

Research Article

Tea Franchises in Indonesia: Between Culture, Business and Innovation

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Abstract: The tea franchise industry in Indonesia has experienced significant growth over the past decade, transforming the traditional tea drinking culture into a modern business opportunity. This research explores the dynamics of tea franchises in Indonesia through cultural perspectives, business strategies, and innovation. This study aims to identify critical success factors, cultural adaptation strategies, and innovation models implemented by major tea franchise brands operating in Indonesia. Using a qualitative research method with a phenomenological approach, data was collected through in-depth interviews with 25 franchise owners, 15 brand managers, and 50 consumers in five major cities in Indonesia, complemented by observation and document analysis. The findings reveal that successful tea franchising effectively balances three key elements: maintaining Indonesia's tea drinking culture while introducing modern consumption patterns, implementing adaptive business models that accommodate local economic conditions, and continuously innovating in product development and service delivery. The study identified four key innovation patterns: product localization (85% of successful franchises), digital integration (92%), experiential marketing (78%), and sustainability practices (68%). Cultural factors significantly influence menu adaptation, store ambient design, and marketing strategy. This study concludes that tea franchising in Indonesia represents a unique hybrid business model that successfully blends the global franchise system with local cultural values, creating a sustainable competitive advantage in the beverage industry.

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1. Introduction

The beverage industry in Indonesia has undergone a significant transformation in recent years, with tea franchising emerging as one of the fastest-growing segments in the food and beverage sector (Wijaya & Kusuma, 2023). Indonesia, traditionally known as a tea-producing country with a deep-rooted tea drinking culture, has witnessed the proliferation of modern tea franchise outlets that blend traditional values with contemporary business practices (Rahman et al., 2022). The phenomenon of tea franchising represents more than just a business trend; it creates a complex interaction between cultural heritage, entrepreneurial opportunities, and market innovation (Sari & Hidayat, 2023).

Previous studies have examined various aspects of the franchise business in Indonesia, including franchise performance metrics (Budiman, 2021), consumer behavior at franchise outlets (Lestari et al., 2022), and franchise expansion strategies (Nugroho & Prasetyo, 2023). However, these studies have mainly focused on fast food franchises or general retail franchises, with limited attention paid to the specific characteristics of tea franchises. Research by

Kusumawati (2022) explores beverage preferences among Indonesian millennials, while Setiawan and Wibowo (2023) investigate the economic impact of franchising businesses, but do not specifically address the unique cultural and innovative aspects of tea franchising.

Each methodological approach has its strengths and weaknesses. Quantitative studies provide broad statistical patterns but often fail to capture nuanced cultural dynamics and innovation processes (Anderson & Lee, 2021). The case study approach offers in-depth insights into specific brands but lacks generalizability (Chen et al., 2022). Mixed-method research seeks to combine the two advantages but requires extensive resources and time (Thompson & Garcia, 2023). These limitations create a research gap in understanding how tea franchising navigates the complex landscape of cultural authenticity, business profitability, and sustainable innovation.

The central problem addressed in this study is the lack of a comprehensive understanding of how tea franchises in Indonesia successfully integrate cultural values, business sustainability, and innovation strategies to achieve a competitive advantage in an increasingly saturated market. Specifically, this study investigates: How does tea franchising adapt the global franchise model to the Indonesian cultural context? What business strategies enable profitability while maintaining cultural authenticity? What form of innovation sets successful tea franchises apart from their competitors?

To answer these questions, this study proposes a qualitative phenomenological approach that examines the life experiences of franchise owners, brand managers, and consumers. This methodology allows for an in-depth exploration of the process of meaning-making, cultural negotiation, and innovation practices in the tea franchise ecosystem. The proposed solution involves developing a comprehensive framework that integrates cultural theory, business strategy models, and innovation diffusion theory to explain the success patterns of tea franchises in Indonesia.

The contribution of this research is sixfold. First, this study provides the first comprehensive qualitative analysis of tea franchising in Indonesia, filling a significant gap in the hospitality and entrepreneurship literature. Second, this research develops a theoretical framework that explains the dynamic relationship between culture, business, and innovation in the context of franchising. Third, the study offers practical insights for franchisees and investors regarding successful adaptation strategies. Fourth, this study identifies specific innovation patterns that can be replicated in various beverage franchise models. Fifth, this research contributes to the theory of cultural entrepreneurship by demonstrating how traditional values can be harnessed for the success of modern business. Sixth, this study provides policy recommendations for the development of the franchise industry in Indonesia.

The rest of this paper is organized as follows. Part 2 reviews the relevant literature on franchise business models, cultural adaptations in business, and innovation in the beverage industry. Part 3 describes the qualitative research methodology, including data collection and analysis procedures. Section 4 presents research findings organized by theme. Section 5 discusses the implications of the findings and compares the results with the existing literature. Section 6 concludes the study with theoretical and practical implications, limitations, and suggestions for future research.

2. Literature Review

This section presents a comprehensive review of the existing literature relevant to tea franchising, organized into three main themes: franchise business models, cultural adaptation in business contexts, and innovation in the beverage industry. This review establishes the theoretical foundation for this research and identifies gaps in current knowledge.

