
Market Positioning & Operational Strategy To Start Home Goods Retail Business In Indonesia

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KEYWORDS

Indonesia,
strategy, retail,
home goods

ABSTRACT

The growing need for affordable yet quality household goods offers a great opportunity for retail businesses to cater to the needs of consumers and the small to medium enterprise (SMB) sector. This research aims to explore the market positioning and operational strategies in starting a home furnishing retail business in Indonesia, with a focus on the lower-middle class and SMB segments. The research method involved analyzing the operational strategies of retail companies in Indonesia to identify key success factors and potential growth opportunities. Research data was obtained through online data sources, industry reports, market research, policy documents, as well as primary data from the researcher's professional experience and related academic research. The research results propose a strategy based on the concept of “people, goods, and space” to improve customer experience, operational efficiency, and brand loyalty. The business model starts with a pilot store in Semarang before expanding to other major cities through direct operation and franchising models. The B2B segment leverages the supply chain to provide customized solutions for SMBs. Key operational elements include strategic location, comprehensive SOPs, local marketing, and partnerships with trusted providers. The research also recommends long-term growth strategies, including adaptation to dynamic market trends, integration of customer feedback, and implementation of sustainable supply chain practices. The results of this study are expected to serve as a strategic guide for creating a competitive and responsive home furnishing retail business in the rapidly growing Indonesian market.

INTRODUCTION

With accelerating globalization and economic integration, Southeast Asia has evolved into a region that presents lucrative business opportunities for local and international companies. As the largest economy in Southeast Asia, Indonesia is showing rapid growth, mainly supported by the rising lower middle class and ongoing urbanization (Balasubramanian, 2018). This has a direct impact on the increasing demand for consumer goods, particularly in the home furnishing sector. Amidst this trend, there is an increasing awareness of quality of life and the need for a more comfortable home environment, creating opportunities for affordable yet high-quality household products (Cattani & Souza, 2022).

Relevant to the younger generation and middle-income households are becoming an increasingly dominant segment in the market. They tend to prioritize products that are practical, easy to use, and have aesthetic appeal (Mukonza & Swarts, 2020). This opens up opportunities for manufacturers and businesses to develop household products that can meet the needs of

these segments, while increasing competitiveness in an increasingly dynamic market (Brynjolfsson & Smith, 2020).

At the same time, the retail sector, which is the main bridge between producers and consumers, is undergoing major changes with the advent of internet technology and the rapid development of e-commerce (Rahman et al., 2018). Compared to the traditional retail model, the integration of online and offline channels is reshaping the consumer shopping experience, against this backdrop, building a sustainable mid-range household product retail business targeting individual consumers and small and medium-sized enterprises (SMEs) has become highly relevant. This study aims to address the evolving needs and challenges in the Indonesian household retail market by exploring the “people, goods and space” alignment model (Tsay & Agrawal, 2014).

Grocery store operators, both offline and online, catering to the needs of consumers and small and medium-sized enterprises (SMEs), offer a wide array of products, including household essentials and exclusive, independently managed products (Olson et al., 2018). The company's strategy is to deliver premium quality products at affordable prices, providing an optimal shopping experience for consumers, while offering ease of process and maximum profitability for SMEs (Park & Keh, 2023).

In the face of Indonesia's continued economic growth and increasing purchasing power, the retail sector is growing rapidly. However, this growth rate has also triggered intensified competition among companies (Iyer et al., 2019). To remain competitive, companies need to explore opportunities through innovation and the development of new business models that are aligned with market needs. Analyzing trends in the retail industry in Indonesia is a strategic step to understand consumption patterns and consumer preferences. This understanding enables companies to develop more effective and flexible marketing strategies, making them more responsive to changing market dynamics (Baker et al., 2021).

In line with this, there are several key research questions that can help companies develop strategies:

1. What are the competitive advantages and disadvantages of the company's products compared to competitors?
2. What strategies can be implemented to increase customer satisfaction through business model optimization?
3. Which parts of the supply chain contribute to increased operational costs? And how can efficiency measures be implemented to reduce these costs?
4. What are the main characteristics of target customer groups? How can companies meet their needs and expectations more effectively?

A study was conducted to design a sustainable retail and business-to-business (B2B) operational model, specifically for the middle-class household products market in Indonesia. The main focus of the study was to develop an integrative approach that harmonizes the elements of “people, goods and space” to create brand differentiation and expand market penetration. With this approach, the company is expected to be able to face competition and meet consumer needs in this market segment.

This research will study various aspects, including market demand, consumer behavior patterns, and the competitive situation, to design a comprehensive operational strategy. This strategy will be implemented in the development of a pilot store as a first step. In addition, the study will also explore ways to optimize supply chain management and improve customer experience, both of which are considered important factors in strengthening brand competitiveness, particularly in the lower-middle-class market (Friberg et al., 2020). The results of this study are expected to contribute, both theoretically and practically, to help companies expand their business in the middle-class household product market in Indonesia. Theoretically, this study offers new insights into innovative and adaptive retail operational

models. Practically, this study provides strategic guidance for companies to face market challenges, improve operational efficiency, and strengthen relationships with consumers, so as to support long-term success in this competitive market.

