

## FEASIBILITY TEST: SUMBER KASIH

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### ABSTRACT

*This study aims to test the feasibility of SK (Sumber Kasih) as to improve its performance level from convenience store to conventional supermarket as well as its investment profitability. The number of population in this study involved fifteen people. Three people became the samples of the study.*

*The feasibility test of this present study was conducted in accordance with market and marketing factor, financial factor, technical factor, management and organization factor. The feasibility of this test can be shown through this 4 factor.*

*In financial factor with moderate risk taking, there were 3 methods employed, showing the following results: NPV (Net Present Value) with value Rp. Rp. 4,4891,318,838, IRR (Internal Rate Of Return) with result 40%, PP (Payback Period) with result 3.09, and PI (Profitability Index) at 3.44. From each calculation, this business expansion plan can be said to be feasible.*

**Keyword:** Retail, Business Expansion

### INTRODUCTION

The retail companies in Indonesia are facing various changes from independent local stores to modern shopping centers such as supermarkets, supermarkets and department stores (Danang, 2015: 1). Changes and developments in consumers' demand make retail companies in Indonesia adjust their business and conceptual strategies, ranging from conventional and independent companies to modern and well-organized retail companies to dominate markets and meet consumer needs (Danang, 2015: 1).

The activities undertaken by retail companies include the sale of various products to consumers to meet consumption needs, and distribution providers that connect between suppliers and consumers (Utami, 2014: 5). Changes in consumer tastes and retail development led to the establishment of various types of retail within a period of 20 years. As a result, it is difficult for us to determine the types of retail. This is because of the similarity of products sold in retailers (Utami, 2014: 7). In order to determine the different types of retail, we differentiate from several ways such as the sales area, the unique code of each item, the price, the range of sales, and the type of retail store promotion as seen in Table 1 (Zentes, *et al.*, 2007: 14).

Sumber Kasih (SK) is a retail store with convenience store category (Zentes, *et al.*, 2007: 14). Located in Mimika district of Papua province with a building area of 700 m<sup>2</sup> and a parking area of 150 m<sup>2</sup>, SK has a goal to become a company that can survive and continue to expand to other areas in Papua province.

**Table 1. Category Retail Stores**

	<b>Conventional Supermarket</b>	<b>Supermarket</b>	<b>Hypermarket</b>	<b>Convenience Store</b>	<b>Hard Discounter</b>
Trade Area	400-1,000	1,000-5,000	5,000-3,000	200-400	500-1,500
SKU	20,000-30,000	30,000-40,000	40,000-150,000	1,000-3,000	700-1,500
Types of products	Products of various brands and medium quality are varied	The products are complete with health products	The products are complete with health products	The products are of medium quality and sufficient	Products with low to medium variations, and rely on product brands
Percentage of Food (%)	75-90	60-80	60-70	90	80-90
Price	Competitive	Competitive	Competitive	Medium to high	Very low
Service	Good	Medium	Medium	Medium	Bad
Sales Reach	Nearby city or neighborhood	Special location or Community shopping	Special location or Community shopping	the nearest environment	the immediate environment and the direction of the main road
Promotion	Newspapers, brochures, shopping coupons	Newspapers, brochures, shopping coupons	Newspapers, brochures, shopping coupons	Promotion in the sales area	Newspapers, brochures, shopping coupons

Source: Zentez, *et al.*, (2007: 14).

The researcher intends to work with SK management to develop the company by improving the quality, capacity, and service range from the convenience store stage to the conventional supermarket stage as described in Table 1. SK changes from the convenience store stage to the conventional supermarket stage due to the desire to increase turnover. This method is expected to increase the company's profit, development potential from the broad side of SK's sales area, and SK capital availability.

In addition to opportunities, there are also obstacles that need to be addressed to support the development of retail SK. These constraints are the plan to increase the area of warehouses that have not been implemented, the development of the concept of the company to become a modern company through the implementation of new technology, limited human resources, and the efficiency of the use of funds to generate profits for the company SK. There are also external constraints such as the presence of competitors, and the scarcity and empty of goods in the Mimika market.

The problem of this research is the study of business development of SK store family in increasing SK store status from convenience store level to supermarket level. This study covers

the market and marketing aspects, aspects of technology utilization, management and human resources aspects, and financial aspects.

