

## **CHAPTER III**

### **BUSINESS PLAN**

#### **III.1 External Environment Analysis**

To start a business, many aspects need to be analyzed, including the external business environment where the business will thrive. The external environment will affect the ability of the business to achieve its strategic goals in many ways (Philip, 2011). This paper analyzes the political, social, economical and technological aspects of the gifting industry and the possibility of building the business in Indonesia using the PEST analysis.

##### **III.1.1 Economic Environment in Indonesia**

According to the World Bank (2018), Indonesia's business sector as a whole depends heavily on the Small and Medium Enterprises (SME) sector. The Small and Medium Enterprises (SME) sector is estimated to account for more than 50% of GDP and about 10% of exports. This economic boost is helping all SMEs expand. Furthermore, Euromonitor International (2017) mentions that Indonesia is undergoing a huge increase in the middle class, with 19.6 million middle class households, the world's fourth largest population of middle class men, which changed the consumer market in the country a great deal. Strong purchasing power and high labor skills will be a great advantage for many businesses from a variety of industries. A rising disposable income has been at a stable growth for over almost two decades, which contributed to more spending on goods and services without looking at the price factor during purchase (Thapa, 2017).

Inflation will impact Merci Hampers because the fluctuated price of basic materials for hampers will affect the selling price. Besides, the Gini index is anticipated to continue to decrease to 36.6% in 2030, improving income equality and giving more stability to the Indonesian

economic environment, which makes it a fertile land for businesses to grow in. For Mercier Hampers, this is a great opportunity because with the increasing middle class earners, a larger market is available to reach.

### **III.1.2 Political Environment in Indonesia**

Expanding population base, urbanization, rising disposable incomes and increasing consumption levels is alerting the government to offer consumer goods companies even more growth through various reforms. A Tempo newspaper mentioned that macro policies and conducive conditions in ASEAN has been made, Indonesia's SME sector is developed through more business meetings between SME businesses and stakeholders to expose them to each other and hoping for more partnership in the future. Moreover, more entrepreneurship trainings will be conducted. The five year development plans (2015 - 2020) involves investing in more "programs that have a direct impact on lower income earners" (Thapa, 2017) which will also expand the middle class and consumer base, driving demand and spending in Indonesia.

Other than that, President Joko Widodo is further supporting the expansion by introducing the fairly new non-ministerial institution called Badan Ekonomi Kreatif or Bekraf, who focuses on products and services resourcing from creative minds such as artwork, architecture and digital innovations. Some of Bekraf's missions are to create a conducive environment for the development of creative industries, encourage innovation development in the creative field that is comparable to the international competition and build awareness and create appreciation in Indonesians for the creative economy. With this, their vision is to create a fully independent creative economy and world power by 2030. Bekraf alone is expected to produce Rp 1.041 T GDP, using 18.2% of labor and contribute US \$23.7 to export. There is a massive opportunity of growth for the business here in Indonesia due to the supporting economy and

government towards new creative businesses. To Merci Hampers, this means that the creative industry of gifting and crafting will be even more appreciated, thus supporting the business environment of Merci Hampers.

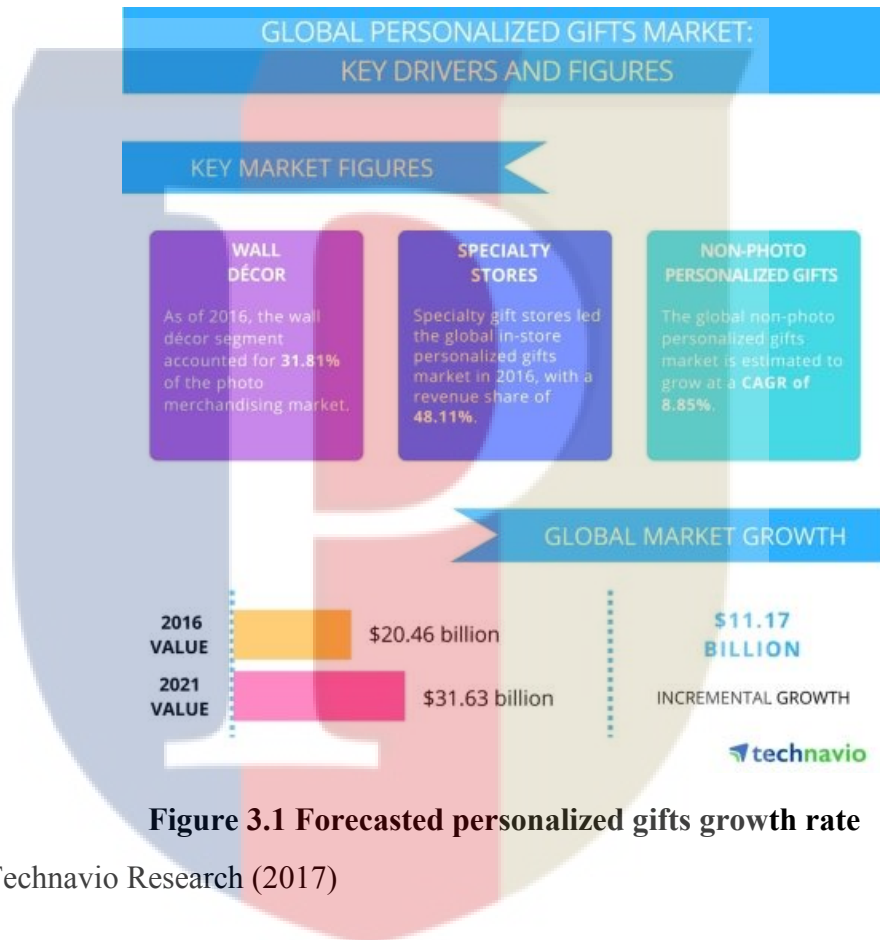
### **III.1.3 Socio-cultural Environment in Indonesia**

74.4% of the Indonesian population is aged below 45 years old and 59.8% below 35 as of 2018 (Population Pyramid, 2018). The age demographics of the Indonesian population is relatively young and high income earners are more likely to spend on luxury goods than before (Euromonitor Research, 2012). Today, Indonesia's population have generally improved education and skills and many of the middle class men are internationally educated in the west. This results to Indonesia embracing globalization, which allows international trends to smoothly affect the Indonesian consumer choice of goods. In the long term, consumer bandwagoning is becoming a cultural phenomenon for Indonesians, especially with the presence of social media.

