

THE FEASIBILITY STUDY OF KURNIA HERBS BUSINESS DEVELOPMENT

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ABSTRACT

Herbal medicine as a cultural heritage of Indonesia has been embedded in the community and handed down from generation to generation. It makes the author wants to continue to develop the business of herbal medicine. This time the author has had several outlets herbs, but the author wishes to continue doing business development of herbal medicine. This study aims to determine how to increase the turnover of Kurnia Cafe herbs that reached three hundred million rupiah, from the aspect of the business environment, aspects of industrial structure, aspects of corporate strategy, market and marketing aspects, technical aspects, aspects of human resources, and financial aspect.

The research approach used in the feasibility study is applied research; use this type of evaluation research and development with the hope to contribute ideas, feedback, and material evaluation to determine whether or not the business/enterprise to be developed.

The results showed that the business viable in terms of the environmental aspects of the business because the company is able to overcome the obstacles associated with the five strengths that exist in the business. Judging from the market and marketing aspects of the business viable because of the growth of herbal medicine industry is quite high, namely 9.67%. This value is higher than the industry growth of 6.1%. The Company has also been able to determine the right strategy for the development of the company's business so that it will facilitate the company to achieve a predetermined turnover, amounting Rp300.000.000 (three hundred million rupiah) per year. Judging from the aspects of business management feasible because the company has been able to prepare SOP for business and also capable of providing human resource needs. Judging from the technical aspects and the technology is feasible because Kurnia Cafe Herbs have been able to determine the location of business development, namely by choosing the City of Tomorrow (CITO) to open new outlets and also preparing supplies and equipment needed to run a business. For financial aspects, all investment assessment criteria which consist of PP (payback period), NPV (Net Present Value) and PI (Profitability Index) showed a positive response. Based on the results of the feasibility analysis that has been made, it can be seen that the eligibility criteria of the business of financial aspects have been met, both for normal conditions,

optimistic, and pessimistic. Based on sales projections have been prepared, with the opening of a branch in Surabaya CITO, the targeted turnover, amounting IDR300,000,000 (three hundred million) per year can be achieved by the company in the first year.

Keywords: Feasibility Study, Business Environment, Market and Marketing, Management, Technical and Technological, and Financial.

INTRODUCTION

Herbal medicine industry currently has great prospects in the local and global markets. This is also recognized by some of the major players in the Indonesian herbal medicine industry such as Sidomuncul as well as local player in Surabaya which is Iboe herbs. It has been proven that Iboe herbal namely herbal Iboe and really proved that Iboe herbs has been staying in the business for 100 years until now, can last up to 100 years, while Sidomuncul is able to read a wider opportunity to penetrate the international market. This business feasibility study will conduct a feasibility study of herbal medicine industry, as conveyed in the title “The Feasibility Study of Kurnia Herbs Business Development”.

LITERATURE REVIEW

Some studies are reviewed as literature of this current study. The first literature is a national study entitled “The Analysis of Business and Agro-Industry Development Strategy in Airmadidi Sub reGENCY, North Minahasa Regency (A Case Study at UD. Murni). This study was conducted by Chelsy Mea in 2014. The goal of this study was to determine the cost, revenue and profit, and agro-industry development strategy of candied nutmeg produced by UD. Murni. The study collected primary data consisted of production process, reception, tools and materials used, costs (fixed and variable) spent during the production process, acceptance, and all data regarding the strengths, weaknesses, opportunities and threats faced by this candied nutmeg agro industry at UD. Murni. The data were drawn from the results of interviewing the business owner and Department of Industry and Trade of North Minahasa.

The second literature is international study entitled "Are Porter's Five Competitive Forces still Applicable? A Critical Examination Concerning the Relevance for Today's Business" conducted by Fabian Dalken in 2014. This study aimed to determine whether *the five force models of porter* could still be applied in an industry.

The third literature is an international study entitled “Evaluation Strategy Michael Porter's Five Force Model of the Competitive Environment on the Dairy Industry(Case Study: AmollHarazDvshh Dairy Company)conducted by Tehrani and Rahmani in 2014.

This recent study on Kurnia herbs is a type of business development research. Since this is a feasibility study, this study needs analysis of business environment and structure of industry in order to describe it more clearly. In addition to that, the study needs to discuss the aspects of business environment, structure of the industry, market and marketing, technical, management and human resources, and financial as well. To limit the discussion, the legal aspect is not addressed in this study since it has yet to be developed further.