### **LITERATURE REVIEW**

In SK business development, the review of previous research is done by focusing on the retail business aspect. Research Rego, *et al.*, (2016) discusses the influence of creativity in the performance of a store. This study aims to determine the effect of store creativity in predicting the ability of store performance through store capacity. The study was conducted on a retail organization consisting of 160 stores and employing 1794 workers. This study classifies each store into groups and assesses their performance objectively. Data were collected through questionnaire presentation techniques. To prevent the risk of variation of the same method, creativity and store capacity are measured from worker data from different stores. The study found that the influence of store creativity in predicting the ability of store performance through store capacity. This research can be utilized as a review of aspects of management and human resources. Further implications for the business management of the research results are referred to as creative and environmental development that stimulates creativity and store performance. Establishment of this environment can be done by:

- Promote working conditions in a store that is friendly and has integrity or high morale.
- Support workers as individuals and as groups.
- Treating workers with respect and helping to develop the capabilities of individual workers.
- Provide the need for the store to function effectively.
- Determine and clarify in detail the process and purpose of the store

Guy and Bennison's (2006) study the advantages of developing a superstores retail business to companies and consumers. This qualitative research collects data through interview techniques on 32 retail companies that are developing their company in the UK. Interviews include costs, corporate profits, and enterprise development planning into a superstor. Out of 32 interviews, data were received from 17 respondents. There are 5 questions given in the interview, including:

- Check whether there are additional costs and efficiencies gained in developing a retail business with a superstore format.
- Check whether there are benefits to consumers in developing a retail business business with a superstore format.
- Check if there are local government rules that hinder the development of a retail business with a superstore format.
- Check if the owner of the retail company can compensate the development rules of the government.
- Checking whether government rules result in monopoly of the retail company's market.

The results of the study found that there are benefits to consumers when the company seeks to expand its business. This situation is suspected by the development of retail business: the greater competition makes the price of products sold can always be under control. The recommendations of the research from the point of view in the marketing aspect are:

- Business development should be done in an area that is easily accessible and can be supported by the local government.
- Conduct development innovations tailored to the needs of the store.
- Taking into account the development rules and regulations of the local government.
- Demonstrate awareness of ever-changing consumer needs.

Melisa's research (2012) discusses the effect of retail marketing mix on consumer buying decision in a supermarket. This study aims to analyze consumer purchasing decisions that are influenced between inventory, price, location, communication mix, and the appearance

of a supermarket. The research was conducted using purposive sampling technique, by distributing questionnaires using Likert scale to 100 respondents. The results of the research can be used as a review in the marketing aspect, especially in marketing mix and SK management business development suggestions, the results are found as follows:

- The availability and completeness of the product may attract customers to re-purchase.
- Consumers will make a buyback if the price of the offered goods is competing or lower than the competitor, according to the quality of the customer desired, and the purchasing power of the consumer,
- Locations that are easily accessible by public transport and the availability of adequate parking space at self-service locations, will influence consumer buying decisions.
- Consumer repurchase decisions will increase with communication from supermarkets in the form of discounts and shopping points.

A large self-service atmosphere, bright lighting, comfortable room temperature, maintained hygiene, and organized and synchronized products can improve consumer's purchase decisions.

### RESEARCH METHODS

There are three methods of data collection qualitative research in research development SK. The first method used is the qualitative interview method (Yin, 2011: 134) in the hope that the researcher can form a relation with the participant, the observer method of 'researcher as participant' (Creswell, 2009: 179) is used so that the researcher can interact with the events in operational SK (Robert Yin, 2011: 131), tearkhir method that will be used is documentation method with the aim of collecting data in the form of audio, visual, and other supporting documents so that the documentation can provide information that strengthen the result of interview and observation.