Because Indonesia is a melting pot of cultures, especially in Jakarta, festivities are celebrated all year long ranging from cultural (Chinese New Year), religious (Eid Al Fitr, Christmas, Waisak) to modern day celebrations (Birthdays, Valentine's day, baby showers, etc.). To add to that, in Indonesia, the parcel business has always been one of the most talked about small businesses to start because of the minimum capital it initially needs and a rewardable return in a concise amount of time. Many has started it as a side job and then developed it into a fully profitable business, eventually attempting to it full-time. Indonesian housewives who love to craft start their hampers business using their tastes and design skills as a main asset. Indonesia offers the right set of cultural circumstances for us to start a gifting business like Merci Hampers.

### III.1.4 Technological Environment in Indonesia

Furthermore, the e-commerce market size in Indonesia growing at a CAGR of 31,1% to reach USD 3,800 million by 2019, and internet and online banking users will continue growing with the effort of government policies supporting the lower class (Choo, 2016). Ever so from the aspect of the market, it will support the growth of the personalized Merci's gifting market.



**Figure 3.1 Forecasted personalized gifts growth rate**

Source: Technavio Research (2017)

### III.2 Industry Analysis

Over the next five years since 2018, the industry is expected to advantage from rising disposable income levels (Thapa, 2017). A positive outlook for the gifting market states that last year, the leading market research company, Technavio, "earmarked the Global Personalized Gifts Market to grow to a mammoth USD 31.63 billion by 2021", (Technavio, 2017). The gifting industry is an ever-growing industry and is set for a bright future. Also, due to the specialty

nature of the many industry market of the hampers business, many of these companies are relatively small and have no additional employees. In a recent research report of gift shops & card stores in the US market, it was recorded that 66.2% have no additional employees and 55.1% have four or fewer employees (IbisWorld, 2018). To add to that, nowadays, the gifting industry has sales going all year long, compared to two decades ago where a third of the revenues “were generated in the last three months of the year” (Unity Marketing, 2015).

The consumer behavior of gift shoppers have changed to be spending throughout the whole year to give gifts. Increasingly, the internet has been a popular choice to select, research and buy gifts as “over a fourth of all gifters made gift purchases online” (Unity Marketing, 2015). In 2014, Unity Marketing did a survey on 1,649 middle-income consumers and found out that on average, 10% of shoppers are pushed by the necessity of finding gifts. This high demand for gifts show a big window of opportunity for a gifting business. Technavio (2017) talks about how a thriving culture of gift giving, a new and innovative gifting idea and an improving distribution channel, retail and online, are what will stimulate the immense growth that they predicted in the coming years.

This might be a great chance for Indonesia to join and contribute to that growth. In Indonesia, there are more than 27 million establishments (Badan Pusat Statistik, 2016) that could possibly be a B2B market for a gifting business. If a gifting business could target at least 1% of the Indonesian market of business establishments, it could have 270,000 businesses that come to it to find gift hampers. This is a fairly large number for a gifting business, and is highly successful.

### **III.3 Competitive Analysis & Consumer Analysis**

#### **III.3.1 Competitive Analysis**

Kotler (2016) claimed that to do a competitor analysis, there are three main steps to determine the competitor and see what to do with them.

Here, Merci Hampers will assess its competitors, solve possible problems and determine what steps to take next regarding them.

**Table 3.1. Competitive Analysis**

Variables		Papeterie Hampers	Kokken_boks	Simply Hampers
Identify (same customer need/ group)	<b>Instagram Business</b>	Yes	Yes	Yes
	<b>Customer need</b>	Any occasion such as wedding favors, baby's 1 month celebration favors, bridal and baby showers, public holidays (Christmas, Ramadan, Chinese New Year), special occasions (Valentine's day), and custom boxes for events	Any occasion such as wedding favors, baby's 1 month celebration favors, bridal and baby showers, public holidays (Christmas, Ramadan, Chinese New Year), special occasions (Valentine's day), and custom boxes for events	Any occasion such as wedding favors, baby's 1 month celebration favors, bridal and baby showers, public holidays (Christmas, Ramadan, Chinese New Year), special occasions (Valentine's day), and custom boxes for events
Assessing competitors	<b>Customer group</b>	Middle-high income earners	Middle-high income earners	Middle-high income earners
	<b>Strategies</b>	<ul style="list-style-type: none"> <li>- B2C</li> <li>- Fully custom-made</li> <li>- Under party planner umbrella company</li> </ul>	<ul style="list-style-type: none"> <li>- B2C</li> <li>- Many price options</li> <li>- Custom-made</li> <li>- Under umbrella company</li> <li>- Work with a few partner-vendors</li> </ul>	<ul style="list-style-type: none"> <li>- Limited to food &amp; ceramics product</li> <li>- Use early bird system</li> <li>- Collaborate with sister company of the same industry</li> </ul>
	<b>Strengths</b>	<ul style="list-style-type: none"> <li>- Website portfolio</li> <li>- Aesthetically focused</li> <li>- Have own style</li> <li>- Have worked with many large companies</li> </ul>	<ul style="list-style-type: none"> <li>- Many variety hampers</li> <li>- Not seasonal/sells all year long</li> <li>- Ready stock</li> </ul>	<ul style="list-style-type: none"> <li>- Has sister company</li> <li>- Established since 2012</li> </ul>
	<b>Weakness</b>	<ul style="list-style-type: none"> <li>- Food doesn't taste too good</li> </ul>	<ul style="list-style-type: none"> <li>- Not updated</li> </ul>	<ul style="list-style-type: none"> <li>- less aesthetically pleasing compared to other hampers,</li> </ul>
Selecting to Attack/ avoid	<b>Attack/Avoid</b>	Avoid	Avoid	Avoid

