

CHAPTER 1

INTRODUCTION

1.1. Background

Micro, Small, and Medium Enterprises (MSMEs) have a significant role in the economic growth of Indonesia. MSMEs can absorb many workers and reduce the amount of unemployment. According to the Ministry of Cooperatives and Small and Medium Enterprises (SMEs) of Indonesia in 2022, there were 65.4 million MSMEs in Indonesia (Moerdijat, 2023). This number indicates a competitive level among MSMEs is quite advanced nowadays. Therefore, every MSME needs to have strategies to survive in this current market.

One of those MSMEs is X Shop which is used as the object of this thesis. Along with the development of other MSMEs, X Shop is facing a decline and having trouble competing with other competitors. X Shop is an old-fashioned shop that was built on an area of 88 m² (8 m × 11 m) in 1950 by H. Nowadays, this shop has been continued by his son, HS. In total, this shop is run by five people, which are two owners, two shopkeepers, and one social media manager. The owners are a husband and wife aged 67 years and the shopkeepers are high school graduates. Therefore, their ability to use technology is very limited. Meanwhile, the social media manager is the son of the owners who manage Instagram voluntarily. Besides, there are suppliers and customers as the other important parties.

X Shop is in Magelang, Central Java. It is open from Monday to Saturday (from 9 a.m. until 5 p.m.). X Shop is located at the center of Magelang city. The surrounding area of this shop is called Chinatown, one of the famous shopping centers in Magelang City. Furthermore, this shop is at a crossroads, so that there are lots of people passing by. There is even a zebra cross in front of the shop, a traditional market namely R, and some shops in front of the shop. On the left, there is a gold shop called MG, a well-known jewelry shop in Magelang. On the right, there is a street and an iconic statue. Based on the situation, the place is strategic enough. However, the people who came in per day are usually below five people. The overview of X Shop can be seen in Figure 1.1 and its surroundings are attached in Figure 1.2.



Figure 1.1. Old-Fashioned Shop called X Shop

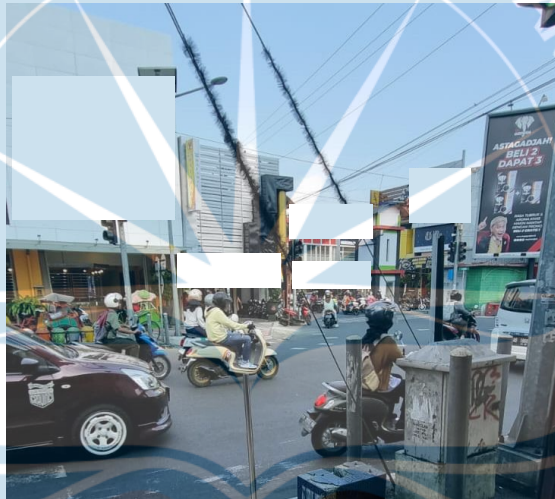


Figure 1.2. Crowded Surrounding Area of X Shop

X Shop is a small retail shop that sells Muslim clothes, Javanese traditional clothes, general clothes, civil servant uniforms, and some additional equipment. The Muslim clothes include woven sarongs, fez, koko shirts, *mukena*, and prayer mats. Meanwhile, the Javanese traditional clothes are batik shirts, batik t-shirts, batik house dresses, batik fabrics, *jarik* fabrics, batik sarongs, woven *setagen*, *jarik* batik shawls, cradling batik shawls, *lurik*, *belangkon*, and batik headbands. On the other hand, the general clothes are shirts, T-shirts, singlets, underpants, and bras. Civil servant uniforms (for general and teacher), both for men and women are provided. Last, the additional equipment that is provided are bed sheets, blankets, umbrellas, and tablecloths.

On the side edges (both right and left) of the shop, there are places to display the products such as in Figure 1.3. However, the products do not stand out since most products are displayed on the floor horizontally and cannot be seen clearly from a distance. In the center, there is also a display rack and a running text display such as in Figure 1.4. However, the products do not stand out since some of them are placed horizontally and cannot be seen clearly from the outside. Overall, the display is also not attractive enough from the outside since there is an unclear price tag and no persuasive words to buy the products.



