Business Design and Feasibility of Puru Kambera Muslim Fashion Offline Store Establishment

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Abstract. Puru Kambera is a creative business that sells women's Muslim fashion products. It has been established since 2017 in Bandung through an online sales. The survey states that fashion is on the second-highest rank out of 16 creative industry subsectors in Indonesia. Along with Bandung that has known as a creative city and center of fashion. Based on this condition, the company decided to establish Puru Kambera offline store. In this paper, business design and feasibility analysis are performed to find out whether the establishment of the offline store is feasible to run. The business design will be projected for 5 years with MARR value of 9.40%. While the feasibility analysis is performed based on market, technical, and financial aspects. The feasibility calculation result show NPV of IDR 356,595,609, IRR in 35%, and PBP for 3.428 years, it can be concluded that Puru Kambera offline store establishment is feasible. Furthermore, sensitivity analysis is also performed to find out the business conditions if there are some undesirable changes occur. The sensitivity analysis result shows that Puru Kambera offline store establishment is sensitive in increase of product cost at 8.20%, decrease of selling price at 5.61%, and decrease of demand at 17.72%.

1. Introduction
The creative economy is one of the drivers and pillars of the Indonesian economy. This can be seen from the Gross Domestic Product (GDP) of the creative economy created in 2016 amounting to 922.59 trillion. The creative economy contributes 7.44% to the total national economy [1]. Creative Economy Agency (Bekraf) Indonesia establishes 16 subsectors of creative industries, i.e. applications and game developers; architecture; design interior; visual communication design; product design; fashion; film, animation and video; photography; craft; culinary; music; advertising; publishing; performing arts; art; television and radio [1].
Figure 1 shows the results of a survey conducted by Creative Economy Agency (Bekraf) Indonesia and Central Statistical Agency (BPS). The survey states that from a total of 16 creative industries subsectors, the three most dominant subsectors were culinary with a percentage of 41.69%, fashion with a percentage of 18.15%, and craft with a percentage of 15.7% [1] [2]. As we can see fashion subsector is on the second-highest rank.

Bandung is one of the cities that has considerable potential as a creative city in Indonesia. This can be seen by the success of Bandung as a host of Bekraf festival in 2017. Bandung has been known as a center of textiles, fashion, art, and culture for a long time. It is also known as a tourist destination. This certainly raises business opportunities for businessperson, especially for those who operate their fashion business in Bandung.

Currently, entrepreneurs in Indonesia prefer to run a business in the creative industry sector, because they think that creative products can attract more consumers, particularly the uniqueness of the products that makes them different from those offered on the market in general [6]. Puru Kambera is a creative business that sells fashion products, especially women's Muslim fashion. It has been established since 2017 in Bandung.

In this digital age, technology has provided new facilities and new ways for people to perform a range of activities, including networking, trading, product creating, knowledge searching, entertainment etc. [3]. All this time, Puru Kambera market their products online which is through the Instagram and website. Currently the customers increasing along with marketing activities that has been performed through collaboration with some public figures and marketplaces such as Blibli.com, Hijabenka, Hijup and Tokopedia. While the marketing activities of Puru Kambera keep going through online, the company decided to develop its business by establishing an offline store along with a large number of fashion business opportunities in Bandung. The objective of this research is to designing the business and measuring the feasibility of the offline store to determine whether or not the establishment of this offline store is feasible. The business design will be projected for 5 years and feasibility analysis is performed based on the market aspect, technical aspects, and financial aspect.

2. Method

Figure 2 shows the conceptual model of the business design and feasibility analysis which performed in this research. The feasibility analysis starts with the market aspect, continues with the technical aspect, and the result of both aspects will be processed in the financial aspect as well as sensitivity analysis [11]. Every aspect has relevance to each other. So that results can be obtained to measure the feasibility analysis of the business.