Source: Data Analysis (2018)

From the above table, it can be seen that there are many competitors that are exactly similar (or even better) to what Merci Hampers business offers. It turns out that Merci's unique selling proposition strategy of premiumness and aesthetics, as of now, is not so unique at all. These competitors are actually a division of a larger umbrella company that work in similar businesses such as party/event planning, or graphic design house, allowing them to use their umbrella companies' vendors and networks, also their service. Knowing this, Merci Hampers have very little competitive advantage and will be plunging into a red ocean.

The only unique aspect of Merci Hampers is that it is specialized in creating hampers only. Because Merci just started, it is small and particular. Part of Kotler's (2016) theory in creating competitive advantage is that businesses should find uncontested market spaces. Rather than being a competitor in an area that is already crowded with similar businesses with similar strategies aiming for the same market, many companies sought after uncontested markets which is called the "blue-ocean strategy". That is the reason why Merci Hampers need to find another potential market which is the B2B market.

### **III.3.2 Consumer Profile & Needs Analysis**

A customer segment analysis identifies the profile and needs of the customer and this report involved interviewing a few companies that often buy hampers of any kind. The primary data were collected through interviews that were conducted by telephone calls and a tool called the Empathy Map, a first step in Design Thinking, was used as a method of knowing what the corporate customers say, feel, think and do in order to empathize with the users and understand what their pains and gains are (Gray, 2017). Interviewees were department heads or chiefs and an event specialist who often order hampers for the company. The interviews took

about 10 to 15 minutes each and were transcribed. Below is the details of the interviewee's roles and positions and a little bit about their companies.

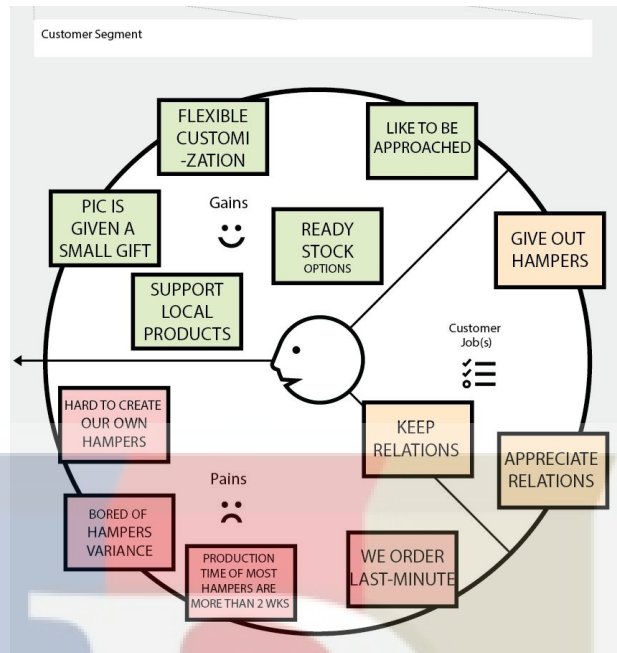
**Table 3.2. Interviewee Roles and Company Background**

<b>Company name</b>	<b>Google Indonesia</b>	<b>Pan-Ya Bakery</b>	<b>BCA</b>	<b>PT Dots and Line</b>
Interviewee's position and demography	(Interviewee 1) Event Specialist	(Interviewee 2) President Director	(Interviewee 3) Branch Head of Credit	(Interviewee 4) Head of Finance
Established	2011	2011	asd	2014
Industry type	Technology	Food and Beverage	Banking	Event

Source: Merci's elaborated data (2018)

The content of the interviews were analyzed and broken down into the Empathy Map which then were transferred into a Customer (Segment) Profile diagram or the left side on the Value Proposition Design (VPD) canvas. Pains, Gains, and Jobs will help Merci determine what customers need to do, the tediousness involved in it, and how to solve it (Osterwalder et al., 2015). Below are figures that show the company's needs and profile summarized from Pains, Gains, and Jobs based on the interviews.





**Figure 3.1. Customer (Segment) Profile on Value Proposition Canvas**

Source: Merci's elaborated data (2018)

A few conclusions could be drawn from the interviews:

1. Corporate clients need to give out hampers
2. Corporate clients need to give out hampers to keep and appreciate relations
3. Corporate clients order hampers last minute
4. Corporate clients feel that there are very few hampers company provide fast service with a short production time
5. Corporate clients feel like creating their own hampers is a hassle
6. Corporate clients feel bored of the hampers variance that exists in the market
7. Corporate clients prefer flexible customization with the offered hamper product
8. Corporate clients like to be approached by hamper company to speed up ordering process
9. Corporate clients feel like there should be options of ready stock products to order from