Franchise Business Model and Theory

The franchise business model has been studied extensively across a wide range of industries and geographic contexts. Fundamental franchising theory states that franchising allows for rapid business expansion while distributing capital requirements and operational risks between franchisors and franchisees (Kaufmann & Dant, 2021). The theory of resource scarcity suggests that franchising emerged as a strategic response to the limited financial and managerial resources required for the expansion that companies have (Combs et al., 2022).

Agency theory provides another lens for understanding franchise relationships, focusing on the principal-agent dynamic between franchisors and franchisees (Blair & Lafontaine, 2023). This theory highlights potential conflicts arising from different information asymmetry and interests, which can be mitigated through contractual arrangements and monitoring mechanisms. Research by Martinez and Thompson (2022) demonstrates that a successful

franchise system balances control and autonomy, allowing franchisees enough flexibility to adapt to local conditions while maintaining brand consistency.

In the context of emerging markets, franchise business models face unique challenges related to the institutional environment, market maturity, and consumer behavior patterns (Singh & Kumar, 2023). Studies in the Southeast Asian market reveal that franchise success relies heavily on local market knowledge, cultural sensitivity, and adaptive capabilities (Lee & Park, 2022). The beverage franchise sector, in particular, exhibits distinct characteristics including lower barriers to entry, high competition intensity, and rapid innovation cycles (Wang et al., 2023).

Cultural Adaptation and Business Localization

Cultural adaptation represents a critical success factor for international and domestic franchises operating in diverse markets. Hofstede's theory of cultural dimensions provides a fundamental framework for understanding how national culture influences business practices, consumer preferences, and organizational behavior (Hofstede, 2021). Research applying this framework to Indonesia emphasizes high collectivism, moderate power distance, and strong uncertainty avoidance as key cultural characteristics that influence business operations (Surya & Andini, 2022).

The concept of "globalization" – thinking globally while acting locally – has gained prominence in the franchise literature (Robertson & White, 2023). This approach emphasizes the importance of adapting global brands to local tastes, preferences, and cultural norms without losing the core brand identity. A study by Chen and Liu (2022) on food franchising in Asia demonstrates that successful localization strategies include menu adaptation, price adjustment, service modification, and marketing message customization.

In Indonesia in particular, tea consumption carries a deep cultural significance rooted in social interactions, hospitality traditions, and daily rituals (Hartono et al., 2023). Traditional tea drinking practices involve specific preparation methods, serving etiquette, and social contexts that modern franchises must recognize and respect (Putri & Santoso, 2022). Research by Dewi and colleagues (2023) found that Indonesian consumers value modern conveniences but remain emotionally connected to traditional tea culture, creating opportunities for businesses that successfully bridge the two worlds.

Innovation in the Beverage Industry

Innovations in the beverage industry include product innovation, process innovation, marketing innovation, and business model innovation (Garcia & Martinez, 2023). Product innovation in tea beverages has expanded dramatically, moving beyond traditional hot tea to include bubble tea, fruit tea, cheese tea, and a variety of fusion drinks that combine tea with other ingredients (Kim & Song, 2022). These innovations respond to changing consumer preferences, particularly among young demographics looking for new taste experiences and Instagram-worthy presentations (Johnson et al., 2023).

Digital innovations have transformed beverage franchise operations through mobile ordering apps, loyalty programs, data analytics, and social media marketing (Brown & Davis, 2022). Research by Li and Zhang (2023) demonstrates that beverage franchises that utilize digital platforms achieve a 40% higher customer retention rate and a 35% increase in sales compared to traditional operations. The COVID-19 pandemic accelerated digital adoption, making online presence and delivery capabilities essential rather than optional (Anderson et al., 2022).

Sustainability innovations represent an emerging trend in beverage franchising, with consumers increasingly appreciating eco-friendly practices (Green & White, 2023). Innovations include reusable glass programs, eco-friendly packaging materials, waste reduction initiatives, and sustainable procurement practices (Miller et al., 2022). Studies show that sustainability initiatives improve brand image and attract environmentally conscious consumers, particularly in urban markets (Taylor & Roberts, 2023).

Research Gap

While the existing literature provides valuable insights into franchise theory, cultural adaptation, and industry innovation, significant gaps remain. First, most franchise research focuses on the Western context or the fast-food industry, with limited attention to Asian beverage franchises (Zhao & Wang, 2023). Second, studies examining cultural adaptation tend to adopt quantitative approaches that measure the cultural dimension rather than exploring life experiences and meaning-forming processes (Kumar & Singh, 2022). Third, innovation research often treats innovation as a discrete event rather than an ongoing process embedded in organizational culture and customer interactions (Thompson et al., 2023).

Specifically regarding tea franchises in Indonesia, no comprehensive qualitative study has examined how these businesses simultaneously navigate cultural preservation, business profitability, and sustainable innovation. The study addresses this gap by adopting a phenomenological approach that explores the lived experiences of stakeholders across the tea franchise ecosystem, providing in-depth insights into the complex dynamics that shape this emerging industry segment.

3. Proposed Methods

This study uses a qualitative research methodology with a phenomenological approach to explore the life experiences and processes of shaping stakeholder meaning in the tea franchise ecosystem in Indonesia. The phenomenological approach is particularly appropriate for this research as it allows for an in-depth understanding of how franchisees, brand managers, and consumers experience, interpret, and navigate the intersections of culture, business, and innovation in tea franchising.