RESEARCH FRAMEWORK

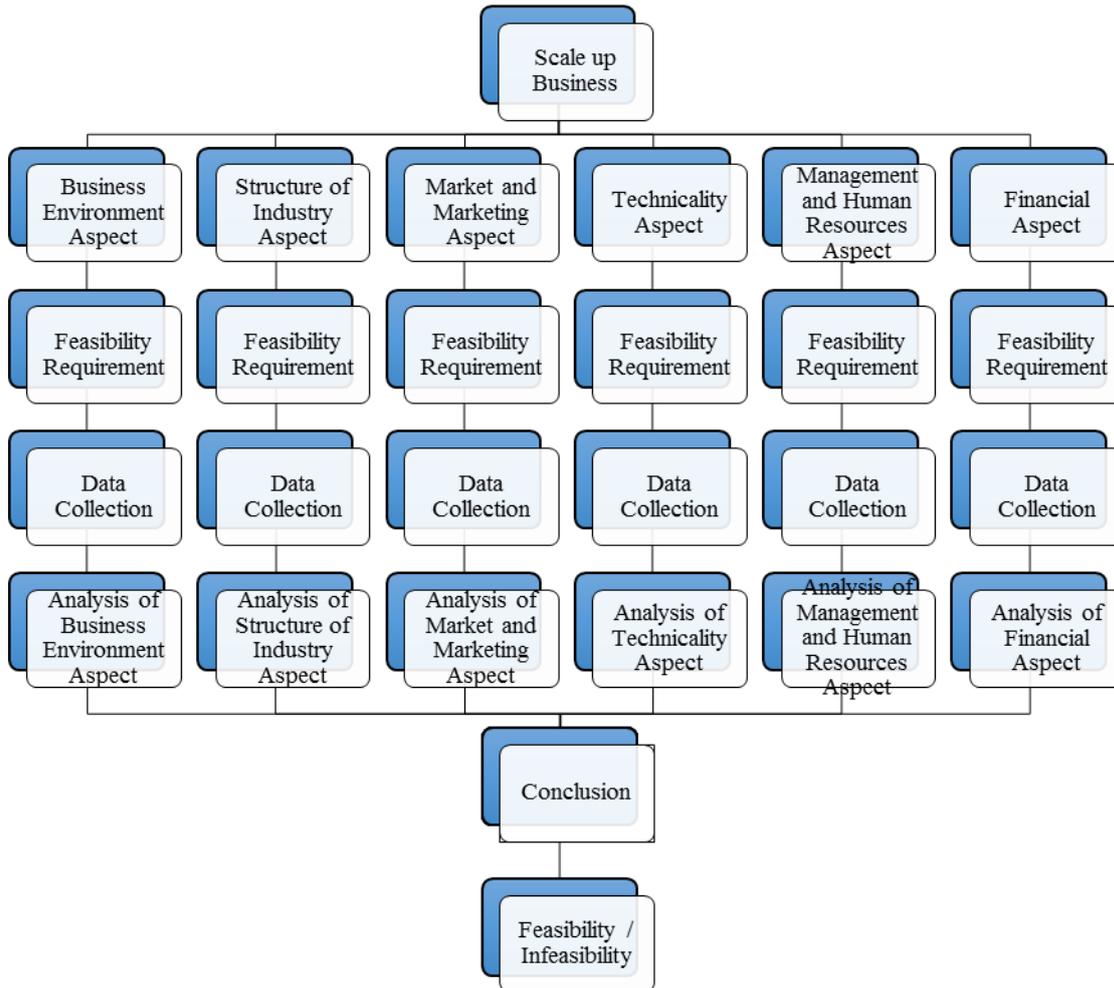


Figure 1. Research Framework

RESEARCH METHODS

The research approach used in this feasibility study is applied research, where this kind of research concerning theory application to solve specific problems (Kuncoro, 2009: 7). There are three types of this applied research approach, namely: evaluation research, research and development, and action research. Research and development type is used for this study in the hope to contribute to the ideas, inputs, and evaluation regarding the feasibility or infeasibility of this business to be developed.