**Table 2. Data Collection Methods for Each Aspect**

Aspect	Data source	Data collection techniques	Results
<b>Market and marketing aspect</b>			
Retail mix	Primary, secondary	Interviews, observation, Documentation	The most suitable market segment for SK, the type of consumer targeted by SK, along with the SK image in the consumer.
<b>Finacial aspect</b>			
Investment costs	Primary, secondary	Observation, Documentation,	Business feasibility based on NPV, IRR, Payback period, and Profitability Index (PI) in development.
Loan interest rate	Secondary	Documentation	
<b>Technical aspect</b>			
Store location	Primary, secondary	Observation, documentation,	The feasibility of the location, the use of adequate operational retail tools within the conventional supermarket level, the delivery of good products, and the availability of skilled labor.
Layout settings	Primary, secondary	Interviews, observation, documentation	
Selection of technology	Primary, secondary	Observation, documentation,	
Product provision	Primary, secondary	Interviews, observation,	

		documentation	
Manpower experts	Primary, secondary	Observation, documentation,	
<b>Management and operational aspect</b>			
Organizational structure	Primary, secondary	Observation, documentation	Organizational structure suitable for SK, empirical analysis of each employee, and appropriate and efficient compensation
Job analysis	Primary, secondary	Interviews, documentation	
Employee compensation and motivation	Primary, secondary	Observation, documentation	

Source: primary data, 2017.

There are several research aspects such as market and marketing aspects, financial aspects, technical aspects, and management and organizational aspects. Market and marketing aspects include the target market, and the retail mix consisting of products of interest to consumers, cheaper prices than competitors, promotions through marketing sales, locations that are central to the activities of the Timika population, and services favored by consumers so as to attract customer loyalty. Terms of eligibility of market and marketing aspects of determining the formulation of Segmentation, Target and Position (STP) along with retail mix strategy established through STP.

The financial aspect is an aspect related to the company's financial condition in developing the project through Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period (PP). The financial aspect can be declared feasible if the NPV yield is greater than 0 and the IRR yield is greater than the interest on the loan.

The feasibility of technical aspects will be determined through the location of business development is feasible and feasible in the conventional supermarket criteria, efficient and functional SK Functioning Tools and equipment, Suppliers who are always ready to provide products, and the availability of skilled labor (Sulisyanto, 2010: 155).

Management and organizational aspects can be considered feasible if researchers can formulate appropriate organizational structures and compensation for SK workers, proper job analysis, and good employee management (Sulisyanto, 2010: 181).

## FINDINGS

In the retail trade market in Timika, consumer consideration in choosing a product is always based on the product with the cheapest price, product quality, and expire time. There are 2 SK Competitors in the market, ie Omega Stores and Your Stores, each located across the street location SK. By conducting interviews and observations of SK and its competitors, STP analysis is run to form a marketing strategy for retail mix (Utami, 2014: 86).

- **Segmenting**

Market segmentation is done in the hope that SK can find the direction of its development into a more competitive and more profitable market. SK market segment is as follows:

**Table 3. Market Segmentation**

	<b>Inside Timika</b>	<b>Outside Timika</b>
Traditional Service	SK, Toko Omega, Toko Anda	SK, Toko Omega
Modern Service	SK	-

Source: primary data, 2017.

1. Targeting

SK market targets are consumers living in Timika city, Timika district areas, and consumers from districts around Timika district. Such as Agast, Yahukimo, and Kamoro. Many of reseller which bought things form SK were not form inside Timika, but come form districts surrounding Timika. As can be seen on Table 4 which list several districts around Timika with the type of buyer.

**Table 4. Targeting Process**

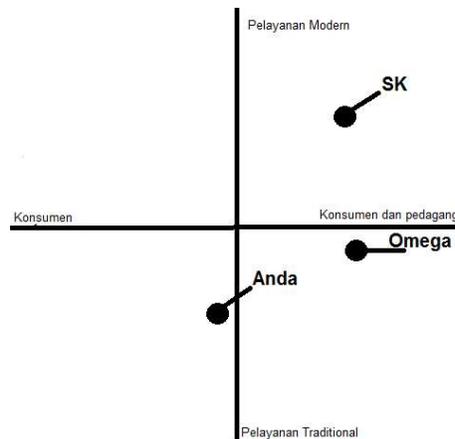
	<b>Individual Buyer</b>	<b>Traders or Distributors</b>
City of Timika	V	X
Asmat District	X	V
Deiyai County	X	V
Nduga District	X	V
Paniai District	X	V
Puncak Regency	X	V
Yahukimo District	X	V

Source: primary data, 2017.

