

Feasibility Study of Business Development on Former Land Owned by PT G in East Java

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ABSTRACT

PT R, one of the State-Owned Enterprises in Java, has operated in industrial area management and development for over forty years. With its considerable experience, the company has become one of Indonesia's best industrial areas. Despite receiving this recognition, PT R strives to enhance its business by creating a new development plan for a Warehouse and shophouse area called Business Park. The plan is to establish this Business Park on one of the former lands owned by PT G, located in East Java. The primary purpose of this research is to assess the business feasibility of the Business Park from both marketing and technical perspectives. Eventually, this feasibility study can assist PT R in deciding whether to move forward with this project. The methodology used in this research includes conducting a market needs analysis and a technical analysis. A SWOT analysis will be employed for the market analysis, while the technical analysis will be based on field conditions and the potential for future land development. The analysis results indicate that PT R has several potential advantages stemming from the growth of the e-commerce industry, the expansion of the manufacturing industry, the increase in the logistics industry, the strategic location of the land, and the strong image of the Company in Indonesia. However, there are also significant challenges to this business plan, such as the land's status, which is only categorised as Management Rights, the relatively high land purchase price, and the low purchasing power of the East Java community. In conclusion, PT R must devise an appropriate risk mitigation plan and optimise asset management to make this business plan viable.

Keywords: *Feasibility Study, Market Needs Analysis, Technical Analysis, Business Plan, Industrial Estate.*

1. INTRODUCTION

PT R is a state-owned enterprise essential in supporting and developing industrial estates in Java. For forty years, PT R has been operating in the industrial estate sector and has succeeded in showing that PT R is one of the largest and best industrial estates in Indonesia. Despite these achievements and predicates, PT R strives to develop its business and support national industrial development and economic recovery. These efforts are outlined in PT R's missions where PT R is committed to providing ready-to-build industrial land and supporting facilities for the benefit of all investors; developing multi-business to provide added value for stakeholders; being sensitive and adaptive to changes in the business environment and national logistics development; and acting as an agent of development with greater contribution to regional and national economic growth.

The shareholders of PT R also strongly support the missions of PT R and PT R's efforts to develop the business. They have entrusted PT R to develop its business by expanding its business lines. The business lines can be extended by optimising PT R's business activities to increase the company's income. Based on considerations from PT R's management, efforts that can be made to optimise PT R's current business activities include adding new land and businesses for PT R. PT R is fully committed to this project. It will spare no effort to ensure its success.

Based on the observation and research process that PT R has conducted, PT R plans to acquire land owned by PT G in East Java. The land is planned to be used as a location for establishing a new business owned by PT R. The plan is for the business that PT R will build on the land to be the Business Park business. The Business Park is planned to contain shophouses and warehouses. Before executing the plan, PT R must conduct a business feasibility study to assess the potential of the business idea and the benefits that PT R will obtain after executing the plan. The business feasibility study will provide considerations on market and marketing aspects, legal aspects, technical and operational aspects, management and human resources (HR) aspects, financial aspects, and risk aspects so that PT R can have mature considerations to decide on the continuation of the plan.

This business feasibility study on PT G land aims to calculate the feasibility of PT R's new Business Park business plan on the former PT G land by considering the existing aspects. The objective of this business feasibility study on PT

G land is to develop a Business Park Business activity plan that PT R will carry out on the former PT G land in East Java. This Business Park plan is important to PT R and the region. This research aims to create a Business Park feasibility study on PT G land in East Java. The business feasibility study will be prepared based on applicable provisions and standards for preparing a business feasibility study, consisting of market, marketing, and technical and operational aspects.

2. RESEARCH METHODS

According to Kasmir and Jakfar (2012), a business feasibility study is an activity that studies in depth an activity or business that will be run, to determine whether or not a business is feasible to run. Kasmir (2013) then explains that the background of the feasibility study is that there are failure factors in a business that are very likely to occur even though the survey has been implemented correctly and adequately. This failure factor is caused by the fact that many obstacles will be faced in achieving the goal, and risks may arise after the business is running. To prevent this from happening, a feasibility study needs to be conducted, which will help find a way to minimise obstacles and risks in the future because the future is full of uncertainty. A feasibility study is designed to provide a brief overview of the main issues related to a business idea. The goal is to identify whether a business idea can enter the marketplace. In other words, a feasibility study determines how to put a business idea into a statement (written statement) (Subagyo, 2008). Our thorough research methods provide a strong foundation for our findings.

