Financial Report: IceCream Franchise - Indonesia

Author: APOLLO Assistant | Profile: Financial_report_v1

1. Executive Summary

This report evaluates the financial prospects of launching or expanding an ice cream franchise business in Indonesia, drawing on recent Indonesian franchise research and broader franchise concepts. Evidence is primarily from studies on Indonesian franchise dynamics and food & beverage (F&B;) franchises [1-5], plus a consumer study on a leading ice cream & drink brand (Mixue) [6].

What the cited evidence supports:

- The franchise model in Indonesia is described as relatively capital-efficient and attractive for small and medium entrepreneurs, mainly because it allows them to leverage existing brands and systems rather than build from scratch [2][4][5]. - Food and beverage franchises are identified as among the more dynamic and popular segments, with examples of brands that offer relatively affordable start-up capital and promising business opportunities [4]. - Digital platforms and online franchise marketplaces (e.g., FranchiseGlobal.com) are documented as important tools for franchise visibility and lead generation, and are increasingly used in franchise expansion strategies in Indonesia [3]. - Legal and regulatory frameworks for franchising exist but are characterized in the literature as incomplete and sometimes unclear, creating perceived contractual and compliance risks [2][5].

What is assumption-based (not directly evidenced in the cited papers):

- Specific financial attractiveness of ice cream franchises (e.g., expected margins, payback periods). - Detailed demand strength for ice cream specifically, beyond the case of Mixue and general F&B; trends. - The exact impact of integrating digital marketing and delivery platforms on outlet-level financial performance.

Assumption-based financial indication (for clarity, not evidence-based):

- A typical small-format ice cream franchise kiosk in a Tier-1 or Tier-2 Indonesian city might achieve a payback period of roughly 2.5-4 years in a base case, with EBITDA margins in the mid-teens to low-20s. This is explicitly an assumption extrapolated from generic F&B; franchise economics and Indonesian cost levels, not from the cited academic studies.

The remainder of this report outlines the market context, revenue and cost drivers, key risks and opportunities, and an illustrative scenario analysis. Where evidence is weak or absent, this is explicitly labeled as assumption-based.

---

2. Market Overview

2.1 Indonesian Franchise Environment

The literature portrays franchising in Indonesia as an effective and potentially profitable method for business expansion, especially for entrepreneurs with limited capital [2][4][5].

- Franchising is described as a way to ride on an established brand s reputation, reducing the need for independent R&D;, marketing, and promotion [2]. - The franchise industry is noted as contributing to job creation and economic inclusion, offering opportunities to weaker economic groups [2]. - Despite these advantages, public understanding of franchising is reported as still limited, and some entrepreneurs prefer to build their own businesses due to perceived legal and contractual uncertainties [5].

From a legal standpoint, franchise arrangements in Indonesia are governed by government regulations and Minister of Trade regulations, in addition to general civil law [2][5]. Studies highlight that:

- Franchise contracts are grounded in civil law principles, with rights and obligations defined in agreements between franchisor and franchisee [5]. - Franchise-specific regulations are described as still very inadequate, contributing to uncertainty and reluctance among some entrepreneurs [5].

Implication (Assumption): For investors in ice cream franchises, this environment suggests heightened importance of careful contract review, disclosure, and compliance, although the literature does not provide quantitative measures of legal risk incidence.

2.2 Franchise Industry Trends in Indonesia

A 2024 study on food franchise businesses in Indonesia reports that [4]:

- The franchise sector is diversifying, with food and beverage concepts highlighted as a significant and growing part of the market. - Consumer preferences are shifting toward value-added brands-those offering more than low price, such as unique flavors, lifestyle positioning, or perceived quality. - Key success factors include a robust business model, strategic location, competent management, and efficient operations. - Popular F&B; franchises (e.g., Ayam Sabana, Kebab Baba Rafi, Tahu Jeletot Taisi) illustrate that relatively affordable start-up capital can be associated with promising business opportunities, though the study does not provide detailed financial metrics.

Digital media is documented as central to franchise development:

- FranchiseGlobal.com is presented as a key online platform connecting franchisors and prospective franchisees in Indonesia [3]. - Digital strategies such as advertising, content marketing, and online business matching are reported to support franchise visibility and expansion [3].

Relevance to ice cream franchises (Assumption): While the cited studies do not focus specifically on ice cream franchises, the general F&B; franchise trends and the importance of digital visibility are likely to apply to ice cream concepts, which typically rely on branding, visual appeal, and social media exposure.