Research Design

The research design follows the transcendental phenomenological approach of Moustakas (1994), which emphasizes the depiction of the essence of experience while confining the researcher's preconception. This approach involves systematic procedures for data collection, analysis, and validation to ensure accuracy and trust. This study focuses on understanding the "what" and "how" of experiences related to operating and consuming tea franchise products in the context of Indonesian culture.

Selection of Participants

Participants were selected using purposive sampling techniques with a maximum variance strategy to capture diverse perspectives across the tea franchise ecosystem. The study included three key stakeholder groups: (1) franchise owners who operate tea franchise outlets, providing insights into business operations and adaptation strategies; (2) brand managers of franchise companies, offering perspectives on strategic decision-making and innovation processes; and (3) regular consumers who frequently buy from tea franchises, sharing consumption experiences and cultural interpretations.

The final sample consisted of 90 participants distributed in three categories: 25 franchise owners operating different tea franchise brands with varying tenures (6 months to 5 years), 15 brand managers from eight major tea franchise companies operating in Indonesia, and 50 regular consumers representing different demographic profiles (ages 18-45, diverse employment backgrounds). Participants were recruited from five major Indonesian cities: Jakarta, Surabaya, Bandung, Medan, and Makassar, ensuring geographical diversity and representation of different market characteristics.

Inclusion criteria for franchisees include: a minimum of six months of operational experience, a willingness to participate in extended interviews, and tea-focused franchise operations (not general beverage franchises). Brand managers are required to have direct involvement in strategic planning, product development, or market expansion decisions. Consumer participants need to purchase tea franchise products at least twice a week and demonstrate awareness of several tea franchise brands.

Data Collection Procedures

Data was collected through several methods to ensure triangulation and comprehensive understanding: semi-structured in-depth interviews, non-participant observations, and document analysis. This multi-method approach enhances credibility and provides rich, contextualized data (Creswell & Poth, 2018).

In-Depth Interviews: Individual interviews lasting 60-90 minutes are conducted with each participant using a semi-structured interview protocol. The interview guidelines were developed based on a literature review and improved through trials with three participants who were not included in the final sample. The questions explore experiences related to cultural adaptation, business challenges, innovation processes, and success factors. All interviews were conducted in Indonesian, audio recorded with permission, and transcribed verbatim. Examples of interview questions include: "How do you balance maintaining the authenticity of tea culture while meeting the expectations of modern consumers?" and "What innovations have you implemented, and what is motivating these changes?"

Observation: Non-participant observations were conducted at 30 tea franchise outlets in five cities, with each observation session lasting 2-3 hours during peak business hours. Observations focus on customer behavior, service interaction, physical environment design,

product preparation process, and social dynamics within the store. Detailed field notes document observations, including the researcher's reflections and initial interpretations. The observational data provided contextual insights that complemented the interview narrative.

Document Analysis: Various documents are analyzed including franchise agreements (with permissions), marketing materials, social media content, menu designs, training manuals, and company reports. Document analysis provides insights into formal policies, brand positioning strategies, and innovation timelines that participants may not have fully articulated in the interview.

Data Analysis

Data analysis follows Colaizzi's (1978) seven-step phenomenological analysis method, which provides a systematic procedure for extracting meaningful themes from experiential data. The analysis process takes place as follows:

Step 1 – Familiarization: All interview transcripts are read multiple times to get an overall impression of the data and develop an initial understanding of the participants' experiences.

Step 2 – Identifying Significant Statements: Significant statements or phrases directly related to the research phenomenon are extracted from each transcript. A total of 847 significant statements were identified throughout the interview.

Step 3 – Formulating Meaning: The meaning of each significant statement is formulated by interpreting what the participant intended to convey. It involves moving from the participant's language to the researcher's interpretive language while remaining true to the original meaning.

Step 4 – Organize into Theme Clusters: The formulated meanings are organized into clusters of themes that represent common patterns across participants. Initial analysis identified 47 initial themes, which were then corrected through an iterative review.

Step 5 – Extrusive Description: The theme cluster is integrated into the extrusive description of the phenomenon, capturing the essence of the experience related to the tea franchise in Indonesia.

Step 6 – Fundamental Structure: The extrusive description is reduced to a fundamental structure that represents the essential and invariant features of the phenomenon.

Step 7 – Validation: Findings are returned to selected participants for validation, ensuring that the analysis accurately captures their experiences. Participant feedback leads to minor refinements in the theme description.

Data analysis is supported by NVivo 14 software to organize and code qualitative data, although interpretive work remains research-driven. Some coding sessions are conducted at three-week intervals to improve coding consistency and allow for reflective distance.

Ensuring Accuracy and Trust

Accuracy and reliability are addressed through Lincoln and Guba's (1985) criteria: credibility, transferability, dependability, and confirmability.

Credibility is established through extended engagement (8 months of data collection), triangulation (multiple data sources and methods), member checking (validation of participant findings), and peer debriefing (regular discussions with two experienced qualitative researchers who are not involved in data collection).

Transferability is enhanced through bold descriptions that provide rich contextual details that allow readers to assess the application to other contexts. Detailed descriptions of participants, settings, and processes allow for an informed assessment of transferability.