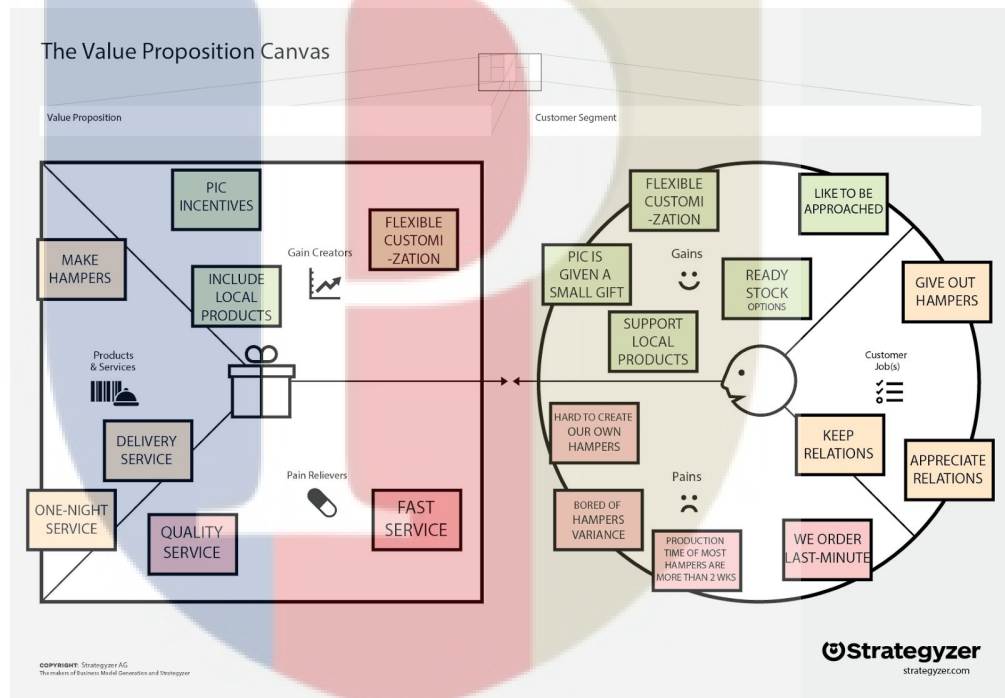
10. Corporate clients feel like it is an advantage that the person in charge of ordering hampers is given something in return of buying products from the hampers provider.

11. Corporate clients are happy and proud of local products included in the hamper they are purchasing

Other insights drawn from the interviews:

1. Small corporate clients have little restriction with hamper price
2. Larger corporate clients have many restrictions with hamper price

With these conclusions, Merci has created a value based on this customer profile. The value proposition canvas is shown below.



**Figure 3.3. Value Proposition Canvas**

Source: Merci's elaborated data (2018)

From the customer segment profile, Merci has achieved a fit by having these aspects in the value proposition canvas:

1. Creating hampers
2. Giving a qualified and fast service

3. Providing free bonuses or incentives for the PIC from client side
4. Flexibly customizes hampers for clients
5. Include local products in hampers

From this VPD, an ad-lib could be made to summarize and pinpoint what kind of product exactly is the business providing (Osterwalder et al., 2015). Merci's current ad-lib based on the customer needs and value proposition it offers is:

Instead of aiming to share life moments with individual consumers, Merci's hampers help companies who want to build sustainable relations by providing rush-free service.

Based on the designed ad-lib, Merci Hampers can clearly define and deliver its value proposition towards its customers, helping to distinct the business from other businesses and show its unique selling point (Osterwalder et al., 2015).

#### **III.4 Marketing Plan (B2B Marketing Strategy)**

The following is Merci's marketing plan that will be explained by the 4Ps of Marketing Mix. Since Merci is concentrating on businesses as its target market and customer segment, and diving into the B2B sector instead of aiming for the individual customer, Merci will be implementing a B2B marketing strategy with the use of social media platforms.

##### **III.4.1 Marketing Aims and Objectives**

With this Marketing Plan, Merci Hampers hopes to build a precise value proposition towards its target market, corporate clients, and achieve a fit between the value proposition it is offering and the customer's pains gains and job. This marketing plan's intention is to introduce Merci

Hampers as a newcomer in the gifting sector, building brand awareness and filtering quality leads from the target market that have been determined.

### **III.4.2 Segmentation**

Merci had provided products for the business to consumers market, that lets individual consumers buy products for personal use. Yet, after doing an analysis on its industry, competition and market, Merci will be aiming to provide hampers for businesses, institutions, companies, firms, establishments. In this segmentation, Merci hopes that its market segment will aim for one that is as large as possible to serve, with the limitations of our manpower, but as achievable, realistic and most importantly specific enough to create a niche value and strategy.

#### **1) Geographic segmentation:**

Up until April 2017, Merci Hampers sell hampers all throughout major cities in Indonesia to both individual customer or company who would like to buy products. As of May to July 2018, since there was a change of target customer from B2C to B2B, Merci will be selling products to where there are firms that need to provide hampers for their clients or relations. It's geographic segmentation is also limited to where large couriers have access to.

#### **2) Demographic Segmentation:**

In the course of Merci Hampers' execution for about 8 months, its demographic segmentation includes millennial individual consumers that are middle high earners. Now, at eleven months, due to the change of strategy, Merci aims to target businesses and companies that employ young millennials (aged

22-37 years old) generation and are also considered middle high earners based on the quality and design of the products it offers.

