

Design of Multichannel Retailing Pet Shop

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Abstract

Purpose of this paper is to decide the pet shop channel combination that gives the fastest payback period or need less capital. There are 3 channels from preliminary survey. These channels are the physical store (Pet Shop), mobile store (Mobile Pet Salon) and Internet store (E-Pet). A questionnaire was developed to understand customer needs and there are more than 100 dog owners in Surabaya as the respondent, who were selected from some existing pet shops visitor. A total of 100 usable questionnaires were returned. The results are important factors for each channel, which will be a base to prepare the business development from marketing, technical, management and financial factor. Limitations of the study are minimum number of sample and a lack of theory to develop questionnaire. This paper will provides guidance for entrepreneurs who have a plan to running pet shop with multichannel retailing strategies. From all the factors, it was known that all of the combinations were feasible, but if the purpose is using minimum capital, it was better to choose Mobile Pet Salon and E-Pet, eventhough it takes longer pay back period. If the purpose is getting a minimum return period, it is better to choose Pet Shop and Mobile Pet Salon combination, with higher capital needed and shorter discounted pay back.

Key words: Feasibility Study, Multichannel Retailing, Electronic Channel, Mobile Channel

1. Introduction

Surabaya as a one of big cities in Indonesia sometime makes people who is living in Surabaya feel uncomfortable. The traffic jam, competition in the workplace and many crimes makes them more pressure. They need something to refresh their mind, and have a pet is one of the solution.

Pet, especially dog, gives many advantages to human being. They can reply our love, entertain us, and guard us from the crime. Having a dog is not about 'own something', but there is an emotional relationship between dog and its owner. Not to be surprised if the owner always do the best, even over, to take care of their dog. Money is not their concern, they just want their dogs will get a good service and make their dog happy. To support this statement, data from Perkumpulan Kinologi Indonesia (PERKIN) Jawa Timur shows the trend of certificated dogs.

Entrepreneur look a chance in this condition with opening pet shop. Most of the pet shop are established in the mall. Dog will get a grooming service, that they will be cleaned and dried manually. All of services in pet shop is common and manually, and it takes longer time and unstandard result. Another problem is sometimes customers have no time to bring their dog to pet shop, because of their busy activities or traffic condition in Surabaya. But if they do not do that, dog can be sensitive with all diseases. The owner and their dog must drive some miles, and it makes their dog more pressure. Time consuming for grooming can not be predicted, and customers must wait for a long time and it will waste their time.

That is why an idea comes to make a multichannel retailing in pet shop. Pet shop will be proactive to serve better, closer and more satisfied to the customer. It is also considered about digital trend, easyness and gentleness to make dog and its owner feel comfortable with all the services. We did

preliminary survey to understand what customer need, and the result came up with these ideas. There are three channels in this pet shop, that is physically store i.e.. Pet Shop, mobile store i.e. Mobile Pet Salon, and internet store i.e. E-Pet. For some reasons as it will explain in 2nd chapter, we will develop multichannel retail, that comes from single channel combinations. The feasibility study will be implemented for combination of Pet Shop and Mobile Pet Salon; Pet Shop and E-Pet; Mobile Pet Salon and E-Pet; and Pet Shop, Mobile Pet Salon and E-Pet. Marketing, technical, management and financial are factors that must be considered.

2. Literature Review

2.1. Multichannel Retailing

Customers have a lot of choice of store formats and channels to purchase something. Customers are making new choices on purchasing sources, and their choice is directed by different occasions, diverse situations and what they actually need. In selecting the source for a purchase, the customer follows an individual decision-making pattern. The basic trend is consumers expect more convenience in making their purchases. They want to spend less and less time on making them. They will seek out and use the shopping outlet that best fits their situation of their needs. They make their purchases in belief that they have taken independent decisions and acted of their own free will (Sonneck and Ott, 2006). Consumers buy the same goods or categories of goods from several store formats. They take advantage of a multichannel environment that allows them to select store formats on the basis of their characteristics, the categories they want to purchase, and the occasion more suitable to do it (Pellegrini, 2005).

The various channels can complete each other or they can be used to gain a new customer segment that it cannot be approached before, because customers have their own option. When we refer to multichannel, we interpret the concept as all the ways that the

customer can contact a retailer or a retailer can contact the customer.