This research and development type of feasibility study of Kurnia herbs café took place in its stands of at several malls in Surabaya. The study took time for six months. Methods of sampling used in this study were saturation sampling and purposive sampling. Saturation sampling is a

method of taking samples by involving all population members as samples to study, while purposive sampling is a technique to choose samples purposively based on certain consideration to meet the purpose of study, so they are chosen based on set criteria.

Table1. Method of Sampling

No	Description	Population	Sampling Method	Sampling Size
1	Supplier	4	<i>Saturation Sampling</i>	4
2	Customer	31	<i>Purposive Sampling</i>	3
3	Competitor	4	<i>Saturation Sampling</i>	4

Source

e: Data Processed, 2014

Table2. Method of Data Collection for Aspects

No	Aspect	Type of Data	Source of Data	Technique of Data Collection
1	Aspect of Business Environment		Secondary	
	a. Politic	Nominal		documentation
	b. Economy	Ratio		documentation
	c. Social	Nominal		documentation
	d. Technology	Nominal		documentation
	e. Customer	Ratio	Primary, Secondary	documentation, interview
	f. Supplier	Ratio		documentation, interview
	g. Competitor	Ratio		documentation, interview
2	Aspect of Market dan Marketing		Primary, Secondary	
	a. Total market (Rp)	Ratio		observation, documentation, interview
	b. STP	Interval		observation, documentation, interview
	c. 4P	Nominal		observation, documentation, interview
	d. SWOT	Nominal		observation, documentation
3	Aspect of Technicality and Technology		Primary, Secondary	
	a. Location preference for factory construction and development	Nominal		observation, documentation
	b. Determining scale for optimum production	Nominal		observation, documentation
	c. Selecting machines and equipment	Nominal		observation, documentation
	d. Determining layout for factory and building	Nominal		interview, observation, documentation
	e. Selecting technology	Nominal		observation, documentation
4	Aspect of Management and Human Resources		Primary, Secondary	
	a. Structure of organization	Nominal		observation, documentation
	b. Job analysis	Nominal		interview, documentation
	c. Compensation and benefit	Ratio		observation, documentation
5	Aspect of Financial		Primary, Secondary	
	a. Investment cost (Rp)	Ratio		observation, documentation
	b. Credit interest rate (%)	Ratio		documentation

Source: Data processed, 2014

DATA ANALYSIS

a. Aspect of Business Environment

This aspect of business environment analyzed some general factors in business environment. The factors analyzed were politic, economy, social, and technology, or commonly referred to as PEST Analysis, in which this analysis generated opportunity and threat.

b. Aspect of Structure of Industry

Factors discussed in this aspect were Five Forces Model of Competition or briefly addressed as Five Forces Analysis, covered the threats of new competitor, supplier's bargaining power, threats of substitute product, and intensity of industry competition. This Five Forces Analysis generated strength and weakness. In the next stage, the company determined strategies based on the SWOT Matrix.

c. Aspect of Company Strategy

In this aspect, the focus of discussion was five business-level strategies consist of cost leadership, differentiation, focused cost leadership, and focused differentiation.

d. Aspect of Market and Marketing

Suliyanto (2010) concludes that the aspect of market and marketing is done by analyzing company's level of ability to reach profitable selling volume. There are five essential factors in this aspect: ability to reach profitable sales volume, ability to produce better products than the competitors, ability to determine better price than the competitors, ability to distribute products more efficient than the competitors, and ability to promote products more effective than the competitors.

e. Aspect of Technicality

Suliyanto (2010) states that a business idea is feasible based on its technicality aspect if it has appropriate location, can achieve optimal production area, and the availability of technology. There are seven essential factors in this aspect, namely: condition of the location for business, availability of the machinery and equipment, availability of technology, availability of spare parts, ability to produce the products in optimal production scale, and ability to organize optimal factory and building layout.

f. Aspect of Human Resources

Suliyanto (2010) explains that a business idea is feasible based on the analysis results conducted by potential entrepreneur that the business can be built based on a set time planning and the human resources are ready. There are three essential factors in this aspect, namely: ability to finish the business development based on the set time schedule, availability of human resources to run the business, and ability to recruit workforce based on the required job specification.

g. Aspect of Financial

Furthermore, Suliyanto (2010) states the criteria of investment for each ratio of investment feasibility are as follows:

1. Payback Period (PP)

A business idea is feasible if the *payback period* (PP) value is faster to receive than the minimum *payback*. Payback period is calculated as follows:

$$\text{Payback Period} = \frac{\text{Net cash investment}}{\text{Net annual cash inflow}}$$