2.3 Ice Cream & Trendy Drink Segment

There is no Indonesia-wide quantitative study solely on ice cream franchises in the provided sources. However, a 2023 study on consumer behavior toward the trendy drink brand Mixue Ice Cream Tea provides category-relevant insights [6]:

- Consumers in the study perceived Mixue s products as safe, with safety perceptions linked to appearance, taste, smell, and certification quality [6]. - Information credibility emerged as an important driver of consumer trust, satisfaction, and recommendation behavior [6].

Implications for ice cream franchises (inferred but consistent with [6]):

- Product quality, hygiene, and visible certifications (including halal where relevant) are likely important for building consumer trust. - Transparent, credible information (e.g., online reviews, social media content, official communication) appears to influence consumer behavior in this product category.

Assumption: The rapid expansion of brands like Mixue and other dessert/drink chains across Indonesian cities suggests strong demand for affordable, visually appealing ice cream and drink products, particularly among younger, urban consumers. This is consistent with global QSR and dessert trends but is not directly quantified in the cited Indonesian studies.

2.4 Demand Drivers Specific to Indonesia

Evidence-backed drivers:

- Growth of the franchise industry is supported by digital media and online platforms that enhance visibility and matching between franchisors and franchisees [3]. - Consumers are reported to be shifting toward value-added F&B; brands [4]. - Trust, perceived quality, and credible information are important in consumer behavior for trendy drink/ice cream products [6].

Assumption-based extensions for ice cream franchises (not directly evidenced in the cited papers):

- Demographics: Indonesia s relatively young population and growing middle class likely support sustained demand for affordable indulgence products such as ice cream. - Climate: Indonesia s tropical climate plausibly favors year-round demand for cold desserts, especially in urban and tourist areas. - Tourism: Tourist-heavy locations (e.g., Bali, Yogyakarta, Bandung, Jakarta s malls) are assumed to provide strong foot traffic for branded ice cream outlets, though this is not specifically documented in the cited literature.

---

3. Revenue Drivers and Cost Structure

3.1 Revenue Drivers

The Indonesian franchise literature emphasizes that success depends on a robust business model, strategic location, and competent management [4]. Translating these general findings to an ice cream franchise involves some inference:

1. Location Quality [4] Evidence: Strategic location is identified as a key success factor for food franchises [4]. Application to ice cream (Assumption): - High foot traffic (malls, transit hubs, campuses, tourist areas). - Proximity to youth and family segments. - Good visibility and accessibility.

2. Brand Strength and Digital Presence [1][3][4][6] Evidence: - Trust in the franchisor and brand reputation influences intention to purchase a franchise [1]. - Digital media strategies and platforms like FranchiseGlobal.com enhance franchise visibility [3]. - Perceived credibility of information affects consumer trust and recommendation for trendy drink/ice cream products [6]. Application to ice cream (Assumption): - Strong brand recognition and active digital presence are likely to increase customer awareness and traffic.

3. Product Offering and Perceived Value [4][6] Evidence: - Consumers favor value-added F&B; brands [4]. - Perceived quality and safety (including certification) are important for trendy drink/ice cream products [6]. Application to ice cream (Assumption): - Differentiated flavors, seasonal offerings, and combo menus may support higher perceived value. - Price positioning needs to align with local purchasing power and value-for-money expectations.

4. Operational Efficiency and Service Quality [4] Evidence: Competent management and smooth operations are cited as success factors [4]. Application to ice cream (Assumption): - Fast service, consistent product quality, and cleanliness likely support repeat visits.

Assumption-based quantitative levers (illustrative only, not from cited data):

- Average transaction value (ATV): IDR 20,000-35,000 per customer, depending on product mix and city tier. - Daily transactions: 80-250 per day for a small kiosk in a mall or high-traffic street, varying by location and brand strength.

These figures are generic assumptions and should not be interpreted as evidence-based benchmarks for Indonesia.

3.2 Cost Structure

The literature indicates that franchising can be more capital-efficient than building a brand from scratch, because franchisees benefit from pre-developed systems, branding, and supply chains [2][4][5]. However, franchisees incur ongoing royalty and marketing fees.

The following cost components for an ice cream franchise in Indonesia are structurally consistent with franchise practice described in the literature, but the specific percentages and amounts are assumptions:

1. Initial Investment (Capex) Supported conceptually by [2][4][5], but not quantified in the sources: - Franchise fee (one-time). - Fit-out and equipment (freezers, display counters, POS, signage). - Initial inventory and working capital.

2. Operating Costs (Opex) Structure consistent with general F&B; operations; not numerically evidenced in the cited papers: - Raw materials (ice cream mix, toppings, cones/cups, packaging). - Labor (store staff, supervisor). - Rent and service charges (mall or street location). - Utilities (electricity, water). - Royalties and marketing fees paid to franchisor. - Local marketing and promotions. - Maintenance and small equipment replacement.

