

FEASIBILITIES STUDIES OF OPENING FURNITURE DISTRIBUTION BUSINESS IN MERR IIC SURABAYA

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ABSTRACT

The research are conducted in order to study the feasibility of opening furniture distributions business in MERR IIC area in Surabaya. This research will look upon several aspect of feasibility studies including law, management, technical and technology, marketing, and financial aspects.

In the aspect of the market, as a first step to do projections for future demand that will come with the linear regression method. For terms of marketing and target market analysis company 4Ps (Product, Price, Promotion, Place) and STP (Segmentation, Targeting, Positioning). On the technical aspects, carried out calculations to determine the layout of the place of business and the division based on the function of the room. The total floor area of operations which will be used by 385 m² with a building area of 600m². Besides that, there will be distribution system settings based on the type of purchase and delivery area. From the aspect of management, the new organizational structure is not much different from the old company's organizational structure. The difference is in the leadership, which in the company to be established is headed by a manager as head of the company that is responsible directly to the owner. Owner of the company once led in the old company still overseeing the operations of the company just not routine. In this business expansion project carried out additional workforce. From the financial aspect unknown Total Project Cost Rp 3.937638 billion, - and all from their own capital, profit and loss statements, cash flow, and balance sheet. Assuming a discount rate of 10% calculation of NPV is Rp 6,200,463,264.62, Discounted Payback Period 4 years 6 months 22 days, an IRR of 20.16%. From these calculations it can be seen that the value of a positive NPV, DPP slightly over the planning horizon and the IRR is greater than the discount rate assumption that the financial aspect of the project is said to be feasible. From the results of feasibility studies can be done, it can be concluded that the establishment of a wood furniture factory in

Surabaya review of aspects of the market, technical aspects, management aspects and financial aspects declared eligible.

Keywords: distribution, distributor, feasibility study, furniture, financial, management, technology, market, marketing, law, system, payback period.

INTRODUCTION

As a center of business, commerce, industry and education in eastern Indonesia, Surabaya seemingly never deserted from economic activities. Improved economic conditions in the East Java also trigger the growth of the property businesses, especially in Surabaya, as the administrative center of the province.

Growth in real estate businesses in the city of Surabaya is also supported by government development programs and infrastructure development and acquisition of new land. One of the latest and major developments in Surabaya is unfettered access Middle East Ring Road (MERR IIC) in the region east of Surabaya in 2012.

With the opening of MERR IIC road access, or also known as Jalan Ir. Sukarno, there are many advantages are obtained by the people of Surabaya, especially for those living in the surrounding area. One of which is the sudden raise of property value in that particular area as shown in the figures below.

Grafik Harga

Berikut adalah grafik harga properti yang terdaftar di Urbanindo untuk daerah Surabaya, Jawa Timur



Current Summary

Properti	Rumah	Tanah	Apartemen
Rata-rata: Rp. 6,94jt	Rata-rata: Rp. 6,82jt	Rata-rata: Rp. 4,68jt	Rata-rata: Rp. 12,0jt
Median: Rp. 8,2jt	Median: Rp. 6jt	Median: Rp. 3,5jt	Median: Rp. 10,6jt

Figure 1. Property Value in Surabaya, East Java

Source: <http://blog.urbanindo.com/2013/03/analisa-properti-di-daerah-surabaya-jawa-timur/>, 2016

Along with the many developments that occurred in this region, the demand on the needs of household and office furniture also increased. Seeing the potential that exists then came the idea to open a new branch for the sale and distribution of furniture in the MERR IIC area.

To be able to decide whether it is worth the investment or not in opening new branches in the region, it is necessary to research by reviewing the feasibility study of some aspects. As for these aspects to be reviewed further in this study is the market and marketing aspects, financial aspects, technical aspects and technology, human resource management aspects, and legal aspects.

The purpose of the feasibility study is to assess the feasibility of a proposed project from various aspects so that later after being accepted and implemented can achieve results in accordance with the planned strategy. In addition to avoid investments that are too large for an activity that is not profitable for large capital expenditure is not easy to change.