This research introduces a comprehensive business model for the home goods retail sector in Indonesia that uniquely integrates the “people, goods, and space” alignment strategy, emphasizing customer experience, operational efficiency, and scalability. Unlike previous studies that primarily focused on general retail dynamics, this study bridges the gap by proposing a differentiated dual-supply model combining self-operated and consignment systems. Additionally, the incorporation of advanced operational tools, structured membership programs, and localized market strategies offers innovative approaches to penetrating Indonesia's emerging markets, particularly targeting the lower-middle-class segment. By leveraging China's established supply chain capabilities, this research delivers a fresh perspective on sustainable and competitive business development in Indonesia's rapidly growing retail landscape.

RESEARCH METHOD

This research method uses a descriptive approach by analyzing the operational strategies of commodity retail companies in Indonesia to identify key success factors and growth opportunities. The research begins with an analysis of Indonesia's economic conditions, consumer market dynamics, and demographic composition to understand the overall background of market development. The study specifically compares the operational strategies of companies such as Miniso through analyzing the location, product, intellectual property (IP), marketing, and brand promotion strategies used in their expansion. In addition, the PEST method and Five Forces model analysis are used to assess the external environment as well as identify obstacles in the current operating model. Data collection was done through secondary data sources such as industry reports, market research, policy documents, as well as primary data from the researcher's professional experience. The data was then analyzed using statistical software to identify trends and generate progression charts. Case studies of successful and failed retail companies were also analyzed to extract valuable lessons. This approach aims to generate recommendations for optimal operational strategies to improve the competitiveness and profitability of retail businesses in Indonesia.

RESULTS AND DISCUSSION

Indonesia is the world's largest archipelagic country, with more than 17,000 islands, including five main islands (Java, Kalimantan, Sumatra, Sulawesi, and Papua) and two major island groups. According to the World Bank, Indonesia is the most populous country in Southeast Asia and ranks fourth in the world. Additionally, around half of Indonesia's population is under the age of 30. More than 154 million Indonesians live on Java, where Jakarta serves as the country's economic, political, and cultural center with a population exceeding 11 million (the Jakarta metropolitan area, or Greater Jakarta, has a population of 33 million), and a population density of over 15,000 people per square kilometer (Kingsnorth, 2022).

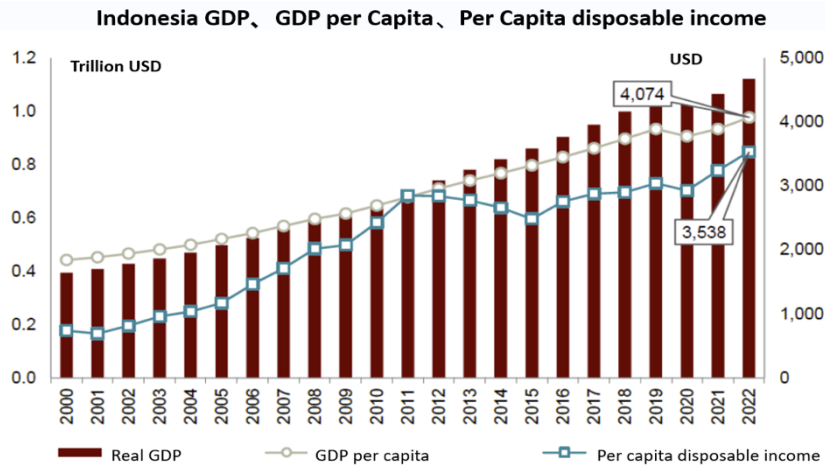


Chart 1. Indonesia GDP, GDP per Capita, Per Capita Disposable Income

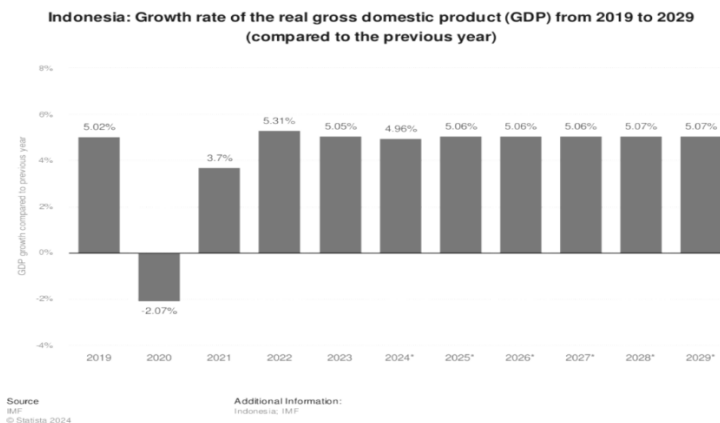


Chart 2. Indonesia : Growth rate of the real gross domestic product (GDP) from 2019 to 2029 (Compare to the previous year)

