IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 21, Issue 2. Ser. V (February. 2019), PP 70-75
www.iosrjournals.org

Feasibility and Operational Strategies of Modern Rice Store Bussiness Plan

Hardja Dinata[1], Tantri Yanuar Rahmat Syah[2]
Master Program of Graduate Management of Esa Unggul University
Faculty of Magister Graduate Management Esa Unggul University
Corresponding Author: Hardja Dinata

Abstract: *In today's post-modern era unnoticed lifestyle governs us. A fast, instant, clean and online lifestyle. Consumers are now accustomed to be served by other sub-workers without regretting the cost of shipping costs in shopping for clothing, electronics, and household goods. This habit is common in the area around the city, especially for residents who live in apartments and downtown. Now people are used to going out of the house with online transportation as well as coming home. Buyers are becoming accustomed to ordering orders such as household needs and home food. Buyers are beginning to be reluctant to go to traditional markets and modern markets to buy, especially after buying people have to bring their heavy groceries to the house. Looking at lifestyles that change over time we also capture a potential that is profitable in the business of changing the way conventional rice shopping habits to shop for modern rice.*

Keywords: *rice, modern shop, habit, online.*

Date of Submission: 08-02-2019 Date of acceptance: 23-02-2019

I. Introduction

The population of Indonesia is basically divided into three groups of society, lower class society, middle class society and upper class society. Each of these groups has different behaviors or behaviors in terms of day-to-day grocery shopping, lower-class societies have a tendency to go to traditional markets in the hope of getting a low price, putting aside the cleanliness and convenience of the market; Middle-class societies have a tendency to go to clean and comfortable shopping places like Carefour, Hypermart and others, the price is not a focus while still paying attention to discounts or promos provided; Upper class society has a tendency to do shopping by household assistants or housekeepers, shopping does not pay attention to prices and go mall but this is less attention given by market participants, especially rice sellers. This problem is not considered by market participants so that middle-class consumers still have to bother themselves in buying rice from ordering until the rice was brought and put in place of storage. This issue of middle-class behavior can also be "catch" as an opportunity for us to open or establish a rice business with a focus on high quality service. The middle class people who want the convenience and convenience in shopping for rice without having to go to traditional markets that are identical crowded, muddy, stuffy and crowded. If we provide services that are in accordance with what they expect or want, then it is probable that the rice business we build gets positive results or profit opportunities. This is reinforced by the development of technology today. Almost all people are familiar with tekonologi, can be said that society today is not blind with technology. With this condition, we can take advantage of technology that has become a habit of society as a place of promotion and product introduction from Berasku.

Therefore, we want to establish rice business in the form of rice retail store which is close to rice consumer, and give service to consumer in the form of convenience of rice shopping, utilizing technological progress either through smartphone or internet so that consumer activity is not disturbed anymore in terms of buying rice . The modern business rice business strategy is to establish a store to generate a sense of consumer trust to a modern IT-based store. The establishment of this store can also be utilized to meet the needs of consumers around the store within a two kilometer radius. This is supported by providing additional services in the form of delivery service and ease of purchasing mobile products based on IT such as smartphone or internet and telephone connection and warranty returns. This IT-based delivery service will be an important factor to attract consumers when buying rice. This is because they become unnecessarily troublesome and uncomfortable to bring the rice they have ordered plus the heavy burden of rice purchased. This IT-based delivery service will be delivered free of charge with a radius of two to three kilometers from the store. Warranty returns become another additional point for us to consumers because this is not done by any rice entrepreneur. This warranty return occurs on condition of no more ` application contained in apps or any playstore for the media purchase of rice. The hope is that consumers who are traveling and have a limited pulse can use applications that have been downloaded on his smartphone to make a purchase. Ran-ran made can be transfer or cash on delivery.

The use of this technology not only focuses on the ease of consumption in purchasing rice, but technology as a source of corporate data. These data can be processed and used as material analysis of company progress in determining the company's strategic. The data collected can be started with the collection of consumer identity ranging from name to phone or phone number. This data will then be used as source.

By doing these three things, the rice business that was built became different from other rice businessmen. In the future we can use the distribution channel as the "ultimate weapon" to exist and be different from other entrepreneurs, so they can not work with our customers easily.