Figure 1.3. Not Stand Out Product Display (Side Edge) of X Shop



Figure 1.4. Not Stand Out Product Display (Center) of X Shop

Inside the shop, there are two aisles around 60 cm each for the customers. On the right side, most products are Muslim clothes and general clothes. Meanwhile, on the left side, the products are mostly Batik clothes. In addition, there are

traditional clothes on the left side. The aisles are attached in Figure 1.5. Both aisles are a dead end, so sometimes the customers should turn back to see products in another aisle.



Figure 1.5. Dead End Aisles of X Shop

As mentioned previously in the second paragraph of sub-chapter 1.1, four stakeholder parties are involved in running the shop. In the internal stakeholders, there are two owners and two shopkeepers. The owners have a role as the cashier, accountant, and even salesperson. Meanwhile, the shopkeeper's role is serving customers who want to buy a certain product. On the owners' side, they are complaining about the dead stock products and the low sales, while the shopkeepers are complaining about a higher workload near the Eid Al-Fitr holiday.

To run the shop, X Shop also has 65 active suppliers as external stakeholders. They come from Pekalongan (16 suppliers), Yogyakarta (nine suppliers), Tasikmalaya (eight suppliers), Klaten (five suppliers), Semarang (five suppliers), Solo (five suppliers), Jakarta (three suppliers), Magelang (three suppliers), Sragen (three suppliers), Gresik (two suppliers), Banyumas (one supplier), Kebumen (one supplier), Kediri (one supplier), Mojokerto (one supplier), Ponorogo (one supplier), and Sleman (one supplier).

Besides the suppliers, X Shop also has other important external stakeholders, which are customers. The customers of this shop are people who live in Magelang City and its surrounding areas, especially Muslim people, and the villagers. There is no specific age range of the target market, but the selling of products is mostly for adults. However, ready-to-wear clothes are mostly for men. It is because the

owners want to prevent the dead stock because of fast-moving trends in women's apparel.

1.2. Problem Exploration

The business process of X Shop starts with a purchasing process with the suppliers. There are three categories of suppliers based on the supply method. First, the suppliers come periodically to supply products. Second, the suppliers who deliver the products with delivery services based on the shop's orders. Third, the suppliers must be visited by the owners to purchase any products. There are also three types of suppliers based on the stock agreement. First, the products cannot be returned at all. Second, the products can be exchanged with other products. Third, the products are only entrusted to sell and can be returned if they cannot be sold.

After the purchasing process, the owners will calculate the price for the selling products, give the product's code, and add the stock to the stock recapitulation book (such as in Figure 1.6). When the paper of the stock recapitulation is full, the owners will replace the paper with a new one. Afterwards, the products are labeled with the price tag and the stock record paper (such as in Figure 1.7) is also made by the shopkeepers with the owner's guide. After that, the products are ready to be displayed in the shop. Hereafter, when a customer buys the product, the stock in the stock record paper will be reduced by the shopkeeper.