Dependability is ensured through maintaining a detailed audit trail documenting all research decisions, changes in procedures, and analytical measures. External auditing by an experienced qualitative researcher reviews the audit trail and confirms the logical consistency between the data and findings.

Confirmability is addressed through reflexivity practices including maintaining a reflexive journal that documents the researcher's assumptions, reactions, and decision-making processes. The research team engages in regular reflective discussions to examine how the researcher's background and perspective might affect interpretation.

Ethical Considerations

The study received ethical approval from institutional review boards before data collection began. All participants provide informed consent after receiving detailed information about the research objectives, procedures, risks, and benefits. Participants are guaranteed confidentiality, with all identifying information removed from the transcript and replaced with a pseudonym. Participants can withdraw at any time without consequences. The data is stored

securely with limited access to the research team, and will be destroyed five years after the completion of the study following institutional guidelines.

Research Limitations

Some methodological limitations must be acknowledged. First, the qualitative phenomenological approach prioritizes depth over breadth, which means that the findings represent a deep understanding of specific cases rather than statistical generalizability. Second, participant selection focuses on established franchises with minimal operational history, potentially ignoring very new or failed franchise experiences. Third, data collection occurs over a specific time frame (March-October 2024), potentially missing seasonal variations in franchise operations and consumer behavior. Fourth, while geographic diversity is achieved in five cities, rural markets and small towns are underrepresented. These limitations are addressed in the discussion section on implications for interpretation and future research directions.

4. Results and Discussion

This section presents the findings of a qualitative phenomenological analysis of tea franchises in Indonesia. The results are organized around four main themes that emerge from the data analysis: Cultural Integration and Adaptation, Business Model Innovation, Product and Service Innovation, and Success Factors and Challenges. Each theme is supported by participant citations, observational data, and document analysis.

Cultural Integration and Adaptation

The analysis reveals that cultural integration represents a fundamental element that distinguishes a successful tea franchise in Indonesia. Participants consistently emphasized the importance of respecting and incorporating Indonesian tea culture while introducing modern consumption patterns.

Preservation of Tea Cultural Values

The franchisee owner and brand manager described a deliberate strategy to preserve the core values associated with Indonesian tea culture. Twenty-two out of 25 franchisees (88%) reported deliberately designing store ambiances to evoke "warmth and togetherness", traditional values associated with drinking tea in Indonesian culture. A franchisee owner in Surabaya explains: "We designed our outlets with bamboo elements and traditional seating arrangements because tea in Indonesia is all about gathering with family and friends, not just having a quick drink alone" (FO-12). Observational data confirm that most franchises incorporate cultural elements such as traditional patterns, warm lighting, and communal seating arrangements that facilitate social interaction.

Consumer participants validated these strategies, with 43 out of 50 consumers (86%) indicating that they chose a particular tea franchise in part because its atmosphere reminded them of a traditional tea drinking experience while offering modern convenience. A 28-year-old office worker in Jakarta stated: "I can bring my parents here because it feels familiar to them, but I can also take photos for Instagram because it looks modern" (C-23). This dual appeal demonstrates successful cultural bridges.

Menu Localization and Flavor Adaptation

All brand managers (15/15, 100%) reported significant menu localization efforts to align with Indonesian flavor preferences. The most common adaptations include adjusting the level of sweetness (usually higher than Western standards), combining local ingredients such as pandan, palm sugar, and local tea varieties from Java and Sumatra, and creating fusion drinks that combine tea with traditional Indonesian drinks such as ginger wedang or bandrek.

A brand manager from a major franchise chain explained: "Indonesian consumers expect sweeter drinks and familiar flavors. We spent six months testing different formulations before launching our 'Teh Tarik Nusantara' series which combines traditional Malaysian tarik tea techniques with Indonesian palm sugar and pandan" (BM-07). Sales data from this specific product line shows sales are 30% higher compared to non-local products, demonstrating the market's responsiveness to cultural adaptation.

However, cultural adaptation involves complex negotiations. Eight franchisees (32%) reported initial resistance from the parent company regarding extensive menu modifications, citing brand consistency concerns. One franchisee noted: "The franchisor wanted us to keep the right recipes, but we knew Indonesian customers wouldn't accept those flavors. We have to negotiate and provide market data that shows that localization will increase sales, not damage the brand" (FO-18). This highlights the tension between standardization and localization in the franchise system.

Social Function and Community Development

This study identifies that successful franchises recognize and facilitate the social function of tea consumption in Indonesian culture. Twelve franchise owners (48%) actively promote their stores as community meeting spaces through hosting events, providing meeting spaces, and encouraging customers to stay longer. Observations revealed that the average customer dwell time at an Indonesian tea franchise (42 minutes) significantly exceeded that of a typical fast food franchise (18 minutes), indicating different consumption patterns.

Brand managers acknowledge these cultural characteristics, with one stating: "In Western markets, efficiency and quick turnaround are priorities. In Indonesia, we learned that encouraging customers to stay longer actually increases loyalty and word-of-mouth recommendations. They bring friends the next time" (BM-03). This insight led some franchises to redesign seating arrangements, provide charging stations, and offer free Wi-Fi to support extended stays.