Multichannel retailing is defined as a distribution strategy to serve customers using more than one selling channel or medium such as the Internet, televisions, and retail outlets (Stone et al., 2002 in Choi and Park, 2006). Multi channel retail includes all physical and non-physical formats and channels. Products and/or services sold can appear under on the same brand name. The term multichannel retailing has become widely used with the advent of electronic shopping. To most, the first meaning of multichannel retailing is probably the strategy by which a retailer offers goods, both through a physical network of stores and the Internet. The growing importance of retail companies managing different store formats, physical and virtual, is a consequence of the existence of differentiated retail products, offering to consumers' alternative ways of fulfilling their procurement needs (Pellegrini, 2005).

Different channels can be looked at as the result of product innovation in retailing, which consists in offering to consumers new or improved ways to purchase the goods they need. Different mix of retail services can satisfy the demand of the same good or category of goods.

Like for most other goods and services, consumers buy more than one type of retail service, and this leads to complex purchasing patterns. Markets are not just defined by the supply of products, but also by the supply of retail services. Consumers have to decide which product to buy, and also from which channel to buy it.

2.2 Multichannel vs. Single Channel

There are a number of important advantages to a retailer's undertaking a multichannel approach to its overall business. These include enabling a retailer to select among multiple channels based on their unique strengths, opportunities to leverage assets, and opportunities for increased sales and profit making opportunities through appealing to multichannel consumers (Berman and Thelen,

2004).

Unlike a single channel retailer, a retailer that uses a multichannel strategy has the ability to choose the most appropriate channel in its overall portfolio to sell a given good or service or to reach a different target market. Each channel has a unique combination of strengths and weaknesses. Consumers' choice of one channel over another can be regarded as an optimization problem; the retailer with multiple channels can best provide information, products, and service to its customer base. For example, store-based transactions enable customers to see an item, feel it, smell it, try it out and then pick it up and take it home on the same shopping trip without incurring shipping and handling costs. Multichannel business models also offer an important means of overcoming limitations associated with each channel.

In planning on an appropriate channel mix and the role of each channel, retailers need to understand that different channels complete one another. While many consumers can use the Web to determine a product's price, availability and features, they may choose to complete their purchase in an in-store environment. They sometimes consulted Web pages before making a store-based purchase.

2.3 Internet Retailing

There are more retailers adopting Internet as an additional sales channel. Multichannel retailers serve customers using more than one channel, including physical store, Internet, television, catalog and others (Jin and Kim, 2010)

Internet shopping combines a variety of benefits. The Internet makes it possible to shop 24 hours a day, 7 days a week. More importantly, consumers do not have to waste time in finding a retailer, as is the case with physical retail stores. The Internet offers an inexhaustible source of information that even a specialist store cannot hope to compete with. Finally, the Internet allows consumers to compare prices (Sonneck and Ott, 2006).

Customer demographics have generally been used to predict store choice behavior.

Research showed that people who were younger and/or had higher incomes tended to use the Internet more frequently, have a positive attitude toward Internet shopping, and have greater purchase intentions for Internet shopping. Age explained the Internet purchasing behavior among Internet users. Younger Internet users were more likely to purchase products online than older Internet users (Choi and Park, 2006).

One-third of online consumers reported they shopped via websites that are operated by the traditional offline retailers. Some online customers made a purchase online, but picked up the product in the offline store. The main reason for using multichannel was to avoid paying shipping charges. Convenience of the internet store (e.g. 24-hour access) may bring shoppers to process transactions to make a purchase online, but due to shipping charges, shoppers may prefer choosing an offline store for merchandise self-pickup, instead of home delivery.

Some respondents reported that they often use the Internet to gather information and purchase products, whereas other respondents only search for information on the Internet in order to make a purchase in the traditional retail store. This suggests that the Internet may be used for information search either for browsing in order to make a purchase in the traditional retail stores or for purchasing products directly from the Internet.

Multichannel customers who browse the information online but make purchases offline may enjoy unlimited browsing activities via the Internet, but avoid purchasing due to uncertainties. Two kinds of uncertainties in Internet purchasing are product uncertainty and process uncertainty. Product uncertainty, which occurs when the product received, does not meet the customer's expectations, while process uncertainty occurs when the customer may not have complete confidence in the transaction process.

