

Republic of Indonesia

A Brand Wrapped in Success

After introducing a popular Middle Eastern dish – the kebab – into his hometown, a shrewd entrepreneur used a strong branding and franchising strategy to create the world’s largest kebab restaurant chain. Starting with a single pushcart, trademark registrations have ensured the success and growth of the Baba Rafi brand and franchise, and the company has provided people at home and internationally with a popular dish and employment opportunities.

Background

In nearly any large city there is a high possibility that you will see *kebab* stands dotting the streets. Kebab – a traditional dish of sliced meat (predominantly lamb but also chicken and beef) originating in the Middle East – is a quick meal that comes in many variations. Some consist of meat served on a skewer (a long piece of wood or metal) with vegetables, while others are wrapped in bread.

On a trip in 2003 to visit his father who was working in the State of Qatar (Qatar), Hedy Setiono, then a university student, recognized the growing popularity of kebab stands and restaurants in urban areas. Impressed with the taste and popularity of the simple wrap, Mr. Setiono decided to try and commercialize it in his home city of Surabaya, the second largest city in the Republic of Indonesia (Indonesia).



Mr. Hedy Setiono, founder of Kebab Turki Baba Rafi
(Photo: KTBR)

Opening to humble beginnings that same year as a single kebab cart, Mr. Setiono has transformed his business into an international success, operating more than 1,100 kebab stores across Indonesia, Malaysia, and the Republic of the Philippines (Philippines), and with plans to open its first location in Europe in the Kingdom of the Netherlands (the Netherlands).

As of 2013, the entrepreneur’s company – *Kebab Turki Baba Rafi* (KTBR) – was the largest kebab chain in the world and one of Asia’s premier food companies. Relying on a strong brand, a supportive franchising scheme, and the intellectual property (IP) system, Mr. Setiono continues to innovate and grow his business, attracting new customers throughout the world.

Refining A Delicacy

Shortly after arriving in Qatar, the young entrepreneur was surprised to see how popular kebab was as a fast food. From single pushcarts and small stands to large restaurants, kebabs were everywhere and popular with both locals and tourists. He was also impressed with the taste of the kebabs, particularly the *Doner kebab* variant from the Republic of Turkey (Turkey). The first thing that came to Mr. Setiono's mind upon seeing and tasting the kebabs was to introduce the traditional Middle Eastern food to Indonesia. Largely unknown in the country at the time, the entrepreneur believed it had great potential.



Kebabs are typically cooked on a vertical or horizontal spit (Photo: Javier Lastras)

Returning to Surabaya, Mr. Setiono wanted to start selling kebabs in his home city but knew that he needed a sound business strategy if he was going to succeed. To that end, Mr. Setiono contacted a friend, Mr. Hasan Baraja, who happened to work in the culinary industry in Indonesia. The fledgling entrepreneur pitched his idea and asked Mr. Baraja if he would become his business partner. Mr. Baraja agreed and the two went to work on research and development (R&D) into business opportunities, product development, and marketing strategies.

Much of their early R&D was trial and error, and through this they realized that they needed to adapt kebabs to make them appealing to Indonesians. The first thing the partners did was change the size of the kebabs. In Qatar, the most popular kebabs that Mr. Setiono saw were typically the *Doner kebab* variant. Made with lamb meat (and sometimes veal, beef, or a mixture of these) that is cooked on a vertical spit, they are wrapped together with vegetables and spices in *taboon bread*, which is a type of thin flatbread.

Mr. Setiono and his partner found that the typical size of *taboon bread* – approximately 30 centimeters in circumference – made these kebab wraps rather large from the partners' perspective. Learning that this would likely be an impediment to acceptance of the dish among Indonesians, the entrepreneurs decided to make their kebab wraps smaller and thus more attractive for the local population.

Mr. Setiono also found that the flavor of the product needed to be changed to match Indonesian tastes. The kebabs that the entrepreneur enjoyed in Qatar are typically kebab wraps seasoned with cardamom (a strong, aromatic spice that comes in green and black varieties) and clove (a common spice in the Middle East that comes from the clove tree). While these spices are well known among Indonesians, Mr. Setiono found that the amount used in the kebabs from Qatar would likely be too foreign or strong for most Indonesians. He adapted the kebab recipe to lessen the strength of these spices and also add more flavors that would appeal to the local population. Furthermore, Indonesians were not familiar with the distinct taste of lamb, so the entrepreneur substituted this with beef and chicken. "I modified the taste of the

kebab,” the entrepreneur explained, “to make it more Indonesian, using beef or chicken instead of lamb and swapping in more familiar Indonesian spices.”