3. Franchise-Specific Costs [2][4][5] Evidence: The literature notes the existence of contractual obligations, including fees and supply arrangements, but does not provide typical percentages. Assumption-based examples: - Royalties: 3-8% of gross sales. - National marketing fund: 1-3% of sales. - Mandatory purchases from franchisor or approved suppliers, affecting gross margin.

Assumption-based indicative cost structure for a small-format outlet (as % of sales):

- Cost of goods sold (COGS): 25-35% - Labor: 15-25% - Rent: 10-20% (higher in prime malls) - Royalties + marketing fees: 5-10% - Utilities + other operating expenses: 5-10%

Under these assumptions, an operating margin (EBITDA) in the range of ~10-25% could be achievable in a well-run outlet. This range is not directly supported by the cited Indonesian studies and should be treated as a generic F&B; franchise heuristic.

3.3 Role of Digital and Online Channels

Digital platforms are explicitly documented as important for franchise development and marketing in Indonesia [3].

Evidence-backed:

- FranchiseGlobal.com and similar platforms provide advertising, content distribution, and online business matching, enhancing franchise visibility and expansion [3].

Assumption-based implications for an ice cream franchise:

- Online delivery platforms (e.g., GoFood, GrabFood, ShopeeFood) may add incremental revenue, especially during off-peak hours or adverse weather, but this is not examined in the cited studies. - Digital marketing (social media ads, influencer collaborations) would likely be a recurring cost line and an important tool to reach target demographics, though the literature does not quantify its ROI for ice cream outlets.

---

4. Key Risks and Opportunities

4.1 Key Risks

1. Regulatory and Contractual Risk [2][5] Evidence: Franchise regulations in Indonesia are described as incomplete and inadequate, leading to uncertainty [5]. Franchise arrangements are governed by a combination of civil law and specific regulations [2][5]. Risk (inferred): Ambiguous legal protections and uneven enforcement may expose franchisees to unfavorable contract terms or disputes over territory, fees, and termination. Mitigation (Assumption): Engage legal counsel familiar with Indonesian franchise law; negotiate clear clauses on territory, renewal, termination, and dispute resolution.

2. Brand and Franchisor Risk [1][2][5] Evidence: Trust in the franchisor is a significant determinant of intention to purchase a franchise [1]. The legal literature highlights the importance of contractual clarity and obligations [2][5]. Risk (inferred): Weak or poorly managed franchisors may fail to provide adequate support (marketing, supply chain, training), affecting profitability and brand equity. Mitigation (Assumption): Conduct due diligence on franchisor track record, financial health, and support systems; favor brands with demonstrated multi-outlet performance.

3. Market Saturation and Competition [4][6] Evidence: The F&B; franchise sector faces fierce competition and rapid diversification [4]. Mixue s prominence suggests intense competition in trendy drink/ice cream segments [6], though saturation is not quantified. Risk (inferred): Overcrowding of similar ice cream and drink concepts in prime locations can compress margins and cannibalize sales. Mitigation (Assumption): Careful site selection, product and experience differentiation, and local market research before signing franchise agreements.

4. Operational Risk [4] Evidence: Competent management and smooth operations are identified as key success factors [4]. Risk (inferred): Poor staff training, inconsistent product quality, or hygiene issues can erode consumer trust, especially in food categories. Mitigation (Assumption): Invest in training, standard operating procedures (SOPs), and regular audits; leverage franchisor s training programs where available.

5. Reputation and Food Safety Risk [6] Evidence: Consumer trust and satisfaction in trendy drink/ice cream products are linked to perceived safety, appearance, taste, smell, and certification [6]. Risk (inferred): Any incident (real or rumored) related to food safety or non-compliance with halal or hygiene standards can cause rapid sales decline. Mitigation (Assumption): Maintain visible hygiene practices, secure and display relevant certifications, and respond quickly to customer complaints.

6. Macroeconomic and Purchasing Power Risk [4] Evidence: Consumers are increasingly value-conscious and seek value-added brands [4]. Risk (inferred): Economic downturns or inflation may reduce discretionary spending on non-essential treats or shift demand toward cheaper alternatives. Mitigation (Assumption): Offer tiered pricing, promotions, and value combos; maintain cost discipline.

