# ASSISTANCE IN DETERMINING BUSINESS LOCATIONS FOR SMES

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## *ABSTRACT*

*Small and medium-sized companies face many problems, one of which is intense competition in a dynamic environment. In 2019 the servant has completed research and compiled a location feasibility study that can be implemented by MSMEs, through market potential analysis and financial projections using a modified GE-Matrix mapping. The target partner for this community service is a coffee shop in Bandung which was founded in 2017, namely Holly Chopper Gallery and Coffee located in the Buah Batu area in Bandung City. The implementation method that will be carried out is to provide assistance with target partners and assist MSMEs in mapping out alternative locations to be chosen by entrepreneurs. Determining the right business location decision will have an impact on business sustainability, so the choice of location needs to be considered carefully. The output in the implementation of this community service is to increase the knowledge and skills of partners in determining the location of the business. In addition, community service is strived to be published in accredited national journals. In addition, other community service outputs are teaching materials for students, which can be studied and implemented in other MSMEs.*

*Keywords: Feasibility Study; Site Selection; Market Attractiveness; Financial Projection; GE-Matrix Mapping*

## INTRODUCTION

The spirit in building a business with long-term prospects needs to be accompanied by practical and strategic knowledge in managing the business. The problem that often occurs in MSMEs is the lack of knowledge in business management until finally making decisions based on personal opinions. Therefore, many MSMEs eventually closed, because they made the wrong strategic decisions, one of which was when determining the location of the business.

For companies that are founded for the purpose of profit, the most important thing is to think about how long it will take to return the funds invested in the project in order to return immediately. This means that before the company is run, it is necessary to first calculate whether the project or

business that will be run can actually return the money that has been invested in the project within a certain period of time and can provide other financial benefits as expected (Kasmir and Jakfar 2013:2).

The business location where Holly Chopper is currently located, is considered less strategic by business owners, because it is located on a small road and the size of the place of business is relatively small, measuring approximately 4 x 6 meters. In addition, this location does not have sufficient parking space, and is close to residents' homes, as a result, they have received several complaints from residents who feel disturbed by their existence.

The location/place/business space used by Holly Chopper Gallery and Coffee so far is a boarding room that has its own entry and exit access. The factors that lack a business location currently used are:

1. The location is on a relatively narrow satellite road,
2. Do not have parking space.
3. Small in size, only able to accommodate 4 tables with 3 chairs each.

4. The location is in a residential area so that customers are less flexible.
5. There are many coffee shops with better locations and more complete facilities.
6. Not a meeting point location and far enough from the center of the crowd.

In the Buah Batu area there are also many similar coffee shops which are quite strategic, therefore Holly Chopper felt the need to move his business location to another place. However, because they have limited working capital, they don't want to move their business location, it will have a bad impact on their business. Careful analysis is needed with various alternative locations that have been obtained. The analyzes that need to be considered are:

1. Amount of Investment Value at the location to be selected
2. Calculation of financial projections from the issued investment value, namely: Breakeven Point, Payback Period, IRR, PI.
3. Identification of business location risks, namely: Financial and operational risks

4. Analysis of aspects of the feasibility study assessment, namely: market and marketing aspects, business location & financial aspects, operational aspects, economic aspects.

## IMPLEMENTATION METHOD

The business location mapping methodology in this community service uses the modified GE-Matrix and becomes a tool as a decision support system in the selection of business location decisions. GE-Matrix is modified with parameters that have been adjusted to partner problems.

In this community service obtained directly from respondents through interviews and field observations and surveys on alternative business locations according to the implementation schedule that has been prepared.

The problems that will be handled are: (1) Management issues such as: determining the decision to choose a business location and preparing financial projections regarding the investment value at stake by partners in the business location relocation project. (2) Problems in the field of marketing such as: determining marketing targets

and marketing strategies that will be carried out by partners in accordance with the chosen business location.