The original kebab that Mr. Setiono started with and that is still popular today (Photo: KTBR)

With a new recipe in hand, the novice entrepreneur was ready to launch his business. Mr. Setiono just needed some startup capital. Approaching his younger sister with his idea, in 2003 she lent the entrepreneur 4 million Indonesian Rupiahs (IDR; approximately US\$340) to purchase a pushcart, ingredients, and supplies to sell kebabs on a street corner close to his university. In less than a year after returning from Qatar, Mr.

Setiono’s dream of opening up a kebab stand was becoming a reality.

A Risk That Paid Off

When he was a child, Mr. Setiono wanted to be an entrepreneur. “I’ve always been interested in making extra money from my interests and hobbies,” he explained. Feeling the excitement of realizing his childhood dream, the young entrepreneur soon found that starting a new and untested business while a university student was no easy task. Initially customers were few and, to meet his university obligations, he had to hire employees to operate his kebab cart when he could not. Experiencing a high turnover in employees and sales as low as US\$3 in one week (particularly when the weather was bad resulting in fewer customers), it seemed that Mr. Setiono’s dream would not go beyond that first street corner.

Ever determined, the new business owner decided to quit university and dedicate all his efforts to his kebab cart. With two years of university already behind him, many of his family and friends were not too keen on his decision as they felt the kebab stand was more of a hobby than a viable employment opportunity. However, any negative sentiment he encountered only strengthened his resolve, and he knew that without a university degree he would have to work even harder to be successful. “Looking back,” Mr. Setiono explained, “the abrupt end of my studies was probably one of my biggest blessings even though I had to start from the bottom, which was both physically and emotionally draining.”



The popularity of Mr. Setiono’s kebabs soon transformed from pushcarts and stalls to larger locations (Photo: KTBR)

Shortly after Mr. Setiono turned his full-time attention to his kebab cart, his hard work paid off and business started to pick up. A few short weeks later, lines in front of his cart were so long that he realized he had to open more carts to meet demand.

With the acceptance of his kebab recipe confirmed, within one year the entrepreneur found himself opening three new kebab stands in the area.

Eager to continue to grow his business, Mr. Setiono started to attend marketing, management, and entrepreneurship seminars in Indonesia, the Russian Federation, the Swiss Confederation, and the United States of America. In 2004, the entrepreneur managed to open up six more KTBR locations throughout Surabaya, all focused on providing fast service and kebabs made with fresh, high quality ingredients.

Through these seminars and his own experience he learned more about maintaining a successful business and developed an original business principle called “LATEM,” the opposite of “METAL,” which is slang in Indonesian for someone who breaks the rules to promote positive change. Translated from Indonesian, Mr. Setiono’s LATEM principle stands for: (L) see opportunities; (A) observe and do; (T) imitate the way that might be adopted; (E) evaluate the opportunity; and (M) make modifications as necessary. With this principle and new knowledge in hand, the business owner realized that to expand and ensure his company’s continuation, he needed to develop a well-known brand image and franchising scheme.



Innovative packaging ensures kebabs can be easily eaten without a mess (Photo: KTBR)

As the company grew, so did its product line. With this diversification, Mr. Setiono formed Baba Rafi Enterprise, a holding company for the entrepreneur’s current and future brands. As of 2013, KTBR sells kebabs, hamburgers, sandwiches, *canai* breads (an Indian-influenced flatbread popular in Indonesia and Malaysia), *kripiks* (Indonesian chips made from fruit, vegetables, or fish), and frozen food in supermarkets, such as meat products and French fries.

One innovative feature that the company introduced was a special cardboard package for their famous kebab wraps. In many cases, kebab wraps can be messy to eat with your hands. The sauce can drip through air pockets where the bread is folded, and in other cases it is wrapped too tightly in paper, which could lead to accidental consumption of the paper wrapping. To solve this problem, KTBR developed a sturdy, easy to carry cardboard container with a special tab that eliminates these issues. Pulling up on the tab will slowly lift the

kebab out of the container, and continual pulls on the tab will bring the kebab higher up so it can be easily eaten while not causing a mess.

This innovative container has met with great success among consumers and helped to enhance KTBR’s reputation and brand image, and the company continues to put efforts into R&D for better packaging. Indeed, the company routinely changes its packaging designs to reflect seasons, special themes, or holidays. For example, in the month of February the company’s famous kebab containers are adorned with images evoking Valentine’s Day, a popular occasion in Indonesia and other countries in which KTBR operates. Moreover, the company introduces seasonal product

variations, such as its “frozen kebab,” a package of kebabs sold in the winter months that consumers cook at home.