4.2 Key Opportunities

1. Growth of F&B; Franchises [4] Evidence: Food and beverage franchises are highlighted as popular and promising, with examples of affordable start-up capital and attractive business opportunities [4]. Opportunity (inferred): Ice cream franchises can potentially benefit from this broader F&B; franchise growth, especially if they offer distinctive products or cross-category offerings (e.g., ice cream + tea).

2. Digital Media and Online Franchise Platforms [3] Evidence: Effective digital strategies and platforms like FranchiseGlobal.com support franchise expansion by increasing visibility and facilitating business matching [3]. Opportunity: Use these platforms to identify franchise opportunities (for franchisees) or recruit partners (for franchisors), and to support brand awareness through content and advertising.

3. Consumer Trust and Certification [6] Evidence: Certification quality and information credibility are key drivers of trust and recommendation for trendy drink/ice cream products [6]. Opportunity: Differentiate through strong halal and quality certifications, transparent sourcing, and visible hygiene standards.

4. Leveraging Franchise Advantages for SMEs [2][5] Evidence: Franchising allows small entrepreneurs to benefit from the success of larger companies without bearing full R&D; and marketing costs [2][5]. Opportunity: For investors without strong brand-building capabilities, franchising offers a structured route to enter the ice cream market with potentially lower strategic risk than starting an independent brand.

5. Geographic Expansion Beyond Tier-1 Cities [4] Evidence: The franchise sector is diversifying and expanding, with government support through training and promotion [4]. Opportunity (Assumption): Secondary cities and tourist destinations may offer less-saturated markets for ice cream franchises, with lower rents and growing middle-class populations, though this is not specifically documented in the cited studies.

---

5. Simple Scenario Analysis

This section provides an illustrative financial scenario for a single small-format ice cream franchise outlet in an Indonesian urban area.

Important caveat: - All figures in this section are assumptions, informed by generic F&B; franchise economics and a qualitative understanding of Indonesian context. - None of the specific numerical values (sales, margins, payback) are directly measured or reported in the cited academic studies.

5.1 Key Assumptions

- Format: Kiosk or small shop in a mall / high-traffic area. - Average transaction value (ATV): IDR 25,000 (base case). - Operating days: 360 days per year. - Cost structure as % of sales (base): - COGS 30% - Labor 20% - Rent 15% - Royalties & marketing 7% - Other Opex 8%

These are illustrative planning assumptions only.

5.2 Annual Revenue Scenarios (Illustrative, Assumption-Based)

Scenario	Avg Transactions / Day	ATV (IDR)	Annual Revenue (IDR million)
Downside	80	22,000	~633
Base	140	25,000	~1,260
Upside	200	28,000	~2,016

Example calculation for base: 140 transactions/day 25,000 IDR 360 days 1,260,000,000 IDR.

Again, these volumes and ATVs are not drawn from the cited literature and should be validated against real franchise disclosure documents and local market data.

5.3 Simplified Profitability (Illustrative, Assumption-Based)

Applying the assumed cost structure to the base case:

Item	% of Sales	Base Case (IDR million)
-------------------------------	-----------:	--------------------------:
Revenue	100%	1,260
COGS	30%	378
Labor	20%	252
Rent	15%	189
Royalties & Marketing	7%	88
Other Opex (utilities, etc.)	8%	101
Estimated EBITDA	20%	252

Under these assumptions, EBITDA margin is ~20%.

If initial investment (franchise fee, fit-out, equipment, initial working capital) is assumed at IDR 700-900 million (typical for small F&B; franchises in malls, as a generic assumption), the simple payback period in the base case would be approximately:

- Payback Initial Investment / Annual EBITDA - Example: 800 million / 252 million 3.2 years (base case).

Downside and upside scenarios would adjust EBITDA proportionally, leading to a payback range of roughly 2-5 years under these assumptions.

These figures are indicative only and should be replaced with franchisor-specific and location-specific data before making investment decisions.

---

6. Conclusion and Recommended Next Steps

6.1 Conclusion

Based on the cited Indonesian franchise research and cautious extrapolation:

- Franchising is an established and growing business model in Indonesia, with food and beverage franchises playing a prominent role [2][4][5]. - Ice cream and trendy drink concepts, as illustrated by the Mixue case, can attract consumer interest when they deliver perceived quality, safety, and value, and when information about them is credible [4][6]. - Digital media and online platforms are important for franchise expansion and visibility [3]. - Legal and regulatory frameworks for franchising exist but are perceived as incomplete, contributing to contractual and compliance concerns [2][5].

For investors considering an ice cream franchise in Indonesia, the model appears potentially attractive, but the specific financial outcomes (e.g., mid-teens to low-20s operating margins and 2.5-4 year payback periods) are assumption-based and not directly supported by the academic evidence reviewed. Actual performance will depend heavily on location, brand selection, contract terms, and operational execution.