In planning the modern rice shop we will pass the feasibility analysis of modern rice shop business

II. Literature Review

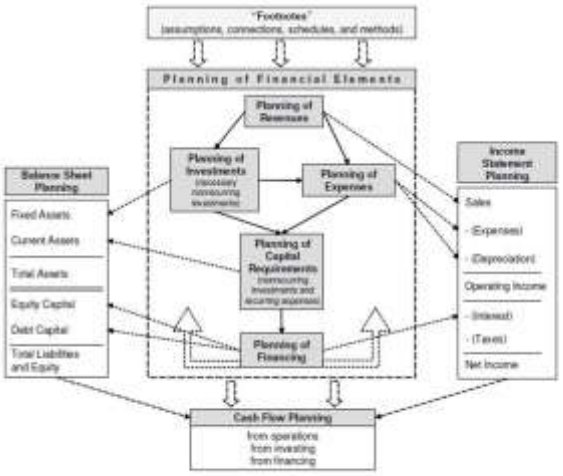
Business feasibility analysis, financial strategy will focus on investment decision, financing decision (financing), operational decision and investment feasibility analysis.

III. Methodology

This business planning is based on the methodological approach of the desk reseach in the modern rice shop business. As for business feasibility analysis, the financial strategy will be focused on the first: Investment Decision, which required any investment in running this online rice business, second: Financing Decision consisting of capital structure and capital cost, third: Operational Decision Including working capital management policy and break even analysis, and the last fourth: Investment Feasibility Analysis which includes investment valuation method and risk management.

IV. Analysis

The company strives to process its regulated financial resources with appropriate financial strategies and supports the company's goals. After analyzing or studying the product, external environment, and other business aspects, then next to start the financial planning, here are some basic assumptions needed to support the financial decisions to be taken PT. RICE. Translation of financial strategy of PT. BERKU will be focused on investment decisions, financing decisions (Financing), and operational decisions with the following plans:



4.1 Invesment Decisions

In planning the initial investment value, PT. BERKKU has made a preliminary working capital cost plan before the company's operations run. The investments made are intended for asset purchases and working capital financing required to run the company's operational processes, construction of facilities and packaging production facilities. Some of the investment required and the amount of investment value are: First: Licensing and Deed of Establishment: Licensing and deed of establishment is a requirement that must be fulfilled at the beginning of investment and need to be budgeted in initial working capital to make company. Where this is adjusted to the position of the location of the business to be made, so the costs associated with licensing, deed of establishment and tax in the destination areas of the establishment of the company can be met, the second: Location: Location of the company business is shop or shop in rent Become the target market of the company Location is selected based on the target consumers and should be in a strategic location and can be accessed by vehicles and consumers comfortably. Third: Renovation of Rooms and Boards Name: Location of the business is a shop or shop in rent of course still in a state What it is or not in accordance with the design of the company plans to be built. For that renovation plan after renting a shop to be in accordance with the design of the floor plan that has been specified. The nameplate is needed so that the target consumers can easily know the existence of the company's rice business, the fourth: Fixed Assets: Purchased fixed assets need to be prepared in the initial investment plan in the company, because the function of the purchased asset is very fundamental in supporting the operational performance of the company, Fifth: Operational Cost (Human Resource Procurement and Employee Salary): Human resources as one of the important resources for the life of this company, where the rice business business prioritizes consumer services as revenue streams that require highly credible human resources in providing The best service for the company's customers, and the last six: Other Expenses: Other costs are taken into account as the basis for the management and operation of the company. Including the cost of rent and purchase needs of the company.

The data in the summary above is the result of the detail data below that has been planned by the company to build its business, the calculation of depreciation in the allotment for the income statement data.

