

Unraveling The Feasibility of Health and Wellness Food Business Through a Financial Perspective: A Case Study of Asa Cerra

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Abstract

Asa Cerra is positioning itself to meet the growing global demand for health-conscious and sustainable products with its flagship offering, "Nata De Whey," a probiotic-rich beverage crafted from whey waste from mozzarella cheese. This product not only aims to enhance health but also to support environmental sustainability. Despite favorable initial feedback, a comprehensive financial feasibility study had yet to be conducted to ensure long-term viability. This research addresses this gap by evaluating Asa Cerra's financial feasibility using a combination of primary data from the company and secondary data from similar industry players. The study employs key financial metrics, including Payback Period, Net Present Value (NPV), and Internal Rate of Return (IRR), and integrates scenario analysis to capture a range of potential outcomes: most likely, pessimistic, and optimistic. The analysis reveals a promising financial outlook for Asa Cerra, with a payback period of 2.4 years, an NPV of Rp465,551,298, and an IRR of 38.29%, significantly exceeding the Weighted Average Cost of Capital (WACC) of 9.00%. These results suggest that Asa Cerra is financially sound and has the potential for sustainable growth. The comprehensive financial assessment supports Asa Cerra's strategic planning efforts and highlights its readiness for long-term success in the market.

Keywords: Financial Feasibility, Health and Wellness Food, Health Awareness

A. INTRODUCTION

Global health awareness is surging, leading to a heightened emphasis on nutrition, wellness, and overall well-being. This shift is evident in the growing consumer preference for nutritious food options. Puratos, a leading global food ingredient manufacturer, highlights that freshness, health, and taste are top consumer priorities. This trend is driven by increased public awareness of healthy lifestyles, the rapid expansion of e-commerce, and the emergence of innovative products and services. Research indicates that consumer food habits are evolving rapidly; for instance, the 2016 Annual Waitrose Food Report revealed that 71% of respondents view maintaining a balanced diet and self-care as essential (Singh et al., 2018). The rise of health-conscious consumers across various socio-economic backgrounds globally underscores the need for responsiveness from both the food and technology sectors. Adapting to these evolving consumer expectations is crucial for businesses (Konar et al., 2022).

The concept of 'gut health,' though widely discussed in human medicine, lacks a precise definition in scientific literature. According to the World Health Organization's 1948 definition of health—which emphasizes a positive state of well-being rather than mere disease absence—gut health can be understood as a state of both physical and mental wellness. This encompasses the absence of gastrointestinal issues requiring medical intervention, no indications or risks of bowel disease, and no confirmed presence of such conditions (Bischoff, 2011). Maintaining digestive health is essential, given that approximately 80% of our immune system is located in the digestive tract, making good digestion vital for overall health and immune function (Juffrie et al., 2018). Nevertheless, The Rome Foundation's 2020 study found that over 40% of the global population suffers from digestive disorders known as Disorders of Gut-Brain Interactions.

In adulthood, metabolic disorders become more prevalent, often due to unhealthy lifestyles and insufficient intake of probiotic-rich foods. Although probiotics are known to benefit individuals with metabolic disorders by enhancing immune function and metabolic processes, public awareness remains limited (Sinta Dewi et al., 2021; Endang et al., 2021). Probiotics are linked to improved health outcomes, including reduced risks of cardiovascular diseases, hypertension, obesity, arteriosclerosis, and cancer, while potentially slowing the aging process (Roy & Kumar, 2018).

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The Health and Wellness Food industry is projected to grow at a compound annual Growth Rate (CAGR) of 9.3% from 2022 to 2029, driven by strong consumer demand for health-related products, particularly among younger demographics (Digital Journal, 2022). The COVID-19 pandemic has further accelerated this trend, presenting a significant opportunity for companies like Asa Cerra to expand their market presence with innovative, health-conscious, and sustainable food products. Despite promising market trends, Asa Cerra faces financial challenges that could impact its long-term viability. The company has invested significantly in research, development, and marketing for its flagship product, "Nata De Whey," a probiotic beverage made from mozzarella cheese whey waste. However, without a comprehensive financial feasibility study, it remains uncertain whether the product will generate sufficient returns to justify the investment. Inconsistent production outcomes further exacerbate financial concerns, as fluctuations in quality standards increase production costs and reduce profit margins. This uncertainty complicates Asa Cerra's ability to predict and plan its long-term finances accurately.

This study aims to evaluate the financial feasibility of Asa Cerra's business, focusing on the long-term viability of "Nata De Whey." By analyzing financial data and projecting revenue and production costs, the study seeks to provide a comprehensive financial assessment. The findings will assist Asa Cerra in identifying areas for improvement and making informed strategic decisions to ensure sustainable growth and success in a competitive market.