6.2 Recommended Next Steps

The following steps are recommended before committing capital, with explicit distinction between evidence-based rationale and assumption-based extensions:

1. Market and Location Study - Evidence-based rationale: Location and market conditions are key success factors for food franchises [4]. - Actions (Assumption): - Conduct micro-market analysis in target cities (e.g., Jakarta, Surabaya, Bandung, Bali) to assess foot traffic, competition, and rental levels. - Validate demand for ice cream and trendy drink products in specific catchment areas, including youth and family segments.

2. Franchisor Due Diligence - Evidence-based rationale: Trust in the franchisor influences intention to purchase a franchise [1]; management and business model robustness are success factors [4]. - Actions (Assumption): - Review franchisor s track record, number of operating outlets, closure rates, and support systems. - Assess brand strength, digital presence, and consumer perception (e.g., social media sentiment, online reviews) [3][6]. - Request detailed financial disclosure (typical sales, cost structure, required capex) for existing outlets.

3. Legal and Contract Review - Evidence-based rationale: Franchise-specific regulations are considered inadequate, and contracts are central to defining rights and obligations [2][5]. - Actions (Assumption): - Engage Indonesian legal counsel experienced in franchise law to review the franchise agreement. - Focus on territorial rights, renewal terms, fee structures, supply obligations, and termination clauses.

4. Financial Modeling and Sensitivity Analysis - Evidence-based rationale: The literature highlights the importance of robust business models and management but does not provide detailed financial templates [4]. - Actions (Assumption): - Build a detailed financial model using location-specific assumptions for rent, labor, and expected sales. - Run sensitivity analyses on key variables (transactions per day, ATV, rent, royalty rate) to understand downside risk and breakeven points.

5. Operational Planning and Training - Evidence-based rationale: Competent management and smooth operations are critical success factors [4]; perceived safety and quality are crucial for consumer trust [6]. - Actions (Assumption): - Evaluate the franchisor s training and operational support programs. - Plan for staff recruitment, training, and retention, with particular emphasis on hygiene and customer service.

6. Digital and Marketing Strategy - Evidence-based rationale: Digital media and platforms like FranchiseGlobal.com support franchise visibility and expansion [3]; information credibility affects consumer behavior [6]. - Actions (Assumption): - Develop a localized digital marketing plan (social media, influencers, promotions) aligned with the franchisor s brand guidelines. - Explore partnerships with delivery platforms and loyalty programs to drive repeat visits.

7. Pilot and Scale Strategy - Evidence-based rationale: The literature underscores the importance of a robust business model and management but does not prescribe scaling strategies [4]. - Actions (Assumption): - Consider starting with one or a small cluster of outlets as a pilot to validate assumptions before committing to multi-unit development. - Use pilot performance to refine site selection criteria, staffing models, and marketing tactics.

By following these steps, an investor can draw on the structural advantages of franchising documented in Indonesian research [2][4][5], while explicitly recognizing and managing the legal, competitive, and operational uncertainties inherent in the ice cream franchise segment.

References

[1] Erwin Ardianto Halim (2019). The Impact of Website Quality, Trust and Behaviour Control to Intention to Purchase Franchise Business Based on Theory of Planned Behavior and D&M; Model. International Conference on Information Management and Technology.

[2] Sri Hudiarini (2019). Franchise on Treaties Law in Indonesia as Continuous Business Model. Journal of Law Policy and Globalization.

[3] Susilowati Ningsih, E. Hamdi, Rhian Indradewa, Ferryal Abadi (2024). FranchiseGlobal.com: Digital Media Strategy in the Development of Franchise Industry and Business Opportunities in Indonesia. Journal La Bisecoman.

[4] Alda Chairani, Pricilia Johani Sakti, Novita Widyastuti Sugeng, Fachrul Husain Habibie, Freddy Triono (2024). Food Franchise Business in Indonesia. Technium Social Sciences Journal.

[5] Unknown authors (2023). Legal Evaluation of Franchise Business Contracts Using Civil Law. AURELIA: Jurnal Penelitian dan Pengabdian Masyarakat Indonesia.

[6] Shofwah Syafira, Farah Nur Syafi`ah Wijayanti, Nerning Galidha Wildatika (2023). An Investigation on Consumer Behavior Concerning Trendy Drink in Islamic View. OpenAlex W4393008229.

[7] G rard Cliquet (2000). Plural Form Chains and Retail Life Cycle: An Exploratory Investigation of Hotel Franchised/company-Owned Systems in France.