Statement from interview with SK source indicates that some SK consumers who become target are traders or distributors in their respective areas and tend to come from districts adjacent to Timika.

- Positioning

SK positioning is aimed to form a company image that is easy to remember and favored by consumers.



**Figure 1 Positioning SK**

Source: primary data. 2017.

Because these three stores have competitive prices, the position of SK in the market is emphasized on two aspects, namely service aspect and consumer type SK aspects. Under these conditions, SK's position is "Modern and affordable for all consumers".

The retail mix strategy is aimed at gaining marketing advantage over competitors in the Timika retail market. The application of marketing strategy based on STP analysis on each mix element can be seen in figure 2.



**Figure 2 Retail Mix SK**  
Source: primary data, 2017.

Based on STP analysis and application of retail mix strategy, the most appropriate marketing strategy for SK is market penetration strategy (Utami, 95: 2014). The feasibility assessment of SK market and marketing aspects will be reviewed based on STP analysis and establishment of retail mix strategy established through STP. SK feasibility in market and marketing aspects can be seen in table 5.

**Table 5. Feasibility Analysis of Market and Marketing Aspect SK**

Provisions	Condition	Analysis
Has Determined the right STP for the Timika retail market	SK has determined STP	Feasible
Have a retail mix strategy that is formed based on STP analysis	SK already has a retail mix strategy	Feasible

Source: primary data, 2017.

Technical aspects of SK analysis focused on SK location and supply line, software and hardware equipment used in supporting SK operations. SK is located in Timika City on Hasanudin street no.88, Mimika, Papua. SK Have 10 employees at various levels of work, and operational equipment in the form of 2 computer cashier, 1 computer backoffice using SID-Retail software, 12 Cctv, and 1 cam recorder. The following is an analysis of the technical aspects based on the eligibility requirements.

- **Location**

In the SK location analysis, the selection of selected development sites remains at the currently used location. This election is based on several reasons, as follows:

- SK location is next to the main market of Timika Town.
- The location of the SK is located in the development of Timika's 'New Town'.
- SK location is very close to distributors of products sold by SK.
- Sufficient warehouse development land just behind SK building.

In order to meet the capacity of sales and storage, SK did addition of a warehouse area with a building area of 300 m2 just behind the main building SK. SK already has a total building area of 950m2 and has met the criteria of the Conventional Supermarket building area ranging from 400m2 - 1000m2 (Zentez et al, 2007: 14). Here is an overview of SK location on Google Map.



**Figure 3. SK location**  
Source: Google Maps, 2017.

- **Tools and Supporting Tools**

At this time, there is equipment to support store operations in terms of adequate and efficient computer technology. The statement of the following interviews on the source can strengthen the results of the analysis of equipment and supporting equipment. "Until now, the same computer program we use is okay, we are here also have mastered its usage".

- **Determination of Product Layout and Warehouse**

The layout determination is attached to appendix 4 and using the grid layout design type along with the method of tacking arrangement with the aim of the product design and arrangement techniques can guide consumers around the shopping area to see the various products in large quantities on offer (Utami 2014: 278). The result of the determination of the layout under study can be reinforced by interviews with the source.



**Figure 4. Layout SK**  
Source: Primary Data, 2017.

From the observations found SK has had a sufficient product setting and layout that has been laid out to make it easier for consumers to shop. The feasibility of technical and technological analysis can be seen in table 6.

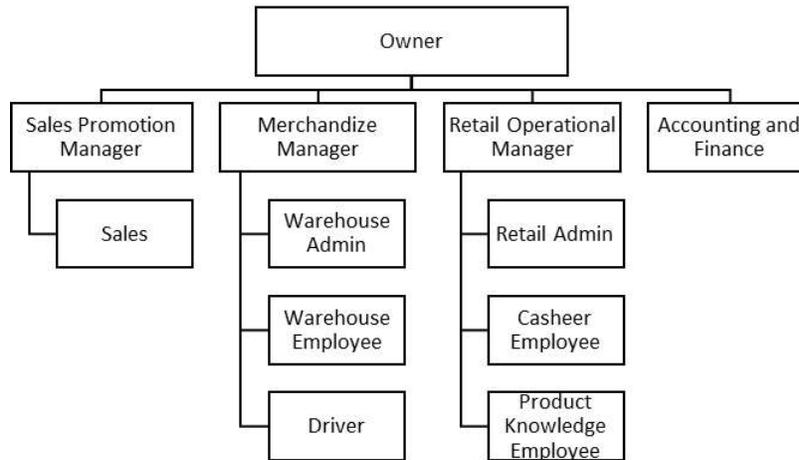
**Table 6. Feasibility Analysis of Technical Aspects**