3. Design, Model, and Implementation

A well-integrated multichannel format

enables consumers to examine goods at one channel, buy them at another channel, and finally pick them up at a third channel (Berman and Thelen, 2004). Multichannel retailing enables consumers to conveniently shop in a number of modes, including stores, catalogs, Web site, kiosks, and even PDAs that can access the Web. This design will accommodate the synergy. Customer can buy the dog food from Pet Store and E-Pet, then they can order for grooming by delivering their dog to the Pet Store, or calling the Mobile Pet Salon to get the service in their home

Planning, developing and maintaining a well-integrated multichannel strategy are not an easy task. It involves detailed planning and developing an infrastructure that can effectively link multiple channels. For example, a retailer accepting a Web purchase for exchange at a retail store would need an information system to verify the purchase, the price paid, the method of payment, and the date of the transaction. A multichannel retailer would also need a mechanism for delivering goods, using a single warehouse regardless of which channel was used by a customer to purchase that good.

Multichannel retailing provides a number of opportunities for a retailer to leverage both its tangible and intangible assets. For example cashier computer that is used in Pet Store, can be used as database or maintaining and updating website. Besides do the administration job, our staff can handle order by phone or websites.

In a well-integrated multichannel strategy, consumers view the firm as a single retail entity with complementary distribution alternatives. It's not about getting customers to switch from one channel to another.

From the preliminary survey, we found there are 3 options that customer preferred mostly. The first was pet shop like a existing regular store, second was shopping by internet, and the last was mobile pet salon. For this business we would use the same word, 'Pet' but it would show the characteristics of channels. 'Pet Shop' is for the physical store; 'Mobile Pet Salon' is for the mobile store; and

'E-Pet' for the electronic channel.

Because we want to fulfill customer needs, so we took the top three to be designed. It must be combination because customer want customization, easyness and fast service. The regular pet shop obviously can not achieve their need. There are some options to analyze in the feasibility study, which are combination of Pet Shop and Mobile Pet Salon (1); Mobile Pet Salon and E-Pet (2); Pet Shop and E-Pet (3); and Pet Shop, Mobile Pet Salon and E-Pet (4). Figure 1 will show the multichannel model.

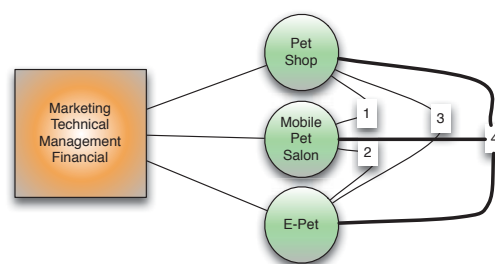


Figure 1. Multichannel Model

Based on the preliminary study, we built a questionnaire for 100 respondents. For the first we spread it to 30 respondents for pre-sampling, to make sure the questionnaire were understood. Then after the result passed validation and reliability test, we spread the questionnaire to 70 respondents. We choose a specific respondent who own minimum a dog.

Questionnaire result would be our analysis to develop the channel. For example like what kind of service they want us to do, then how many dogs they have for the store capacity. But it must be completed with interview to the existing pet shop owner.

In marketing aspect we would measure the population from the sample we have. Data would be derived from PERKIN. Then in the technical aspect, we would prepare for the business development, and decide the capacity. If capacity is less than demand, it means that our capacity will be full utilized. The capacity will affect to the management aspect, like number of employees and job description. Then from these 3 aspect, it will affect to the financial factor. Marketing will affect to the revenue, technical will affect to the investment

and operational cost, then management will effect to the employee cost.

Financial will be done for every combination, because they can share the facilities together. Then to get the best combination we will get it from the total project cost and discounted payback period. But more factors will be compare like NPV and IRR.

Pet shop will use Pet Spa Machine, to make grooming service faster, safer, and keep at a distance a dog from other dog's disease. Mobile Pet Salon will come to customer place and groom the dog. E-Pet makes the customers order dog food, dog equipment, even the dog itself, without going to the store. Just do it in front of customer computer, whenever and wherever they are.

4. Results

4.1 Population

We will predict the population size, by collecting data from PERKIN for dog birth in Surabaya, and forecasting it for 5 years planning horizon. Because dog age is around 1 until 5 years, so we will add the dog population year by year to get the dog population with age 1 until 5 years. This population will get our services like grooming; buy our product and other equipment.

We used historical data form 2004 until 2009, and forecasted for the planning horizon, which is 2011 until 2015. This data will be used to get number of dog with the age range between 1 until 5 years.