Indonesia's economic achievements have lifted millions of people above the poverty line. In 2022, 9.3% of Indonesia's population lived below the poverty line, a reduction of more than half since 1990. Indonesia raised its per capita GDP from \$1,000 to \$2,000 in just six years, a milestone for establishing a substantial consumer base. This rate matches that of China (6 years), Thailand (6 years), and Malaysia (7 years) and is faster than India (11 years). According to the World Bank, Indonesia's per capita disposable income grew significantly by 9% in 2022 (outpacing the per capita GDP growth rate), reaching \$3,538, with the domestic consumer base expanding and consumer confidence steadily rising (Katsikeas et al., 2020).

According to Indonesia's National Socioeconomic Survey (SUSENAS), Indonesia's consumer base comprises the middle class and the emerging middle class, whose daily consumption expenditure ranges from \$3.3 to \$38. In 2022,

Indonesia had 72 million middle-class consumers and 128 million emerging middle-class consumers, accounting for 26% and 47% of the total population, respectively. Ecommerce is meeting the common needs of a large-scale group; addressing clear pain points that bring transformative value; providing differentiated value and core competitiveness that is sustainable. Indonesia's manufacturing sector is significantly underdeveloped, while my team and I come from China, where we have access to a highly developed manufacturing industry with strong supply chains. We aim to leverage China's supply capacity to drive both B2C and

B2B efforts. Business is specific opportunities in channels, a single SKU's sales success, or seasonal trends lasting a few months (Aaker, 2014).

Business Concept

Penetrate retail channels with transformative value through differentiated services and products;

Combine self-operated and co-operated supply models, amplifying scale to create a value chain nexus for B2C and B2B industries;

Strategically strengthen upstream product control (ODM) and downstream store control (self-operated retail stores and other local retail terminals with potential for cultivating as our future direct-control and cooperative stores), thereby enhancing monetization potential.

Thus, our project requires a strategic positioning and strong confidence in Indonesia's business potential:

Consumer landscape: Indonesia's stable per capita GDP growth is expected to lead to consumption upgrades; China offers vast supply capacity and scalability; Southeast Asia currently presents a highly favorable business environment with long-term potential.

Market landscape: While e-commerce channels benefit from lower acquisition costs during the bonus period and will likely secure a share of the market, due to geographic fragmentation and infrastructure limitations, traditional offline channels remain vast and long-lasting (Hole et al., 2018).

Differentiated value: Our offerings go beyond the homogeneity of local Southeast Asian supply, providing complementary value. We aim to establish core competitive advantages in select product offerings and services, with a smart, strategic positioning that will remain viable in the short term.

Achievable goals: We have succeeded across all steps of our target market's transaction chain, building essential capabilities in user awareness, organizational strength, supply chain resilience, traffic reach, consumer word-of-mouth, B2B ecosystem integration, SKU-specific reliability, positive cash flow from membership mechanisms, and organizational foundations.

Standardization: To embrace a scalable business model, we must translate these foundational capabilities into standardized SOPs. Whenever there's a market opportunity, we can replicate success based on these established capabilities.

Scalability: Through scalable replication, we leverage the number of upstream suppliers and downstream C-end members. "Controlled profitability/costs" is the key indicator of scalable commerce.

PEST Analysis

a. Political Factors

Government Policy Support: The Indonesian government actively promotes the development of the local jewelry industry, offering policy support and incentives to encourage innovation and exports. Trade Environment: Indonesia has signed free trade agreements with multiple countries, reducing import tariffs on jewelry, which facilitates the entry of international brands into the Indonesian market.

b. Economic Factors

Economic Growth: As the largest economy in Southeast Asia, Indonesia has maintained stable economic growth in recent years, with an expanding middle class and increased consumer purchasing power.

Consumption Trends: With rising income levels, consumer demand for fashion jewelry has increased, particularly for products priced between \$5 and \$20.

c. Social Factors

Cultural Diversity: Indonesia's rich cultural background has fueled consumer interest in diverse jewelry styles, with a preference for items that combine traditional and modern designs.

Rise of the “She & He Economy”: Female consumers dominate the market, with a growing demand for fashion accessories, which drives the development of the jewelry market, meanwhile, with the observation, male dress-up & demands of fashion accessories is also growing.

d. Technological Factors

Growth of E-commerce Platforms: The rise of e-commerce platforms has provided jewelry suppliers with new sales channels, expanding market reach.