No	Komponen Aset	SATUAN	Harga per Satuan Rp	Jumlah Fisik	Jumlah Biaya Rp	Umur Ekonomis (tahun)	Nilai Penyusutan Rp	Nilai Sisa Proyek Rp
1	Kendaraan				20.000.000,0		2.857.142,9	2.857.142,9
	a. Sepeda Motor Roda 3	unit	20.000.000	1	20.000.000	7	2.857.143	2.857.143
2	Alat produksi dan Pengemas				10.000.000,0		3.333.333,3	3.333.333,3
	a. Timbangan Beras Digital	unit	2.000.000	1	2.000.000	3	666.667	666.667
	b. Timbangan untuk QC	unit	2.500.000	1	2.500.000	3	833.333	833.333
	c. Wadah / Kotak Beras	set	2.000.000	1	2.000.000	3	666.667	666.667
	d. Pedal Sealing Machine	unit	1.750.000	1	1.750.000	3	583.333	583.333
	e. Mesin Jahit Karung	unit	1.750.000	1	1.750.000	3	583.333	583.333
3	Peralatan lainnya				10.000.000,0		4.666.666,7	0,0
	a. Komputer	unit	3.000.000	1	3.000.000	3	1.000.000	
	b. Renovasi Ruangan	unit	5.000.000	1	5.000.000	3	1.666.667	
	c. Papan Nama + Stempel	unit	2.000.000	1	2.000.000	1	2.000.000	
	Jumlah			9	60.000.000		21.714.286	12.380.952

4.2 Funding Policies

4.2.1 Capital Structure

Funding required by the company to implement business operational process of Rp. 250.000.000, - for the initial establishment of the company which consists of total investment and cash reserves as required. Funding at the beginning of the establishment of the company's operations comes from the founder (founder). Where the implementation of this investment does not include third parties or loans from banks due to high loan interest rates. The founder may involve investors in funding the establishment of the company by including capital with investment scheme scenario of having 50%, 80% and 100% of paid up capital and entering into the capital structure of the company. With an initial investment of Rp.250.000.000.-

Skema Investasi	A	B	C
Investor	50%	80%	100%
Pengelola Bisnis	30%	20%	0
Pihak Ke 3	20%	0	0
Total	100%	100%	100%
Jumlah Modal Disetor	250.000.000	250.000.000	250.000.000
Return Earning *)	80%	60%	50%
Deviden *)	20%	40%	50%

*) Dari Laba Bersih

For third parties can be included from the capital structure, because the company is new then the third party flow is not directly to the company because it does not have an early profit in the current year which is a condition of corporate liquidity as the guarantor of the loan to the bank.

The first option (A) for investments in equity, an investor can have a share of 50% of the total capital to be paid. Where the remaining 50% will be divided to business managers and 3rd parties. Investors every year starting from year 2 will be given a dividend of 20% because 80% of the company's earnings funds are held to develop the business on a medium-term strategy.

The second option (B) for investments in equity, an investor can own 80% of the total paid up capital. Where the remaining of 20% will be shared to the business manager. Investors every year starting from year 2 will be given a dividend of 40% because 60% of the company's earnings is held to develop the business on a medium-term strategy.

The third option (C) for investments in capital investment, an investor can have 100% of the total paid up capital. Investors every year starting from year 2 will be given a dividend of 50% because 50% of the company's earnings funds are held to develop the business on a medium-term strategy. We also offer share ownership to investors in equity participation for the establishment of the company. With such a scheme, the ownership and management of the company will also be the responsibility of the investors participating in the equity participation.

4.2.2. Cost of Capital / WACC)

Data from the calculation of the cost of working capital or Weight Average Cost Capital of the company obtained from the value of liabilities and equity owned by the company at the time of establishment. The other elements other than liability and equity are based on the results of data other than market data and other external financial data.

	WACC	NORMAL 2017	OPTIMIS 2017	PESIMIS 2017
DATA	Amount of equity	250.000.000	250.000.000	250.000.000
	Tax rate	25%	25%	25%
	Equity beta	1,00	1,00	1,00
RESULT	1+ (1-T)D/E	1,00	1,00	1,00
	Unlevered equity beta	1,00	1,00	1,00
	Project			
DATA	% Debt	0%	0%	0%
	% Equity	100%	100%	100%
	Tax rate	25%	25%	25%
RESULT	1+ (1-T)D/E	1,00	1,00	1,00
	Unlevered project beta	1,00	1,00	1,00
	Project equity beta	1,00	1,00	1,00
DATA	Risk-free rate	6,00%	5,00%	7,00%
	Market risk premium	6,00%	5,00%	7,00%
RESULT	Project equity beta	1,00	1,00	1,00
	Market risk premium	6,00%	5,00%	7,00%
	Equity risk premium	6,00%	5,00%	7,00%
	Plus risk-free rate	6,00%	5,00%	7,00%
	Cost of equity	12,00%	10,00%	14,00%
DATA	Cost of debt	12,0%	12,0%	12,0%
RESULT		Weights	Weights	Weights
Cost of equity		12%	10%	14%
Weighted average cost of capital		12%	10%	14%

Based on the above calculation we get the amount of Weighted Average Cost of Capital for Normal calculation of 12% and 10% Optimistic scenario and Pessimistic scenario 14%, where the risk free rate is 6%, 5% and 7% respectively. Market risk premium for each scenario is also at 6%, 5% and 7%. Project equity beta as comparative data with business in the same industry in the market is equal to 1.