4.2 Pet Shop

Usually, every customer has 1 until 2 dogs. They only want to buy puppies or dog with stambum (certificated paper). Most of them have ever visited the existing pet shop, so the pet shop development will be our concern. They know about the pet shop from their community, for example read the brochures were spread in their neighborhood, so it can be our promotion too. The other service that they are needed, sort form the highest chosen are nail polish, colour dye pets, treadmill and pet

spa. The most important things they prefer from a pet shop were good staff service, completed product and service, strategic location and affordable price

There are some activities in pet shop. There are selling, like sell the puppies, dog food and dog accessories; grooming; pet spa; pet treadmill; and nail polish. For the puppies selling we will use dog birth as the population, and for other activities we will use the 1 until 5 years dog.

Because pet shop is not a new concept in Surabaya, the dog population must be reduced with dog that already a loyal customer for the existing pet shop in Surabaya. We collected data existing pet shop from Yellow Pages, and interview some existing pet shop owners to know the number of their customers. Then we must predict the other investment plan by other future competitor. This prediction can be taken from increasing pet shop from year to year. The existing pet shop and its forecast will be used as number of competitors. From the forecast it was known that average number of forecast will increase about 3 pet shops in a year. And of course because this is a new business, so our market share will not be so high, it is around 5% and it will be increase 1% per year. The effective pontential market in a year will be : total dog population age range 1 until 5 years subtract by competitor market, and subtract by investment planning.

The effective demand will be taken from market share, because this is a new business, we decide to use 5%, and it will increase 1% each year. So in 2011, in every month there are 820 dogs, continue in the next year is 879, 939, 998 and 1047 dogs. In 2011 it will be 9840 groomings because every dog will get the grooming service once a month.

This pet shop will be built in West Surabaya mall i.e. Pakuwon Trade Center. This decision based on questionnaire results, that respondents want the pet shop near their residence because they do not want the dog will be stress with the journey to the store. Then it is better if it is built in a mall. The owner can take a window-shopping while they must wait for their dog. Pakuwon Trade Center

become the next option because there are some pet shop in the same level, so it is common to bring dog to this mall, existing pet shop customer can move to our pet shop, and the mall management is ready with all facilities offer for the next retailer, like parking space, security, and maintenance. Because of this decision, there must be a renovation for the rented space.

Renovation is including wall painting, wallpaper, and pet shop signboard. Inside this store there are 3 units cupboard, 3 units racking, 3 units pallet, table, cashier chair, and fence.

For the equipment, this store will provide pet spa machine. This machine has 60-inch length, and the velocity up to 12 kilometers per hour. The store also need grooming table, nail polish – a new service for dog, hair dye gels for colouring dog fur.

Other expenses are displayed product like puppies, dog food and dog accessories, then the dog equipment like pet treadmill and pet spa. Common expenses are buying racks, table for grooming, cashier machine and employee.

Standar time for grooming service is 2 until 3 hours. Eventhough this pet shop will open from 9 am to 9 pm, the perfect time to clean the dog is at 9 am to 6 pm. If it is too late, it will cause sick the dog. In a day, this pet shop can serve 32 dogs, it means 4 dogs per hour. There is a differentiation in store visit for a week. From Monday ti Thursday usually the visitor is only 30% from total capacity, because the ustomer still work. But in Friday there are an increasing become 40% because some offices will open a half day. Then in Saturday it will be 60% because most of the offices are closed. The peak time is at Sunday with 70% visitors when all people have a holiday, and it is time for them to bring their dog to pet store. Related with the percentage visitor before, the capacity will be enough for 117 dogs per a week, or 6074 dogs per year. This capacity is less than effective demand 9,840 grooming, so all the capacity can be fully absorb.

For puppies selling, we will use the dog birth population. Based on interview with the

existing pet shop owner, it is about 4 puppies can be sold in every month. With the same equation like grooming, we got 175 puppies will be sold in 2011, continued with 230, 279, 331 and 387 dogs.

Pet shop layout has dimension 7 x 10 meters, it can be seen in Figure 2.

