

BUSINESS FEASIBILITY OF AMOR DONUT**Maria Bonita Sihombing¹, Sonny V. Sutedjo²**¹President University, maria.sihombing@student.president.ac.id²President University, sonny@president.ac.id**ABSTRACT:**

After the Covid-19 pandemic, the food business landscape has evolved from focusing solely on dine-in services to also encompassing delivery orders. Furthermore, the pandemic has ushered us into an era where social media presence is increasingly massive, leading to numerous food products going viral in a short span of time. Consequently, the cycle of growth in the food business has become exceedingly rapid and creative. In response to these changes, Amor Donut, operating in the sweet bakery industry, provides not only dine-in and delivery services but also employs a pre-order system. Amor Donut is targeted to provide profits that increase each quarter by 20-30% for the next 5 years. This business uses IDR 300,000,000 capital with an NPV of IDR 42.465.615 and will get BEP for 1 years and 8 months.

Keywords: Feasibility study, business plan, food industry

1. Introduction

Food and beverages industry is the most potential business field. Plus, now it is getting easier because of technological developments. People have shifted away from dining in restaurants and have instead embraced online food ordering. It's worth noting that the global market for functional food and beverages is exhibiting consistent growth from 2020 and is projected to continue increasing until 2028. Consequently, food products in market are increasingly diverse and creative. In the food business, there are various types of food, ranging from heavy food, fast food, rice bowls, snacks, bakery, biscuits, sweet bread such as donuts, and many more.

One of the popular food businesses is the donut business. The annual global donut market consistently demonstrates growth, projecting a Compound Annual Growth Rate (CAGR) of 2.65% from 2022 to 2027. The market's size is anticipated to witness a substantial increase, amounting to USD 3,212.84 million. This data underscores the continuous and steady expansion of the donut industry, highlighting the significant business prospects it offers in the market and its promising outlook for the future.

In Indonesia itself, donuts are also in demand by the public. The potential level of the donut business is also supported by data Based on 2020 food consumption statistics data by the Ministry of Agriculture Indonesia, donuts are included in the category of sweet breads, and the average per capita consumption of sweet bread in 2020 reached 1,129 ounces per week. This figure is higher than the average per capita consumption of other variants such as white breads which reached 438 ounces per week. Average per capita consumption of sweet breads rose 2.26% in 2020 from 1,104 ounces per week in 2017.

2. Literature Review

To assess the feasibility of this plan in light of trends in food and financial industries, several studies were carried out to generate and gather data. The result will be divided into two parts consisting of primary analysis covering industry feasibility and secondary analysis covering financial feasibility.

Industry analysis was conducted using the Porter's five forces framework, SWOT analysis, and Business Model Canvas. Porter's Five Forces, introduced by Michael E. Porter in 1979, is a model designed to analyze the competitive forces within an industry, that allows businesses to assess the competitive landscape and identify factors that could impact profitability. SWOT analysis is a strategic planning tool used to identify an organization's internal strengths and weaknesses, as well as external opportunities and

threats. SWOT helps businesses understand their competitive position and develop strategies for improvement (Gürel & Tat, 2017). And Business Model Canvas helps organizations visualize and describe their business model and allows companies to articulate how they create, deliver, and capture value in a concise and visually appealing manner (Osterwalder & Pigneur, 2010)

Financial Feasibility was conducted using table of Income Statement, Cash Flow, and Balance Sheet. The Income Statement, also known as the Profit and Loss Statement (P&L), is a financial document that provides a summary of a company's revenues, expenses, and profits over a specific period. The Cash Flow Statement details the inflows and outflows of cash within a business over a specific period, divided into operating, investing, and financing activities (Weil et al., 2013) (Weil, Schipper, & Francis, 2013). And Balance Sheet is a financial statement that provides a snapshot of a company's financial position at a specific point in time. The balance sheet offers a clear picture of what the company owns and owes, serving as a foundation for assessing its financial health and capital structure.

This analysis was then processed to determine the Net Present Value (NPV), Payback Period (PP), Return-On-Asset (ROA), and Return-On-Sales (ROS).

3. Result And Discussion

The result will be divided into two parts consisting of primary analysis covering industry feasibility and secondary analysis covering financial feasibility.

Industry feasibility

Industry feasibility was analyzed using Porter's Five Forces, SWOT Analysis and Business Model Canvas.