Consumer participants confirmed their appreciation of the tea franchise as a social space. A student in Bandung explained: "My friends and I did a group study session here. It's quieter than a fast food place but more cozy than a library. Tea keeps us focused but relaxed" (C-31). This reflects the traditional role of tea in facilitating conversations and activities focused on Indonesian culture.

Business Model Innovation

Beyond cultural adaptation, successful tea franchises demonstrate significant business model innovations that address the characteristics of the Indonesian market, particularly economic diversity and digital adoption patterns.

Pricing and Economic Accessibility Strategies

All franchisees (25/25, 100%) emphasized the critical importance of pricing strategies that balance the perception of quality with economic accessibility. The majority (21/25, 84%) implement a tiered pricing strategy that offers products at various price points (Rp 12,000 - Rp 45,000), allowing different consumer segments to access their brands.

A franchisee owner in Medan explained the logic: "Indonesia has a wide economic diversity. We need products for students on a budget and also premium products for working professionals. Our basic teas start at Rp 15,000, which is affordable for students, while our specialty drinks go up to Rp 40,000 for customers who want a premium experience" (FO-09). Analysis of sales data shows that entry-level products represent 55% of transaction volume, while premium-tier products contribute 60% of revenue, demonstrating successful market segmentation.

Brand managers report developing Indonesian-specific franchise packages with lower initial investment requirements (an average of IDR 250 million compared to IDR 400-500 million in other markets), acknowledging that lower barriers allow for faster expansion with local entrepreneurs who understand the context of the community. A brand manager noted: "We reduced equipment specifications and store size requirements for Indonesian franchisees. Smaller, well-located outlets with engaged owners outperform large outlets with absentee investors" (BM-11).

Digital Integration and Technology Adoption

Digital innovation emerged as the defining characteristic of a successful tea franchise, with 23 out of 25 franchisees (92%) actively leveraging multiple digital platforms for operations and marketing. Key digital innovations include mobile ordering apps, integrations with third-party delivery platforms (Gojek, Grab), loyalty programs, and social media marketing.

A very successful franchisee owner in Jakarta described their digital strategy: "We generate 40% of our daily revenue through online ordering. We invest heavily in our mobile app with features like scheduled bookings, favorite customization storage, and integrated loyalty points. Customers can book on their way and pick up without waiting" (FO-04). Observational data confirms an efficient pickup system with a dedicated counter and a digital order tracking display.

Brand managers emphasize that digital capabilities are becoming a competitive necessity rather than a differentiator. "Five years ago, having a good mobile app was a competitive advantage. Now, not having it means you're not even in the competition. The question is not whether to go digital, but how to use digital platforms more innovatively than competitors" (BM-13). This reflects the rapid digital transformation in the Indonesian consumer market.

Consumer participants validated the importance of digital convenience, with 47 out of 50 consumers (94%) regularly using mobile apps or online platforms for tea franchise purchases. A professional working in Surabaya stated: "I rarely visit the outlet anymore unless I want to sit down and work. I ordered through the app, someone delivered it to my office, and I paid digitally. This is faster than making your own tea" (C-19). This indicates a significant behavioral shift towards convenience-oriented consumption.

Franchise Support and Training System

Franchisees consistently emphasize the quality of the franchisor's support system as a critical success factor. The analysis reveals that successful franchise brands provide a comprehensive training program (4-6 weeks on average), ongoing operational support, centralized supply chain management, and regular innovation updates.

Eighteen franchise owners (72%) report that initial training programs significantly affect their operational success, particularly training on customer service standards, product preparation consistency, and financial management. A budding entrepreneur turned franchisee stated: "I have no previous business experience. The training program taught me everything from how to greet customers to how to read financial statements. Without that support, I would have failed in three months" (FO-21).

However, ten franchise owners (40%) expressed frustration with limited flexibility in certain operational aspects. "Sometimes I know what my local customers want, but I need approval from headquarters to make small menu adjustments. The approval process takes months. By then, the trend had passed" (FO-16). It highlights the ongoing tension between standardization requirements and the need for local responsiveness in the franchise system.

Product and Service Innovation

Innovation in products and services is emerging as essential to maintaining competitiveness in the saturated tea franchise market. The analysis identified several patterns of innovation across successful franchises.

Product Innovation and Menu Development

All franchise brands (8/8, 100% of the brands studied) demonstrate a continuous product innovation cycle, introducing new products on a quarterly or seasonal basis. The most common innovation approaches include limited-time offerings that create urgency, seasonal products that align with the weather or cultural events, fusion drinks that combine tea with unexpected ingredients, and health-focused products that respond to wellness trends.

A brand manager described their innovation process: "We have a dedicated product development team that is constantly experimenting with new combinations. We test products at selected outlets, collect customer feedback through our app, and iterate quickly. Products that achieve a 70% positive rating in the test market are rolled out nationally" (BM-05). This data-driven innovation approach reflects the sophisticated responsiveness of the market.

Franchise owners generally welcome product innovation, with 21 out of 25 (84%) reporting that new products generate sales excitement and attract lapsed customers. However, innovation also creates operational challenges. "Each new product requires staff training on new preparation methods, managing new materials, and updating our POS system. When headquarters launches three new products in one month, it creates chaos in operations" (FO-08). This indicates the need for a balanced pacing of innovation.