### 3) Psychographic Segmentation:

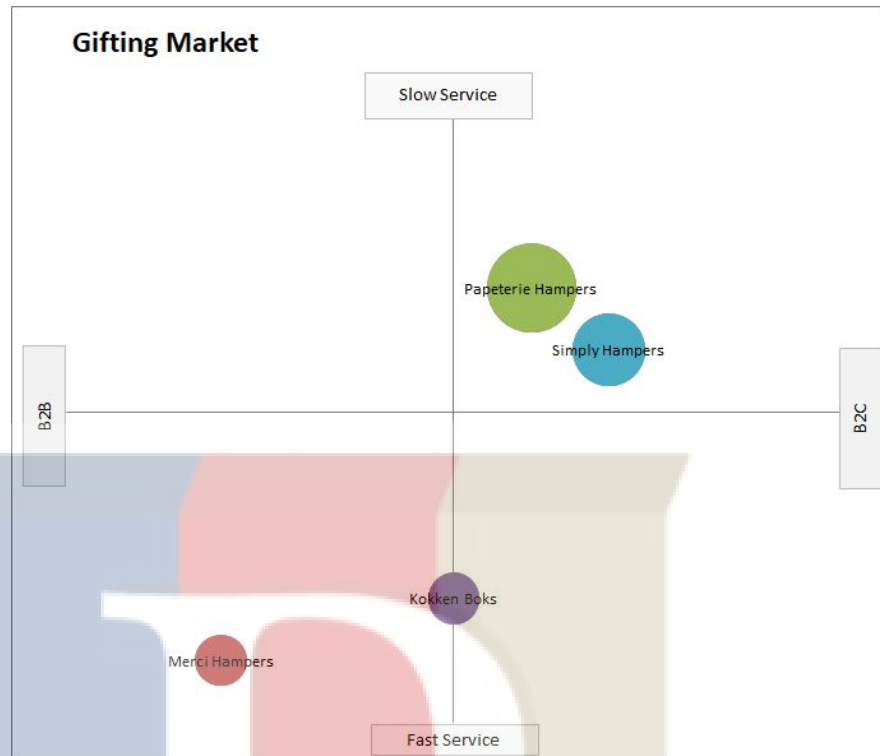
Merci's psychographic segmentation is directed toward millennials who appreciate design, who want to build a good brand perception with the gifts they give to their clients or relations. This will not change in strategy.

### 4) Behavioral Segmentation:

Merci aims to target companies that give hampers with the purpose of keeping relations with their clients or acquaintances on occasions such as big days (Christmas, Chinese New Year, Ramadan) and client birthdays. It has changed from targeting any individual customers who give gifts in order to appreciate and shower their loved ones with love and gratitude.

## III.4.3 Positioning

The brand positioning and perception that Merci Hampers want to have among the consumers is that it gives a fast rush-free service and appeals to businesses. Compared to its competitors, it is in a new segment in the market. There are very few hampers-only companies that are plunging into the business market, and very few offer fast service, based on the interview of four companies that often order hampers from different hamper providers. It is an extreme customer pain that need to be relieved and will create a lot of value for the customer (Osterwalder et. al., 2015).



**Figure 3.4. Merci Hampers Perceptual Map**

Source: Merci's own elaboration (2018)

To build differentiation in Merci's brand, as figure 3.4 shows, Merci Hampers will appeal more to the business sector instead of individual customers. Since these corporate clients worst pain is a very short time window for hampers production, Merci will aim to relieve that pain and want customers to perceive so. There will be several marketing and operational strategies that Merci will use to achieve this goal stated later in this research.

#### **III.4.4 Marketing Mix**

**Product:** Instead of aiming to share life moments with individual consumers, Merci hampers help companies who want to build sustainable relations with rush-free service by providing qualified hampers with fast service. Right now Merci provides hampers which includes an assortment of glasswares, food and beverage (wine, teas, coffees, baked goods) and

home decorations (candles, house plants), and a personalized greeting card, neatly decorated and packed. Yet, Merci hampers products will not be limited to these products because in the coming future it will expand into different areas of gifting.

Place: Merci will be selling products and services through social media of Instagram. There will also be a website where customers can order directly. This option of selling requires a small budget but generates a large amount of prospective and quality leads.

Price: Merci's products will have 2 sales systems. One system will be selling pre-made hampers with different types of priced packages (IDR500,000 - IDR1,200,000). The other is selling hampers by request, being flexible on its price given the company's strict restrictions on budget. Merci will opt for local products, an option that will be less expensive yet will be a gain to its customers.

Promotion: Merci will be promoting their one-night service as their specialization. There will also be a few other promotional strategies listed below,

- 1) One-Night Service

This will be one of Merci's main line of service, to provide fast and qualified service. We aim for the customers to feel "rush-free" by providing a one-night service as one of its main activities, according to the customer pains and gains and the value proposition Merci Hampers want to provide.

- 2) B2B Social Media Marketing

Merci uses Instagram as a platform to raise brand awareness, build its brand image and promote its products.

Lashgari (2018) mentions two steps in a B2B social media marketing strategy. Merci has defined its goals and target group: Merci's goal is to create value to corporate clients on Instagram and LinkedIn. Through that, we will increase our brand awareness and quality leads in the corporate sector. Last but not least, Merci aims to generate more traffic to its future website.

The second step of B2B social media marketing is to determine content posted on social media: Content will be geared more towards a company's needs of providing "One Night Service" Hampers. Merci will create personality/brand positioning using conversational tone will help to ease the formal company tone and build a friendly but professional image towards companies.

The importance of individuals in a B2B strategy using social media is highlighted by Lashgari et al. (2018) that they could be the influencers who "shape audience attitudes through the use of social media". Merci will be aiming for social selling using user generated content. In addition to building relationships, customer retention and saying thanks, it also results in some great user generated content from Merci's brand. Merci asks customers and followers to tag @MerciHampers or the branded hashtag #MerciHampers so that more people can be lead to the brand's account page and so that Merci can return the favor.

### 3) Newsletter/Catalog

Merci also will prevent last-minute ordering by sending out catalogs with a variance of hamper choices one to two months prior to events or holidays and encouraging the customers to order ahead of time. On the catalogs, there are various packages to choose from, that will fulfill the gains of having options. There is also a



page on how to order to fulfill the gain of being able to customize the hamper itself.

