

BUSINESS FEASIBILITY STUDY OF POSH POTATO**Halimah Nur Afriani ¹, Sonny ²**¹President University, halimahafriani@gmail.com²President University, sonny@president.ac.id

ABSTRACT

Potato chips are a popular snack food in Indonesia among many people. It has been demonstrated that potato chips are virtually always offered in all stores, big and small, in Indonesia. This phenomenon arises from the fact that potato chips are a snack that appeals to all dietary groups due to its light and crunchy taste. The creation of new potato chip flavors and packaging that adapts to the newest trends based on consumer references particularly those from Generation Z and Millennials was subsequently the result of this. For five years, Posh Potato aims to generate 5–15% of sales per quarter. The Posh Potato business projects that, with an initial capital of Rp. 220,000,000 and a cumulative NPV value of Rp. 686,022,266 with a ROA of 14% and a ROS of 51% in year 5 it will reach the payback period in year 4. Based on these projections, the Posh Potato business is viable to operate.

Keywords: *Feasibility study, snack industry, business plan.*

1. Introduction

The food and beverage industry continues to grow because food and beverages are a primary human need. Food has an important role in the global economy by supporting consumer confidence, world peace, and survival. Sustaining life depends on keeping food moving through the world's supply system (Telukdarie dkk., 2020). Therefore, the food and beverage industry's expansion and transformation offer businesses a fantastic chance to enter the market, develop fresh approaches to stay in business, and launch new goods into the public eye (Syafi'i dkk., 2023). The variety of food and drink items is a major driver of the food and beverage industry's growth. The food industry itself currently offers a wide variety of food items, ranging from large meals that meet the varying demands of the community to snacks like cookies, doughnuts, and Chips.

Potato chips are one of the most popular snacks in the world. The fact that there are so many brands of potato chips and that they have spread over the globe indicates that people still like them as a snack. Estimates from researchandmarkets.com indicate that between 2022 and 2028, the global market for potato chips is projected to grow yearly. The global potato chip market was valued at US\$33.3 billion in 2022. According to the publication, the market is expected to develop at a compound annual growth rate (CAGR) of 3% between 2023 and

2028, when it is expected to reach US\$ 40.0 billion. According to this statistics, there is potential in the potato chip industry for the foreseeable future.

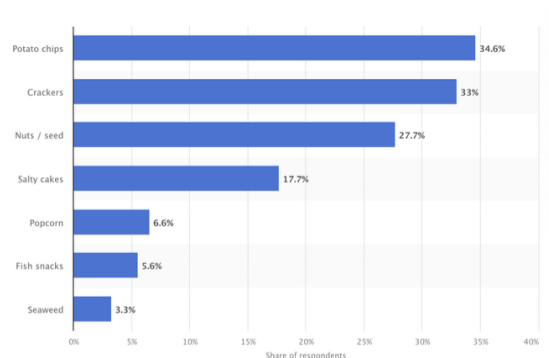
The large number of potato chip products found in small businesses such as MSMEs and supermarkets shows that potato chips are also a popular snack food in Indonesia. Businesses have a great opportunity to sell these chips as consumers are attracted to them. Statista.com predicts that Indonesia will continue to see an increase in potato chip consumption. The volume of potato chips in Indonesia was estimated to reach 84.79 million kilograms in 2018. Since then, the volume has steadily increased, and by 2028, it is expected to reach 129.90 million kilograms.



Graphic 1. Volume prediction chart of potato chips in Indonesia.

Source: statista.com,2024

In February 2022, potato chips were the most frequently purchased salty snack in the past week in Indonesia, indicating how popular they are among the country's citizens. A survey on the buying of salty snacks found that about 34.6% of Indonesian respondents had bought potato chips in the preceding week, according to statista.com (2022). This illustrates the potato chip market's potential.



Graphic 2. Most Often Purchased Salty Snacks In The Last Week In Indonesia As Of February 2022

Source: statista.com,2022

West Java is one of Indonesia's most populous provinces, which implies it has a substantial market and fantastic business prospects. Many tourists flock to West Java to experience the region's diverse cuisine because of its reputation for having it. Furthermore, West Java is home to several tourist attractions, which gives entrepreneurs the chance to start their businesses. The average weekly expenditure per capita of West Javans on chips (group) went from 2,398,920 Rupiah in 2022 to 2,681,790 Rupiah in 2023, according to BPS (2023). Therefore, based on current opportunities, starting a potato chip business with unique and creative tastes might draw local clients, especially foreigners.