Porter's Five Forces

Porter's Five Forces is a method that analyses and identifies strengths and weakness of the industry to determine the business strategy to be used.

a. Competitive Competition among Existing Competitors

In the area around Amor Donut, businesses engaged in the same field, namely donuts, are still few, compared to the breadth of the market, competition between these businesses is very tight, because each has a brand identity and principles, and different characteristics. In addition, Amor Donut competitors have been around for longer, so Amor Donut needs to win the hearts of their costumers so they turn to Amor Donut. Not only donut shops, various bakery shops also include donuts as their products, thus adding to the high level of competition. However, Amor Donut can successfully fight them by using the right marketing strategy and occupying a strategic location.

Intensity : High

b. Bargaining Power of Supplier

Indonesia is a country rich in natural resources, so Amor Donut does not experience severe difficulties with the material of manufacture. However, because it is located in a location that is still far from the capital, some doughnut-making materials must be shipped. Of course, production costs will increase, but if Amor Donut builds good and mutually beneficial business cooperation with suppliers, Amor Donut can still reduce production costs to a minimum, so that the quality of donuts is maintained.

Intensity : Low

c. Bargaining Power of Buyer

Amor Donut chose a very strategic location, namely the area where schools ranging from Junior High School to Senior high School were established, not only that many government offices were also established there. Even the area is far from Amor Donut's competitors. So Amor Donut can master the market. That way the bargain power of buyers cannot shake or control Amor Donut too much. As long as Amor Donut can move market opinion and not lose them, namely Generation Z and Y, and as long as Amor Donut implements appropriate marketing strategies, Amor Donut can compete with competitors.

Intensity : Low

d. Threat of Subsidies

Donut is a food that is processed for a long time, with a long product durability that is not long enough. This raises the risk that Amor Donut can be replaced with packaged food products that are usually sold in food stores with a longer expiration time. The surrounding culture that is more cindering likes salty and spicy food is also one of the factors that make the possibility of product substitution.

Intensity: Medium

e. Threat of New Entrants

With the development of many food franchises in Indonesia, there will be many similar businesses that have sprung up or businesses that will continue to grow rapidly. Focused on the development of technology and social media, this makes a business can grow very quickly. This makes this business will be a fairly common business to do because of the simple and flexible this business to absorb modern and contemporary concepts that many people are looking for. And because of the ease and amount of access that can be taken to build this business, therefore the threat from new entrants is high.

Intensity: High

SWOT Analysis

SWOT Analysis is a strategic planning method used to help identify strengths, weaknesses, opportunities, and threats in the ongoing project as well as project planning. The purpose of this analysis is to describe the situation and conditions faced by business.

a. Strength:

1. Amor Donut provide excellent and fast service to customers.
2. Amor Donut use High quality and healthy ingredients
3. Amor Donut has Strategic Location
4. Amor Donut sells Premium donuts at affordable prices
5. Amor Donut has Various Flavors Variants
6. Amor Donut provide Free delivery service around Toba Regency (max 10 km from the production house)
7. Amor Donut use pre-order system

b. Weakness:

1. As A New Entrance. a newly opened business, of course, Amor Donut must compete fiercely with competitors who have long dominated the donut market in the region.
2. Material Supply. The location of the amor donut production house is far from the capital of North Sumatra, taking up to 5 hours by car. Though some of the raw materials for making donuts are only available in the capital. Thus, Amor Donut spent even more funds on the cost of materials sent.

c. Opportunity :

1. It is a tourism area with the privileges of the Lake Toba authority. More and more visitors will come to Lake Toba, and this area will be increasingly known domestically and internationally. Amor Donut can use this opportunity to further expand his business target.
2. Government programs that support Small and Medium Enterprises. Currently, there are many programs provided by the central and even local governments to support entrepreneurs. Amor Donut himself has tried to participate in one of his programs, namely the packaging surgery program, which helps local businesses to make quality and attractive packaging. There are many more programs opened by Government.
3. Forging partnerships with local businesses, such as cafes, restaurants, or catering companies, to provide donuts as part of their product offerings can create mutually beneficial collaboration opportunities.