Influence of Social Media: The widespread use of social media allows brands to market more effectively, enhancing consumer awareness and purchase intent for accessories

Business Solution

Business Competitive Barriers:

Our true competitive barriers include technological, brand, political, financial, resource, trade, and geographical barriers. Within our project’s trajectory, innovation, refined operational technologies, a customer-centric cash flow model, and a consistently improved brand that maximizes customer satisfaction are our core competitive barriers. The ongoing enhancement of these barriers relies on fostering consumer loyalty, which comes from a continuous understanding of commonalities within our consumer groups, meeting their evolving needs, and addressing their pain points.

Analysis of External Competitive Environment

a) Competition Among Industry Competitors

- a. Existing Competitors:** There are several strong competitors in the market, such as Transmart, Ace Hardware, and Miniso. These brands have high brand recognition and a diverse product portfolio.
- b. Differentiation Advantage:** Our brand focuses on the mid-to-low-end market, catering to the needs of young families and professionals with practical yet stylish home goods. By aligning people, goods, and space, emphasizing visual appeal and design, and offering high-value products, we establish a differentiated competitive advantage from other brands.
- c. Positioning and Brand Story:** Emphasizing the brand concept of “Love is not limited to diamonds and gold; true feelings are more precious than high prices” (this concept will be highlighted in our accessories section) will help emotionally attract our target consumers and create unique brand loyalty.

b) Threat of New Entrants

- a. Entry Barriers:** In the home goods and general merchandise retail industry, the main barriers are supply chain establishment, brand recognition, and physical store locations.
- b. Cost and Quality Advantage:** Through a reliable supply chain and quality control, we maintain attractiveness in terms of price and design, making it difficult for new entrants to easily replicate. Additionally, our unique positioning as a brand that combines functional and emotional needs is an advantage that new brands may struggle to achieve in the short term.
- c. Threat of Substitutes**
- d. Substitutes:** Online shopping platforms and second-hand trading platforms could pose a threat to physical retail.
- e. Customer Experience:** By providing a high-quality offline shopping experience (such as professional service, a comfortable store environment, and product experience zones), we can effectively attract customers to choose our retail stores over substitutes or online platforms.

c) Bargaining Power of Suppliers

- a. **Supplier Relationships:** Since we target the mid-to-low-end market, our bargaining power depends on finding suppliers with competitive pricing while maintaining product design and quality. By establishing multiple supply channels, we can reduce dependence on a single supplier and enhance our negotiating position.
- b. **Local and International Supply Chains:** Utilizing a combination of local Indonesian suppliers and international suppliers ensures cost advantages while maintaining product diversity.

d) Bargaining Power of Customers

- a. **Price Sensitivity:** Consumers in the mid-to-low-end market are generally more price-sensitive. By offering a diverse product range and promotional activities, we can attract customers and reduce pricing pressure.
- b. **Customer Loyalty:** Through close customer engagement (such as membership programs, feedback systems, and ongoing promotions), we can enhance customer loyalty and reduce dependence on price alone.

Through Porter's Five Forces analysis, our retail store possesses a differentiated competitive advantage in the market, especially in brand positioning and customer experience. The key to future success lies in maintaining cost control, enhancing the customer service experience, and continuously optimizing the supply chain to strengthen and expand our market share. Replication is possible, but strategies and product selections must be adapted for different core markets rather than applying a one-size-fits-all approach.

Business Model

Supply model (Self-Operated , Consignment)

When clarifying user needs and understanding the desired user perception, it is essential to design a supply strategy thoughtfully. All supply that holds value for users should be provided, but the approach matters.

The model serves commercial interests, but the ultimate business goal is not simply to follow a specific model. We will not engage in joint operations solely for the sake of joint operations. Our ultimate commercial goal is profitability; within the framework of delivering value and managing risk, we aim to achieve an optimal balance of scale and profitability across various categories.

- a) **Self-Operated:** Self-operated products yield high profits but are challenging to manage (e.g., upstream control, inventory obsolescence). Given the initial positioning of the project, we will assess which categories and products to self-operate based on our operational capabilities and validate this through net profit results. According to the financial assessment model, the selection of self-operated product categories is crucial for achieving high margins and fast turnover. Self-operated products must have characteristics such as differentiation, high margins, high repeat purchase rates, high emotional value, strong growth potential, and a high market ceiling.
- b) **Consignment:** For essential products supplied locally, we will base our decisions on market assessment. Mainstream supply tends to be highly homogeneous, with limited competitive advantage, though these products hold significant value for users. In this project, the value of consignment lies in providing lower-priced products with lower net profit margins. We aim to partner with suppliers who have strong operational capabilities and can offer stable supply services, aligning with our project's value proposition for users and meeting the gross margin requirements of our financial model.