LITERATURE REVIEW

In running a new business or developing an existing business, there will be possibility of failure on the way of meeting the company's goals. Therefore, in order to avoid failures before establishing or expanding certain business, business owners often make the study of business they were running, the study became known by the name of Business Feasibility Study (Kasmir & Jakfar, 2012: 6).

According to Kasmir and Jafar (2012: 7), the feasibility study is defined as an activity to learn in depth about a business or business to be run, in order to determine whether or not the business is suitable to run.

In order to obtain robust conclusions about whether or not to run a business idea, the feasibility study needs to be analysed through several aspects, namely (Suliyanto, 2010: 9):

1. Legal Aspects
Legal aspects analyze the ability of business to comply with legal requirements and permits required to carry on business in the region.
2. Market and Marketing Aspects
Market aspect analyze market potential, intensity of competition, market shares can be acquired, as well as analyzing the marketing strategies that can be used to achieve the expected goal.
3. Technical and Operational Aspects
Reviewing the technical aspects of the technical readiness is required by the company to carry on business.
4. Human Resources Management Aspects
Aspects of human resource management see the stages of business operations, and workforce readiness, both unskilled labor and skilled labor required to run a business.
5. Finance or Financial Aspects
Analyzing the financial aspects of how the amount of investment and working capital, and the returns from the business to be run.

The legal aspect is one important aspect in business feasibility studies, because it is through this aspect can be analyzed whether the business that will be run is already legal based on the applied law in that particular area or country. Legal aspects examine the legal provisions that must be met prior to running the business. Legal provisions for any type of business can vary depending on the shape and area of businesses run by certain company. In addition, the law in a particular area may be different from the law in other areas. Regional autonomy led to the legal provisions and licensing the region to other regions is different (Suliyanto, 2010: 15). In the feasibility study is necessary to study the legal aspects with a view to examining the validity, perfection and authenticity of documents owned (Kasmir & Jakfar, 2012: 24).

The marketing aspect is the most important aspect in a feasibility study, this aspect able to help forecasting on how much demands as well as the development trend of demands. Marketing

itself is a social process by which individuals and groups obtain what they see themselves need and want by creating, offering, and freely exchanging products and services of value with others (Kotler & Keller, 2012: 5). The purpose of marketing among others, is to retain customers by always satisfying their needs and acquire new customers with the promise of greater value than its competitors. According to Kotler and Armstrong (2012), the marketing strategy is a marketing logic used by the company in the hope that business units can achieve its goals. The theory of Segmenting, Targeting, Positioning, and Marketing Mix (Product, Place, Price, and Promotion) are to be used in order to analyze the marketing aspects of this feasibility studies.

Analysis of the technical aspects are all matters pertaining to the business development process is technically (production facilities and infrastructure, location determination, determination of the layout, the basic price for the estimated cost, the determination of business capacity and estimating labor availability) as well as the operation after the project is completed. This aspect becomes vital aspect for determining whether or not a project to produce a viable product and can be sold. In this aspect the company control their company's operational performance in order to obtain the expected results. In order for the company to gain control on the operational basis, the company established their operations management. Having established the company's operating performance, the company will require their Standard Operating Procedures or commonly known as SOP.

Management is a way to achieve the goals of an organization by managing all available resources, both in terms of money, machinery and equipment, labor and materials. Analysis of human resource management aspects was conducted in order to answer the question, "What business can be built that will be executed in accordance with the planned time and whether the human resources required to run a business available?" (Suliyanto, 2010: 158).

Analysis of the financial aspects were conducted to determine the investment plan through the calculation of costs and the expected benefits, by comparing the income and expenditures such as the availability of funds, cost of capital, the project's ability to repay the funds within a predetermined time and assessing whether the project will continue to grow. Financial analysis that will be used in these studies using the theory of the cash flow statement, income statement, balance sheet, Net Present Value calculation, and calculation Payback Period.