2.1. Market Needs Analysis

The first aspect of a feasibility study examines two things, namely, the market and marketing. According to Subagyo (2008), a market is a meeting point between the demand and supply of a product or service, so an agreement is reached in a transaction. In this context, the market is not only interpreted as a physical meeting, but a deal occurs when the buyer agrees and agrees to accept the price offered by the seller using any method. Meanwhile, according to Kotler et al. (2022), marketing is a social and managerial process in which individuals and groups get what they need and want by creating, offering, and exchanging valuable products and services with other parties.

A feasibility study will examine the market using a needs analysis. A needs assessment is a process that can help stakeholders identify, understand, and prioritise needs that must be addressed by an organisation and better address existing challenges in order to improve organisational performance (Cuiccio & Husby-Slater, 2018). In addition, the National Minority AIDS Council (2015) explains that a needs assessment is a systematic assessment of available services and/or service gaps in a particular project at a particular time. According to Cuiccio & Husby-Slater (2018), several stages can be taken to assess needs in a project, namely by planning, collecting and organising data, interpreting information, determining priorities, and planning implementation.

2.2. Technical Analysis

Technical studies are a form of assessment of the anticipated impacts that will occur if a particular technology is used and also a form of assessment of the scientific and technological choices chosen (Schomberg, 2012). This assessment can be done by evaluating the level of risk, calculating the costs generated, and seeing the benefits received from using the technology that is being used and/or will be used. According to Ssegawa & Muzinda (2021), technical studies are crucial to preparing a feasibility study. This is because every choice and technical decision made in the project will affect other studies, especially the financial study (Shirazi et al., 2019). The primary purpose of this technical study is to assess the construction capability, functionality, performance, reliability, availability, capacity, and maintenance of the technology used (Mukherjee & Roy, 2017). Furthermore, Karaca et al. (2013) stated that the main objective of conducting this technology study is to present a vision of better future infrastructure, and this can only be realised if there are new advances in science and technology or there are significant improvements and adaptations to existing knowledge and techniques.

3. RESULTS AND DISCUSSIONS

In this study, a feasibility study will be conducted to identify the reasons for implementing the project, increase the success rate by avoiding the chances of failure, and assist decision-making on the project by evaluating various aspects. Two aspects will be analysed in this feasibility study, namely the market and marketing aspects and the engineering and technology aspects.

3.1. Market Needs Analysis

The development of the warehousing services market is currently still quite strong. The development of the warehousing industrial area is carried out as an effort to anticipate the trend of property market development, especially warehousing, and the increasing need of the community for online shopping processes that encourage factories and distributors to be able to send their goods to customers as soon as possible. Supported by the development plan of the industrial area in East Java will increase the market potential for the development of the industrial area on the land of PT G. Determination of the target market for the sale of PT R products on the land of PT G targets the industries available around the planning area and other partners who have the potential to place logistics points in the area.

3.1.1. Strengths

The internal advantages or strengths of PT R to conduct this Business Park business are:

- (a) The total area of PT G's land in East Java is significant because, if added, it measures ± 28 ha.
- (b) The largest land of PT G in East Java measures ± 26 Ha and has an industrial designation status to be used as a Business Park business land.
- (c) The building floor coefficient value is high, at 2.4, with a maximum number of building floors of 4.
- (d) PT R has a strong brand image in the industrial area, which will increase consumers' confidence in the quality of the shophouses and warehouses it owns.

3.1.2. Weakness

The shortcomings of PT R in conducting this Business Park business are:

- (a) The location of PT G's land in East Java is more than 1 meter below the road level, so land filling is needed to level it with the road level. This filling activity certainly requires significant costs and a long time because the area of land owned is quite large.
- (b) The status of PT G's land in East Java is land management rights. This causes PT R to be unable to sell and buy shophouses and warehouses that will be built, and can only rent out the shophouses and warehouses.
- (c) Based on the appraisal report from the public appraisal services office, the market value of PT G's land in East Java is Rp214,306,000,000. The value is significant because it equals 94.44% of PT R's current year profit for 2021.
- (d) PT R currently does not have a shophouse area, so it does not have experience managing a business renting shophouses and warehouses.
- (e) The rental price of shophouses and warehouses from Business Park is considered relatively high compared to the purchasing power of the people of East Java.
- (f) The smallest piece of land on PT G's land in East Java has a residential designation, so it cannot be used to build shophouses or warehouses; for now, it can only be used as green land.
- (g) On PT G's land in East Java, several existing buildings must be demolished to build the Business Park. This causes additional costs and increases the investment value of the Business Park.

