

R TRADING COMPANY DEVELOPMENT FEASIBILITY STUDY

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ABSTRACT

The purpose of this study was to increase R trading company turnover from Rp500.000.000,00 per year to become Rp1.500.000.000,00 per year by business environment aspect, industrial structure aspect, market and marketing aspect, technical aspect, human resources and management aspect, also financial aspect.

This study used feasibility study method by analyze many aspects of business. In this study belong to the population from newcomer, supplier, customer, substitute, competitor, use sampling method: purposive sampling, saturation sampling, non-proportionated random sampling, accidental sampling, purposive sampling. Data retrieval used with documentation, interview, and observation.

The result of this study summarized that in market and marketing aspect, technical aspect, human resources and management aspect this development was feasible. For financial aspect this development was only feasible for optimistic scenario analysis.

Keywords: Feasibility Study, Business Environment Aspect, Industrial Structure Aspect, Market And Marketing Aspect, Technical Aspect,

INTRODUCTION

Food sector is one of the business that have sustainable life cycle because this business provides basic human needs. East Java economics at 2013 supported by three main sector, agriculture (14,91%), processing industry (26,60%), also trade, hotel, and restaurants (31,34%). Indonesia's national FMCG growth also shows that FMCG (Fast Moving Consumer Goods) industry have a good growth from Q2 2012 until Q3 2013.

R trading company is established since 2010, however this family business actually started at 1999, but the researcher have a little intervention of this business.



Figure 1. National Fast Moving Consumer Goods Q2 2012 VS Q2 2014
Source: Kantar World Panel 2013

According to the data shown in Figure 1 above, the growth of national FMCG growth is quite interesting to develop. R trading company started when the researcher have project from his university. Then this family business developed until now. The researcher want to develop the distribution of this product both within Surabaya area, also another city in Indonesia.

In this study there is to increase R trading company turnover from Rp500.000.000,00 per year become Rp1.500.000.000,00 per year. The aspects that will be examined are business environment aspect, industrial structure aspect, market and marketing aspect, technical aspect, human resources and management aspect, also financial aspect.

CONTEXT AND REVIEW OF LITERATURE

Business Environment Aspect

When running a business a businessman need to pay attention with the external factor. The first aspect that need to pay attention is business environment aspect . According to Ireland (2013) environment generally consists of segments which are outside the company. This study use PEST Analysis which is contain political analysis, economy analysis, social analysis, technology analysis.

In this PEST Analysis obtained results show opportunity and threat such as: governments increasingly encourage the development of SMEs products, AFTA 2015 that can create new markets, the market that have stable growth and the increased purchasing power, easy for newcomer to enter the market, technology competition.

Industrial Structure Aspect

The other external factor that must pay attention is industrial structure aspect. This aspect contains the competition model within this industry. Ireland (2013) say that The Five Forces Competition Model consists of threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and rivalry among industries.

In this Five Forces Competition Model obtained results show strength and weaknesses such as: have many variants of products, products established since 1999, the product durability short enough, needs big storage for finished products, and limited capital.



Figure 2. R Trading Company Five Force of Competition Model
Source: Data were processed in 2014

Company Strategy

After analyze business environment aspect and industrial structure aspect this company use SWOT Analysis. Kotler (2009) said that SWOT Analysis is a way to observe external and internal marketing environment. After weighting internal and external factors from this company results are: 0.90 for (Strength-Weaknesses) and 1.625 for (Opportunity-Threat) which puts the company at stable growth strategy on SWOT Matrix.

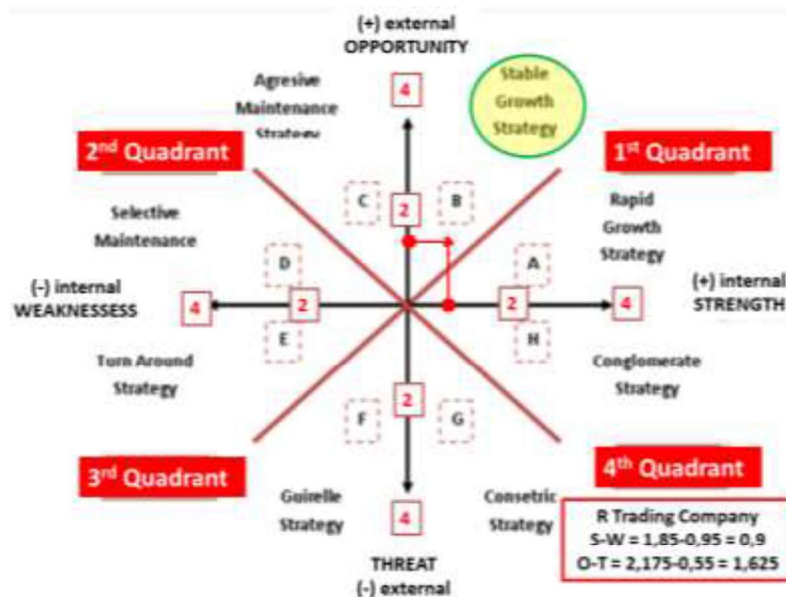


Figure 3. R Trading Company SWOT Matrix
Source: Data were processed in 2014

According to the SWOT Analysis, R trading company included in 1st Quadrant which is growth quadrant. Which strategies to use is stable growth strategy. This strategy done by steady growth where development is done in stages and targets are determined in accordance with current market conditions.