RESEARCH METHODS

This study will be conducted by means of qualitative. This study used type of evaluation research, where the results of this research will provide input and support decision-making about the relative value of two or more alternative actions. In this study, researchers will use the interview method and the sampling method used is a Saturation sampling.

In the establishment of a project was necessary to gather the data necessary in connection with the project to be established, because of the data collected to support the analysis of the feasibility of a project so that the method used in the data collection process also influential to determine the level of confidence in the data collected for represents the number of the population.

The data in this research can be obtained from several sources as follows:

1. The primary data of interviews, market observation, survey and projections of the company's internal data.
2. Secondary data in the form of literature.

This study analyzes the factors the company's business environment in general. Factors analyzed include political factors, economic, social and technology by using PEST analysis. Through this analysis will be obtained from the data chance (opportunity) and threats (threats).

In addition, this study also analyzes the industry structure of companies using Five Forces Model Competition. Through this analysis will be obtained from the data strength (strength) and weakness (Weakness). After data showed the strengths, weaknesses, threats and opportunities the company can develop a strategy through the creation of the SWOT matrix.

Certain methods are applied in order to analyze the feasibility studies aspects of this project, as follows:

1. Legal Aspects

For analysis of the legal aspects will analyze all the permits required for the establishment of the furniture business in the region MERR IIC. Licensing that will be analyzed include the availability of location permits and business licenses.

2. Market and Marketing Aspects

Market and marketing aspects will be analyzed by taking into account market conditions using STP (Segmenting, Targeting and Positioning) The following analysis by analysis using 4Ps Marketing Mix (Product, Place, Price, Promotion).

3. Technical and Operational Aspects

The technical aspects of this research will be tested and analyzed by reviewing the business location, arranging the layout area of operations and sales and distribution system will be used.

4. Human Resources Management Aspects

Aspects of human resource management were analyzed with analysis of workforce qualifications required and enhancements, recruitment and selection, performance appraisal and salary and benefits.

5. Finance or Financial Aspects

Financial aspects of the company's ability to analyze the scenario analysis pessimistic, moderate and optimistic with regard cash flow as well as the calculation of the formula:

- **PP (Payback Period):**

$$\text{Payback Period} = \frac{\text{Investasi kas bersih}}{\text{Aliran kas masuk bersih tahunan}}$$

- **NPV (Net Present Value):**

$$NPV = \sum_{k=0}^n \frac{F_k}{(1+i)^k} \text{ atau } NPV = \sum_{k=0}^n \frac{R_k - C_k}{(1+i)^k}$$

FINDINGS AND DISCUSSION

Through PEST analysis results obtained showed opportunities and threats for businesses opening new branches in MERR IIC as follows:

Opportunities:

- Many ongoing constructions around and along the way MERR IIC are on the market share of new business development.
- Many new business fields and offices that have sprung up around and along the way MERR IIC, which supports community needs furniture products.
- Technology as a means of promotion and administration.

Threats:

- Entry of new competitors in the MERR IIC area and through advances in technology and social media.
- Increased of the minimum salary regulation for employee in Surabaya in 2016.
- Customer tend to buy the product to the store that are commonly visited

Through the Five Forces analysis of obtained results show the strengths and weaknesses for businesses opening new branches in MERR IIC as follows:

Strengths:

- Have a product differentiation
- Have several alternative suppliers
- Have a relatively cheaper price compared with competitors
- The location is easily accessible to customers and suppliers
- Experienced in marketing household and office furniture products

Weaknesses:

- Many similar new businesses have sprung up
- Substitute products
- Limited capital

After obtaining the data about the strengths, weaknesses, threats and opportunities of the company will be made into the SWOT matrix as follows:

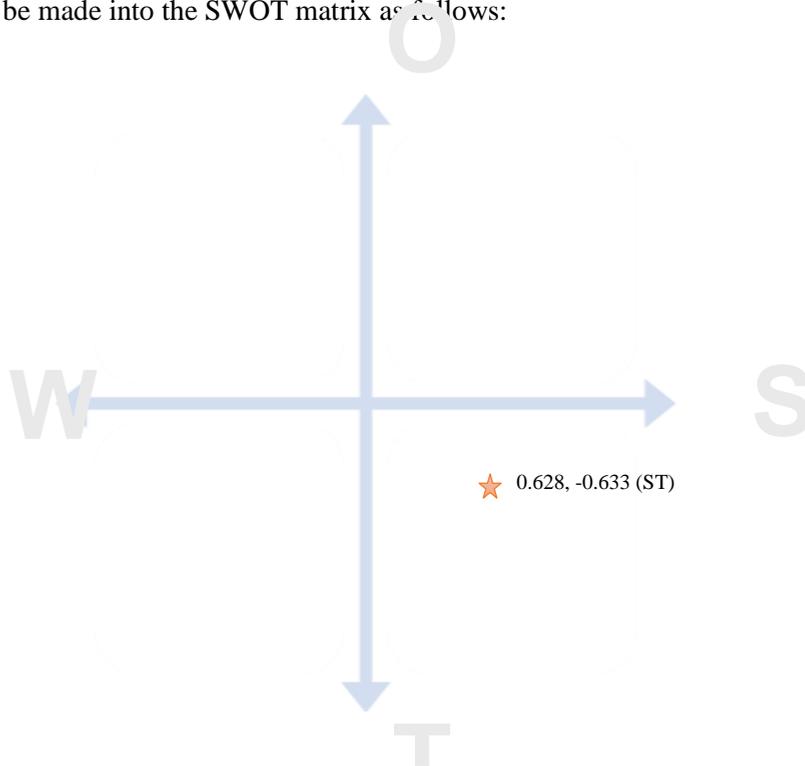


Figure 2: SWOT Matrix

Source: Processed data, 2016

Based on the SWOT analysis can be seen that the business development of the distribution of furniture in MERR IIC by Garuda Meubel included in quadrant II (ST), a state where company have a lot of strengths internally but also many external threats that sometimes hinder the business process so that the necessary planning mature strategy by businesses to be able to capture the long-term opportunities.

1. Legal Aspects

Prior to this study, the form of the legal aspects that have been passed by the licensing business is that SIUP and TDP. However, after doing the study, so the owners know about the licensing of companies both location permit and operating license.

2. Market and Marketing Aspects

The owners seem to not have clear target market segmentation and a clear prior to this study. In addition, the owners also do not know exactly the market potential to be worked. Having done this study, the owner became aware of the market potential and market share will be worked on.

3. Technical and Operational Aspects

Prior to this research, the owners have not done sharing spatial layout is clear and has not determined the distribution system will be used. After the study, the owner did the division of distribution by area and quantity of product to be delivered. Besides that, the owners become more aware of the importance of technological progress for the continuation of operations of the company.

4. Human Resources Management Aspects

Prior to his research, the owners have yet to determine the organizational structure that will be used for business development in MERR IIC. After this study, the owner use a functional organizational structure to the beginning and do the division of labor in accordance with their respective job descriptions.

5. Finance or Financial Aspects

Before this study the company has not paid little attention to financial aspects. It can be seen from the lack of recording financial statements and the company's income is neat. Through the study of its owners realize how important the financial aspect, especially for continuous operations of companies in the future. After his studies owners can make sales projections, until the projected profit and loss, balance sheet and cash flow.

CONCLUSION

Through research obtained some conclusions as follows:

1. Based on the legal aspects, enterprises distribution business establishments in MERR IIC considered feasible because company has had and qualified licensing determined.
2. Market aspects deemed appropriate for furniture distribution business establishment since found much in demand in the market, supported by the amount of development that occurs in the area.
3. Technical aspects have been met by the company. It is seen from the layout of the distribution system and storage system which have been made properly.
4. Financially, the company has been considered feasible to set up because it has a positive NPV value. The company uses private capital where cash Rp 500,000,000.00 and inventories amounting to Rp 1,000,000,000.00.
5. Company have a lot of strengths internally but also many external threats that sometimes hinder the business process so that the necessary planning mature strategy by businesses to be able to capture the long-term opportunities.

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