In the initial identification stage, the problem of the research is identified. Based on that problem, a goal is determined. Market aspect analysis is performed on the early stage to know market opportunities related to consumer behavior regarding the use of prices and market competition [12]. At this stage, an analysis of available market, potential market, and target market was performed through questionnaires from the population of women citizens aged 18 to 50 years in Bandung [5]. The outputs of the market aspect are demand estimation and income estimation that will be used in financial aspect analysis.

Technical aspect analysis is performed to discover the number of workers, the location of the business, and the funding requirement. The outputs of the technical aspect are initial investment cost and operational cost that will be used in financial aspect analysis.
Financial aspect analyzes the amount of investment and working capital costs as well as the rate of return on investment of the business to be run [7]. The outputs of the financial aspect will represent the feasibility of the business design using parameters or business feasibility criteria such as Net Present Value (NPV), Payback Period (PBP), and Internal Rate of Return (IRR).

NPV is a method to calculate the difference between the present value of two cost which are the investment cost and the net cash income in the future [10]. A business can be said feasible if NPV > 0 or positive [9]. The NPV formula is as follows:

\[ NPV = \sum_{t=0}^{n} \frac{At}{(1+i)^t} \]  

(1)

Where:
\[ At = \text{Cash flow in period } t \]
\[ i = \text{Discount rate} \]
\[ n = \text{the last period during which cash flow is expected.} \]

IRR is a method to calculate the interest rate equalizing the present value of the investment with the present value of the future net cash receipts [10]. The investment or business can be said feasible if IRR > the interest rate or Minimum Attractive Rate of Return (MARR) [9]. The IRR formula is as follows:

\[ IRR = i \left( \frac{NPV_i}{NPV_{i-1}} \right) \left( i_2 - i_1 \right) \]  

(2)

PBP is a method to calculate the period required to cover the investment cost using cash flow or the ratio between the initial investment cost and the cash inflows that result in units to time [8]. The Payback Period formula is as follows:

\[ PBP = \frac{\text{Investment Value (Outlay)}}{\text{Net Cash Inflow (Proceed)}} \times 1 \text{ year} \]  

(3)

After determining a number of market, technical aspect, and financial aspect, the decision will be taken following with the business feasibility criteria that have been analyzed previously. Besides that, a sensitivity analysis is also performed to determine the business condition if certain undesirable changes occur [6]. Sensitivity analysis is an analysis performed when calculating estimated future cash flows which are often confronted with uncertainty. We face uncertainty when analyzing future estimates of the cash flow. As a result, calculation results might deviate from reality. Uncertainty can result in a business project being less able to operate to generate profits for the company [10]. In this research, the sensitivity analysis was performed on NPV and IRR which were obtained from the changing condition.

3. Result and Analysis

3.1. Historical sales data
Women’s Muslim fashion products that offered by Puru Kambera are scarf printing, tunic, long dress, and kaftan. Puru Kambera sales in 2019 is shown in Figure 3.

Figure 3 shows that many Puru Kambera products have been sold in the market. This can be seen from the total minimum sales in a month is 2000 pieces and the total of sales in 2019 is 40,768 pieces. According to research, there is a competition in clothing business, especially imported products with cheaper price and other competitors so that the fashion business needs to have a strategy to improve the competitiveness of the clothing business [4]. Based on the sales data, it can be used as an opportunity to develop the business by establishing an offline store to compete with other Muslim fashion brand.

3.2. Demand estimation
The results of the questionnaire data processing show the potential market is 87% or 1,619,790 purchases, the available markets is 75% of potential markets as many as 1,206,744 purchases, and the target market is 0.5% of available markets as many as 6,034 purchases. Demand in the first year is an amount to the target market, meanwhile demand projections for the second year until the fifth year are
obtained by multiplying the annual demand with the average population growth rate in Bandung within the last three years according to the BPS which is 0.36%. Demand projection of Puru Kambera is shown in Table 1.