4.3 Operational Decisions
4.3.1 Working Capital Management Policy

In the management of working capital the company uses an approach that prioritizes deposits of funds from the investors to fund all the needs of operational assets. The entire investment fund is charged to investors because the long-term prospects of this business will belong to the investors themselves. And in terms of working capital management policy will increase shareholder value. The elements included in the management of working capital are cash, accounts receivable, accounts payable, inventory, taxes payable, and various costs of money to be paid.

If in this investment required a different funding policy as well as the merger between investor capital investment with third party funds, it will not sensitively affect the scenario of financial statements that will be planned. The need for transparent working capital management is highly preferred, and it is expected that investors and business planners can work together in harmony with the short-term and long-term goals of the company.

4.3.2 Break Even Analysis

The calculation of break even analysis or often called a break even point (BEP) done by the company to find out on how many breakeven points will be achieved and how much sales targets to be achieved with the target profit margin that has been set. The BEP value is calculated by:

$$\text{BEP (unit)} = \frac{\text{Total Biaya Tetap}}{\text{Harga jual per unit} - \text{Biaya Variabel/unit}}$$

$$\text{BEP (Rp)} = \frac{\text{Total Biaya Tetap}}{1 - \dfrac{\text{Total Biaya Variabel}}{\text{Total hasil penjualan}}}$$

Thus the calculation of BEP companies that occur are as follows:

Tahun	Biaya Tetap	Biaya Variabel	Penjualan	
			Rupiah	Kg
2017	Rp 717.500.000	Rp 12.902.164.800	Rp 5.906.449.286	71.680
2018	Rp 771.880.000	Rp 26.661.394.650	Rp 6.375.319.638	77.370
2019	Rp 895.370.400	Rp 40.003.367.175	Rp 7.452.271.532	90.440
2020	Rp 1.014.791.392	Rp 66.575.607.393	Rp 8.633.330.913	104.773
2021	Rp 2.062.277.103	Rp 119.762.626.904	Rp 17.375.504.339	210.868
2022	Rp 2.387.160.264	Rp 172.816.173.377	Rp 20.479.229.756	248.534
2023	Rp 3.296.339.314	Rp 225.897.826.464	Rp 28.408.100.517	344.759
2024	Rp 4.375.665.551	Rp 293.208.717.553	Rp 38.826.816.093	471.199
2025	Rp 5.133.601.577	Rp 360.412.437.498	Rp 46.308.842.531	562.001
2026	Rp 5.911.883.650	Rp 428.299.389.254	Rp 54.955.196.848	666.932

In this method of calculation the selling price used is the average due to the various types of rice sold by the company. Break Even Point for the company occurred when the company managed to sell 71,680 kg of rice in the first year of production due to high sales price of the superiority of rice quality that the company sold

4.4 Investment Feasibility Analysis

4.4.1 Investment Appraisal Method

Business feasibility analysis is assessed using DCF (discounted cash flow) with NPV parameters. This model will ultimately show the net value of the investment to investors. Other calculations are IRR, ROI and discounted payback period that aims to provide information that can support the feasibility analysis of this business. Here are the details of the company's investment feasibility calculation:

NO	KETERANGAN	2017 NORMAL	2017 OPTIMIS	2017 PESIMIS
1	Penjualan Usaha	1.480	1.776	1.184
2	Pendapatan	Rp 15.244	Rp 18.293	Rp 12.195
3	Biaya Modal Kerja Awal	Rp 178	Rp 178	Rp 178
4	EBIT	Rp 1.989	Rp 1.371	Rp 746
5	Biaya Operasional	Rp 2.392	Rp 3.378	Rp 2.444
6	Total Loan	Rp 254	Rp 1.524	Rp 454
7	Total Liabilities	Rp 586	Rp 1.011	Rp -
8	Pajak	Rp 497	Rp 343	Rp 187
9	Profit (Loss) After Tax	Rp 1.492	Rp 1.028	Rp 560
10	Personnel Expenses	Rp 126	Rp 1.544	Rp 1.352
11	Net Profit Margin	13%	7%	6%
12	Fixed Assets – Net	Rp 205	Rp 461	Rp 383
13	Total Assets	Rp 3.409	Rp 3.588	Rp 1.538
14	Equity	Rp 2.692	Rp 2.228	Rp 1.644
15	Return On Assets	44%	29%	36%
16	Return On Equity	55%	46%	34%
17	Return On Net Investment	838%	578%	314%
18	Debt Ratio (Liabilities To Equit	0,22	0,45	-
19	Jumlah Karyawan	26	26	26
20	Personnel Expenses Per Person/	Rp 11	Rp 129	Rp 1.352
21	NPV	Rp 18.665	Rp 17.345	Rp 113
22	IRR	105%	79%	288%
23	Payback Periode	1 Tahun + 8 Bulan	1 Tahun	2 Tahun
24	Break Even Price	Rp 10.665		
25	Break Even Unit	5.848		
26	Break Even Sales	Rp 7.184		
27	Payback Periode BEP	Rp 4.753	On 4 Month	
28	WACC (Cost Of Capital)	12%	10%	14%

Based on the above calculation, it can be concluded that the business of rice business is feasible to be realized. This can be seen from the positive equity NPV. The positive equity NPV in the rice business business gives an indication that the cash flow of the rice business business generates a higher income than the expenditure made in which the remaining profits will be enjoyed by the shareholders.

4.4.2 Risk Management

In conducting its business, the company gets some risks that can affect the overall profitability of the business. The risks are: market risk, operational risk, and resource risk.

Market risk is the risk that arises due to the company's exposure to the demand for rice owned by the company. Risks to this demand can occur due to the entry of new players who have the innovation to produce rice better than the company or shift the trend of interest of retailers on rice products.

Operational risk is the risk that arises due to the internal process or errors of the organization associated with the production process activities that can be caused by standard procedures of mixing, packaging, shipping etc. Companies can experience this exposure, especially in the standard procedure of selection of raw materials of rice and even the selection of the type of packaging materials .

Resource risk is a risk associated with resources owned by the company. In this case, the quality of raw materials of rice, packaging and human resources. Companies may experience this exposure to raw materials of rice if the decline in productivity and quality of rice in agriculture in Indonesia due to weather factors. The quality of rice produced by declining farmers can have an effect on the quality of the rice. Human resources can have an effect if low loyalty leads to high turnover within the company thus providing a burden in procuring retraining for new employees.

The risk mitigation actions conducted by the company are as follows: first: Market Risk; Conducting research on demand and growth opportunities for rice products in Indonesia, promoting sales and education of Rice Packaging products, both: Operational Risk; Designing SOPs in the operation process and performing R & D in the rice production process, and finally the third: Resource Risk: Owning a variety of rice supplier alternatives, training employees

V. Conclusion

This business planning based on business feasibility analysis obtained the following results :

5.1 Business Feasibility Analysis

Through business feasibility analysis using some of the above criteria, both in terms of quantitative analysis and qualitative analysis, shows that the development of the Rice Packaging Business plan is feasible to develop. This business plan is feasible to run because it provides high returns to its shareholders. The conclusions can be seen from: first: The positive profit that has been recorded since the first year with an average growth of 46% exceeds the target of the existing target of 10%, second: Positive Net Present Value obtained from Free Cash Flow from Equity (FCFE) Rp. 74.577.439.727, -, third: IRR is higher than equity capital cost. In a most-likely IRR-owned scenario of 45% which exceeds the cost of equity capital of 20%, fourth: Dividend distribution can be made from the second year of the company operating ranging from 20% - 30%, and fifth: Payback Period ranges from 6 years of planning

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IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with Sl. No. 4481, Journal no. 46879.

Hardja Dinata. "Feasibility and Operational Strategies of Modern Rice Store Bussiness Plan." IOSR Journal of Business and Management (IOSR-JBM), Vol. 21, No. 2, 2019, pp. -.70-75