Description	Specification	Analysis
Compatible and feasible development sites with an area of 400-1000 m <sup>2</sup>	The location used is under construction	Feasible
Tools that support SK activities	Operational equipment is easy to get through online ordering	Feasible
Supplier who is ready to send the product	Supplier send the product	Feasible
Skilled workforce	A skilled workforce has been obtained	Feasible

Source: Primary Data, 2017.

Management and organizational aspect analysis is done with the purpose of ensuring business development can be implemented properly, efficiently, and already have adequate human resources.

- Organizational structure



**Figure 5. Organizational structure**

- Job Analysis  
The functions of each part of management as well as job descriptions and specifications operate efficiently.
- Compensation and Benefits  
The compensation and employee benefits provided are set out in the Work Agreement and Worker Regulations. In it has been regulated on Regional Minimum Wage 2017 for Mimika regency amounting to Rp.3.098.538, - (Government Regulation No.78 year 2015), While THR (Allowance Hari Raya) given based on long employment of employees at least 1 year with the amount amounting to 1 times the salary of employees. The results of feasibility analysis of management and organization can be seen in table 7.

**Table 7. Feasibility Analysis of Management and Organization Aspects**

Description	Specification	Analysis
Organizational structure that has been formed	There has been an organizational structure since the founding of the company	Feasible
Analysis of work that has been formed	Job analysis has been implemented	Feasible
Company management system that has been formed	SK has employee management	Feasible

Source: Primary Data, 2017.

The financial aspect is analyzed with the objective of knowing business development can be funded and implemented. The first data used in financial calculations is the value of inflation in 2016 worth 3.02%. The second data used is employee salary data SK with standard UMR

(Regional Minimum Wage) 2017 Rp.3.098.538,-. The third data to be utilized is the interest rate of credit from BRI bank with a value of 9.75%. The last data used is the tax rate in accordance with the rules of the Directorate General of Taxation. With the data held in the financial analysis. SK's cash flow can be 10 years of functional warehouse can be calculated and seen in table 8.

**Table 8. SK Cash Flow**

<b>Year-to-</b>	<b>SK Cash Flow</b>
0	Rp. 517,493,732
1	Rp. 635,399,735
2	Rp. 768,411,055
3	Rp. 916,258,225
4	Rp. 1,080,485,295
5	Rp. 1,262,794,229
6	Rp. 1,465,059,422
7	Rp.1,689,345,558
8	Rp. 1,937,926,519
9	Rp. 2,213,306,410

Source: primary data, 2017.

To assess the feasibility of financial aspects of SK mining, it is necessary to calculate NPV, IRR, Payback Period, and Profitability Index.

**Table 9. Net Present Value (NPV)**

<b>Year to</b>	<b>SK Cash Flow</b>	<b>Discount Cash Flow</b>
0	(Rp. 2,000,000,000)	(Rp. 2.000.000.000)
1	Rp. 517,493,732	Rp. 471,520,484
2	Rp. 635,399,735	Rp. 527,518,836
3	Rp. 768,411,055	Rp. 581,272,822
4	Rp. 916,258,225	Rp. 631,538,411
5	Rp. 1,080,485,295	Rp. 678,572,438
6	Rp. 1.262,794,229	Rp. 722,612,408
7	Rp. 1,465.059,422	Rp. 763,877,182
8	Rp.1,689,345,558	Rp. 802,568,782
9	Rp. 1,937,926,519	Rp. 838,873,635
10	Rp. 2,213,306,410	Rp. 872,963,835
<b>NPV</b>	Rp.4,891,318,838	

Source: primary data, 2017.

Table 9 and shows the NPV value in the tenth year has reached a positive value of Rp. 4,891,318,838.