B. RESEARCH METHOD

The research methodology integrates both primary and secondary data collection methods to ensure a thorough analysis of Asa Cerra's financial feasibility and strategic positioning. Primary data will be acquired through direct engagement methods such as surveys, interviews, and observations, capturing real-time insights and firsthand information about Asa Cerra's operations and industry context. Secondary data will be sourced from established records, including government publications, academic journals, and industry reports, providing a contextual background and validating the primary data findings.

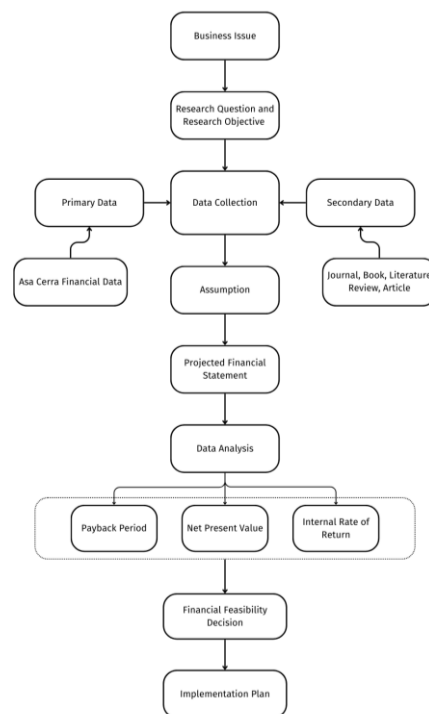


Figure 1. Research Design

The data analysis will proceed in several stages. Initially, a pro forma financial report will be developed to protect the company's future financial state. This will involve creating pro forma income statements, balance sheets, and cash flow statements for the next five years based on historical data and current expectations. The

calculation of the Weighted Average Cost of Capital (WACC) will follow, which will assist in determining the Net Present Value (NPV) and serve as a discount factor for financial evaluations, incorporating equity costs and market conditions specific to Indonesia.

Following financial projections, a feasibility analysis will be conducted using capital budgeting techniques. Key metrics, including the Payback Period, NPV, and Internal Rate of Return (IRR), will be assessed to evaluate the financial viability of the project. Additionally, a risk assessment through scenario analysis will explore various outcomes—best-case, worst-case, and base-case scenarios—ensuring that potential uncertainties are accounted for and providing a robust basis for decision-making. The final stage involves synthesizing the research findings to draw actionable conclusions and formulate an implementation plan. This phase will offer strategic recommendations based on the data analysis and feasibility assessment, providing a clear roadmap for Asa Cerra. The aim is to outline effective strategies and steps for implementation to achieve desired outcomes and enhance overall business performance.

Overall, this comprehensive methodology ensures a rigorous evaluation of Asa Cerra's financial and strategic aspects, facilitating informed decision-making and strategic planning to support the company's growth and sustainability.

C. RESULTS AND DISCUSSION

To address Asa Cerra's current challenges, a comprehensive business solution is proposed that includes detailed financial analysis and strategic planning. The methodology involves analyzing financial data from Asa Cerra and similar companies to develop pro forma financial statements, such as income statements, balance sheets, and cash flow statements. These statements will be driven by key assumptions based on Asa Cerra's financial performance and industry benchmarks. The calculation of the Weighted Average Cost of Capital (WACC) will focus solely on equity financing, as the company does not utilize debt, providing a discount factor for financial evaluations.

The financial viability of the business will be assessed using metrics including the Payback Period, Net Present Value (NPV), and Internal Rate of Return (IRR). To validate results and manage potential risks, scenario analysis will be conducted, considering worst-case, base-case, and best-case scenarios. Initial calculations will focus on monthly data for precision in the first year, followed by annual projections to evaluate long-term performance. Adjustments will be made for potential sales variations in different scenarios to reflect various possible outcomes.

Asa Cerra's initial investment comprises renting production space in Bandung for IDR 24,000,000 annually, purchasing production equipment for IDR 20,000,000, and investing in inventory for 2,560 products. Additional costs include business registration, certification, and patent rights, with IDR 25,000,000 allocated for potential operational losses. The funding will come from corporate funds and founder capital. A thorough financial feasibility analysis will be performed before project implementation to ensure the investment's financial soundness and mitigate risks. This structured approach provides a comprehensive evaluation of Asa Cerra's financial and strategic aspects, supporting informed decision-making and sustainable business growth.