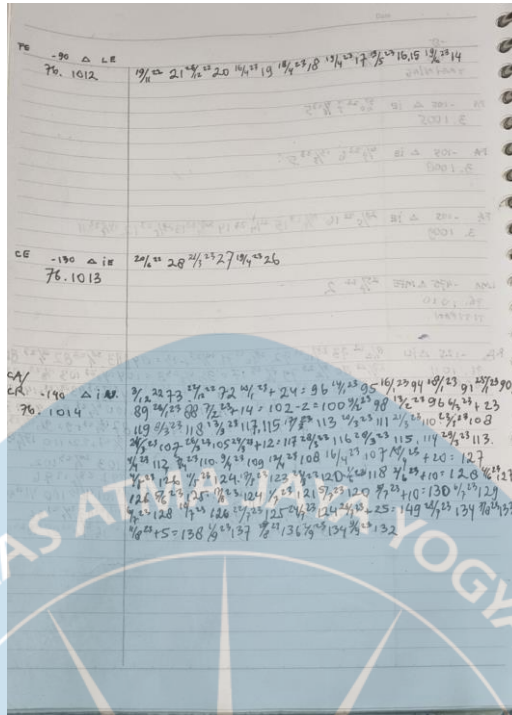


Figure 1.6. Stock Recapitulation Book

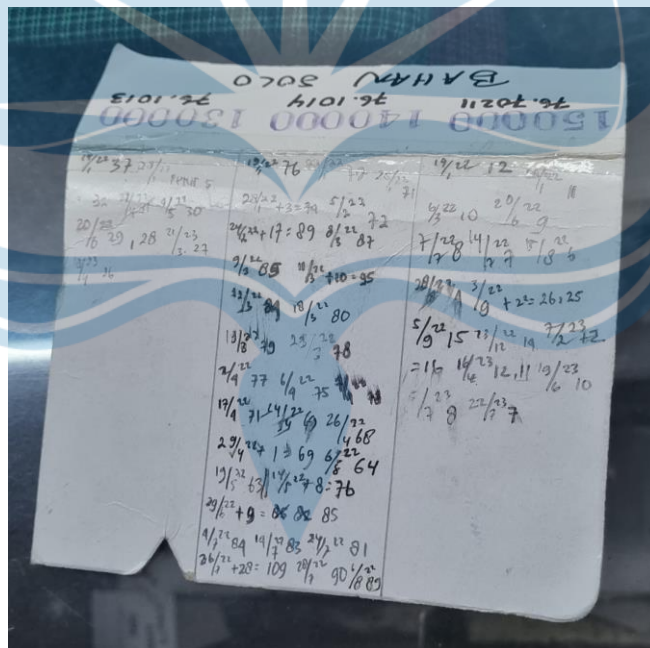


Figure 1.7. Stock Record Paper

Afterwards, the shopkeeper will write the purchasing note. There are two copies of this note, which are for the shopkeepers and the owners. The note stated the product's code, quantity, price, available stock, and total price. This copy aims to

ensure the data between the owners and shopkeepers match each other. The purchasing note is attached in Figure 1.8.

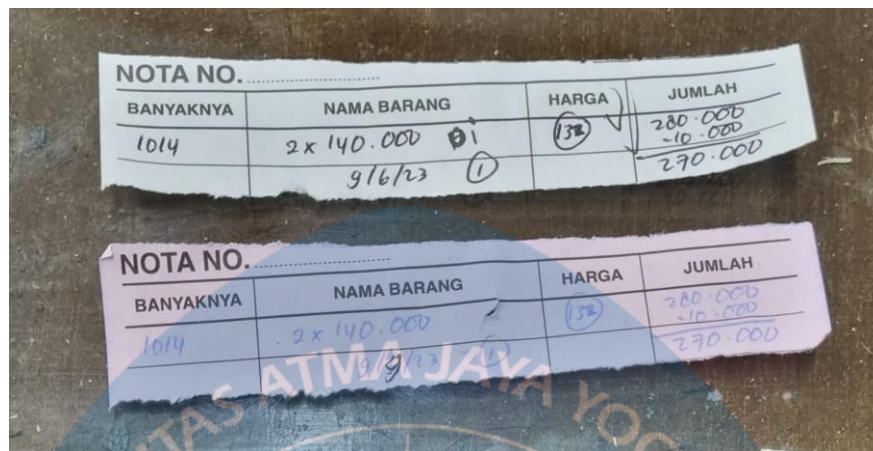


Figure 1.8. Purchasing Note

The white color of the purchasing note will be given to the owners when the customer pays for the products, and the pink copy will be kept by the shopkeeper. The owner (as the cashier) will handle the payment, meanwhile, the shopkeeper will wrap the product(s) for the customer. When the shop is about to close, both the owners and the shopkeepers will calculate the revenue for that day. They will match their revenue calculations (between white copy and pink copy of purchasing notes).