Consumer participants demonstrated a strong enthusiasm for product innovation, with 44 out of 50 (88%) stating they try new products on a regular basis and that menu innovation influences their franchise choices. A consumer in Makassar explained: "I'm tired of drinking the same thing. I follow my favorite franchises on Instagram to see when they launch new drinks. Last month they had an amazing lychee rose tea" (C-37). This confirms that innovation drives engagement and repeat purchases.

Service Innovation and Customer Experience

Beyond product innovation, successful franchises invest in service innovations that improve the overall customer experience. Observations revealed a range of service innovations including personalized beverage customization, mobile ordering with precise estimated ready time, subscription programs for regular customers, customer appreciation events, and co-working space facilities at selected outlets.

Fifteen franchise owners (60%) implemented a customer introduction program in which staff memorized regular customer preferences and names. One owner explained: "We train our staff to recognise regular customers and remember their regular orders. When a customer walks in and the staff says 'Normal, Sis?' without asking, the customer feels appreciated and special. This simple practice increases our customer retention by 35%" (FO-13). This personalization strategy utilizes Indonesian cultural values of interpersonal connection.

Brand managers recognize the quality of service as a differentiation opportunity in an increasingly commodified market. "Product recipes can be copied by competitors within a few weeks. But the feeling that customers get from the exceptional service, from the staff who really care and remember them, it cannot be replicated easily" (BM-09). This perspective emphasizes the dimension of experience beyond product quality.

Sustainability and Social Responsibility Innovation

Emerging areas of innovation involve sustainability practices and social responsibility initiatives, with 17 franchisees (68%) implementing environmental programs. Common initiatives include a reusable glass program with discount incentives, biodegradable or recyclable packaging materials, waste separation systems, and partnerships with local farmers for material procurement.

A franchisee owner in Bandung described their sustainability program: "We partner with local tea farmers in West Java, buying directly from them at a fair price. We educate customers about the origin of their tea through QR codes on glasses. Customers appreciate knowing their purchases support local farmers, and we secure a reliable supply of quality" (FO-24). The initiative combines sustainability with supply chain innovation and customer education.

Consumer participants showed an increased sensitivity to sustainability, with 32 out of 50 (64%) stating they preferred franchises that demonstrate environmental responsibility. One consumer explained: "I brought my own tumbler to get a discount, but more importantly, I felt less guilty about daily tea purchases knowing the franchise was trying to reduce waste" (C-41). This indicates a shift in consumer value towards sustainability.

However, brand managers recognize the challenges of sustainability. "Eco-friendly packaging costs 40% more than conventional packaging. We absorb most of these costs to avoid raising prices, which impacts margins. We believe it is necessary for long-term brand perception, but requires convincing stakeholders focused on short-term profitability" (BM-14). It highlights the tension between sustainability commitments and financial pressures.

Success Factors and Challenges

The final thematic analysis examines the critical success factors that enable the profitability and growth of tea franchises, as well as the persistent challenges facing the industry.

Location Strategy and Market Selection

Twenty-four franchise owners (96%) identified location selection as the most critical success factor. Successful outlets strategically position themselves in high-traffic areas including shopping malls, office districts, university campuses, and transit hubs. Detailed location analysis that considers foot traffic, competitor proximity, rental costs, and target demographic concentration precedes store openings.

A hugely successful franchise owner who operates several outlets explained: "I turned down five potential locations before finding the right one for my second outlet. The previous owner wanted me to take a cheaper location, but I knew his customer profile wasn't a good fit. I negotiated a better location and proved successful. Now they trust my location assessment" (FO-02). This demonstrates the importance of market knowledge and negotiation skills.

The brand manager confirmed that location errors represent the main cause of franchise failure. "We've seen franchisees fail not because of poor operations or poor products, but simply because the location can't generate enough traffic to cover rent and operating costs. We now need a more rigorous site approval process" (BM-12). This learning reflects the maturation of the industry.

Staff Management and Service Quality

Staff quality and retention emerge as critical yet challenging success factors. Nineteen franchisees (76%) report difficulties in recruiting, training and retaining qualified staff, particularly in a competitive labour market. High staff turnover (averaging 35% per year across respondents) creates an ongoing training burden and an inconsistent customer experience.

Successful franchise owners implement a variety of staff management innovations including competitive compensation above minimum wage, performance bonuses linked to customer satisfaction, career development pathways, and positive workplace culture initiatives. A franchisee owner in Jakarta stated: "I pay my staff 30% above minimum wage and provide a clear promotion path. My staff turnover is 15% compared to the industry average of 35%. The additional labor costs are offset by lower recruitment and training costs, plus better customer service" (FO-06).

Consumer participants confirmed that staff quality significantly affected their franchise preferences and loyalty. "I have several franchise options near my office, but I always go to one particular outlet because the staff is consistently friendly and efficient. Even if I was in a hurry, they handled my orders quickly with a smile" (C-28). It validates the business case for investing in staff quality.

Competition and Market Saturation

All participants (100%) acknowledged the intense competition as the main challenge facing the tea franchise. The research period saw the continued proliferation of new tea franchise brands entering the Indonesian market, creating increased competition for prime locations, customers, and differentiation opportunities.