The Posh Potato business decided to establish itself in Subang Regency, West Java, because of the increased number of tourists visiting Subang. The rationale is that Subang is among the cities with a high concentration of tourism attractions, increasing the likelihood that visitors will come. BPS data (2023) shows that 5,953,952 tourists came to Subang in total. Furthermore, the number of visitors to Subang climbed dramatically in 2021, up 3,176,632 from the previous year, according to Open Data West Java (2021), making Subang the second most visited district in West Java.

Table 1. Number of Tourist Coming to Subang Regency

	Foreign	Domestic	Total
2023	10,615	5,943,337	5,953,952
2022	1,529	5,278,881	5,280,410
2021	0	3,176,632	3,176,632
2020	-	-	-
2019	0	1,080,895	1,080,895
2018	-	2,482,798	2,482,798
2017	4,621	176,254	180,875

Source : Badan Pusat Statistik, 2023

A business plan serves as a strategic guide that informs stakeholders and entrepreneurs about the aims, targets, and actions required to achieve success. This business plan aims to be an invaluable resource for anyone thinking about starting a business in the food and beverage industry.

2. Literature Review

Business Overview

Posh Potato is a corporation that specializes in snack marketing. Posh Potato offers high-quality, mouthwatering potato chips to middle-class and upper-class consumers at a reasonable price. Posh Potato offers a variety of tastes, including original, spicy, extra spicy, chocolate, Pineapple sour spicy and Chili sous, so that customers can select the flavor that best suits their palate. Posh Potato uses a production process that puts quality and cleanliness first in order to deliver the highest quality potato chips available.

Posh Potato intends to establish a producing facility in the Ciater sector of Subang. Posh Potato offers two buying options, direct client purchases and online ecommerce purchases. The millennial generation was born into a quickly evolving digital age, therefore they are typically tech aware and highly engaged with social media and mobile devices (Manurung, 2018). This technological development ultimately gave birth to the innovation of online shopping without people coming directly to the store location. So currently both millennial and Z generations like to shop online. For this reason, Posh Potato also has an online store as a result. If customers place large orders for their products, Posh Potato will provide free shipping and packaging design based on the customer's requirements.

In the next 5 years Posh Potato plans to continue product development and market research, by conducting regular market research to understand consumer trends and evolving market preferences. Posh Potato intends to enhance its marketing tactics and expand its product distribution to encompass grocery shops, supermarkets, and local retailers in the next five years, in addition to increasing manufacturing capacity. In the next 10 years, Posh Potato intends to keep establishing a strong brand identity in order to increase brand recognition and broaden its market reach. Additionally, Posh Potato will keep innovating by expanding its product line and refining the product's taste over time in accordance with user perceptions of flavor.

Business Model Canva (BMC)

Business Model Canvas (BMC) is a widely used language for characterizing, illustrating, evaluating, and modifying business models based on an organization's needs. BMC analysis is used to identify Posh Potato business model through BMC analysis of nine key elements, namely value propositions, customer segments, channels, key sources, revenue streams, customer relations, key activities, key partnerships and cost structure. (Wardana & Sitania, 2023).

PESTLE analysis

A PESTLE analysis is a tool used in strategic business planning that offers a framework for understanding how external factors affect an organization, such as a firm. Organizations use it to assess the potential effects of the external environment on a project. Under the general headings of Political, Economic, Social, Technological, Legal, and Environmental (PESTLE) factors, it groups external parameters into different factor categories (Christodoulou & Cullinane, 2019).

Return on Assets (ROA)

Return on Assets (ROA) is a ratio that businesses use to assess how well they can manage their owned assets to generate net income. Better asset productivity in generating net profit is indicated by a greater ratio. We can determine whether a corporation has used its assets efficiently to produce profits through operating operations by looking at its return on assets (ROA) (Wijaya, 2019).

Payback Period

Recovering the initial cost takes time, and this is known as the Payback Period (PBP). When weighed against other options, the option with the fastest payback is more appealing. Benefits of the payback time approach include ease of use and calculation, making it helpful in determining which investment has the quickest recovery period. (Rachadian dkk., 2013).