The owners (as the accountants) update the stock recapitulation book based on the purchase a day before. When the owners want to restock or the suppliers offer the products, the owners will open that book and decide what type and quantity of products to buy. The owners also sometimes ask the shopkeepers' opinions. Sometimes, the decision is also based on their feelings and predictions about the market's taste. After deciding, the owners will order from the suppliers.

As the shop's partner, fewer orders and long credit payments became the problems faced by the suppliers. Fewer orders happened because the owners were also facing low product sales. Meanwhile, long credit payments happened since there was a dead stock of products. It can happen because either the products did not meet the customers' taste, or the products no longer fit with the current trend. An example of dead stock products is attached in Figure 1.9. Meanwhile, the proof record of dead stock is attached in Figure 1.10.



Figure 1.9. Piles of Dead Stock Products

MRL - 2PS Δ CMO 70205	12/5 18/12/4 27/11/3.
VEE - 2NO Δ MEE 70206	7/11/2
FE - 90 Δ LE 88 70207 K. OINE HAAI	24/11 20 17/12/19
FE - 90 Δ LE 88 70208 K. MUAHUSA.	24/10 20
FE - 90 Δ LE 88 70209 K. TAYONG	20/12 19.
FE - 90 Δ LE 88 70210 K. KRISIL	4/2 18.
MVA 90 Δ FA 70211 Johanna purnika	28/12/12
MLOA 210 Δ BUA 70212 prijang	24/12/12

Figure 1.10. Records of Dead Stock Products

Besides, the sales were also decreasing based on the monthly sales in the last three months such as the following graphic in Figure 1.11. There is a decrease of about 7.87% in July 2023 and 12.17% in August 2023 compared to the previous month.

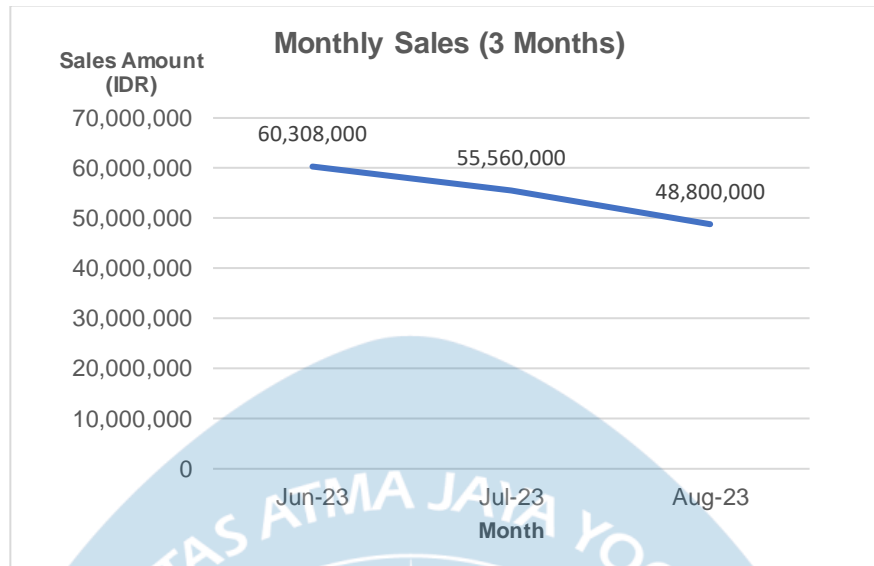


Figure 1.11. Monthly Sales (Last 3 Months)

The shop's turnover in a month is around IDR 50 million, meanwhile, the shop's capacity is only 88 m² with no warehouse. According to those data, it can be known that the owner's capital and the shop's capacity are limited. As a result, the shop has limitations in providing all variants (motives, colors, and sizes) of certain products. Those limitations cause the unavailability of certain products when a customer wants to buy them.