**Table 10. Internal Rate of Return (IRR)**

<b>Year to</b>	<b>IRR</b>
0	(Rp. 2.000.000.000)
1	Rp. 517,493,732
2	Rp. 635,399,735
3	Rp. 768,411,055
4	Rp. 916,258,225
5	Rp. 1,080,485,295
6	Rp. 1,262,794,229
7	Rp. 1,465,059,422
8	Rp.1,689,345,558
9	Rp. 1,937,926,519
10	Rp. 2,213,306,410
IRR	40%

Source: Primary Data (2017).

Table 10 shows the IRR value in the 10th year has reached a positive value of 40%.

**Table 11. Payback Period (PP)**

<b>Year to</b>	<b>SK cash flow</b>	<b>Accumulation</b>
0	(Rp. 2,000.000.000)	(Rp. 2,000,000.000)
1	Rp. 517,493,732	(Rp. 1,482,506.268)
2	Rp. 635,399,735	(Rp. 847,106,533)
3	Rp. 768,411,055	(Rp. 78,695,478)
4	Rp. 916,258,225	Rp. 837,562,747
5	Rp. 1,080,485,295	Rp.1,918,048,042
6	Rp. 1,262.794,229	Rp. 3,180,842,271
7	Rp. 1,465.059,422	Rp. 4,645,901,693
8	Rp.1,689.345,558	Rp. 6,335,247,251
9	Rp. 1,937.926,519	Rp. 8,273,173,770
10	Rp. 2,213.306,410	Rp. 10,486,480,180
	<b>Payback</b>	3,09

Source: primary data, 2017.

Table 11 shows the payback period at point 3.09 with the final value having reached a positive value of Rp. 837,562,747. The next SK development will be analyzed more deeply by using Profitability Index (PI) method in order to know the relation between capital cost and profit from development that will be implemented.

**Table 12. Profitability Index (PI)**

<b>SK cash flow</b>	<b>Accumulation</b>
Cash out	Rp. 2,000,000,000
PI	3,44

Source: primary data (2017).

In determining the feasibility of financial aspects, there are several criteria that must be met.

- NPV method  
In the 10th year the value of NPV has reached a positive number of Rp. 4.891.318.838. So if viewed from the NPV, business development in the financial aspects of SK has been feasible.
- Method of Internal Rate of Return (IRR)  
In the 10th year IRR value has reached 40%. So if viewed from the IRR, business development in the financial aspects of SK has been feasible.
- Payback Period (PP) Method  
Payback period occurs in the third year. So if viewed from the PP, business development in the financial aspects of SK has been feasible.
- Method of Profitability Index (PI)  
PI in the tenth year is at point 3.44. Thus the development of this project can be considered feasible because the point value is greater than 1.

## CONCLUSIONS

Based on the results of the study of business feasibility study of SK store development from convenience store level to supermarket conventional level, the conclusion on each aspect is as follows:

- Research on market and marketing aspects is done through STP analysis and retail Mix indicates that the development direction and SK development strategy have been established and feasible to be implemented. Thus after the implementation of the development, then SK can meet the requirements of Conventional Supermarket criteria by adding product type, storage warehouse, and product promotion.
- Research on technical aspects shows the feasibility of the location of the SK located strategic location, easy to reach by the distributor, and has a building area after the development area of 950m<sup>2</sup>. In the technical aspects, it is necessary to add additional equipment in the warehouse and new cashier operations for SK and the skilled workforce. So that SK has met directly meet the criteria requirements of the Conventional Supermarket area and indirectly meet the requirements of the number of product types, services, cheaper product prices and product promotion personnel.
- On the management and organizational aspects, SK is declared feasible due to the establishment of an organized management system, complete regulations, clear job description, appropriate compensation, and benefits in accordance with government regulations. However, management and organizational aspects need to be developed and

complied with the company's development so that SK can operate optimally and effectively.

- In the financial aspect, it is necessary to report SK development cash flows using NPV, IRR, and Payback Period analyzes. This study finds an indication of decent SK development. In the 10th year the value of NPV has reached a positive number of Rp. 4,891,318,838, IRR value reaches 40%, and the PI value reaches 3.44 in the 10th year with the return of capital invested in the 3rd year.

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