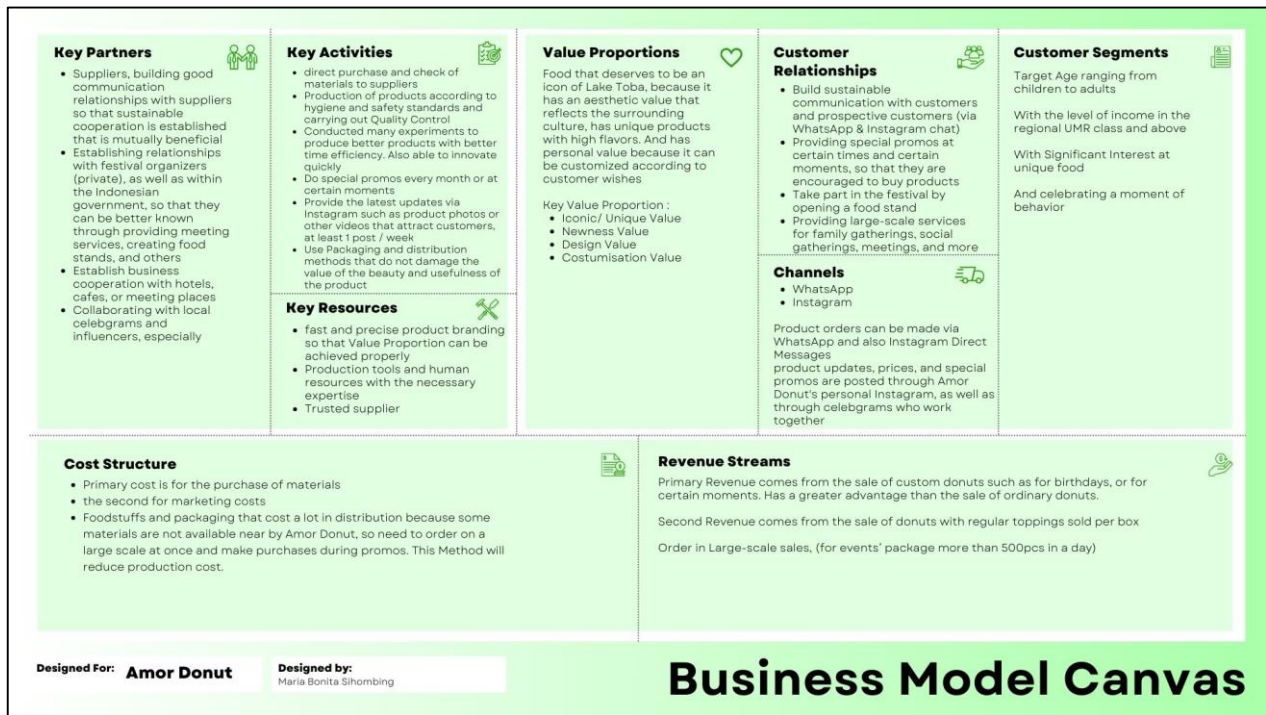
d. Threat:

1. Competitors who have been in business longer and already have outlets that can be visited by customers directly. In the Lake Toba area, there are not many who sell premium food products. Especially for the donut market, Amor Donut has 2 competitors. This competition is a challenge for Amor Donut itself.
2. New competitors also have a high possibility of being able to threaten Amor Donut. Because the friendly area of Lake Toba is rapidly developing into an industrial centre, as well as various government programs that encourage the opening of new businesses, even many similar franchises that are developing now, can all be a threat to Amor Donut.

Business Model Canvas (BMC)

The BMC comprises nine building blocks: Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure.

Picture 1.1 BMC of Amor Donut



Financial Feasibility :

1. The depreciation rate for the assets is set at 10% per year
2. Expenditure on promotion costs is carried out based on a budget that Amor Donut has been prepared and increases by 5% every year
3. COGS 30% of total sales
4. Salaries (including incentives) of Amor Donut's employees increased by 10% per year
5. Payment of tax based on applicable laws in Indonesia, which is 0.5% of gross sale.

Table 1.1 Table of Amor Donut Fund Sources and Reports

Source and Fund Statement	
Source	Amount (IDR)
Owner Investment	300.000.000
Total	300.000.000
Cost	
Cost	Amount (IDR)
Equipment	15.315.000
Furniture	3.000.000
Marketing and Promotion	24.962.500
Salaries	175.500.000
Additional Cost	1.775.000
Inventory	45.515.000
Distribution Cost	250.000
Building renovation	10.000.000
Cash (Working capital)	23.682.500
Total	300.000.000