3.1.3 Opportunities

Some of the potential and market opportunities that PT R can use to make the Business Park business a success are:

- (a) PT G's land in East Java is quite close to several factory areas, ports, and toll roads, so it is considered strategic for building a warehousing and shophouse business.
- (b) A railway line crosses PT G's land in East Java, so there is potential to collaborate with PT Kereta Api Indonesia to build a logistics business by utilizing trains and warehouses from the Business Park.
- (c) East Java's economy has increased. If this increase continues, the community's purchasing power will gradually increase, and the possibility of renting shophouses and warehouses in Business Park will increase.
- (d) Transportation and warehousing businesses, wholesale and retail trade, and car and motorcycle repairs have experienced relatively high growth.
- (e) Most business fields in East Java are processing industries. PT R can respond to this potential by offering

warehouses to processing industry players as a place to store materials and finished products. In addition, PT R can offer Business Park shophouses as a place to sell finished products from the processing industry or become a representative office for entrepreneurs.

3.1.4. Threats

External threats from PT R that must be considered and mitigated to facilitate the Business Park business are:

- (a) East Java has a high crime rate, so the security risk for the Business Park needs to be considered.
- (b) PT G's land is quite far from the city centre, so it is pretty far from the centre of the crowd. This could reduce consumer interest in opening shops in the shophouse area because the possibility of getting customers there is relatively low.
- (c) The community's purchasing power in the East Java area is relatively low because it is worth less than IDR 1 million monthly. In addition, the number of people living below the poverty line in East Java also increased in 2021.
- (d) The population and population density in the PT G land area in East Java are pretty low. The area has a population of only 3,871 people, and the population density is only 0.065 people/m². This indicates that there will likely be only a few visitors to the Business Park.

3.2 Technical Analysis

The development plan for the PT G land area has several advantages and disadvantages in terms of spatial aspects. Some of the advantages of PT G's land are as follows:

- (a) Passed by a national road with a width of 8 meters
- (b) Close to the toll entrance and exit
- (c) Close to the railroad
- (d) On land with an area of 264,400 m² (large plot), there is a Spatial Plan that is designated as an industrial area

In addition to the advantages that have been explained above, there are weaknesses of PT G's land as follows:

- (a) On the western boundary, there is a densely populated settlement
- (b) On land with an area of 16,400 m² (small plot) has a residential area function based on the East Java Detailed Spatial Plan
- (c) Around the PT G land area, there is no longer a land use designation as an industrial area (does not allow for development/expansion of the industrial area in the area)
- (d) On the east side, it is bordered by a river, so that large and small plots cannot be directly connected

From the explanation above, it can be concluded that future area development will be more difficult. The development of the area for industrial purposes can only be supported by a land area of 264,400 m² (large plot), and no further expansion of the industrial area will be possible. This is still possible if the local government, especially the East Java Government, reviews the Detailed Spatial Plan and changes the land use permit in the area owned by PT G.

4. CONCLUSION

The development of Business Park by PT R on the former land owned by PT G has a relatively high profit potential. However, the challenges of stakeholders in developing this business are also enormous. In this study, the feasibility of the Business Park business has been studied from market needs and technical aspects.

Based on the market needs, the development of this Business Park has the potential for profit from the development of the logistics industry and the development of e-commerce in East Java. In addition, the economy in East Java continues to improve every year. Regarding branding, PT R already has a good image and reputation in the real estate sector, so it has a higher potential to gain investor and customer trust. Regarding land, the former land owned by PT G is in a strategic location and has a building permit. Although it looks profitable, this business plan has many internal and external shortcomings. This can be seen from the limited land ownership. Then, financially, this business plan is likely to result in losses because the land price offered by PT G is very high. At the same time, the rental rate that PT R can offer in the area is very low because it must adjust to the purchasing power of the area. PT R currently does not have supervision in renting shophouses, so the income obtained will most likely not be optimal.

From a technical aspect, it can be seen that the advantages of this business plan revolve around the good accessibility of the location because it can be accessed via national roads, toll roads, and also by train. In addition, the land use status follows the Business Park development plan for industrial development. However, the land has many shortcomings. After all, it cannot be developed or expanded because rivers, residential areas, and cemeteries limit it. If PT R wants to expand the land, PT R must spend quite a lot of money and will most likely face severe conflicts from the surrounding community and the local government. The existence of an area separated by a river is also a disadvantage of this business plan because the construction of warehouses and shophouses will not be optimal, as the area of land that can be used is reduced.

Overall, it can be concluded that this business plan has many risks that need to be mitigated, and it can be said that this business is not yet feasible when viewed from market and technical aspects. If PT R still wants to continue this business plan, PT R must negotiate the purchase price of PT G's land more strictly to provide a more reasonable land purchase price. Furthermore, PT R must streamline construction and operational costs for higher margins. PT R must also consider more competitive shophouse and warehouse rental prices so that they can sell in the market. Security in the area must also be improved in order to increase traffic. Cooperation with the local government and PT KAI can also provide opportunities to develop Business Park businesses in the area.

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