-up fee, and even no franchise fee for the franchisee. The objective of this research is to explore any factor that could affect the change of this franchise pattern, and also the new value proposition offered by the local franchisor. The focus of this research is about the process of franchise business model development in Indonesia, especially small-average company franchise. This research will give a huge benefit to other researcher to discover more about business models in the franchise business using this research result, and also help the small-average company to expand and implement some business innovation.

The type of this research is exploratory and using primary data source, gained from direct interviews with food and beverage franchisor in East Java. The results show that strong commitment, business spirit, trust, corporation to work together, business orientation, honesty, service oriented, and friendliness are important factors to enhance franchise business success. Also, training for human resources id given by franchisor and the training is focused on product knowledge, value understanding, food serving and preparation technique, quality service and administration skill are important element to support the success.

Key words: Business Model, Franchisor, and Franchisee