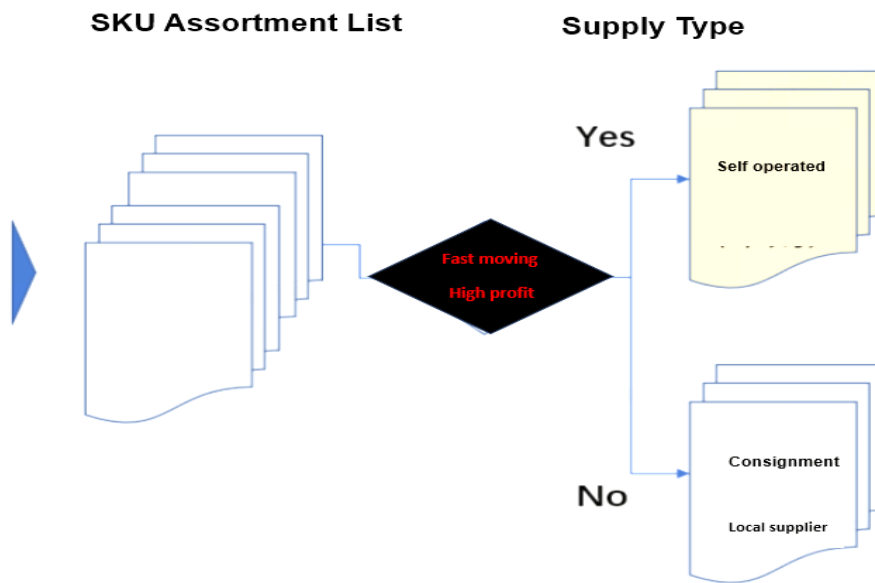


Chart 3. Supply model

Operating Model (Self-Operated, Cloud Warehouse)

With the introduction of self-operated and consigned products, an efficient operating model combining self-operated and cloud warehouse (pre-order) systems can enhance user satisfaction, experience, and cost efficiency. Through inventory allocation, digital tool applications, logistics models, and differentiated pricing management, we can use a combination of "physical warehouse (self-operated)" and "cloud warehouse (pre-order)" for optimized operations.

Table 1. Operating Model Type

	Self-Operated	Cloud Warehouse
Stock	Self-Supplied Inventory Inventory ownership is generally managed independently, with upstream and downstream coordination to enhance operational efficiency managed by US	Collaborative Supplier Inventory, with Demand Input by Our Project Inventory ownership is generally managed by the supplier before warehousing, with a minimum r
Logistic	US	US or Supplier
Price Power	Us	Market Price
Value	High margin and market share	Market share
Profit	>=30%	<=5%

Based on market conditions, organizational capabilities, and the availability of self-operated and cloud warehouse resources, this project can immediately select any supplier to rapidly enter the market and establish SOPs to share with a matrix of industry suppliers. Existing local suppliers in Indonesia can be used as an initial breakthrough attempt; however, in the medium to long term, these suppliers lack differentiated value and have limited growth potential. As our self-operated capabilities grow, we aim to gradually increase the share of self-

operated products through well-established channels, beginning with an entry point in the jewelry category.

Given the availability of potential resources, the initial B2B strategy will focus on flexibly leveraging capabilities across different areas to establish operational efficiency within a specific subcategory. Based on research and resource analysis, we will focus on high-margin, high-emotional-value, and high-repeat-purchase products.

Supplier Management

Following a win-win-win principle for retail stores, existing channels, and suppliers, the supplier management strategy can be summarized as follows:

- a) **Beginning of Partnership** — Introduce single resources to increase success rates and ensure partnership security;
- b) **Partnership Period** — Support mutual growth and development;

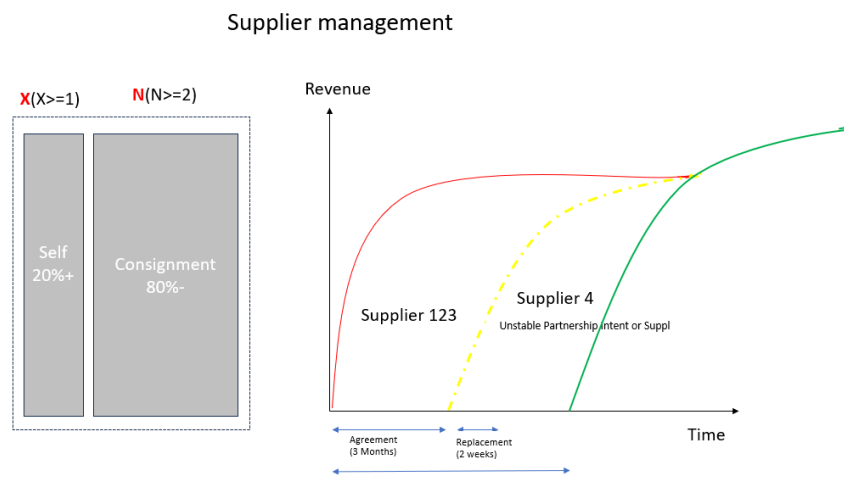


Chart 4. Supplier Management

- c) **End of Partnership** — Adjust partnership as needed to maintain stable progress.