With Kebab Turki locations (including pushcarts, stalls, and complete restaurants) rapidly increasing, Mr. Setiono soon realized that local meat suppliers could not keep up with the demand. Without safe, high quality meat for his kebabs, the entrepreneur’s expansion options would be limited. To overcome this, in 2009 KTBR partnered with PT Belfoods Indonesia (Belfoods), one of Indonesia’s largest food suppliers. This partnership ensured that the entrepreneur’s products were made with ingredients that meet the stringent standards (such as food safety and quality assurance) of the Indonesia National Agency of Drug and Food Control . In addition, Belfoods has Halal (which describes permissible foods for Muslims to eat) certification from the Indonesian Ulema Council (IUC), the country’s top Muslim clerical body. This certification is important for KTBR’s many Muslim customers. Mr. Setiono then established warehouses in major cities (such as Surabaya, Malang, and Semarang) to ensure quick delivery of ingredients and other products to all of KTBR’s pushcarts, stalls, restaurants, and other locations.

IP In Action

When he first started his business, Mr. Setiono was selling kebabs from a plain white pushcart. If he was going to be more successful, he knew he needed to create an easily recognizable brand name and change the look of his cart to be more appealing. The new business owner chose the name “*Kebab Turki Baba Rafi*,” which has a multifaceted meaning. “Kebab Turki” stands for the place where the entrepreneur tasted his favorite kebab – Turkey. “Baba” is an informal meaning of “father” in Modern Standard Arabic and he chose the last part of the name, “Rafi,” from the name of his first-born son, Rafi Darmawan, as a way to continue the family legacy. From this, Kebab Turki Baba Rafi was born.



The company's logo and slogan is a registered trademark in Indonesia and other countries (Photo: KTBR)

Typically, the signage of the company has “Kebab Turki” in large letters with “Baba Rafi” in smaller letters underneath, as this would make the name of the cart, stand, or restaurant easier and quicker to read. Mr. Setiono chose a color scheme of bright red and yellow to attract people passing by and create a lively atmosphere. With a brand name and image created, the entrepreneur worked over the ensuing years to spread the word of his brand. “I worked to slowly build a brand, opening new carts, stands, and storefronts while employing offline and online media techniques to spread the Baba Rafi name,” Mr. Setiono explained. The company has also developed a popular “101%” slogan, which adorns KTBR pushcarts, stalls, restaurants, products, and advertisements. There are two main versions: “101% Halal” to confirm that the product meets IUC standards, and “101% Tasty,” which confirms the quality of the product.

An important part of KTBR's strategy is to ensure that the company's brand is more than a catchy name and eye-catching colors. To that end, Mr. Setiono makes certain that the brand stands for quality food products that meet consumer's expectations by employing a number of initiatives. For example, as the company grew Mr. Setiono implemented improved quality control systems, better warehouse management of supplies, enhanced logistical support, and a high standard of human resources. Before new employees start their work at KTBR, they undertake training at Baba Rafi Academy, which is run by the company at locations throughout Indonesia. At the academy, employees and franchisees hone their skills to be able to provide the best service and support to customers. All of these initiatives have led to the creation of a brand that consumers equate with quality food products matched with competitive service and pricing, which is commensurate with KTBR's mission.



A location in the Philippines (Photo: KTBR)

With the spread of the KTBR brand throughout Indonesia and neighboring countries (such as the Philippines and Malaysia), Mr. Setiono launched a new brand: Piramizza. This brand has over 75 locations (pushcarts, stalls, and restaurants) throughout Indonesia, and are many times fused with the KTBR brand into one combined location. Piramizza sells a unique combination of pizza and kebab: easy to eat pizza in the format of a Turkish kebab in KTBR's signature container.

Furthermore, the success of the KTBR brand led to Baba Rafi Enterprise's development of other popular Indonesian brands to further expand its operations and enhance the company's brand portfolio. Some of the most successful ones include Ayam Bakar Mas Mono, a popular fried chicken franchise with over 40 locations in Indonesia and one in Malaysia, and Bebek Garang, an Indonesian franchise specializing in affordable duck meals. With this portfolio of popular brands, Mr. Setiono continues to successfully bring more quality food products to consumers in Indonesia, Southeast Asia, and beyond.

Making The Most Of A Growing Brand

After a few short years, KTBR became very popular and Mr. Setiono started to think about the best way to further expand the brand and company. Instead of opening new stores individually, the entrepreneur decided that launching a franchising system would yield the most desirable results. "Eager for faster growth," Mr. Setiono explained, "I decided in 2006 to introduce a franchise model. To attract potential franchise investors, I participated in company exhibitions, industry fairs, and public events, promoting both a 'can't miss' business opportunity and a growing brand."

To franchisees into the KTBR family, Mr. Setiono and his team developed an attractive franchising system. To start a franchise, the franchisee must have secured a space and basic equipment and utilities, such as a freezer and electricity. The company is flexible with space sizes and it allows franchisees to be small single carts or large, full-service restaurants. KTBR provides franchisees with all the necessary

equipment, appliances, and promotional assistance over the first four-year period for an initial investment of IDR 55 million (approximately US\$4,500).