Table 1.2 Table of Amor Donut's Income Statement

Income Statement (IDR)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Sales	541.503.000	622.728.450	716.137.718	823.558.375	947.092.131
COGS (30%)	162.450.900	186.818.535	214.841.315	247.067.513	284.127.639
Gross Profit	379.052.100	435.909.915	501.296.402	576.490.863	662.964.492
Expenses					
Salaries	175.500.000	193.050.000	212.355.000	233.590.500	256.949.550
Marketing & Promotion	24.962.500	26.210.625	27.521.156	28.897.214	30.342.075
Utilities Expenses					
Electricity	8.000.000	8.400.000	8.820.000	9.261.000	9.724.050
Gas	3.500.000	3.675.000	3.858.750	4.051.688	4.254.272
Water	1.500.000	1.575.000	1.653.750	1.736.438	1.823.259
Distribution Cost	250.000	275.000	302.500	332.750	366.025
Additional Cost	1.775.000	1.863.750	1.956.938	2.054.784	2.157.524
Building Renovation	10.000.000	-	-	-	-
Depreciation Equipment	1.531.500	1.378.350	1.240.515	1.116.464	1.004.817
Depreciation Furniture	300.000	270.000	243.000	218.700	196.830
Depreciation Vehicle	2.000.000	1.800.000	1.620.000	1.458.000	1.312.200
Total Expenses	229.319.000	238.497.725	259.571.609	282.717.537	308.130.602
Net Income Before Tax	149.733.100	197.412.190	241.724.794	293.773.326	354.833.890
Tax (0.5%)	748.666	987.061	1.208.624	1.468.867	1.774.169
Net Income	148.984.435	196.425.129	240.516.170	292.304.459	353.059.721
Average Monthly Net Income	12.415.370	16.368.761	20.043.014	24.358.705	29.421.643

Table 1.3 Amor Donut's Statement of Cash Flow

Cash Flow (IDR)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Balance	300.000.000	414.500.935	465.389.979	512.584.535	567.165.988
Cash Inflow					
Sales Revenue	541.503.000	622.728.450	716.137.718	823.558.375	947.092.131
Total Cash Inflow	541.503.000	622.728.450	716.137.718	823.558.375	947.092.131
Cash Outflow					
Sales Disbursement					
COGS (30%)	162.450.900	186.818.535	214.841.315	247.067.513	284.127.639
Marketing Expenditure					
Marketing and Promotion	24.962.500	26.210.625	27.521.156	28.897.214	30.342.075
Administrative Expenditure					
Salaries	175.500.000	193.050.000	212.355.000	233.590.500	256.949.550
Utilities Expenditure					
Electricity	8.000.000	8.400.000	8.820.000	9.261.000	9.724.050
Gas	3.500.000	3.675.000	3.858.750	4.051.688	4.254.272
Water	1.500.000	1.575.000	1.653.750	1.736.438	1.823.259
Distribution Cost	250.000	275.000	302.500	332.750	366.025
Additional Cost	1.775.000	1.863.750	1.956.938	2.054.784	2.157.524
Capital Expenditure					
Building Renovation	10.000.000	-	-	-	-
Equipment	15.315.000	-	-	-	-
Furniture	3.000.000	-	-	-	-
Vehicle	20.000.000	-	-	-	-
Tax (0.5%)	748.666	987.061	1.208.624	1.468.867	1.774.169
Total Cash Outflows	427.002.066	422.854.971	472.518.033	528.460.753	591.518.563
Cash Flow	114.500.935	199.873.479	243.619.685	295.097.623	355.573.568
Dividen Return	-	(148.984.435)	(196.425.129)	(240.516.170)	(292.304.459)
Ending Balance	414.500.935	465.389.979	512.584.535	567.165.988	630.435.096

Table 1.4 Amor Donut's Balance Sheet

Balance Sheet (IDR)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	414.500.934,50	465.389.979,05	512.584.534,53	567.165.987,52	630.435.096,42
Total Current Assets	414.500.934,50	465.389.979,05	512.584.534,53	567.165.987,52	630.435.096,42
Fixed Assets					
Equipment	15.315.000,00	13.783.500,00	12.405.150,00	11.164.635,00	10.048.171,50
Depreciation	(1.531.500,00)	(1.378.350,00)	(1.240.515,00)	(1.116.463,50)	(1.004.817,15)
Furniture	3.000.000,00	2.700.000,00	2.430.000,00	2.187.000,00	1.968.300,00
Depreciation	(300.000,00)	(270.000,00)	(243.000,00)	(218.700,00)	(196.830,00)
Building	200.000.000,00	180.000.000,00	162.000.000,00	145.800.000,00	131.220.000,00
Depreciation	(20.000.000,00)	(18.000.000,00)	(16.200.000,00)	(14.580.000,00)	(13.122.000,00)
Vehicle	20.000.000,00	18.000.000,00	16.200.000,00	14.580.000,00	13.122.000,00
Depreciation	(2.000.000,00)	(1.800.000,00)	(1.620.000,00)	(1.458.000,00)	(1.312.200,00)
Total Fixed Assets	214.483.500,00	193.035.150,00	173.731.635,00	156.358.471,50	140.722.624,35
Total Assets	628.984.434,50	658.425.129,05	686.316.169,53	723.524.459,02	771.157.720,77
Liabilities and Equity					
Owner Investment	300.000.000,00	300.000.000,00	300.000.000,00	300.000.000,00	300.000.000,00
Equity	180.000.000,00	162.000.000,00	145.800.000,00	131.220.000,00	118.098.000,00
Paid in Capital	-	148.984.434,50	196.425.129,05	240.516.169,53	292.304.459,02
Retained Earning	148.984.434,50	196.425.129,05	240.516.169,53	292.304.459,02	353.059.720,77
Dividend Return	-	(148.984.434,50)	(196.425.129,05)	(240.516.169,53)	(292.304.459,02)
Total Liabilities and Equity	628.984.434,50	658.425.129,05	686.316.169,53	723.524.459,02	771.157.720,77