Market and Marketing Aspect

After decide the strategy that will be used for development of R trading company researcher analyze the market and marketing aspect. Development of the industrial output value of crackers in Indonesia 2006-2010 good enough with 4.21% increasing per year. The industrial output value at 2006 is Rp1.778.266.714.000,00 become Rp2.087.070.505.000,00 at 2010. With this rate of growth, the industrial output value of crackers in Indonesia will be Rp3.152.325.678.000,00 at 2020.



Figure 4. Industrial Output Value Crackers in Indonesia
Source: BPS (Biro Pusat Statistik) data processed in 2014

According to STP (Segmentation, Targeting, and Positioning) and Marketing Mix (Product, Price, Place, Promotion) R trading company summarized this aspects become:



Figure 5. R Trading Company Marketing Mix

Source: Data were processed in 2014

The evaluation criteria for market and marketing aspects are: have potential market to develop, have a specific target customer, and have STP and Marketing Mix. R trading company has all of the criteria.

Technical Aspect

Technical aspect is also important in this business. The technical aspects contains: product placement, product packing, and product delivery.

Right product placement at the vendor really affects the sales of crackers products. Good and interesting product packaging can keep the product quality, also can attract the buyers. At the end can increasing the sales turn over. The product delivery is also important in R Trading Company businesses, the effective and efficient product delivery can increase the sales turn over and satisfy the customer.

The evaluation criteria for technical aspects are: availability of telephone and internet network, availability of tools, equipment, and transportation, ready supplier, and deft employees. R trading company has all of the criteria.

Management and Human Resources Aspect

In R trading company business development plan concerning management and human resources aspect there were some things to note, such as: business entity, organization structure, and qualifications of the employees required.

The business entity of R trading company before and after research still same and not change to other business entity. The organization of R Trading Company use line organization. This organization structure used because of number of employees there is still little.

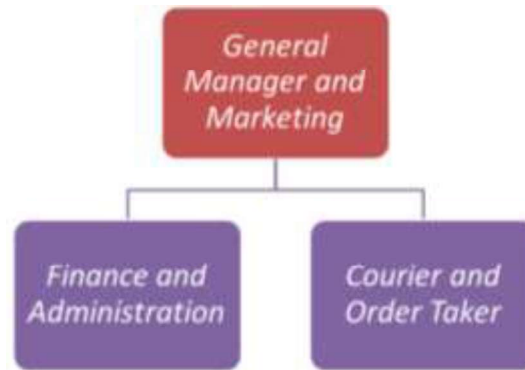


Figure 5. R Trading Company Line Structure Organization

Source: Company data were processed in 2014

The development of organization structure is the additional employee from courier and order taker division to handle the customer order. The condition and expertise for general manager and marketing are: minimum undergraduate scholars, honest, responsible, able to organize team, able to get new potential customer. Finance and administration able to do finance and administration job, able to use social media and do correspondence. Courier and order taker division able to pack the products, send the products, and proactive at work.

Evaluation of management and human resources aspect are well formed organization structure, well formed job analysis, well formed standard operational procedure, and well formed employee management systems. According to evaluation of management and human resources aspects, R trading company has completed all the criteria and feasible for business development.

Financial Aspects

The last aspect discussed in R trading company development feasibility study is financial aspects. In these financial aspects R trading company used Payback Period (PP), Net Present Value (NPV), Internal Rate of Return (IRR), Profitability Index (PI), and scenario analysis (pessimistic, moderate, and optimistic).

Payback period method used to assess the return on investment period of a business. This calculation uses the calculation of net cash each year. Net cash value is the sum of profits after tax plus depreciation.

Net Present Value (NPV) is the ratio between the net cash PV and PV investment over the life of the investment. The difference between these two values is often known as the Net Present Value (NPV).

IRR is an indicator that is used to describe the percentage of profit generated from the project. If the value of IRR is greater ($>$) of the interest loan, then the project is accepted. If the IRR is less ($<$) than the loan rate, then the project is rejected.

Profitability Index (PI) or often referred to as the B / C ratio is the ratio of the activity of total revenues net present value with the present value of investment expenditure over the life of the investment. If the Profitability Index (PI) greater ($>$) than 1 then the project is accepted. If the value of Profitability Index (PI) is smaller ($<$) than 1 then the project is rejected.