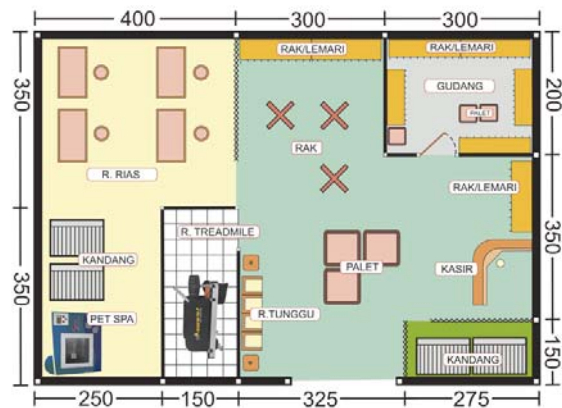


Figure 2. Pet Shop Layout

4.3 Mobile Pet Salon

From the respondents, we get 100% intention from the customer, because this business is a new one. They prefer to use car, rather than motorcycle like other competitors always use. Services that will be offer including grooming, disinfect and pet treatment. The important thing for respondents' prefer ware service, equipment and price. Then same with the pet shop, the market share is around 5% and it will be increase 1% per year. Customer can call the service to the pet store number. The promotion will be published by brochure or website.

The effective market comes from market effective for grooming in pet shop, multiply by 10%. These 2 businesses offer the same thing, including grooming service. Mobile pet salon market share will take effective potential market from pet shop, about 10%.

Work hour for Mobile Pet Salon is from 7 am until 6 pm, because it is the perfect time to wash the dog. Every day the Mobile Pet Salon can serve 10 dogs. It needs 5 hours to go and back to every owner house, and it can wash until 2 dogs in a time. Capacity is less than

demand, so we can predict the capacity will be fullyutilized.

The design of the car has a purpose to bring all the grooming equipment to customer house. We will not try to make customer busy with all the preparation and will not use the customer facility. For this activity we must use modification to make the car that we like. We will use Grandmax car with modification and new painting. Capacity will consider the Surabaya traffic and the customer residence, so it will affect to our service time. In here we are not only predict the service time but also the transportation time. That is why our capacity is less than the demand.

We only need 2 employees for this channel, because they will drive the car to the customer house, and do the grooming service. For the little dog it only needs one employee, but for bigger dog it will need 2 employees. This car can be the e-pet store facilities to deliver product or puppies to customer house or courier, if there is no calling at this time.

From the Crosstabs analysis, we will know the relationship between demography and the respondent answer. For example when we ask about their interest in this service, there are 61 women who feel interest. So we will design the interior, exterior and brochure as woman favorite.

4.3 E-Pet

For E-Pet, the main activity is selling the puppies. So the population we are used in here is dog birth, then it must be multiplied by the respondent intention. Because this Internet channel is the fastest growing up in whole world, we must reduce it with the competitor in Indonesia, not only in Surabaya.

About 82% respondents have an Internet connection, so they can access the data. A half respondent already know the competitor, they have ever contacted with the website or bought the product from that websites. They need some services in E-Pet, like puppies selling, give a tips or guide in take care the dog, and sell food, snack and vitamin. The most important things for them are: information is clear, easiness to buy and pay, good

communication with the seller, and variety of products must be completed.



Figure 3. Mobile Pet Salon Design

The product in E-Pet is the same with the pet shop, and pet shop becomes the warehouse for E-Pet. We use Internet channel to approach other customer, who is far away from E-Pet location, and they do not need to go to this location. We will use a trusted courier, including delivering the puppies. Delivering puppies must use the special package because of its characteristics.

For the website development, we used Joomla! And we built it from the respondent demographic. From the Crosstab analysis, most of the respondent who like E-Pet channel is at range 20 to 29 years old woman. It will affect to the colour, design, and writing style in the website.

Customer can look the product and puppies which are offered in this website, fill the cart and put their order. Website administrator can look all the transactions in administrator interface, process it and update the website. In Indonesia the common payment is via bank transfer, so it will be used in here. For the administration we only need one person, and it can be taken from the employee from any channel.

There is 40% respondent will try E-Pet, and we decide to use assumption 5% market share for the first year and increasing 1% per year until 2015. This is not a new business, so there are some competitors in the Internet.

For capacity we use the same amount with the pet shop selling, about 48 puppies sold in a year. It is still less than the effective demand, so all the puppies will be sold.

For the website, template colour will be decorated with purple and white, because purple means elegant. This website has menu like home (Contact person, dog for sale, mobile pet salon or pet shop promotion), product (food, vitamin, snack, shampoo, perfume, etc.), puppies (variety, sex, colour, date birth, age, father's name, mother's name, certificate, vaccine), service (for 2 or 3 channels), delivery cost (link to JNE), events (link to PERKIN), tips and tricks, and FAQ.