Table 1.5 Payback Period of Amor Donut

Payback Period					
	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Investment	300.000.000				
Cash Flow	114.500.935	199.873.479	243.619.685	295.097.623	355.573.568
Cumulative Cash Flow	414.500.935	614.374.414	857.994.098	1.153.091.721	1.508.665.289

Payback Period = $n + (a - b) / (c - b) \times 1 \text{ year}$

After the calculation, Amor Donut will get payback at 1 year 8 months.

Table 1.6 Net Present Value

Net Present Value			
Year	Cash Flow	DF 5%	PV (IDR)
0	(300.000.000)	100%	(300.000.000)
1	114.500.935	67%	76.333.956
2	199.873.479	44%	88.832.657
3	243.619.685	30%	72.183.610
4	295.097.623	20%	58.290.888
5	355.573.568	13%	46.824.503
Total NPV (IDR)			42.465.615

4. Conclusion and Implications

Base on the results and discussions, it can be conclude that :

- a. Based on Porter's Five Forces and SWOT Analysis, there is a excellent opportunity to run this food business to make Amor Donut's a profitable business opportunity.
- b. Based on the Payback Period and Net Present Value, Amor Donut's financially viable, and running the business is a profitable one for the owner.

References

- Azmi, A., & Genoveva, G. (2020). The Change Of Indonesians Lifestyle Towards Food Purchase Decision During Covid-19 Pandemic. *International Business on Family Business and Enterprenurship*.
- Barringer, B. R. (2009). *Preparing Effective Business Plans an enterprenial Approach*. New Jersey: Pearson Prentice Hall.
- Choi, S. (1999). Destination image representation on the web: content analysis of Macau travel related websites. *Tourism Management*.
- Gürel, E., & Tat, M. (2017). SWOT analysis: A theoretical review. *Journal of International Social Research*.
- Honig, B., & Karlsson, T. (2004). Institutional Forces and The Written Business Plan. *Journal of Management*.
- Koswara, S. (2009). Teknologi Pengolahan Roti. *Seri Teknologi Pangan Populer (Teori Praktek)*.
- Lahindah, L., & Manurung, S. P. (2015). INFLUENCE OF ENTREPRENEURIAL MINDSET TOWARDS PRODUCT INNOVATION: (CASE STUDY ON MOM'S BAKERY IN BANDUNG). *2nd International Conference for Emerging Markets*, (pp. 76-80). Bali.
- Lin, L., & Mao, P.-C. (2015). Food for memories and culture – A content analysis study of food specialties and souvenirs. *Journal of Hospitality and Tourism Management*.
- Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation*. Jhon Wiley and Sons.
- Santhi, K., & Sonny. (2020). BUSINESS FEASIBILITY STUDY RESTAURANT IN NUSA DUA - BALI. *The 4th International Conference on Family Business and Entrepreneurship*, 15.
- Setyawan, F. (2018). PENGARUH PENAMBAHAN SHORTENING DAN GLISERIL MONOSTEARAT TERHADAP KARAKTERISTIK FISIKOKIMIA DAN SENSORI ROTI MANIS.
- Sonny, & Wimartanti, S. (2020). BUSINESS. *The 4th International Conference on Family Business and Entrepreneurship*.
- Sutrisno, Adi, P. C., Hendrayani, E., Jokhu, J. R., & Yusuf, M. (2022). Positioning Women Entrepreneurs in Small and Medium Enterpries in Indonesia - Food & Beverages Sector. *Enrichment : Journal of Management*.
- Wahyuningtyas, T. (2018).). Pengaruh Proporsi kentang, Puree ubi Jalar Putih (*Ipomoea batatas*) dan Puree Wortel (*Daucus carota*. L) Terhadap Sifat Oragoneptik Donat. *Jurnal Boba Universitas Negeri Surabaya*.
- Weil, R., Schipper, K., & Francis, J. (2013). *Financial accounting: An introduction to concepts, methods and uses*. Cengage Learning.