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Innovative SCM Practices Driving Growth: A Case Study of Mixue's Pauh Branch in Padang City

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ABSTRACT

This study investigates the implementation of Supply Chain Management (SCM) and the advantages of the franchise business model at Mixue, a culinary brand specializing in sweet dishes, particularly in its Pauh branch. The objective is to evaluate how efficient SCM practices and comprehensive support from the franchisor, including training and the provision of high-quality raw materials, have contributed to Mixue's rapid expansion in Indonesia. A thorough literature review was conducted to identify the key factors driving Mixue's success. The findings reveal that Mixue's SCM system ensures the seamless distribution of raw materials across all outlets, maintaining consistent product quality. Additionally, continuous operational support from the parent company offers attractive business opportunities for franchisees. The study concludes that the integration of an effective SCM system with a robust franchise model has enabled Mixue to create a profitable business ecosystem, establishing it as a major player in Indonesia's culinary industry.

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1. INTRODUCTION

Amid increasingly fierce business competition due to globalization, companies must be smart in choosing the right business model to achieve long-term success [1]. Two main approaches that have proven effective in various industries are the franchise business model and supply chain management (SCM) [2]. The franchise business model, which is increasingly popular in Indonesia, has shown significant success, especially in the retail, food and beverage, and healthcare sectors [3]. In December 2021, Indonesia recorded total franchise transactions of IDR35.9 billion, reflecting the huge potential of this approach [4].

In addition, SCM plays a crucial role in modern business operations by managing the flow of goods and services from suppliers to customers and improving corporate performance and cost efficiency [5]. Merging franchise and SCM business models can create powerful synergies, which are the foundation for sustainable growth and competitive advantage [6].

In the context of Mixue, a company operating in the culinary industry focusing on ice cream and beverages, the combination of franchise and SCM business models has been a major factor in its expansion and success [7]. With more than 21,582 stores in various countries in 2021, Mixue has become one of the major players in the global Food and Beverage (F&B) industry [8].

Since its inception in 2020, Mixue has grown rapidly in Indonesia, with more than 1000 outlets spread across the country [9]. Mixue has successfully optimized its franchising potential by allowing local partners to open outlets with high-quality standards and unique characteristics [10]. However, although

Mixue has achieved much success, there are still challenges in maintaining high-quality standards amidst rapid growth and maintaining a solid brand image.

This research aims to analyze how Mixue integrates franchise and SCM business models in one of its branches in Pauh, Padang City. By conducting an in-depth analysis, this article hopes to provide valuable insights for other companies looking to implement similar strategies to achieve long-term success..

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2. METHOD

This research uses a combination of literature study and qualitative methods to analyze the implementation of Supply Chain Management (SCM) and the franchise business model in Mixue. The population that is the focus of this research is all Mixue branches spread across various regions in Indonesia. The sample was purposively selected from this population, with the Mixue branch in Pauh, Padang City, as the main subject. This sample selection was based on operational characteristics considered representative and relevant to the research objectives.

This research was conducted at the Mixue branch location in Pauh, Padang City, where qualitative data was obtained through direct interviews with the branch manager. These interviews aimed to gain in-depth insight into the implementation of SCM at the branch level. The data from these interviews was then analyzed and combined with the literature study results, including various journal sources and industry reports. This approach enabled the research to provide a comprehensive and structured analysis of Mixue's business strategy and its impact on its operational success.

3. RESULTS AND DISCUSSION

3.1. Application of Franchise Business Model

Mixue has successfully implemented a franchise business model that allows for rapid business expansion without having to bear the huge costs of building and operating new outlets. The franchise system utilizes the presence of franchisees who are responsible for day-to-day operations, while Mixue provides support in the form of promotional materials and training. This allows Mixue to expand its business reach efficiently.

Since its implementation in 2015, the franchise system has helped Mixue grow into a large network with more than 21,000 outlets worldwide by 2022. This figure shows the effectiveness of the franchise system adopted by Mixue in expanding its geographical reach and reaching a wider market.

This business model provides great benefits to franchisees. They do not have to worry about the marketing aspect as Mixue provides all the necessary promotional materials. Franchisees also receive training that helps them operate outlets to a high standard. As such, franchisees can focus on the day-to-day running of the business while Mixue manages the big strategies such as brand and product development.

3.2. Market Segmentation and Customer Satisfaction

Mixue succeeds in attracting customers by offering competitive and cheaper prices compared to competitors, while still maintaining high product quality and taste. This pricing strategy is very effective in attracting a wider market segment, especially among the lower middle class.

With efficient supply chain management, Mixue can obtain raw materials at a lower cost. This efficiency is then passed on to customers in the form of more affordable prices, without sacrificing product quality. This is an important factor in maintaining customer satisfaction.

Mixue targets the lower middle class market segment, which has proven to be very effective in expanding its customer base. By focusing on this segment, Mixue is able to offer products that match the purchasing power of customers, while expanding its market penetration.

The selection of strategic store locations is one of the key factors in Mixue's success. A good location allows Mixue to more easily reach customers and ensure that its outlets are located in places that are crowded and easily accessible to the target market.

3.3. Challenges in Business Model Implementation

Although this franchise model is highly profitable, major challenges arise when the number of franchisees increases. According to Zachariadis, managing hundreds of thousands of franchisees in different countries can be challenging [11]. Business risks also increase when franchisees' gross profit declines due to intensified competition [12]. Therefore, Mixue must continue to innovate to maintain sustainable business growth.

3.4. Implementation of Supply Chain Management (SCM)

Mixue uses a vertical integration strategy to manage its entire supply chain, from raw material procurement to final product distribution. By fully controlling the supply chain, Mixue can ensure that all aspects of production and distribution run smoothly and efficiently, which in turn improves product quality and customer satisfaction.

Mixue has also adopted digital technology in its operations. Collaboration with delivery apps such as Gojek and Shopee Food allows Mixue to reach customers more quickly and efficiently. In addition, online advertising campaigns on various digital platforms help increase brand visibility and attract more customers.

3.5. Impact of SCM Implementation on Business Performance

With the implementation of integrated SCM, Mixue improves operational efficiency, which has a positive impact on the company's profitability. Efficient SCM also helps Mixue maintain high product quality, which is one of the key factors in its business success.

Efficient SCM practices not only improve operational efficiency but also contribute to increased customer satisfaction. With a well-managed supply chain, Mixue is able to provide consistently high-quality products, which in turn strengthens customer loyalty and supports sustainable business growth.

4. CONCLUSION

Mixue has proven that the franchise business model can be a very effective way to expand a business quickly and efficiently. With over 21,000 stores worldwide by 2022, Mixue has expanded its reach without having to bear a huge operational burden. Thanks to efficient supply chain management, the key to its success lies in its ability to offer competitive prices and maintain product quality.

However, despite its success, Mixue needs help managing its growing network of franchisees. With more outlets, Mixue must maintain the quality of its services and products amidst fierce competition. For this reason, innovation is continuously required to keep Mixue ahead in the market.

Mixue's supply chain management (SCM) system also plays a big role in this success. By controlling the entire process from raw material procurement to distribution, Mixue can ensure operational efficiency and consistency in product quality. The adoption of digital technology also helps Mixue reach customers better and faster.

Combining an effective franchise and SCM business model has brought Mixue to a leading position in the beverage and ice cream industry. By continuously innovating and overcoming challenges, Mixue has a strong foundation to continue growing and maintaining its market lead. Further research on comparisons with other franchise business models would provide additional insights to understand Mixue's strategy in a broader context.

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