Figure 4. Website for Customer

Figure 4 shows the website appearance for customer. For the administrator interface there are order list and order process.

4.5 Multichannel Combination

Combination of these channels will give affect to the market, technical, management and financial factors. For effective demand, there is a hope the customer will be increasing because we make customer can choose what channel that suitable with their behavior. Then for the facilities and employees, we can use it

for other channel. It does not mean if we have two channels we must double the facilities and employee, but we can share the resources. Because we have sharing resource, it will affect to the expenses and revenue.

The first combination is pet shop and mobile pet salon. In this combination, mobile pet salon can use pet shop car park its car. The car can deliver products or puppies that customer have already ordered. Pet shop receives calling from the customer for the grooming service, and they will communicate with the mobile pet salon employee. While there is no order for mobile service, the employee can help in the pet shop to groom or to do other services. There are 7 people work for pet shop and 2 people for mobile pet salon. Cashier will operate the payment and all the financial things, and receive order for the mobile pet salon.

Fixed cost in this combination are supporting operational equipment, maintenance cost, employee cost, promotion cost, inventory cost, rent cost, fuel cost, overhead, depreciation, and amortization cost. Variable cost consist of water and electricity cost because they are depended on how many dogs they are served. For every dog, the owner will expend 200,000 IDR per month for grooming (50,000 IDR); Nail art (30,000 IDR), Treadmill (10,000 IDR), Colouring (50,000 IDR), dog food and other equipment (60,000 IDR). Mobile pet salon has serving price 100,000 IDR per dog.

The second combination is pet shop and e-pet. E-pet equipment like computer, puppies, products and employee can be integrated with the store. Motorcycle that will be used to deliver the product to customer or courier, will park at mall parking space. Otherwise, the store can be promoted by the website. Most of the facilities is same with the pet shop, but now they can increase puppies selling, by the website and physical store. There are 7 people work for pet shop and 1 staff for deliver the product. Cashier will operate the payment and all the financial things, and become a website administrator.

Fixed cost and variable cost will be same with the first combination, only different in value. For example because we just use motorcycle rather than car, it will affect to fuel cost and depreciation. But the revenue will be doubled because there are 2 channels to sell the puppies and product.

The third combination is E-Pet and Mobile Pet Salon. The main problem is there is no place to take care the puppies or keep the products. The solution is to keep it all in the owner house, including the car and motorcycle. So in here there is no rent cost. Mobile salon can deliver the order from E-Pet, besides use courier for the long distance. E pet can promote the mobile salon services, and even though mobile pet salon not sell product, customer will get it from E-Pet.

There are 3 employees work in this combination. 2 employees will take the mobile pet salon, and 1 employee is behind the desk. This employee will receive call, answer email, and take for the payment, purchase products and other job to make this combination channel running well.

The last combination is Pet Shop, E-Pet and Mobile Pet Salon. It is the complete combination. Pet Shop has main role as a stock keeper, and accommodate customer who bring their dog to the mall, while they are doing the window-shopping. E-Pet can reach more customers, and promote the channel remains. Mobile Pet Salon will approach other customers who do not want to bring their dog from their home. So every channel will fulfill each other weakness.

There are 7 employees work for Pet Shop and 2 employees for Mobile Pet Salon. Cashier in Pet Shop will do the job to arrange Mobile Pet Salon schedule and maintain the E-Pet website.

4.6 Financial Comparison

After we arrange the financial report, now we can compare among these 4 multichannels as can be seen in Table 1, in IDR.

Table 1. *Financial Comparison*

Measurement	<i>Pet Shop and Mobile Pet Salon</i>	<i>Pet Shop and E-Pet</i>	<i>Mobile Pet Salon and E-Pet</i>	<i>Pet Shop, Mobile Pet Salon and E-Pet</i>
TPC	540,092,899	424,678,854	213,181,993	583,719,305
TFC	432,536,584	301,293,064	160,018,520	451.686.584
TWC	98,681,315	114,510,790	44,288,473	123,157,721
TVC	8,875,000	8,875,000	8,875,000	8,875,000
NPV	972,303,816	157,731,766	33,595,234	802,612,906
DPP	2 years 5 months	3 years 10 month	3years 7 months	2years 7months
IRR	79,35%	34,94%	20,37%	63,26%

From this table we can see that every multichannel is feasible to be implemented because they have positive NPV in horizon planning. If we just have a few capital, running Mobile Pet Salon and E-Pet will be the answer. But this option will need a longer period of payback, about 3 years 7 months. If the capital is more than enough, combination of Pet Shop and Mobile Pet Salon will be the best option, because the payback period is only 2 years 5 months, and it will give highest NPV and IRR.