Categories

Based on field research and on-site assessments of Indonesia's furniture and general merchandise retail sector, the retail product line includes the following categories:

- a) **Jewelry & Accessories** (primary product, high repeat purchase rate, high margin, high emotional value)
- b) **Kitchenware and Drinkware**
- c) **Home Goods** (small furniture, small appliances, storage items, etc.)
- d) **Home Decor** (wall hangings, ornaments, artificial flowers, vases, lighting, etc.)
- e) **Stationery and Leisure Products** (stationery with innovative designs, toys with high turnover, high margins, high emotional value, low-cost but varied, and sports items like badminton rackets and shuttlecocks)
- f) **Basic Consumer Electronics**
- g) **Fragrance and Personal Care**
- h) **Snacks and Other FMCG for traffic**
- i) **Others**

Table 2. Category Proportion

Supply type	Self-Operated	Consignment
Margin	High	Low
Proportion	20%	80%
Category	?	1. Jewelry & Accessory 2. Kitchenware and Drinkware 3. Home Goods 4. Home Decor 5. Stationery and Leisure Products 6. Basic 3C goods 7. Fragrance and Personal Care 8. Snacks and other fast moving 9. Others

Self-Operate category:

The high success rate of a new business layout depends on 3 key factors:

- a) **Differentiated Incremental Value:** Existing local supply and demand relationships with strong local capabilities often provide limited incremental value when we enter and can easily lead to intense competition. Therefore, it's essential to enter with differentiated supply and demand relationships that align with local consumption patterns and to target customer groups that benefit significantly from our supply chain capabilities.
- b) **Reusable, Proven Capabilities:** The business model and technology should be replicable and offer some level of innovation in new markets. Thus, the focus should be on new business ventures with a high probability of success that have been validated elsewhere.
- c) **Focus on Cross-Border Categories with Chinese (Industry cluster and project owner's strong connections) Advantages:** Indonesia already has an established consumer retail market, and entering with existing supply will encounter numerous local competitors while offering limited incremental value to users. Therefore, a systematic scan of the industrial capabilities between China and Indonesia can help identify key categories where China has advantages and Indonesia has demand.

Based on TikTok data from 2023, the largest online shopping category is fashion and accessories. However, due to critical PI requirements in the fashion category, entry is quite challenging, so we have prioritized accessories instead.

Online Shopping category focus in Indonesia

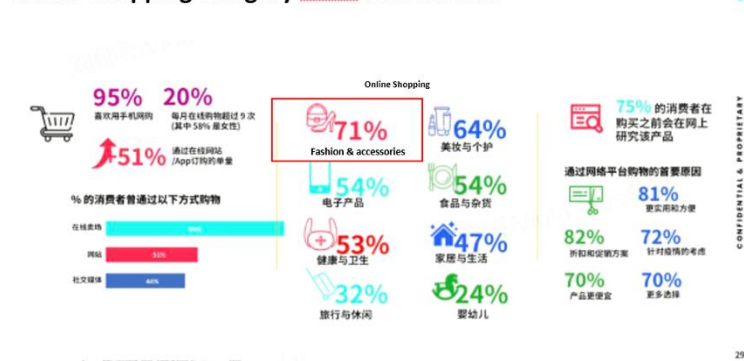


Chart 5. Online Shopping category focus in Indonesia

Table 3. Market Research of Accessories

Research	Representative Modern toko	Toko General Trade	
Local research			
China research			
China supply Cost	15.000	30.000	2000
Retailer price	129.900	159.900	20.000
Gross Margin	88.5%	81.2%	90%

Pricing strategy :

Based on the TikTok report, for price-sensitive consumers:

- a) **Self-operated:** In addition to targeting the price range gap for accessories, we need to convey that the actual value exceeds the selling price.
- b) **Consignment:** Aim for a net profit margin of less than 5%, focusing on delivering essential value to consumers and building strong engagement with a stable and growing traffic base.

Operational Plan

Store Location

Strategic Location Selection and Expansion Plan

- a) **Rural Encirclement Strategy:** Adopt a "rural encircles urban" approach, focusing on expanding first in emerging markets and smaller cities before targeting larger, more competitive urban areas.

- b) **High ROI Strategy:** Prioritize locations that offer the highest return on investment (ROI), concentrating on markets with strong growth potential and lower competition.
- c) **Avoiding Red Ocean Areas:** Steer clear of saturated markets like Jakarta, which are highly competitive ("red ocean"), and focus on emerging areas with greater opportunities for growth.
- d) **Choosing High-Potential Development Locations:** Begin the project in **93 developing locations** with significant growth potential, such as **Semarang**, to capture early market share in cities with high development prospects.
- e) Select a location in a commercial area with high foot traffic and convenient access, aiming to sell 10,000 membership cards within six months and attract an average of 500+ daily visitors.

Human Resources

- a) Recruit an experienced sales team and professional store management personnel
- b) Provide comprehensive training to enhance employees' service awareness and product knowledge, improving customer experience and satisfaction.