Table 1. Demand projection

| Year | Demand |
|------|--------|
| 2021 | 6034   |
| 2022 | 6056   |
| 2023 | 6078   |
| 2024 | 6100   |
| 2025 | 6122   |

Demand projection of each product is obtained by multiplying the sales percentage of product within last year with the total demand each year. Demand projection for each product within the next five years is shown in Table 2.

Table 2. Demand projection for each product

| Product    | Percentage | 2021  | 2022  | 2023  | 2024  | 2025  |
|------------|------------|-------|-------|-------|-------|-------|
| Scarf Printing | 78%       | 4683  | 4700  | 4717  | 4734  | 4751  |
| Tunic      | 13%        | 789   | 791   | 794   | 797   | 800   |
| Kaftan     | 5%         | 296   | 297   | 298   | 299   | 300   |
| Long Dress | 4%         | 266   | 268   | 269   | 270   | 271   |
| Total      | 100%       | 6034  | 6056  | 6078  | 6100  | 6122  |

3.3. Determination of business location and number of workers

The determination of business location is chosen by owner of Puru Kambera based on the result of the interview. The business location of Puru Kambera offline store is a leased building that located on Jl. R.E Martadinata, Central Bandung.

The number of workers obtained by the total processing time in the business processes that occurs in the offline store and total effective working time. After the calculation, the number of workers needed in this business is as many as 3 workers, consisting of 1 shopkeeper, 1 cashier, and 1 warehouse staff.
3.4. **Initial investment cost**

The initial investment cost is consisting of all the required equipment costs. It is obtained by multiplying the amount of equipment required with the price of each equipment. Details of initial investment cost can be seen in Table 3 which amounts to IDR 13,307,800.

**Table 3. Initial investment cost**

| Item Name                   | Requirement (unit) | Unit Price   | Total Price  |
|-----------------------------|-------------------|--------------|--------------|
| Cashier table               | 1                 | IDR 149,000  | IDR 149,000  |
| Full body mannequin         | 4                 | IDR 550,000  | IDR 2,200,000|
| Head mannequin              | 6                 | IDR 25,000   | IDR 150,000  |
| Clothes hanging rack        | 3                 | IDR 152,000  | IDR 456,000  |
| Hanger                      | 150               | IDR 4,650    | IDR 697,500  |
| Table                       | 1                 | IDR 250,000  | IDR 250,000  |
| Sofa                        | 1                 | IDR 550,000  | IDR 550,000  |
| Mirror in the fitting room  | 2                 | IDR 195,000  | IDR 390,000  |
| Clothes hook                | 2                 | IDR 10,000   | IDR 20,000   |
| Clothes rack in the warehouse | 1           | IDR 550,000  | IDR 550,000  |
| Hijab rack                  | 2                 | IDR 285,000  | IDR 570,000  |
| Curtain on fitting room     | 2                 | IDR 85,000   | IDR 170,000  |
| Mirror                      | 1                 | IDR 750,000  | IDR 750,000  |
| Display (shop name)         | 1                 | IDR 1,200,000| IDR 1,200,000|
| Decorative plants           | 1                 | IDR 30,000   | IDR 30,000   |
| Clock                       | 1                 | IDR 68,000   | IDR 68,000   |
| Trash can                   | 1                 | IDR 54,000   | IDR 54,000   |
| Electric socket             | 2                 | IDR 13,700   | IDR 27,400   |
| AC                          | 1                 | IDR 3,100,000| IDR 3,100,000|
| Cashier Machine             | 1                 | IDR 4,800,000| IDR 1,850,000|
| Telephone                   | 1                 | IDR 75,900   | IDR 75,900   |

| Total Initial Investment Cost | IDR 13,307,800 |

3.5. **Funding requirement**

Funding requirement is determined based on the initial investment cost and working capital. Initial investment cost is obtained from the cost of equipment needed which has been calculated before. Working capital is obtained by dividing production and operational costs in the first year by the number of months in the first year, without any depreciation. The company will consider the first three months in this study as the working capital which is IDR 342,960,000. Funding requirements calculation can be seen in Table 4.