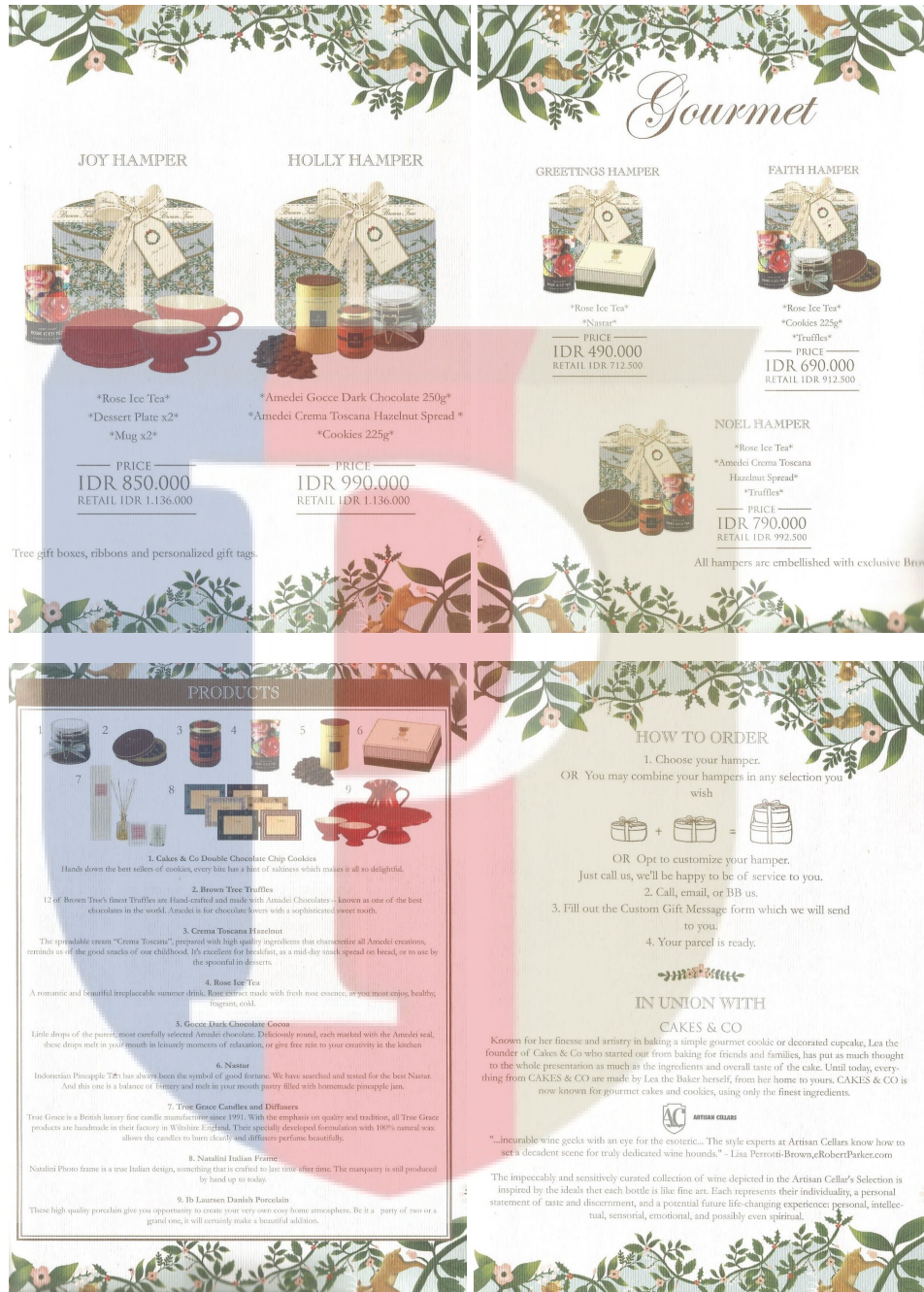


Figure 3.1. Example Catalog

Source: Brown Tree Christmas Hamper (2013)

#### 4) Client incentives

One of the strategies that have worked with Merci's customer retention so far is an incentive gift for the person in charge who purchases gifts for the company they are working in. From data that Merci has, PT Golden Tulips Hotels have returned to purchase from Merci Hampers thrice from December 2017 because of this strategy. The person in charge mentions that she loves working with Merci Hampers because of the free goods that she gets as an incentive of purchasing from us.

### **III.5 Operation Plan**

Operations Plan is all the activity that helps the business convert input into output (Stevenson, 2017). Merci's basic hampers material is locally produced in Jakarta, including the box, crinkle paper and decor. Merci printed cards in an established, well-known printing press called X-Graphics located in Bendungan Hilir, one of the biggest printing complexes in Jakarta that is open twenty four hours, so availability of materials is not a concern. However, there are many aspects where Merci needs to improve so that it could provide class service. Below is the operations plan of Merci Hampers including a short-term business strategy and how it will be implemented.

#### **III.5.1 Operational Aims and Objectives**

Merci Hampers is a gifting business and a series of processes have to be underwent. The main aims of Merci Hampers is so that the operational services may aid to corporate clients' pains and gains based on the value proposition that Merci offers. The objectives are to create an operational plan to achieve the aim. These are the operation strategy to achieve fast service based on the value proposition of corporate clients:

1. Production
  - a. Equipment upgrades on shredding machine to quicken production

- b. Collaborate with local vendors to acquire hampers content items quickly.
2. Distribution
    - a. Delivery service using instant flat-rate like Go-Jek
    - b. Partner with expedition company
    - c. Deliver before six pm each day
  3. Storage
    - a. Always have storage ready for large quantity orders

### **III.5.2 Process Control**

The control process of a company is done by creating a work procedure and training employees to work according to procedures. These work procedures will be formalized and legitimized by the SOP or Standard Operating Procedure. Merci Hampers control operations to enable fast service. A few examples of Standard Operating Procedures to be made are:

1. SOP on ordering
  - a. Whatsapp Reply in 1 hour maximum
  - b. Fill out order form
  - c. Merci to propose price
  - d. Yes/No
  - e. Transfer 50% Down Payment
  - f. Proceed to purchase items
  - g. Pack hampers
  - h. Send to receiving address