Marketing Strategy

Brand Promotion

- a) Utilize social media platforms (e.g., Instagram, TikTok) for online promotion to increase brand awareness.
- b) Organize grand opening events to attract customers, and offer membership promotions to build customer loyalty and engagement.

Daily Operational Efficiency Analysis

A. Store Efficiency Analysis

Store efficiency analysis focuses on the overall operational and sales efficiency of the store, with the core objective of improving overall profitability. The analysis tools are as follows:

a. Sales Analysis

- **Average Daily Sales:** Track the average daily sales to understand the store's overall sales performance.
- **Sales Growth Rate:** Compare sales data with previous periods (such as last week, last month, or the same time last year) to analyze growth trends and identify patterns.
- **Peak Sales Period Analysis:** Use sales data recorded by the POS system to analyze peak and low sales times during the day, optimizing staffing and promotion strategies accordingly.

b. Customer Flow Analysis

- **Average Daily Foot Traffic:** Track the daily foot traffic entering the store to understand customer flow trends.
- **Conversion Rate:** Calculate the conversion rate by dividing the number of customers who make a purchase by the total foot traffic, identifying opportunities to improve customer conversion.
- **Average Transaction Value:** Calculate the average spending per customer (total sales ÷ number of transactions) to assess customer spending levels.

c. Area Sales Analysis

- **Hot Zones:** Use heat maps to identify areas with the highest product sales and adjust product layouts accordingly.
- **Area Layout Optimization:** Analyze sales performance across different areas to adjust product displays and promotional zones, enhancing area effectiveness.
- **Low-Performing Areas:** Identify low-performing areas and optimize or adjust displays to ensure effective use of space.

d. Tools:

- **POS System:** Used to record and analyze sales and customer flow data.
- **Foot Traffic Counting Devices:** Use traffic counters to track the number of store visitors.
- **Excel/Data Analysis Software:** Organize and analyze sales and foot traffic data, creating trend charts.

B. Product Efficiency Analysis Tools

Product efficiency analysis focuses on the sales performance of individual products, with the core objective of optimizing product structure and improving sales potential and inventory turnover for each SKU. Analysis tools include:

a. SKU Sales Contribution Rate

- **Sales Contribution:** Analyze the sales share of each SKU to identify top-selling products and ensure sufficient stock levels.
- **Sales Ranking:** Rank products by sales volume, distinguishing best-sellers, regular items, and slow-movers to optimize inventory structure.

b. Inventory Turnover Rate

- **Inventory Turnover Rate:** Calculate product turnover ($\text{units sold} \div \text{average inventory}$) to identify products with long storage times, preventing inventory buildup.
- **Slow-Moving Products:** Track SKUs with low sales over time and develop promotion or clearance plans to improve turnover.

c. Profit Margin Analysis

- **Gross Profit Margin:** Analyze the gross profit margin of each product ($\text{gross profit} \div \text{sales}$) to identify high and low-profit products.
- **Product Mix Optimization:** Based on profit margin and sales data, optimize the product mix to increase high-profit, high-volume items.

d. Tools:

- **Inventory Management System:** Used to record inventory data for each SKU.
- **Pivot Tables/Excel:** Organize SKU sales data, calculate turnover and profit margin, and generate SKU contribution reports.
- **BI Tools:** Tools like Power BI and Tableau for creating sales contribution charts and inventory turnover analysis.

C. Staff Efficiency Analysis Tools

Staff efficiency analysis focuses on employee work efficiency and sales contribution, with the core objective of optimizing human resource allocation and improving employee performance.

a. Sales Efficiency per Employee

- **Average Daily Sales per Employee:** Calculate each employee's daily average sales ($\text{total sales} \div \text{number of employees}$) to assess overall sales efficiency.
- **Individual Sales Contribution:** Analyze each employee's share of sales to identify high-performing employees, providing a basis for incentives and training.

b. Employee Conversion Rate

- **Conversion Rate:** Calculate each salesperson's customer conversion rate ($\text{transactions} \div \text{customers served}$) to assess sales capability.
- **Customer Satisfaction:** Gather feedback or surveys to evaluate employee service quality and identify areas for improvement.

c. Training and Skill Enhancement

- **Training Effectiveness:** Compare employee sales and conversion rates before and after training to evaluate its impact.

- **Position Matching Analysis:** Analyze employee performance in different roles, adjusting position assignments to ensure the best fit.

d. **Tools:**

- **POS System:** Used to record individual employee sales data.
- **Excel/HR Management System:** Organize and analyze employee performance, calculating sales per employee and conversion rates.
- **Customer Feedback System or Surveys:** Used to gather customer feedback on employee service quality, assessing service levels.

membership interaction. This situation is similar to "random Brownian motion," where shopping behavior is scattered and unorganized, resulting in an inefficient and fragmented experience.