**Table 4. Funding requirement**

| Funding Requirement          | Total         |
|-----------------------------|---------------|
| Fixed Investment (Initial Cost) | IDR 13,307,800|
| Working Capital              | IDR 342,960,000|
| Total                        | IDR 356,267,800|

Based on the calculation of funding requirements, it can be seen that the number of initial funding requirements of this business is IDR 356,267,800, overall these funds come from private capital.

3.6. **Income estimation**

Income estimation is determined by multiplying product selling price with the demand projection of each product. In this research, the product selling price will increase every year according to the value of Indonesia’s inflation in March 2020 which is 3.03%. Total income estimation can be seen in Table 5.
Table 5. Income estimation

| Year | Total Income  |
|------|---------------|
| 2021 | IDR 1,558,226,000 |
| 2022 | IDR 1,614,249,000 |
| 2023 | IDR 1,669,394,000 |
| 2024 | IDR 1,726,560,000 |
| 2025 | IDR 1,782,723,000 |

3.7. Feasibility analysis
The results of the financial aspects will produce the parameters of business feasibility which are NPV, IRR, and PBP. The result of financial can be seen in the Table 6.

Table 6. Financial aspect

| Interest Rate (MARR) | 9.40% |
|----------------------|-------|
| NPV                  | IDR 356,595,609 |
| IRR                  | 35%   |
| PBP                  | 3.428 |

In this research, the interest rate used is the interest rate of Bank BCA which is 9.40%. Based on the result above, the NPV is IDR 356,595,609 which is more than 0 or positive, the IRR is 35% which is higher than the MARR, and PBP is 3.428 which means 3 years 5 months 7 days or lower than the number of research period which is 5 years.

3.8. Sensitivity analysis
Sensitivity measurements conducted to examine and determine the effects that occur when there is a change variable fee or revenue in the financial projections for this business. Variables that are felt to be influencing are an increase in product costs, a decrease in product selling prices, and a decrease in demand. This percentage change is based on NPV and IRR results. Details of the sensitivity measurement of the increase in the product cost, a decrease in product selling prices, and a decrease in demand in this business can be seen in Table 7.

Table 7. Sensitivity measurement

| Input Parameters       | Percentage | NPV       | IRR       |
|------------------------|------------|-----------|-----------|
| Increase in product cost| 8%         | IDR 8,895,178 | 10.05%    |
|                        | 9%         | IDR (34,567,376) | 6.86%    |
| Sensitive at           |            | 8.2%      |           |
| Decrease in selling prices | 5%         | IDR 38,640,365 | 12.22%   |
|                        | 6%         | IDR (24,950,683) | 7.57%    |
| Sensitive at           |            | 5.61%     |           |
| Decrease in demand     | 17%        | IDR 14,411,196 | 10.45%   |
|                        | 18%        | IDR (5,717,299) | 8.98%    |
| Sensitive at           |            | 17.72%    |           |

4. Conclusion
The feasibility calculation results show that the NPV is IDR 356,595,609, with the IRR in 35%, and the PBP in 3.428 years. Based on these calculations, it can be concluded that Puru Kambera offline store establishment is feasible. These results indicate that the business design is promising profit and business capital returns will be achieved in 3.428 years or 3 years 5 months 7 days when the business is running.
So, the company can carry out this business design. Furthermore, Puru Kambera offline store establishment is sensitive to an increase in product costs by 8.20%, sensitive to a decrease in selling prices by 5.61%, and sensitive to a decrease in demand by 17.72%. In these percentage of increase and decrease, the business is said to be unfeasible because the NPV starts to be negative and the IRR is less than MARR. So that changes in these three factors need to be considered by the company when the business is running. Limitations of this research are that the analysis is only carried out in three aspects namely market, technical, and financial aspects. For further research, it is necessary to determine the risk analysis that will arise in the business so that the company can carry out risk prevention properly. Also, further research can analyze the management and risk control of the business.

5. References

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