Businesses pessimistic scenario of + 17% per year based on the growth of FMCG (Fast Moving Consumer Goods) in Indonesia in quarter 2 of 2012 compared to Quarter 2 Year 2013 Scenario moderate business by + 25.8% per year based on a R trading company turnover growth from the year 2012-2013. Meanwhile, businesses optimistic scenario of + 33.8% per year based on a R trading company turnover growth 2012-2013 amounted to 25.8% added to 8.014% inflation rate in Indonesia in 2006-2010 for the food industry, beverages, cigarettes, and tobacco.

Table 1. Summary of Eligibility Criteria Investment Pessimistic Scenario

Criteria	Result	Standard	Description
PP	4,5 years	3 years	Not Feasible
NPV	1.143.369	>0 (positive)	Feasible
IRR	31,74%	12%	Feasible
PI	2,02	1	Feasible

Source: The study results were processed in 2014

Table 2. Summary of Eligibility Criteria Investment Moderate Scenario

Criteria	Result	Standard	Description
PP	3.07 years	3 years	Not Feasible
NPV	2.762.278	>0 (positive)	Feasible
IRR	55,33%	12%	Feasible
PI	4,17	1	Feasible

Source: The study results were processed in 2014

Table 3. Summary of Eligibility Criteria Investment Optimistic Scenario

Criteria	Result	Standard	Description
PP	2,49 years	3 years	Feasible
NPV	4.792.340	>0 (positive)	Feasible
IRR	73,45%	12%	Feasible
PI	6,78	1	Feasible

Source: The study results were processed in 2014

From Table 1 to 3 show that NPV, IRR, and PI criteria are feasible for every scenario. But, the Payback Period (PP) criteria only feasible for optimistic scenario.

CONCLUSION

Based on research results that have been discussed above, it can be concluded as follows:

1. Based on the aspects of the business environment using PEST Analysis, it can be said that the conditions in Indonesia supporting R trading company . In PEST Analysis obtained results indicate that there are opportunities and threats as follows: governments increasingly encourage the development of SMEs products, the AFTA in 2015 that create new markets, growing market stability and increased purchasing power, easy for newcomers to enter to markets, and technology competition.
2. Based on the structural aspects of the industry that uses the Five Forces Competition Model, it can be said that the position of R trading company in the competition quite well. As for the Five Forces Competition Model shows the

results of the strengths and weaknesses such as: having a lot of variance / types of products that are marketed, a product from a supplier that has been in existence since 1999, the durability of the product is not too long / short enough, needed a storage area large enough to finished products, as well as sufficient capital is limited.

3. Based on the analysis of the environmental aspects and the business aspects of the industry structure of companies applying SWOT Analysis of strengths, weaknesses, opportunities, and threats owned by UD. R. The results obtained in the entrance quadrant I particularly stable growth strategy where the strategy is done by means of steady growth and a gradual manner specified targets according to the conditions of the existing market.
4. In the aspect of the market and marketing indicates that market growth experienced crackers industry average increase in turnover of 4.21% per year. This illustrates the potential of this industry to achieve Rp3.152.325.678.000,00 turnover in 2020. R trading company satisfy the criteria used in the market and marketing aspects are: the market potential for development, having specifics customer, and has STP and Marketing Mix.
5. The technical aspects of the company using product placement, product packaging, and delivery of products. As for the R trading company has met the benchmark for the evaluation of the technical aspects of the availability of telephone and internet, the availability of tools and transportation, the supplier who is always ready and agile workforce.
6. In the aspect of human resource management and R trading company still uses the same business entity. As for the structure of organizations still use the simple form of the line organization.
7. In the financial aspects of the company using indicators Payback Period (PP), Net Present Value (NPV), Internal Rate of Return (IRR), Profitability Index (PI), as well as risk analysis (pessimistic, moderate and optimistic). Based on the calculation results of this feasibility study shows that the NPV, IRR, and PI feasible for the third scenario analysis. As for the PP only feasible for the optimistic scenario.

Managerial Implications

Table 4. Comparison Before and After Research in R trading company

Before Study	After Study
1. Market and Marketing Aspect	
Limited marketing	Expand marketing area
No promotion budget	Budget promotion cost
2. Technical Aspect	
Product placement: plastic	plastic and corrugated box
Product packing: plastik seal	plastik seal and zipper
Product delivery: by phone	by phone and taking order
3. Management and Human Resources Aspect	
Using 3 employees	Add 1 employee at delivery and order division
4. Financial Aspect	
Turnover Rp500.000.000,00 per year	Turnover Rp1.500.000.000,00 per year Pessimistic: 7 years later Moderate: 5 years later Optimistic: 4 years later

Source: The study results were processed in 2014

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