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A Case Study on Effective Locations for Retail Companies in Padang City

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ABSTRACT

This research explores the influence of location selection strategy on the operational performance of Retail Company 'S' in Padang City, West Sumatra. This study uses a mixed-methods approach that combines quantitative and qualitative data analysis. Quantitative data was obtained from field surveys and literature analysis, while qualitative data was collected through interviews with the company. Retail Company 'S' used the Factor Ranking Method as the main tool in making location decisions. The results show that proximity to markets and suppliers is the main factor in location selection, with operational costs and public perception of the company also being important considerations. The right location selection strategy is proven to improve visibility, accessibility and customer appeal, which significantly contributes to the success of modern retail businesses in Padang City. The findings provide important insights for operations managers in designing effective and efficient location strategies to achieve optimal operational performance.

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1. INTRODUCTION

The retail industry in Indonesia is one of the main pillars of the economy, with significant contributions to Gross Domestic Product (GDP) and job creation [1],[2]. According to data from the Indonesian Ministry of Trade, the sector contributed around 12.83% of Indonesia's GDP in 2020, with the contribution from domestic consumption reaching 57.31%. The retail industry also plays a role in absorbing labor, with more than 11.4 million people working in the sector in 2021, an increase of 4.7% from the previous year. This shows that the growth of the retail industry is not only economically important but also socially, especially in addressing the unemployment problem in Indonesia.

The rapid growth of the retail industry in Indonesia is also reflected at the local level, particularly in Padang City, West Sumatra. Based on data from the Central Bureau of Statistics, the number of modern retail outlets in Padang City has increased significantly, reaching 2,667 outlets in 2022, an increase of 10.2% from the previous year. This growth reflects the strength of people's purchasing power, the increase in population, and the increasing need for consumer products. However, with this rapid growth, competition among retailers has also intensified, making business location selection one of the determining factors for success[3], [4], [5].

Choosing the right location has been recognized as one of the key elements in retail business success [6]. A strategic location can increase business visibility and accessibility and attract more customers [7]. A good location can also provide a competitive advantage against competitors [8]. Furthermore, choosing the right location can reduce operational costs and improve business efficiency, increasing company profitability[9].

A review of existing literature also shows that proximity to the market, accessibility, cost, and environmental conditions strongly influence retail location selection [10]. Turner and Endres suggest that a strategic location will make it easier for companies to achieve their business goals regarding sales and market expansion [11]. On the other hand, Kusuma et al. emphasize the importance of considering various criteria in location selection, including land area, crowds, rental prices, and the number of competitors [12]. These factors must be carefully analyzed to ensure the chosen location can optimally support business operations [13].

One method often used in determining business location is the Factor Ranking Method. This method allows companies to evaluate relevant factors and compare potential locations systematically. Companies can make more informed and strategic decisions by giving weight to each factor based on its importance. In this context, Retail Company 'S' in Padang City uses the Factor Ranking Method to select a new location that can support the growth and success of their business amidst intense competition.

In this study, the researcher aims to explore how a location selection strategy can affect the operational performance of a retail company in Padang City. This research highlights the key factors that should be considered in site selection and how these strategies can be optimized to achieve business success. This research will provide valuable insights for operations managers and other stakeholders in designing effective and efficient location strategies in an increasingly competitive environment..

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2. METHOD

This research uses a mixed-methods approach, combining quantitative and qualitative analysis to provide a thorough understanding of the factors that influence the strategic location selection of Retail Company 'S' in Padang City. Quantitative data was collected through a field survey with a questionnaire designed to measure variables such as proximity to market, cost, accessibility, proximity to suppliers, and income per capita. Meanwhile, qualitative data was obtained through in-depth interviews with company supervisors and managers, which provided additional insights into the location selection strategy.

Quantitative data analysis was conducted using the Factor Rating Method. The first step in this method is to identify factors that are relevant for location decisions. Each factor is then weighted based on its importance in the context of the company's operations. Evaluated locations are given a score for each factor, and these scores are multiplied by the predetermined weights to produce a weighted score. The location with the highest weighted score is considered the optimal choice for opening a new branch.

Qualitative data was analyzed using thematic analysis techniques, where key themes were identified from the interviews. The results from this thematic analysis were then compared with the quantitative findings to provide a deeper and contextualized insight into the factors influencing location decisions.

Validity and reliability in this research was done by data triangulation as well as reliability tests conducted to ensure consistency of the data collection instruments. This research also adheres to research ethics standards by maintaining the confidentiality and anonymity of respondents, and obtaining written consent from all participants.

3. RESULTS AND DISCUSSION

3.1. Factors Affecting New Site Selection Decisions

The results of this study are based on the analysis of interviews that have been conducted with the supervisor of Retail Company 'S'. The factors analyzed in this study include labor productivity, cost, attitude, proximity to market, proximity to suppliers, and proximity to competitors.