The franchisee described the effect of market saturation: "Five years ago, we were one of only three tea franchises in the area. There are now twelve within a radius of 500 meters. We constantly need to innovate and provide a reason for customers to choose us over competitors who are often cheaper" (FO-17). These pressures encourage sustainable innovation but also create fatigue and margin pressure.

Brand managers use a variety of strategies to address competition including brand differentiation through unique product offerings, an experiential focus rather than price competition, expansion into secondary cities with less competition, and the speed of innovation to stay ahead of competitors. A brand manager stated: "We can't compete on price with newcomers willing to operate at a loss to gain market share. We compete on quality, experience, and speed of innovation. Our loyal customers stay with us because we consistently deliver value beyond just products" (BM-08).

Supply Chain and Quality Consistency

Supply chain management and quality consistency represent significant operational challenges, particularly for franchises that use fresh ingredients or specialty tea varieties. Sixteen franchisees (64%) reported occasional difficulties with material availability, quality variations, or supply delays affecting operations.

A franchisee owner in Medan explains: "Sometimes the fresh fruit we use for fruit tea arrives in poor condition or not at all due to logistical issues. We need to quickly find alternatives, but that changes the taste of the product and disappoints customers who expect consistency" (FO-19). It highlights the infrastructure challenges affecting franchise operations in Indonesia.

Brand managers with centralized supply chain systems report better consistency. "We are investing heavily in cold chain logistics and central processing facilities. Franchisees receive pre-processed ingredients with guaranteed quality and consistency. This investment is expensive but essential to maintain brand standards across hundreds of outlets" (BM-06). This demonstrates the importance of supply chain infrastructure for franchise scaling.

Synthesis of Findings

An integrated analysis reveals that successful tea franchises in Indonesia operate at the intersection of three dynamic forces: cultural authenticity, business innovation, and operational excellence. The most successful franchisees demonstrate the ability to respect traditional tea culture while embracing modern consumption patterns, implement flexible business models that are responsive to local market conditions, continuously innovate in products and services while maintaining quality consistency, leverage digital technology for operational efficiency and customer engagement, build strong relationships with stakeholders including customers, staff, and local communities, and maintain a focus on long-term sustainability along with short-term profitability.

These findings suggest that tea franchising represents a hybrid form of organization that successfully combines the advantages of a global franchise system (standardization, brand strength, operational systems) with local entrepreneurial adaptation (cultural sensitivity, market responsiveness, relationship building). This hybridization creates a competitive advantage that is not easily replicated by competitors who are purely global or purely local.

The study also revealed significant variations in success rates and approaches, indicating that several pathways to success exist within the tea franchise ecosystem. Factors influencing this variation include brand positioning (premium vs. value), target market (youth vs. family), geographic location (large cities vs. emerging markets), ownership structure (individual vs. corporate), and the quality of franchisor's support.

5. Comparison

This section compares the research findings with existing literature and state-of-the-art practices in franchise business, cultural entrepreneurship, and innovation studies to identify consistency with previous research as well as novel contributions from these studies. Findings regarding franchise success factors align substantially with the established franchise literature that emphasizes location strategy, brand consistency, and support systems (Kaufmann & Dant, 2021; Combs et al., 2022). However, this study expands on previous work by demonstrating how these factors manifest specifically in the context of Indonesian tea franchising, where cultural considerations add complexity to standard franchise operations. The tension between standardization and localization observed in this study confirms a pattern documented in international franchise research (Martinez & Thompson, 2022; Singh & Kumar, 2023), however this study reveals more nuanced cultural negotiations that occur in tea franchises compared to fast food franchises, likely because tea carries a deeper cultural significance and traditional consumption patterns that require sensitive adaptations rather than simply simple menu additions.

The finding that digital integration has become essential rather than optional represents an acceleration of trends documented in recent franchise research (Brown & Davis, 2022; Li & Zhang, 2023). Indonesia's tea franchise market seems to have jumped past a certain stage of development, moving straight to a mobile-first strategy without an extended traditional period of operation. This pattern differs from the evolution of Western franchising, likely reflecting the rapid adoption of mobile technology in Indonesia and the young demographic profile. The cultural integration strategies identified in this study provide empirical support for the theory of glocalization (Robertson & White, 2023), demonstrating how the concept of global franchise successfully adapts to local cultural contexts. However, this study expands the theoretical understanding by revealing the depth of cultural work required beyond surface-level adaptation, where the preservation of social functions, emotional values, and sensory experiences requires sophisticated cultural understandings that cannot be achieved with simple menu localization.

The finding that 86% of consumers value outlets that bridge traditional and modern experiences adds empirical evidence to theoretical discussions about cultural hybridity in business contexts. Previous research has often positioned tradition and modernity as opposing forces that require trade-offs (Chen & Liu, 2022), while this study reveals how successful franchises synthesize both dimensions into a coherent brand experience that appeals precisely because they honor tradition while enabling modernity. The observed pattern of menu localization (100% of brands involved in significant adaptations) exceeded the level of adaptation documented in Western fast-food franchises entering the Asian market, where localization typically involves 20-30% of menu items (Wang et al., 2023). This difference may reflect a deeper cultural attachment to tea compared to hamburgers or fried chicken, which requires more extensive adaptations to achieve cultural acceptability.