2. Net Present Value (NPV)

A business idea is feasible if the *net present value* (NPV) is greater than 0 or positive. The *Net Present Value* is calculated as follows:

$$\text{Net Present Value (NPV)} = \sum_{t=0}^n \frac{A_t}{(1+k)^t}$$

3. *Profitability Index*

A business idea is feasible if the profitability index value (PI) is greater than 1. The profitability index is calculated as follows:

$$\text{Profitability Index} = \frac{\text{Future net cash flows}}{\text{Present value of investment}}$$

SELECTING THE INFORMANTS

Creswell (1998: 148) explains that in a qualitative research, it is very important to identify the parameter of data collection. This can be done by purposively determining or selecting informants, documents, or visual materials that can answer the research questions. Given (2008:816) adds that qualitative research also uses snowball informant technique, where the researcher will select informants based on research purpose, starting from one informant to several informants as recommended by the first informant. These informants are later providing data based on the needs of the research focus. The data collection should be continued until it is saturated, or until there are no new data provided by the informants.

Informants in this recent study were selected based on their role as consumers of Kurnia herbs and suppliers of Kurnia herbs. They were selected since they knew the recent condition of this herbal medicine industry, and since the researcher considered that data collected from these two categories of informants already met the research needs.

DATA VERIFICATION

In a qualitative research, data are said to be valid if there is no difference between what is reported by the research and what is really experienced by the studied subjects. Yin (2009) categorizes four kinds of testing the validity of data: construct validity; internal validity; external validity, and reliability.

Construct validity can be reached by setting the true operational measurement based on the research concept, by sources of data triangulation, making flow of connections of all data sources, and has a key informant that can check the transcript of case study report. Internal validity can be reached if a case study researcher can draw conclusion of broad issues (Yin, 2009). The researcher can do pattern matching, explanation building, address rival building, and use logic models. External validity is defined as a follow up of research findings that can be generalized beyond the focus of those researches, where the limitation of generalization of those researches can become the focus of discussion or protocol of data collection discussed by the future researchers.

A study is said to be reliable if it can be applied in different condition yet provides similar result. Its purpose is to reduce mistakes and bias. Methods used to ensure the reliability of a study are: (a) using the protocol research and development research databases; (b) applying triangulation techniques in collecting and analyzing data by conducting interview, observation, and documentation, and; (b) strategies and procedures of data collection and data analysis will

be reported in detail by the researcher to provide precise and accurate explanation of the techniques and approaches used.

MANAGERIAL IMPLICATION

Based on the discussions of findings, efforts done to achieve the target turnover of Rp300,000,000 (three hundred million rupiahs) can be done by opening new stand of Kurnia herbs café in the City of Tomorrow (CITO). The calculation result showed that opening new stand in CITO is feasible from the calculation under normal, ideal, and pessimist conditions. From the findings, the managerial implications of this study are displayed in Table 3.

Table 3. Managerial Implication

Past condition	Future condition
Brochure of Kurnia herbs café was done around its stand.	Seeing the wider area of CITO, brochure should be distributed in several entry doors of CITO to reach potential consumers who do not pass the Kurnia herbs stand.
The company has only had similar product until now (no development on the product)	The company must develop the product to make it more acceptable by the potential consumers. Product can be developed by choosing one more outsold product then innovating on its flavor variants.
The market segment of Kurnia herbs is only for Surabaya people.	Kurniaherbs café must expand its market segment, for example by targeting potential consumers in Sidoarjo or Gresik as its next market segment. This can be done by opening new stands of Kurnia herbs café in Sidoarjo or Gresik.
Kurnia herbs café only has mini stand, and can only be found in the mall.	Company must explore the possibility of building a bigger café in a bigger location and outside the mall. Under this condition, the company must prepare complementary food product for its main herbs product.

Source: Data Sourced, 2015

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the findings of this feasibility study that discusses the business development feasibility of Kurnia herbs, the conclusions made are as follows:

1. Aspect of Business Environment

Based on the results of business environment analysis, the presence of herbal medicine has been accommodated in the National Health System under the Law on Health No. 36/2009 and Government Regulation No. 103 of 2014 on Traditional Health Care. In addition to that, from its sociocultural aspect, herbal medicine is also a wealth of heritage and is now preserved by the trend of back to nature, which is to consume all natural products.