This mismatch between the customer's needs or tastes and the available stock in the shop makes the customer not buy any product. As a result, the sales are low. On the other hand, the increasing number of competitors (both offline and online shops) also makes the sales low. The low sales not only have an impact on the suppliers and the owners as mentioned before, but also on the shopkeepers. The shopkeepers will not get a salary bonus. A bonus will be given when the shop's gross income for a week exceeds IDR 15 million. When the gross income in a week is between IDR 15 million and IDR 20 million, each shopkeeper will get an additional bonus of IDR 30,000. For every additional multiple of IDR 5 million, shopkeepers will receive a bonus of IDR 30,000 too.

The product of X Shop is displayed inside the closed rack by stacking, so the customers cannot see all the motives of the products in clear. The products are stacked because of the limitation of rack facilities and the shop's area. It is attached in Figure 1.12 below.



Figure 1.12. Stacked Products in a Display Rack

The front view of this shop also does not have any persuasive words or advertisements to attract customers. Even though, it has great potential since it is in front of a traffic light. The front view of X Shop is attached in Figure 1.13.



Figure 1.13. Plain Front View of X Shop

The title of X Shop in Google is only the name. There are no descriptions of the selling products. Therefore, the customers who type “batik shop in Magelang” or “Muslim clothes in Magelang” will not find X Shop as the alternative in their search. In addition, the existing reviews were very few. As a result, the customers will go to other shops. X Shop in Google is attached in Figure 1.14 below.

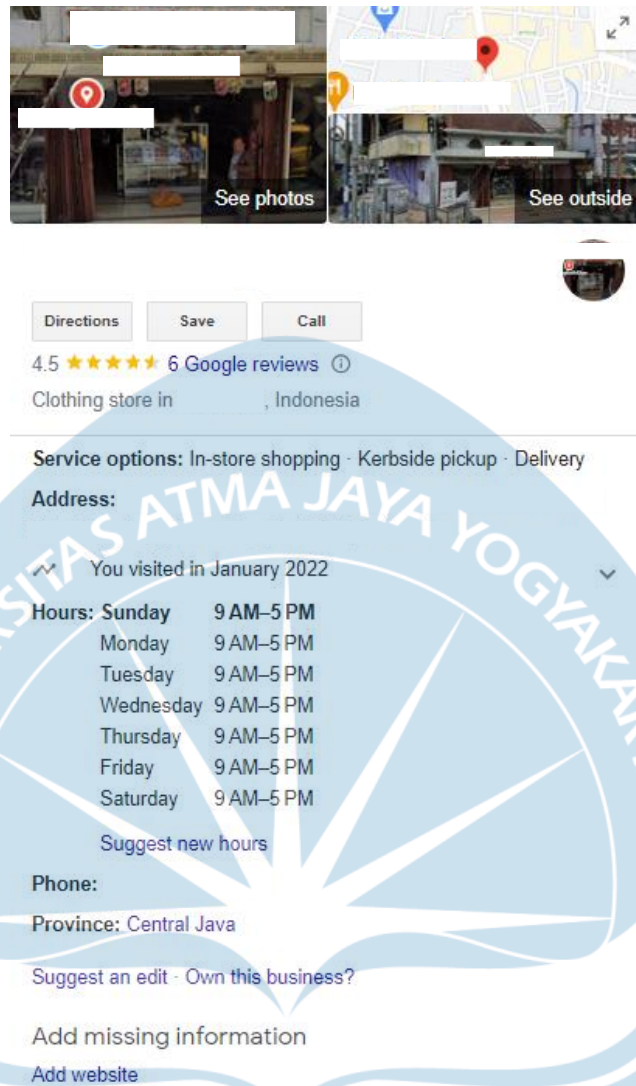


Figure 1.14. X Shop's Search in Google

To compete with other competitors, X Shop already tried to sell the products online in the Shopee marketplace. However, because of the limitation of human resources, the home page of the online shop is very raw and not attractive yet. The display of the home page of an online shop is attached in Figure 1.15.