5. Conclusion

From the result and its analysis, we have some conclusions. The market aspect show all of channels have an prospective market. Location will be strategic if we choose mall. The channel design include store layout (Pet Shop), car exterior and interior (Mobile Pet Salon) and website interface for customer and administrator (E-Pet). The number of employee will vary based on the combination need. From financial aspect it is known that every combination has a feasible result, and we can fit it with the capital we have, or how fast we want to get the money back. It is better to choose Mobile Pet Salon and E-Pet because it was only need 213,181,993 IDR, but the discounted payback period is 3 years 7 months.

If the purpose is getting a minimum return period, it was better to choose Pet Shop and Mobile Pet Salon combination, with capital needed was 540,092,899 IDR and discounted payback period was 2 years 5 months.

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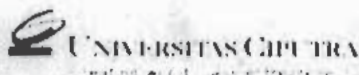
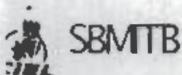
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**The Indonesia International Conference on Indonesia International Conference on Innovation,
Entrepreneurship, and Small Business**

**Universitas Ciputra, Surabaya, Indonesia
June 26-28, 2012**

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PREFACE

Dear IICIES 2012 Participants,

Welcome to the 4th Annual Conference! Welcome to Ciputra University! Welcome to Surabaya, Indonesia!

Entrepreneurship, innovation, and business in Indonesia bring a challenge for human capital in Indonesia. The vast economic growth have not been followed by the level of citizen prosperity, such as the high level of poverty, the high number of jobless which is 8.12 million people, and the low income of 60% workforce (Center of Statistic Bureau in Indonesia, 2010). An active role from scholars, businessman, and government in giving solution toward the problem is needed. They encourage the strengthening of national innovation system from production, process, and marketing side for strengthening continuous global competitiveness power toward innovation-driven economy.

The 4th Indonesia International Conference on Innovation, Entrepreneurship, and Small Business (IICIES '12), themed "Developing & Collaborating in Innovation and Entrepreneurship to Pursue ASEAN Emerging Markets" initiated by the Center for Innovation, Entrepreneurship, and Leadership (CIEL), the School of Business and Management (SBM), Bandung Institute of Technology (ITB) and now collaboratively organized with Ciputra University. We challenge ourselves to learn, study, and create local knowledge with global mindset to provide some lights in the development of new entrepreneurs and small businesses. This conference provides a venue for Indonesian scholars and a network with international experts to collaborate. Programs in the conference include natural/cultural sightseeing, workshops, masters & doctoral consortium, gala dinner & social event, and the 3 days conference.

This IICIES 2012 has attracted more than 200 abstract submissions and about 100 reviewed and invited papers are included in full length in the proceedings with the topics ranging from entrepreneurship theory to creativity and innovation, to entrepreneurship education, from social entrepreneurship to corporate entrepreneurship, from small business to family business, to growing business. Authors come from various institutions in Indonesia and several others countries. At least 12 key and featured speakers from 5 continents are contributing to and at least 200 participants from man countries are attending this conference.

In this occasion, I am honored to thank all contributors to the conference including all authors and reviewers, all key speakers and program facilitators, participants and prominent guest, all sponsors including academic institutions, small to large business, governmental institutions, and communities. I have been blessing to work with a dedicated organizing committee consisting of Ciputra University and CIEL SBM ITB staff members, and to receive a lasting support from SBM-Alumni Association. Thanks and appreciations are also due to Prof. Sudarso Kaderi wiryono, Dean of SBM, Prof. Akhmaloka, Rector of ITB, and Ir. Tony Antonio, M.Eng, Rector of Ciputra University, for their continuous support to IICIES 2012.

As the conference is intended, I hope it will contribute to the development of innovation, entrepreneurship, and small business in Indonesia and I look forward to seeing an entrepreneurial and better Indonesia; full of pride and prosperity!

We apologize for any mistakes and inconveniences that may happen. Hopefully you enjoy the conference.

DwiLarso, PhD
Conference Chair