Implementation will be carried out with assistance to target partners, in collecting data to processing data to obtaining results from mapping from the GE Matrix. The results of this GE Matrix are in the form of conclusions and suggestions for alternative strategies for target partners.

## RESULT AND DISCUSSION

In determining site selection, GE-Matrix mapping evaluates alternative locations. GE-Matrix divides the mapping position based on market attractiveness and the level of financial projections will be explained in several segments and blocks.
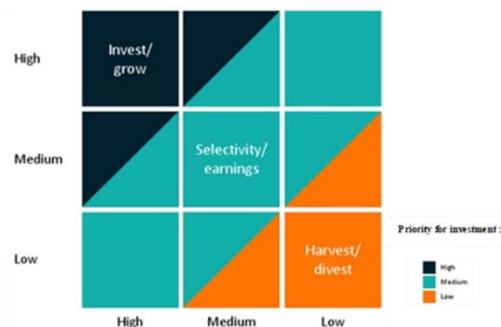


**Figure 1. GE-Matrix**

Based on the picture above, the combination of the X-axis and Y-axis finally produces different suggestions, namely: Locations are feasible to open, suggestions for reallocation,

suggestions for relocation and suggestions for locations not being opened. The matrix provides a systematic approach for multi-business firms to prioritize investments among their alternative locations. Location selection can be made in accordance with strategic objectives and can increase profits, then the alternative locations will be analyzed with market interest parameters and financial projection parameters. The factors calculated are: (1) labor costs per month (2) fix costs per month (3) general expenses per month (4) monthly rent amortization costs (5) depreciation costs for fixed assets and monthly inventory (6) total investment cost (7) monthly total cost (8) sales assumption calculation (9) profit margin calculation (10) Break-even calculation (11) Payback Period (12) NPV and PI calculation , and then (13) X-axis and Y-axis Ranking and Scoring.
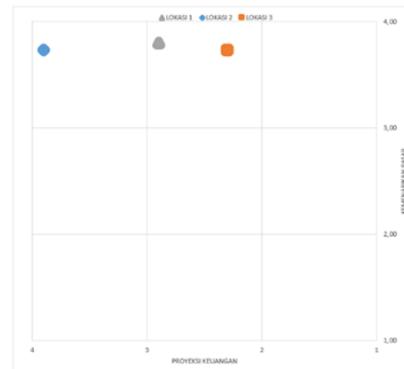


**Figure 2. Ranking and Scoring X-axis and Y-axis**

The results of data processing and mapping of business location determination using GE-Matrix are as follows.

**Table 1. Experimental determination**

| Location 1 | | | |
|---|---|---|---|
| Segments | 1 | : Open | |
| Market Attractiveness Score | | : 3,80 | |
| Financial Projection Score | | : 2,90 | |
| Location 2 | | | |
| Segments | 1 | : Open | |
| Market Attractiveness Score | | : 3,73 | |
| Financial Projection Score | | : 3,90 | |
| Location 2 | | | |
| Segments | 1 | : Open | |
| Market Attractiveness Score | | : 3,73 | |
| Financial Projection Score | | : 2,30 | |

Based on the results of the mapping, Location 1 (Terusan Buah Batu) has an X-axis score of 3.10 and a Y-axis of 3.41 and is in segment 1 with the recommendation "open a shop", Location 2 (Buah Batu) has an axis score X 3.60 and Y axis 3.96 and is in segment 1 with a recommendation to "open shop". While location 3 (Unisba Campus) has an X-axis score of 2.00 and a Y-axis of 3.51 and is in segment

2 of the "re-projection" recommendation.

Furthermore, from the results of the feasibility study using the GE-Matrix mapping, positive recommendations were obtained with a score of X = 3.80 and a score of Y = 2.90, based on that score the selected business location was feasible to open.

## CONCLUSION

Based on the results of data processing and mapping of business location determination using the BCG Matrix, the recommended locations for opening are location 1 and location 2, but based on financial projections and aspects of market potential, location 2 is better than location 1.

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