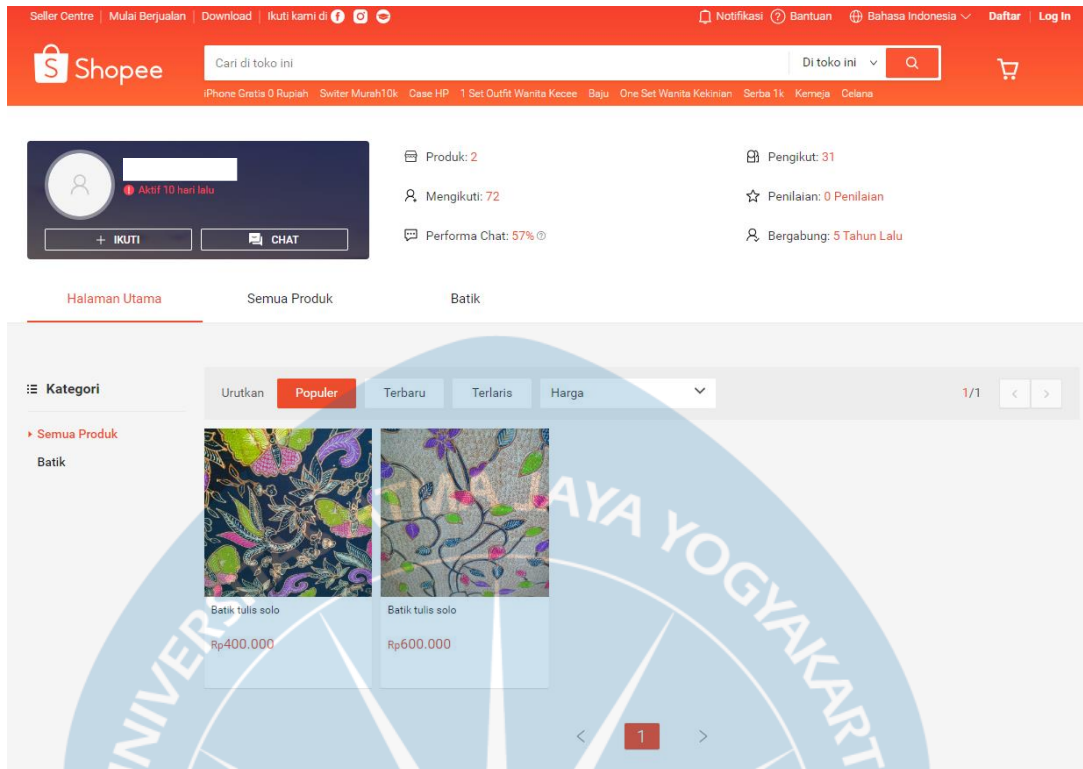


Figure 1.15. X Shop's Home Page on Shopee

Besides, X Shop also has an Instagram account that is managed by the social media manager. However, it has been abandoned for a long time. Based on the interview, it is because the social media manager confused about what content should be uploaded and how to make the content attractive. Below is the current Instagram of the shop.

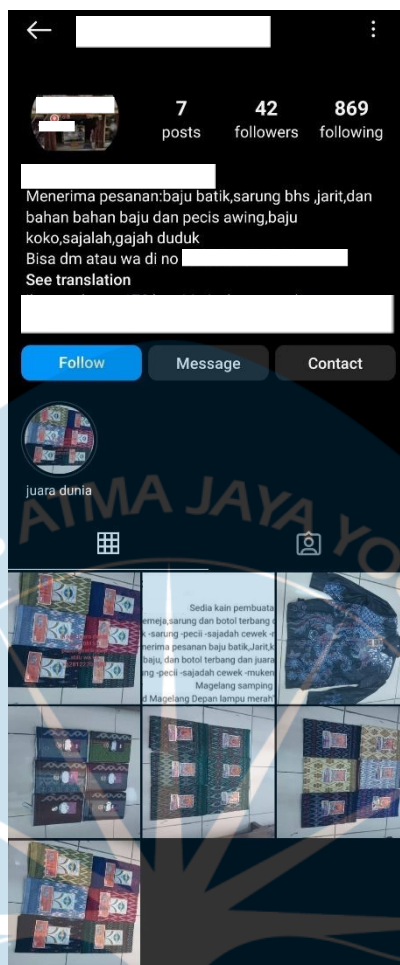


Figure 1.16. X Shop's Home Page on Instagram

Another strategy that has been implemented to survive is trying to offer other products that are like the customer's wants. Sometimes, this strategy is successful. However, sometimes people will go to other shops to find what they want. As a result, the customers will not buy anything from X Shop.