Based on the Five Force Analysis result, of all five forces of this herbal medicine industry, three forces considered in a medium condition were the threat of new competitors, supplier's bargaining power, and level of competition, while consumers' bargaining power was considered as a low condition force. Fortunately, for the herbal medicine itself, there has been no substitute product that can substitute for herbal medicine's functions and advantages.

Furthermore, from its SWOT analysis, strategy that will be implemented by Kurnia herbs is a stable growth strategy, where the position of Kurnia herbs reaches quadrant 1. The function of this strategy is to measure the growth of Kurnia herbs industry and to make it stable gradually to achieve the expected results.

2. Aspect of Market and Marketing

Until today, the industry of herbal medicine increases annually to 9.67%. This is higher than the overall increase of industry which reaches 6.1%. Studying Kurnia herbs on its STP analysis and marketing mix showed that Kurnia herbs is feasible to be developed since this business opportunity is wide opened. Though there are many herbal medicine entrepreneurs, its percentage is quite high and this ensures of its market availability. The company is also able to determine appropriate strategy for its business development in order to make easier for the company to reach the set turnover of IDR 300,000,000 (three hundred million rupiahs) per year.

3. Aspect of Technicality and Technology

Kurnia herbs café has determined its location for business development, which is in the City of Tomorrow (CITO) for its new stand. This location is chosen by considering the potential target segments, which are South Surabaya, East Surabaya, and some areas outside Surabaya such as Sidoarjo. Since the production capacity for recent herbal product is still sufficient, there is no need to add more production facilities and production workforce.

4. Aspect of Management and Human Resources

Structure of organization of Kurnia herbs café has been revised and completed with employees' job description. The management system for employees, especially for their payment system has been established well and will continue to be updated along with the company development in order to achieve maximum effectiveness.

5. Aspect of Financial

The projection of financial report has projected its income statement, capital change, cash flow statement, and balance from 2016-2019. Methods used were PP (*Payback Period*), NPV (*Net Present Value*), and PI (*Profitability Index*). All results based on those criteria showed positive responses. In conclusion, based on feasibility analysis, it is found that the criteria of business feasibility based on financial aspect have been met under either normal, ideal, or pessimist condition. From its established selling projection, by opening new branch in CITO Surabaya, the set turnover of Rp300,000,000 (three hundred million rupiahs) per year can be achieved in the second year under ideal condition, and can be achieved in the third year under normal and pessimist condition.

Suggestion

Several suggestions have been made based on the conclusions. A deep analysis on the aspect of business environment, especially on the five force analysis, is required to enable the company to read opportunities and threats well, which will be generated from the interaction of factors of consumers' bargaining power, supplier's bargaining power, and competition among the competitors in this business industry.

A deep analysis on the aspect of market and marketing should be conducted too before deciding to develop this business, in order to get more data on the good opportunities of expanding the target segment for this herbal medicine industry. This can be achieved by organizing a good marketing activities plan.

Determining appropriate strategies is very essential for business sustainability. Hence, the strategies built must be based on the findings of studying STP (*Segmenting, Targeting, and Positioning*), SWOT (*Strength, Weakness, Opportunity, Threat*) and *Marketing Mix* (4P: *Product, Price, Place, Promotion*) to determine the right strategies for the business.

Next, a deep and complete analysis on the aspect of technicality and technology must be conducted to make sure that the company can run its business well and smooth without technical and technology difficulties.

Later, aspect of management and human resources has to receive full attention from the company, since this aspect determines where the business will go. The business can run well and smooth if it has good management with quality human resources.

Finally yet importantly is the financial aspect. This aspect is the ultimate aspect to determine whether a business idea is feasible to run or not. All business ideas expect for profit or turnover. Hence, by doing financial analysis, we will find out whether a business idea can get a significant profit or not.

For the company, it is suggested to pay more attention to the changes in the market, such as on the issues of raw material pricing for herbal medicine, operational cost, consumers' condition, and good company management. Pricing depends on those four factors.

If the company is able to get affordable yet quality raw materials, reduce operational cost, has loyal consumers, and runs the company well, then the company can run well and maintain its sustainability. Thus, from the analysis result, it is recommended for the company to apply new strategy by opening new stand. Still, there are many strategies that can be implemented by the company for its business development in order to increase company turnover.

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