Table 1. Initial Investment

Initial Investment	
Cash	25.000.000,-
Building	24.000.000,-
Legal	15.000.000,-
Equipment	20.000.000,-
Inventory	28.160.000,-
Payroll Expenses	288.000.000,-
TOTAL	400.160.000,-

Source: Research data, 2024

The pro forma financial statements will be central to evaluating Asa Cerra's financial viability, incorporating both monthly assumptions for the first year and annual estimates for subsequent years. This approach combines primary data from Asa Cerra with secondary data drawn from industry trends and benchmarks. The financial statements will account for various scenarios, including optimistic and pessimistic variations, to offer a comprehensive financial outlook.

To calculate the Weighted Average Cost of Capital (WACC), the Capital Asset Pricing Model (CAPM) will be employed. Given that Asa Cerra's capital structure is solely equity-based, the CAPM will focus exclusively on equity. The CAPM calculation will use the risk-free rate derived from government bonds, market returns from

the IHSG, and an unlevered beta from a comparable company, resulting in a cost of equity of 9.00%. This method ensures a precise assessment of the cost of capital, which is crucial for accurate financial evaluations and projections.

Table 2. Capital Asset Pricing Model (CAPM) of Asa Cerra

Capital Assets Pricing Model	
Unlevered Beta	0.0001
Risk-Free Rate (Rf)	9%
Market Expected Return	14%
Cost of Equity	9%

Source: Research data, 2024

$$Re = Rf + \beta (Rm - Rf)$$

$$Re = 9\% + (0.001 \times (14\% - 9\%))$$

$$Re = 9.00\%$$

Equation 1. Cost of Equity of Asa Cerra

Source: Research data, 2024

$$WACC = 1.00 \times 9.00\%$$

$$WACC = 9.00\%$$

Equation 2. Weighted Average Cost of Capital of Asa Cerra

Source: Research data, 2024

Risk assessment will involve scenario analysis to evaluate different outcomes: pessimistic, most likely, and optimistic. Based on the fundamental scenario analysis of the most likely situation, adjustments were made by reducing certain assumptions by 0.2% for the pessimistic scenario and increasing them by 0.2% for the optimistic scenario, which will help assess project risk. The results show a positive NPV in both scenarios, with the pessimistic scenario demonstrating feasibility and the optimistic scenario indicating significant profitability.

Table 3. Scenario Analysis of Asa Cerra

Technique	Scenario		
	Pessimistic	Most-Likely	Optimistic
Payback Period	3.6	2.4	1.8
NPV	22.915.086,-	465.551.298,-	908.461.417
IRR	20.29%	38.29%	55.13%

Source: Research data, 2024

The feasibility analysis, using the WACC as the discount rate, shows a payback period of 2.4 years, which is favorable compared to the projected 5-year timeframe. A positive NPV of IDR 465,551,298 and an IRR of 38.29%, significantly higher than the WACC of 9.00%, confirm the project's profitability. The project meets all financial criteria and is deemed viable for implementation, showing strong potential for returns and alignment with company goals.

Table 4 Feasibility Analysis of Asa Cerra

Technique	Value	Acceptance Criteria	Result
Payback Period	2.4	Throughout Projects Lifetime (<5 years)	Accept
NPV	465.551.298	Positive NPV (NPV > 0)	Accept
IRR	38.29%	Higher than WACC (IRR . 9.00%)	Accept

Source: Research data, 2024

D. CONCLUSION

Asa Cerra, an MSME focused on health and wellness, is preparing to launch its Nata De Whey beverage, which utilizes whey waste from mozzarella cheese. Despite being ready for market introduction, the company faces significant challenges, particularly in financial planning and the lack of a pre-launch financial feasibility assessment. These issues pose risks that could jeopardize the company's strategic plans and future stability. This

research undertook a financial feasibility study using primary data from Asa Cerra and secondary data from comparable businesses, evaluating the company's financial viability through projections and scenario analyses.

The feasibility study indicates that Asa Cerra's project is financially sound. The projected payback period is 2.4 years, shorter than the project's five-year lifespan, indicating a favorable return on investment. The analysis reveals a positive net present value (NPV) of IDR 465,551,298 and an internal rate of return (IRR) of 38.29%, which significantly exceeds the weighted average cost of capital (WACC) of 9.00%. Scenario analyses, including both pessimistic and optimistic projections, confirm that while optimistic scenarios yield the highest returns, pessimistic scenarios still meet acceptance criteria. Therefore, the most likely scenario is deemed the most realistic and feasible approach for Asa Cerra, aligning well with market conditions and company objectives.

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