3. Research Method

Type and Source Of Data

The business expenses related to sales and revenue are measured in this study using a descriptive methodology. The goal of this research project is to create a rigorous research technique and methodically describe the research object's characteristics so that the reader can comprehend the findings and conclusions that are provided. While primary data is gathered through in-depth observation and analysis, secondary data is sourced from pertinent online resources and literature reviews.

Data Collection Method

Two methods were employed to gather data for this study which is field observation and literature review. The literature review examined prior research on the topic and noted business factors such market dynamics, environmental conditions, and selecting the best time and place for operations.

Data Analysis Method

Researchers utilized a quantitative descriptive approach to ascertain the viability of this business concept. The financial information about Posh Potato was gathered via documents and literature reviews. Posh Potato's business feasibility was examined by the application of PESTLE Analysis, the Business Model Canva method, and financial planning, which encompasses Return on Assets (ROA) and Payback Period..

4. Results and Discussion

Business Model Canva

The canvas business model is a tool used in management strategy that graphically represents concepts, clients, infrastructure, and company finances. This section will address each of the nine essential elements that make up the canvas business model :

Value Propositions

Posh Potato offers mouthwatering potato chips in a range of distinctive flavors catered to young patrons' palates. Posh Potato crafts delicious finger snacks with crisp, clean lettering by using premium ingredients and a rigorous production process. One food item that is

frequently consumed by the general people is keripik kentang. In addition to its delicious flavor, it is appropriate for consumption on a variety of circumstances due to its light and crunchy texture.

Customer segments

The Z and Millennial generation, who range in age from 10 to 25 and enjoy a variety of salty, crunchy snacks, is the target market for Posh Potatoes. They choose potato chips as their snack of choice at different occasions. Though Posh Potato has a specific target market in mind, the product itself is actually suited for consumption by a wide range of age groups because to its tasty and crunchy taste, which makes it a great option for family get-togethers.

Channels

Posh Potato intends to open stores and set up booths at well-known tourist locations in the Subang area in order to introduce, promote, and market its products offline. In addition to personal introductions, Posh Potato will use social media to promote its products. Thanks to social media, Posh Potato's advertising efforts can reach a wider audience. Posh Potato's social media platforms include WhatsApp, Instagram, and Tiktok.

Key Sources

Key Resources are the foundation of business operations. Posh Potato needs several elements to function well in order for the business to succeed. These include raw material providers who can consistently deliver high-quality raw materials, including well-selected, respectable potatoes. The equipment for producing the chips, a prime location, a marketing strategy, and the staff members in charge of running the Posh Potato business come next.

Revenue Streams

Posh Potato's main source of income is direct product sales, such as the sale of potato chips in various flavors through the shop at the production facility in the Ciater area, as well as money generated from the booths that Posh Potato sets up in a number of well-known tourist destinations in Subang district to attract visitors. Posh Potato is also using e-commerce platforms to increase revenue in the rapidly growing digital era. Shopee is the e-commerce platform to be used by Posh Potato.

Customer Relations

To maintain loyalty and good relationships with customers, Posh Potato will provide several things that trigger customer closeness to Posh Potato:

- a) Real-time communication and prompt customer support.
- b) Loyalty programs and special promos.
- c) Attendance at festivals and tourism destinations.
- d) Feedback is exchanged.

Key Activities

Key activities are the main activities that exist in this product in order to run according to the sales target.

- a) Research and development of flavors.
- b) Packaging and the production process.
- c) Promotion and marketing of products.
- d) Inventory control.
- e) Process optimization and performance analysis.

Key Partnerships

Posh Potato will search for and guarantee the availability of raw material providers for the production process. Naturally, Posh Potato will select suppliers based on a number of factors, including high-quality potatoes and compliance with standards.

Cost Structure

The cost structure is intended to ensure that Posh Potato's business can handle its money in an efficient manner. At the end of every month, Posh Potato will compile a financial budget to determine the amount spent on staff, operating costs, product marketing, and other charges. By keeping an eye on this cost structure, Posh Potato can manage their finances, prioritize spending that is essential, and maintain a healthy balance between operational costs and revenue.