On another side, the shopkeepers were confronting a higher workload near a high selling season (ahead Eid Al-Fitr holiday). To comply with the shopkeepers' wishes, the owners should recruit new shopkeepers. In the actual condition, the owners usually recruit two shopkeepers more, so there are four shopkeepers near the Eid Al-Fitr holiday.

Besides the decrease in monthly sales in the last three months, the sales over the past year have also decreased based on the trendline. It is attached in Figure 1.17. Furthermore, it is also attached that the sales are only higher near the Eid Al-Fitr holiday (during the Muslim fasting month). The high-selling season is only between March-May 2022 and March-April 2023.

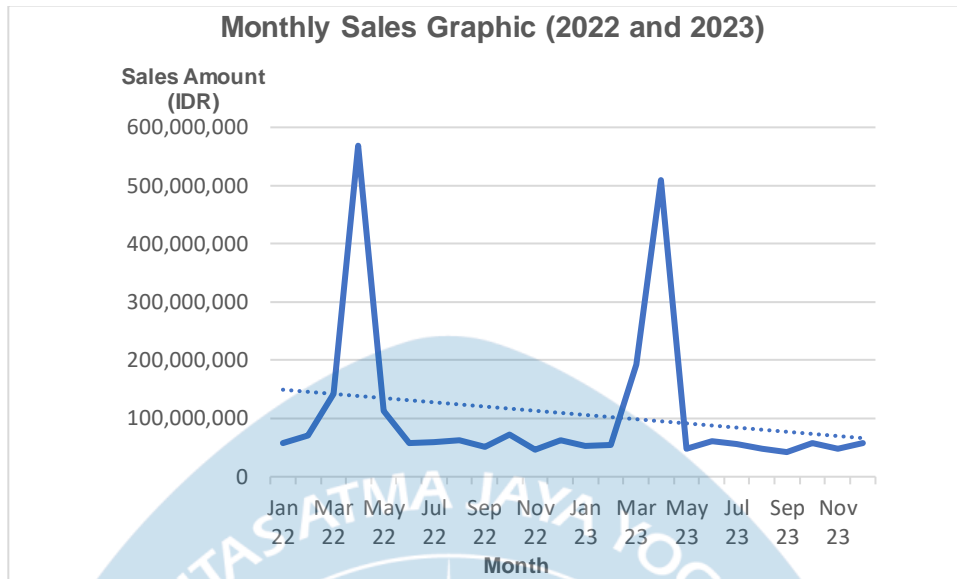


Figure 1.17. Monthly Sales Graphic (2022 and 2023)

Table 1.1. Monthly Sales Recapitulation (2022 and 2023)

Month	Sales Amount
Jan-22	58,000,000
Feb-22	70,500,000
Mar-22*	141,450,000
Apr-22*	568,500,000
May-22*	112,300,000
Jun-22	58,000,000
Jul-22	59,000,000
Aug-22	63,000,000
Sep-22	51,100,000
Oct-22	73,120,000
Nov-22	45,740,000
Dec-22	62,060,000
Jan-23	52,579,000
Feb-23	55,190,000
Mar-23*	192,115,000
Apr-23*	509,338,500
May-23	47,300,000
Jun-23	60,308,000
Jul-23	55,560,000
Aug-23	48,800,000
Sep-23	42,286,000
Oct-23	57,100,000
Nov-23	47,430,308
Dec-23	58,151,000

The asterisked months in Table 1.1 are the high-season months near the Eid Al-Fitr holiday. The sales are high during those months because the major products of X Shop are Muslim clothes and Javanese traditional clothes. The rank of best-selling products based on the product categories from high to low are below.