SAMPLE #7  
ORDER FORM

**Foster Walker**  
ENTERPRISES INC.

*Alaska - Canada Cruise Gift Services*  
TWO ORDERS PER FORM *Tax orders to: 1-800-668-6855*

Date: \_\_\_\_\_ Contact: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Agency: \_\_\_\_\_ Foster-Walker Enterprises Account number: \_\_\_\_\_  
Address: \_\_\_\_\_

1. Item no.	Description	Qty	Total	2. Item no.	Description	Qty	Total
			\$				\$
			\$				\$
			\$				\$
			\$				\$
			\$				\$
			\$				\$
			\$				\$
			\$				\$

More order forms/price lists required  More order forms/price lists required

Total order 1 Prices include taxes and delivery \$ \_\_\_\_\_ Total order 2 Prices include taxes and delivery \$ \_\_\_\_\_

Part of Embarkation: Vancouver	Part of Embarkation: Vancouver
Ship: _____	Ship: _____
Sailing date: _____	Sailing date: _____
Cabin number: _____	Cabin number: _____
Passenger name(s): _____	Passenger name(s): _____
Your personal message: _____	Your personal message: _____

Total Payment: \_\_\_\_\_ Payment by way of:  
 Cheque (check)  Money Order  
payable to Foster Walker Enterprises Inc. (must be mailed on the same date as order is faxed, unless you have set up an account with us) OR:  
Please charge my:  Visa  Mastercard  American Express  
Card number: \_\_\_\_\_ Expiry date: \_\_\_\_\_  
Name on card: \_\_\_\_\_ Signature of cardholder: \_\_\_\_\_

Note: All prices in budget friendly Canadian dollars.

Special Requests: \_\_\_\_\_

Foster Walker Enterprises Inc.  
201-1200 West Pender Street  
Vancouver B.C. Canada V6E 2S9  
Phone: (toll free) 1-800-668-6813  
Phone: (604) 681-2455  
Fax: (604) 681-2003

57

**Figure 3.2. Sample Order Form**

Source: Start and Run a Profitable Gift basket Business (1995)

2. SOP Partnership between vendors/logistics
  - a. Merci to propose partnership
  - b. Confirm from the other party
  - c. Reject go back to step 1/if accepted, continue to further stage
  - d. Deal by exchange of goods/services

3. SOP distribution (Go-Jek)
  - a. Order Go-Jek
  - b. Make sure hampers are packed correctly
  - c. Driver delivers to recipient address
  - d. Merci to confirm with each recipient if he/she has received the packet
4. SOP distribution (Logistics)
  - a. Schedule a delivery
  - b. Confirm the delivery
  - c. Deliver
  - d. Merci to confirm with each recipient if he/she has received the packet

### **III.5.3 Quality Control**

Quality control of creating hampers start from searching for items until dropping it off to the client's desired address. Quality control guarantees that the sold product is at its prime condition when arrived at the client's destination. Quality control to ensure a fast and great quality service will be managed through a few ways:

1. Double checking by trusted quality controller on decoration and item position
2. Making sure hampers are packed correctly for delivery
3. Rejects are given back to the vendor

### **III.6 Human Resource Development Plan**

In order to take large quantity orders and do fast and qualified service, Merci will need to invest on human resources because of the need of a large working force. The time and power it requires to create a single hamper is one thing that needs to be considered. But the quality of aesthetics, the safety of

glasswares all depends on how well human hands pack them. These needs to be considered as well when packing hampers.

1. Cross-training

By cross-training, employees will be able to think about more than just their phase of the production process. With intimate knowledge of Merci's products and procedures, employees should be better equipped to optimize the process of hampers production. Yet, a large team means a large expense on wages. To solve this, cross-training for multiple roles or tasks will improve speed of production and minimize wages expense. Cross-trained staff will be able to take into attention how the efficiency improvements they enact will affect productivity further down the process. This is useful because work then does not have to be halted because of a single missing key employee and productivity is improved because employees will think of ways to cut corners that will ultimately lead to later delays.

2. Hiring operational staff and pay per box

One of the lengthiest and most tedious part of the hampers business is assembling each hamper. There is a need for extra staff and extra training to be able to provide fast and qualified service to deliver hampers on time to clients. To receive large quantity last-minute orders, staff must also be taught to work efficiently, whilst producing with a quality no less than the standard. To achieve this, Merci has decided to pay wages to staff per boxes they assembled. This way, they will have incentive to work faster.

### **III.7 Financial Plan**

To be able to predict company income and expenses to achieve future goals, companies need to have financial plans (Gozali, 2002). Merci created a its financial plan based on future marketing, operational and human resources expenditures and will aim for a goal set in the KPI section of this paper.

### III.7.1 Financial Aims and Objectives

Merci's financial aim is to maximize shareholders returns by being the biggest, most respected hampers company in Indonesia. Its objectives are to raise revenue with minimal revenue, to solely use company funds after the 3rd project, and to ensure flexibility on capital structure according to the changing conditions.