PESTLE Analysis

PESTLE is an acronym for the following domains: Environment, Technology, Law, Society, and Politics. In relation to the company scenario, this analysis evaluates the five external components. These five elements present both opportunities and challenges, which are examined in this analysis. This is Posh Potato's PESTLE analysis:

Political

The policies and initiatives implemented by the government to support medium-sized industries and Indonesia's economic growth are closely linked. According to New.widyamataram.ac.id, the micro, small and medium enterprise sector is one of the main foundations of the Indonesian economy today. However, MSMEs still have to face a number of difficulties, one of which is a lack of competitiveness.

The government provides policies to assist MSMEs in overcoming obstacles. One example is by promoting the consumption and purchase of domestically-produced goods. If the government provides the right policies and regulations to MSMEs, Posh Potato will be able to feel the impact and follow the guidelines that the government has set for the company. Posh

Potato will be able to do this and join the group of businesses that drive Indonesia's economic development.

Economy

MSMEs are crucial to Indonesia's economy in addressing these recessionary challenges; they weathered the Covid-19 Pandemic and the 1998 financial crisis, for instance. Because of their large GDP contribution and high employment rate, MSMEs have been crucial in helping the world overcome the recession (Sulastris, 2022) .

According to a report from ukmindonesia.id, MSMEs are significant to the Indonesian economy, accounting for more than 60% of the country's GDP annually, or over 8,573 trillion. Furthermore, 116 million workers in Indonesia, or 97% of the labor force, are employed by MSMEs. Posh Potato is among the businesses that benefit the community by generating jobs, which will support future economic growth in Indonesia. By generating jobs for the community, the growth of MSMEs can help the Indonesian economy.

Social

Posh potato's target market is people from the millennial generation and Gen Z. and according to data from ukmindonesia.id, Snacks and Beverages (71.76%) ranks first as goods/products that are often purchased by Gen Z in a month. Gen Z's activities, which are mostly students, college students and just starting to work, make them very fond of consuming snacks and drinks. Of course this is a good factor, because Posh Potato sells potato chips that will be a favorite snack purchased by millennials and gen z in both online and offline purchases.

Technology

Technology has undergone significant development, one of which is in terms of helping to advance people's businesses, Posh Potato will more easily reach a wide target market with the help of technology. In addition to selling products offline, Posh Potato would be better off opening an online store because, according to databoks (2023), Generation Z and millennials spend most of their salaries shopping online. This could be a second source of income for Posh Potato as Posh Potato sells snacks that are suitable for online sales. According to research conducted by Kredivo and Katadata Insight Center (KIC), people spend between 3% and 5% of their monthly income on online shopping. To put it more simply, the return on investment in e-commerce is relatively high. The estimated monthly income for residents aged between 18 and 25 is 4.6 million. An average of 5.4% of their monthly income comes from e-commerce transactions. The 26 to 35 age group has a larger average monthly income of 5.7 million. 5.2% of this amount comes from online sales.

Legal

Posh potato will build its business with the type of MSME. Of course, there are several requirements and steps that Posh Potato must fulfill in building and registering its business. The following are the steps and requirements that Posh Potato needs to fulfill as a condition of

opening a business with the type of MSME:

1. Access the OSS (Online Single Submission) page to get a user account.
2. Fill in the registration data.
3. After filling in the data, OSS will issue a NIB.

Document requirements that need to be prepared before registering MSMEs:

1. Identification card
2. Family Card
3. Business Domicile Certificate (SKDU)
4. Business Identification Number (NIB)
5. Attach a photo of the micro-scale business (UMKM)
6. Statement of Absolute Responsibility (SPTJM).

Environment

Companies must use proper food processing methods and adhere to strict hygiene regulations. The regulations for food and beverage sanitary hygiene outlined in the Regulation of the Minister of Health of the Republic of Indonesia No.1096/MENKES/PER/VI/2011 serve as the basis for these standards. Following established guidelines for food processing is essential, especially when it comes to handling food production waste. This is because proper food waste treatment is part of environmental protection efforts.

Posh Potato will be responsible for properly managing the waste generated during the production of potato chips as a form of their dedication to the environment. One of the steps, Posh Potato will utilize organic waste such as peels and potato scraps to be used as fertilizer, to protect the surrounding environment.