The continuous innovation cycles identified in tea franchising (quarterly product launches) represent a faster pace of innovation than that documented in traditional restaurant franchising with annual or seasonal cycles (Garcia & Martinez, 2023). This acceleration is likely to reflect several factors including intense competition in saturated markets, lower barriers to product innovation in the context of beverage versus food, the amplification of social media that creates rapid trend cycles, and consumer expectations for novelty in the experiential consumption category. The finding that 92% of franchisees actively utilize digital platforms for operations and marketing significantly exceeds the digital adoption rate reported in a broader franchise industry study of around 65-70% (Brown & Davis, 2022), suggests that

beverage franchising, particularly tea franchises targeting young demographics, is leading digital adoption compared to other franchise categories.

The sustainability innovations observed with 68% of franchises implementing environmental programs represent a higher adoption rate than reported in the general franchise literature of around 45% (Green & White, 2023; Miller et al., 2022). These findings challenge the assumption that sustainability remains a particular concern in emerging markets, instead indicating that Indonesian tea franchise consumers demonstrate environmental awareness that drives business responses. However, the economic tensions surrounding sustainability costs with 40% higher packaging costs confirm the challenges documented in the sustainability literature. Beyond confirming and expanding on the existing literature, this research makes several novel contributions. First, the study provides the first comprehensive qualitative examination of tea franchises in Indonesia, establishing a basic understanding for future research. Second, the research develops an integrated framework that connects culture, business, and innovation in the context of franchising, moving beyond the separate treatment of these dimensions. Third, this study demonstrates how traditional cultural values can be business assets rather than barriers to modernization, challenging deficit-based narratives about traditional culture in business contexts. Fourth, the study reveals specific innovation patterns that differentiate successful franchises from struggling ones, providing actionable insights for practitioners. The research also contributes methodologically by demonstrating the value of phenomenological approaches to understanding the franchise business, revealing deeper meanings, motivations, and processes that cannot be captured by statistical analysis, suggesting value in a mixed-methods approach for future franchise research.

Table 1. Comparison with Previous Research.

Research Dimensions	Previous Research Findings	Current Research Findings
Cultural Adaptation	20-30% menu localization in fast food franchises (Wang et al., 2023)	100% brand with significant localization
Digital Adoption	65-70% of nonprofit digital platform usage (Brown & Davis, 2022)	92% digital integration is active
Innovation Cycle	Annual or seasonal product launches (Garcia & Martinez, 2023)	Quarterly innovation cycle
Sustainability	45% of franchises with environmental programs (Green & White, 2023)	68% implement sustainability initiatives
Success Factors	Location, brand, support (Kaufmann & Dant, 2021)	Location, culture, innovation, digital
Wa-ralaba Tension	Standardization vs. local adaptation (Martinez & Thompson, 2022)	Cultural preservation vs. modernization
Research Dimensions	Previous Research Findings	Current Research Findings

This comparison demonstrates that while tea franchises in Indonesia share a common pattern with the broader franchise literature, they also exhibit distinct characteristics that reflect the specific intersection of tea culture, Indonesian market dynamics, and beverage industry innovation trends. This research thus contributes both confirmatory evidence for established theories and novel insights that expand theoretical understanding of franchising in emerging markets.

6. Conclusion

This study investigates tea franchising in Indonesia through a qualitative phenomenological methodology, revealing that successful franchising operates at a complex intersection between cultural preservation, business sustainability, and sustainable innovation. Key findings identify four pillars of success: cultural integration through menu localization (100% brand), ambient design that respects traditional values, and facilitation of social functioning; business model innovation with tiered pricing, digital integration (92% adoption), and flexible support systems; sustainable product and service innovation with quarterly cycles and sustainability practices (68% implementation); as well as management of critical factors such as location, staff quality, and supply chain. The research contributes theoretically by developing an integrative framework that connects culture, business, and innovation in the context of franchising, introducing the concept of "cultural bridge" that demonstrates that traditional values are not barriers but strategic assets for competitive differentiation, as well as expanding franchise theory by demonstrating the importance of cultural factors in emerging markets that cannot be explained by Western-based models. Practically, the study emphasizes the importance of deep cultural understanding, precise location strategies, continuous innovation, and a balance between standardization and localization for franchisees, franchisors, and policymakers.

Research limitations include qualitative approaches that prioritize depth over statistical generalization, a focus on established franchises in large cities that do not yet include failures or rural markets, as well as cross-sectional data collection that does not capture longitudinal evolution. Future research is recommended to use quantitative methods with larger samples for generalization validation, longitudinal studies to understand long-term evolution, comparative analysis between different brands and positions, as well as specific investigations on failed franchises and small town or rural markets. Tea franchises in Indonesia exemplify successful cultural entrepreneurship, demonstrating that globalization and modernization do not have to erode traditional culture but can be a means of preservation through creative commercial adaptation. This phenomenon represents a hybrid business model that blends the efficiency of the global franchise system with the authenticity of local culture, creating economic value while preserving cultural significance for contemporary generations. This research provides an empirical and theoretical foundation that can support the sustainable success of tea franchises in Indonesia and inspire similar cultural entrepreneurship efforts in various other emerging market contexts.

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