### III.7.2 Cash Flow Projection

<b>Cash Flow Projection Merci Hampers</b>			
	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>
<b>Cash on hand (beginning of month)</b>	50,000,000	168,190,000	281,608,500
<b>CASH RECEIPTS</b>			
Cash sales	432,000,000	496,800,000	571,320,000
<b>TOTAL CASH RECEIPTS</b>	<b>432,000,000</b>	<b>496,800,000</b>	<b>571,320,000</b>
<b>Total cash available</b>	<b>482,000,000</b>	<b>664,990,000</b>	<b>852,928,500</b>
<b>CASH PAID OUT</b>			
Advertising	7,000,000	8,050,000	9,257,500
Materials and supplies (in COGS)	216,000,000	248,400,000	285,660,000
Commissions and fees	0	0	20,000,000
Transportation	4,500,000	5,175,000	5,951,250
Wages (less emp. credits)	5,400,000	6,210,000	7,141,500
Equipment	5,000,000	5,750,000	6,612,500
Utilities	2,000,000	2,300,000	2,645,000
Miscellaneous	23,910,000	27,496,500	31,620,975
<b>SUBTOTAL</b>	<b>263,810,000</b>	<b>303,381,500</b>	<b>368,888,725</b>
Owners' withdrawal	50,000,000	80,000,000	150,000,000
<b>TOTAL CASH PAID OUT</b>	<b>313,810,000</b>	<b>383,381,500</b>	<b>518,888,725</b>
<b>Cash on hand (end of month)</b>	<b>168,190,000</b>	<b>281,608,500</b>	<b>334,039,775</b>

**Figure 3.3. Cash Flow Projection**

Source: Primary data

### III.7.3 Balance Sheet Projection

<b>Balance Sheet Projection</b>			
<b>Merci Hampers</b>			
	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash	86,193,500	130,988,750	201,708,938
Inventories	15,120,000		
Pre-paid expenses	18,000,000	36,000,000	36,000,000
<b>Total current assets</b>	<b>119,313,500</b>	<b>166,988,750</b>	<b>237,708,938</b>
<b>Fixed assets:</b>			
Equipment	10,000,000		
<b>Total fixed assets</b>	<b>10,000,000</b>	<b>0</b>	<b>0</b>
<b>Total assets</b>	<b>129,313,500</b>	<b>166,988,750</b>	<b>237,708,938</b>
<b>Liabilities and owner's equity</b>			
Total current liabilities	0	0	0
Total long-term liabilities	0	0	0
<b>Owner's equity:</b>			
Investment capital	129,313,500	166,988,750	237,708,938
Retained earnings			
<b>Total owner's equity</b>	<b>129,313,500</b>	<b>166,988,750</b>	<b>237,708,938</b>
<b>Total liabilities and owner's equity</b>	<b>129,313,500</b>	<b>166,988,750</b>	<b>237,708,938</b>

**Figure 3.4 Balance Sheet Projection**

Source: Merci's elaborated data



### III.7.4 Income Statement Projection

#### MERCI HAMPERS Income Statement Projection

	YEAR 1	YEAR 2	YEAR 3
Sales	432,000,000	496,800,000	571,320,000
<b>TOTAL SALES</b>	<b>432,000,000</b>	<b>496,800,000</b>	<b>571,320,000</b>
COGS	(216,000,000)	(248,400,000)	(285,660,000)
<b>Gross Profit</b>	<b>216,000,000</b>	<b>248,400,000</b>	<b>285,660,000</b>
Utility Expense	2,000,000	2,300,000	5,951,250
Wage Expense	5,400,000	6,210,000	7,141,500
Advertising expense	7,000,000	8,050,000	9,257,500
Equipment expense	5,000,000	5,750,000	6,612,500
Other Expense	23,910,000	27,496,500	2,645,000
<b>TOTAL EXPENSE</b>	<b>43,310,000</b>	<b>49,806,500</b>	<b>31,607,750</b>
<b>Net Income</b>	<b>172,690,000</b>	<b>198,593,500</b>	<b>254,052,250</b>

**Figure 3.5. Income Statement Projection**

Source: Merci's elaborated data

From figure 3.5, it is shown that Merci will want its income statement projections to rise by 15% per year. This is because the gifting market, according to Technavio Research (2015), is predicted to rise by 9%. Yet, in Indonesia, the writer feels that there are more opportunities in exploring the gifting market, thus the rise of 15%.

### III.7.5 Payback Period

Number of month	0	1	2	3
Month		<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>
Cashflow	-	0	17,120,000	16,020,000
Cummulative Cashflow	-50,000,000	50,000,000	67,120,000	83,140,000

**Figure 3.6. Payback Period**

Source: Merci's elaborated data

From the Payback Period projection, it can be seen that the time it takes for Merci Hampers to reach break-even point is in a month's time because the nature of the business is project-based, therefore requiring very little capital, and a very short return period. Small SMEs, according to Myers (1984) have a shorter payback period because the project life is short and investments are small.

### III.7.6 Internal Rate of Return

**Table 3.7. Internal Rate of Return (IRR)**

<b>CAPITAL INVESTMENT</b>	Rp 50,000,000
<b>YEAR</b>	<b>NPV</b>
Year 1	Rp 168,190,000
Year 2	Rp 281,608,500
Year 3	Rp 334,039,775
<b>IRR</b>	<b>382%</b>

Source: Merci's elaborated data

From the above results, it could be summarized that the Internal Rate of Return (IRR) that is more than the bank interest rate of 7%, which means the business will be much more profitable and is really attractive as an investment. Although the Internal Rate of return nominals are huge, it is because the Payback Period is less than a month. This is due to Merci Hampers being a project-based business.

### III.8 KPI and Achievement Timeline

The following is the KPI and achievement table that Merci has planned and underwent.

**Table 3.8. KPI Planning and Implementation Gap**

Variable	KPI	Status
<b>Operational</b>	Partner with expedition company	Not Achieved
	Create order form for companies	Achieved
<b>Financing</b>	Create SOP for partnership between brands	Achieved
	Maintain cost	Achieved
	Make Sales	Achieved
	Gain profit of	Achieved
<b>Marketing</b>	Produce hampers catalog	Achieved
	Work in partnership with local vendors	Achieved
	Create website	Not achieved
	Social media content on one-night services	Not achieved
	Post user generated content (social selling)	Achieved
	Sell all ready-stock items	Achieved
<b>Human Resource</b>	Give PIC from clients side an incentive	Achieved
	Outsource and cross-train staff for Ramadan project	Achieved
	Hiring operation staff to pack hampers	Achieved

Source: Merci's elaborated data