Income Statement

Table 2. Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Sale	432,554,000	497,437,100	572,052,665	657,860,565	756,539,649
COGS (30%)	129,766,200	149,231,130	171,615,800	197,358,169	226,961,895
Gross Profit	302,787,800	348,205,970	400,436,866	460,502,395	529,577,755
Expense					
Marketing and Promotion	3,602,000	3,782,100	3,971,205	4,169,765	4,378,254
Salaries	75,400,000	82,940,000	91,234,000	100,357,400	110,393,140
Gas	2,352,000	2,469,600	2,593,080	2,722,734	2,858,871

POS System	1,288,000	1,352,400	1,420,020	1,491,021	1,565,572
Electricity	9,600,000	10,080,000	10,584,000	11,113,200	11,668,860
Water	6,000,000	6,300,000	6,615,000	6,945,750	7,293,038
Total Expense	98,242,000	106,924,100	116,417,305	126,799,870	138,157,734
Net Income Before tax	204,545,800	241,281,870	284,019,561	333,702,525	391,420,021
Tax (0.5%)	1,022,729	1,206,409	1,420,098	1,668,513	1,957,100
Net Income	203,523,071	240,075,461	282,599,463	332,034,012	389,462,921
Monthly Net Income	16,960,256	20,006,288	23,549,955	27,669,501	32,455,243

Source: Self Developed (2024)

Balance Sheet

Table 3. Balance Sheet

	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets					
Cash	342,786,905	423,861,324	500,875,386	590,319,619	694,123,084
Inventory	359,087,640	736,129,662	1,132,023,785	1,547,712,614	1,984,185,885
Non Current Assets					
Equipments	10,832,310	9,749,079	8,774,171	7,896,754	7,107,079
Equipments Depreciation	(1,083,231)	(974,908)	(877,417)	(789,675)	(710,708)
Furniture	3,985,000	3,586,500	3,227,850	2,905,065	2,614,559
Furniture Depreciation	(398,500)	(358,650)	(322,785)	(290,507)	(261,456)
Total Assets	715,210,124	1,171,993,007	1,643,700,990	2,147,753,871	2,687,058,442
Liabilities and Equity					
Owner Fund	511,687,053	931,917,547	1,361,101,528	1,815,719,858	2,297,595,521
Retained Earning	203,523,071	240,075,461	282,599,463	332,034,012	389,462,921

Total Liabilities & Equity	715,210,124	1,171,993,007	1,643,700,990	2,147,753,871	2,687,058,442
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Source: Self Developed (2024)

Payback Period Analysis

The payback period is formulated as follows:

$$\text{Payback period} = n + \frac{(a+b)}{(c-b)} \times 1 \text{ tahun}$$

Formula description:

n = the last year when the total amount of cash flows still cannot cover the initial investment nominal.

a = Amount of initial investment

b = cumulative total of cash flows in the nth year period

c = cumulative total of cash flows in the nth year + 1st period

Table 4. Payback Period

	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Investment	220,000,000				
Cash Flow	122,786,905	170,861,324	209,925,386	255,727,119	309,341,709
Cummulative Cash Flow	122,786,905	293,648,229	380,786,710	465,652,506	565,068,828

Source: Self Developed (2024)

$$\begin{aligned} \text{Payback Period} &= 4 + (220.000.000 - 122,786,905) / (296,648,229 - 122,786,905) \times 1 \\ &= 4.5 \text{ (4 years 5 months)} \end{aligned}$$

Return on Asset (ROA) analysis

Table 5. Ratio Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Return on Assets (ROA) Net Income / Total Assets	28%	20%	17%	15%	14%
Return on Sales (ROS) Net Income / Net Sales	47%	48%	49%	50%	51%

Return on Investment (ROI)Net Income / Cost of Investment	93%	109%	128%	151%	177%
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Source: Self Developed (2024)

5. Conclusion and Implications

Based on the analysis of the Posh Potato business feasibility study, it can be concluded that:

Based on the Canva Business Model (BMC) and PESTLE Analysis, Posh Potato has the opportunity to run its business, this is because the types of products from the Posh Potato business can be sold by two sales methods, namely offline sales by maximizing store sales, open booths at Subang tourist sites and becoming vendors at an event or institution, the second sales method is by utilizing technology, so Posh Potato has the opportunity to get additional benefits by selling its products online in E-commerce. Another advantage is that Posh Potato offers crispy potato chip snacks that will suit its target market, namely generation Z and Millennials. From a financial perspective, Posh Potato's ROA, ROS and Payback Period values also show that this business is feasible to run.

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