3.1.2. Labor Productivity

Labor productivity is considered a factor that influences Retail Company 'S''s site selection decision. In the interview, the branch supervisor noted that this factor is important because these convenience store branches rely on efficient staff to provide good service to customers. Therefore, a location that allows the recruitment and maintenance of qualified staff is essential. However, this factor is not a major factor in location selection decisions, as these convenience store branches have strong management strategies to improve staff productivity across branches.

3.1.3. Cost

Cost is a factor that always influences business location selection decisions. In the case of Retail Company 'S', costs include location rental costs, operational costs, and other costs. The interview results show that Retail Company 'S' has a policy to look for locations that offer affordable costs.

3.1.4. Attitude

The factor of public attitude or perception towards Retail Company 'S' is also taken into account in location selection. In the interviews, supervisors noted that Retail Company 'S' looks for locations that support a positive image and are customer-friendly.

3.1.5. Proximity to Market

Proximity to the market is the main factor influencing Retail Company 'S''s site selection decision. This retailer seeks to be located near crowded residential areas and areas that have many potential customers. This is due to Retail Company 'S' business strategy which targets local customers and wants to provide easy access to them.

3.1.6. Proximity to Suppliers

Proximity to suppliers is also an important consideration in the location selection of Retail Company 'S'. This retailer has promo programs and low prices, so having a stable supply availability is very important. Proximity to key suppliers allows for more efficient stock management, cost savings, and faster delivery of products to the minimarket branches.

3.1.7. Proximity to Competitors

Proximity to competitors is also an important factor in location selection. Retail Company 'S' tries to compete with other retailers by offering lower prices, promo programs, and good customer service. Therefore, a location close to competitors can help them to monitor the competition and respond quickly to changes in the market.

3.2. Analysis of alternative locations for new branch openings

3.2.1. Padang Timur Sub-district

The location in Kecamatan Padang Timur has the advantage of high proximity to the market. This indicates that the area is close to a potentially large target market. Proximity to significant customers can increase sales and business growth. This is an important factor in the success of Retail Company 'S'. The location condition factor was also taken into account. The location has conditions that support business operations, including aspects such as infrastructure, accessibility, and the surrounding environment. Appropriate site conditions can facilitate operations and improve customer experience.

3.2.2. Bungus Teluk Kabung Sub-district

Lower operational costs are one of the advantages of location in Kecamatan Bungus Teluk Kabung. Lower costs can increase business profitability and make it possible to offer more competitive prices to customers. This can be an attraction factor for consumers. The good per capita income in Kecamatan Bungus Teluk Kabung indicates that the local community may have sufficient purchasing power to support Retail Company 'S' business. Special attention is paid to the level of competition in this area. Proximity to competitors may affect market penetration and profitability. Evaluation of existing competition will be a crucial factor in the location decision.

3.3. Location Decision Making Method

In making location decisions, Retail Company 'S' uses the Factor Ranking Method as the main analysis tool. This method allows them to systematically assess and compare the various determinants of location selection. The Factor Ranking Table is used to visualize the factor ranking analysis which includes the success factors, the weight given to each factor, and the location scores in various sub-districts.

The Factor Ranking method is very relevant to the characteristics of Retail Company 'S' which has a competitive pricing strategy and a policy of focusing on customer satisfaction. This method allows

Retail Company 'S' to systematically assess and select locations that are in line with its business strategy, i.e. locations close to markets and suppliers.

Table 1. Factor Ranking Method

Success Factors	Value Weight	Value (1 to 100)		Weighted Value	
		Sub-District Padang Timur	bungus teluk kabung sub-district	Sub-District Padang Timur	bungus teluk kabung sub-district
Proximity to Market	0.30	80	70	(0.30) (80) =24.0	(0.30) (70) = 21.0
location conditions	0.25	70	75	(0.25) (70) = 17.5	(0.25) (75) = 22.5
proximity to suppliers	0.20	68	50	(0.20) (68) = 13.6	(0.20) (50) =10.0
income per capita	0.15	45	40	(0.15) (45) = 6.75	(0.15) (40) = 6.0
distance between branches	0.10	40	37	(0.10) (40) = 4.0	(0.10) (37) =3.7
Total	1.00			65.85	63.20

4. CONCLUSION

Strategic location is one of the key factors for the success of the company's operations, where a decision on location will indirectly affect operational costs, risks and company profits. In selecting the location of the company in this study, the company uses various factors in analyzing the use of the factor ranking method which will be the main method used by the company in taking into account various alternative locations that will be chosen as the location of the company. There are several factors used in this method but here for the company itself they prioritize the factor of proximity to markets and suppliers as the main factor. By using the factor ranking analysis method, East Padang Sub-district is considered better in efforts to select strategic locations for the companies discussed in this study compared to Bungus Teluk Kabung Sub-district, so that East Padang Sub-district will be the right choice for the company in opening a company location..

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