In addition, franchisees pay KTBR a monthly royalty fee of IDR 450,000 (approximately US\$38). KTBR offsets this through providing business strategy support, continuing training, and inclusion in national promotional activities, among others, for the duration of the franchising agreement. Franchisees typically break even within 18 months, and each outlet earns an average of approximately IDR 15 million per month (US\$ 1,260), with the more popular locations earning up to approximately IDR 60 million per month (US\$5,040). With a good location, a franchisee can recoup their initial investment in the KTBR brand within one month.

Shortly after launching its franchising scheme, KTBR was flooded with hundreds of applications. As these franchises took off, the KTBR brand name quickly spread throughout Indonesia, and, in the entrepreneur's own words, "...it is safe to say Indonesians have enthusiastically embraced the kebab." Franchising also proved to be the most successful way for the company to enter into the international market. For



The company provides its franchises with key ingredients (Photo: KTBR)

example, when Mr. Setiono decided to expand his company into Malaysia in 2012, KTBR entered into a franchising agreement with INKY Sdn Bhd (INKY), a Malaysian company that became the master franchisee for KTBR in the country. Through this agreement, INKY handles the logistical, legal, and promotional aspects of KTBR franchises in Malaysia. As a result, Indonesia's most popular kebab brand started to take hold in Malaysia as KTBR expanded its international presence.

A Proactive Approach

With such a recognizable brand, protection of KTBR's IP portfolio is essential to its continued national and international success and growth. To that end, the company has relied on the IP system. In 2005, Mr. Setiono made a trademark application (#D102005017644) for the **Kebab Turki Baba Rafi** name and logo with the Directorate General of Intellectual Property Rights (DGIPR) of Indonesia, and it was registered in 2007. In 2009, the entrepreneur made two more applications for the company's updated logo with DGIPR under **class 45** (#J002009008053) and **class 30** (#D002009008054) of the International (Nice) Classification of Goods and Services, both of which were registered in 2010.

The company has also ensured protection of its brand in the countries in which it has expanded. For example, in line with KTBR's entrance into Malaysia the company made a trademark application in 2012 for its name and logo (#2012006418) with the Intellectual Property Corporation of Malaysia. In 2011 and 2012 KTBR also made trademark applications with the Intellectual Property Office of the Philippines for its

name and stylized logo. The 2011 application was registered in 2012 and as of 2013 the 2012 application was pending registration.

An important part of KTBR's brand image is the company's packaging and literature that it publishes for use in its locations, on the Internet, and in promotional materials. The company relies on the use of copyrights through the IP system for protection of these assets, which helps KTBR maintain its competitive advantage.

In addition to trademarks, Mr. Setiono recognized early on the importance of maintaining a presence on the Internet. To that end, KTBR owns a number of domain names, including babarafi.com and babarafienterprise.com. The company also owns the domain names of other brands it has acquired or developed, such as ayambakarmasmono.com, bebekgarang.com, and voila.co.id. Furthermore, the company maintains a presence on the popular video sharing website You Tube and social networks such as Facebook and Twitter.

Through these channels, KTBR can reach out to old and new customers, and also provide them with an accessible venue to interact with their favorite kebab brand. A powerful brand backed by the IP system and combined with an attractive and successful franchising strategy has turned KTBR into Asia's largest kebab franchise.

Going Forward



The company's main office in Surabaya, Indonesia (Photo: KTBR)

As of 2013 the company had over 1,100 franchises in over 50 cities in Indonesia and abroad, with the latest opening planned for the Netherlands, and employed over 1,500 people worldwide. In that same year, Mr. Setiono set out to open 200 more KTBR locations worldwide in the next five years. KTBR, moreover, became Indonesia's third largest franchise, beating out popular international brands such as McDonald's, Pizza Hut, and Starbucks.

The company has also won numerous awards, including the Socially Responsible Company Award in Social Franchising (which recognized KTBR's corporate social responsibility efforts at creating a safe and environmentally friendly work environment) by the United Nations and Junior Chamber International Malaysia, a network of young people seeking solutions to local and global problems. Mr. Setiono himself has received many awards, including being selected as the Ernst & Young Entrepreneur of the Year (2009), the Special Award in Entrepreneurial Spirit (2009), and the Young Marketer Champion award by Swa Business Magazine (2010). In addition, the company received the Fastest Growing Franchise Award (2013) from Majalah Info Franchise magazine.

A Dream to Build a Brand

Taking a big risk leaving university to pursue his dream, Mr. Setiono's entrepreneurial spirit, innovative business strategies, and use of branding and the IP system have propelled him to the forefront of the Indonesian food industry. Asked for the reason behind his success, Mr. Setiono says "...what makes a successful entrepreneur is that they are doing work that can benefit many people and provide an opportunity to create jobs." With Asia's most well-known kebab franchise and one of the region's fastest growing IP-backed brands behind him, the young entrepreneur has indeed done just that.