- a. 1st: Javanese traditional clothes.
- b. 2nd: Muslim clothes.
- c. 3rd: General clothes.
- d. 4th: Additional equipment.
- e. 5th: Civil servant uniforms.

People usually buy new clothes to celebrate the Eid Al-Fitr holiday. Outside the days near Eid al-Fitr, the sales income is still low based on the owner. Below is the explanation of why the sales amount is categorized as small revenue.

According to the calculation using the data in Table 1.1, the monthly average of the sales amount in the low-season months of 2023 is IDR 52,470,431. The average profit is 20%. Therefore, the monthly average of the gross profit is IDR 10,494,087. Meanwhile, the expenses to run this shop are below.

Table 1.2. Monthly Expenses Recapitulation

Shop's Expense	Additional Note	Calculation (IDR)	Total
Salary for Shopkeepers	2 people	2*1,800,000	IDR 3,600,000.00
Land and Building Tax	IDR 785,529 in a year of 2023	785,529/12	IDR 65,460.75
Electricity	Average/month = IDR 233,708	233,708	IDR 233,708.00
Cable Telephone	Average /month = IDR 97,594	97,594	IDR 97,594.00
Business Tax (0.5% of income)	0.5% of the average sales amount	0.5%*52,470,431	IDR 262,352.15
Transportation Fuel	Estimation/day = IDR 10,000	30*10,000	IDR 300,000.00
Parking Cost	Cost/day = IDR 2,000	30*2,000	IDR 60,000.00
Cleaning Fee	Cost/week = IDR 15,000	4*15,000	IDR 60,000.00
TOTAL EXPENSES			IDR 4,679,114.90

As a result, the estimated net income per month is IDR 10,494,087- IDR 4,679,115 = IDR 5,814,972. The owner's family consists of five people: A husband and wife with three children. Therefore, the allocation of living costs for one person is only IDR 1,162,994 which is even less than the shopkeeper's salary. According to Seto (2022) in Tribun Jateng news, the regional minimum wage in Magelang City in 2023 is IDR 2,066,006.64. Therefore, the owner's family (five people) needs a minimum of IDR 10,330,033.2 for the living expenses. It means that the income from the shop (IDR 5,814,972 per month) is not enough to cover the expenditures

of living and other needs such as education that need many costs. As a result, the owners still need to look for other sources of income outside of the shop.

1.3. Problem Statement

The major problem faced by X Shop is low sales. It affects the increase of dead stock in the shop and reduced profits (impacts on owners), fewer orders and long credit payments (impacts on suppliers), and no salary bonus (an impact on shopkeepers). On the customers' side, the major negative opinions are about poor promotions. On the social media manager's side, the Instagram account is not well maintained because of the confusion of making content.

1.4. Objective

The objective is to find a solution to overcome the low sales problem with the decreased tendency in sales and look for a solution alternative to sustain or increase the sales amount in X Shop. Meanwhile, the Critical Success Factor (CSF) is the sales of X Shop during the implementation from March 28, 2024, until April 28, 2024, which are not decreasing compared to the previous comparable month (IDR 429,014,500.00) during April 9, 2023, until May 10, 2023. In other words, the CSF is a minimum 0% increase (not decrease) in the sales amount in 2024 compared to 2023 during the comparable month of the implementation. The CSF target is only a minimum 0% increase since the sales amount in the comparable month of 2023 is already decreased by 8.42% than 2022. Therefore, the target of the sustained sales amount is considered well based on the owner.

1.5. Limitation

The limitations of this thesis are the following.

- a. There is a limitation of the product types from the shop, so the author is unable to propose a solution that involves adding more product types.
- b. There is a limitation of the worker's ability to operate modern technology, so the author is unable to propose a solution with the difficult operation of modern technology.
- c. There is a limitation of money and resources, so the author is unable to propose a solution that needs a large amount of money.
- d. The duration of this thesis is limited from September 2023 to April 2024.