Consumer experience with Management

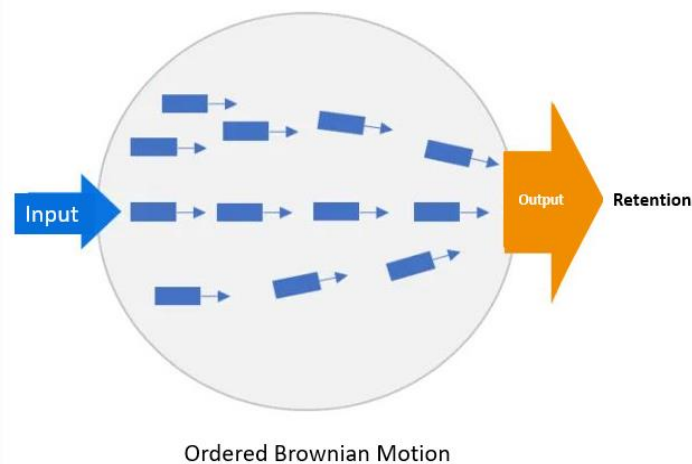


Chart 6. Consumer experience with management

Ordered Experience (Ordered Consistency)

In an "Ordered Experience," the membership system guides customers through a series of carefully designed, structured interactions. Upon entering the store, customers are directed to member-exclusive areas or activities, enjoying benefits like discounts or gift redemptions that encourage deeper membership engagement. This structured approach leads to a more coherent and focused path, resembling an "ordered Brownian motion" model. Customers not only experience a more enjoyable shopping journey but also feel motivated to make purchases, enhancing member loyalty and shopping frequency.

System Design Logic

The design of your membership system achieves "ordered consistency" in the customer experience through three steps:

A) Entrance Guidance (Member Attraction)

By creating designated "entrance" member areas or promotions, customers are naturally guided into the membership interaction process, ensuring their experience is structured from the start.

B) Tiered Interaction (Layered Membership Experience)

Through a tiered membership design, with different levels of member benefits (e.g., points redemption, exclusive discounts), customers are gradually led into an organized shopping flow.

C) Value Output (Conversion)

By offering exclusive "output" services for members, such as gift redemptions and VIP events, customers gain unique experiences and value-added services, boosting their loyalty to the brand.

Summary

Based on survey data from 150 randomly selected consumers, structured and guided membership experiences effectively transition customers from a disordered "Brownian motion" state to an ordered and efficient shopping experience. This transformation fosters more consistent, purposeful shopping behaviors, enhancing overall satisfaction and loyalty within the Indonesian retail store membership system.

b. Membership System

A) "Members First":

B) "Members First" is the unshakable core value of IU Retail, representing not just a slogan but the very essence of membership-driven retail and the foundation of IU's entire business model. This principle guides all decision-making and continuously motivates us to surprise and delight our members.

C) **Forecasting:** Prepare 10,000 membership cards in the initial phase, aiming to sell all within 6 months, generating a total of 990,000,000 IDR in cash collections, with an average of 56 cards sold per day. The strategic location positions us as a primary, essential choice for consumers (offering free delivery), with 90% driven by loss aversion psychology.

c. Customer Experience

A) Pre-Sales Service Experience: Attracting Consumers

- **Membership Attraction and Positioning:** Prior to customers visiting the store, communicate exclusive offers and member-only benefits through social media, member emails, or SMS marketing campaigns to potential customers. This pre-sales messaging helps consumers understand the value of the membership program, increasing their willingness to visit the store.
- **Targeted Promotion:** Pre-sales service also includes displaying member-exclusive products and discounts at the store entrance or nearby areas, sparking interest in the membership system even before customers enter. This approach guides them into an organized shopping journey.

B) In-Store Service Experience: Guiding Consumers through an Orderly Shopping Process

- **Clear In-Store Member Zones and Guided Assistance:** In-store, member-specific areas and dedicated staff provide differentiated services, ensuring members have a clear and organized shopping path. This structured guidance prevents disorganized or random shopping behaviors, allowing members to experience a smooth and consistent shopping journey.
- **Personalized Recommendations and Interaction:** Sales associates can offer personalized product recommendations based on members' past preferences and purchase history, enhancing customer engagement. For example, associates can suggest products that match the member's interests, based on points or discount offers, guiding them through a "consistent and organized" shopping path.
- **Immediate Membership Benefits:** Throughout the shopping experience, members can enjoy exclusive discounts, point redemptions, and gift offerings instantly. This immediate benefits system enhances the customer experience, making the shopping process smoother and more efficient.

C) After-Sales Service Experience: Continued Value and Relationship Maintenance

- **Exclusive Member After-Sales Support:** In the post-purchase phase, provide members with exclusive after-sales services, such as extended return periods and dedicated customer service channels. This differentiated service offers members a unique experience, increasing their trust and loyalty to the brand and encouraging repeat purchases.
- **Satisfaction Feedback and Improvement:** Gather feedback through post-sales satisfaction surveys to understand members' experiences and continuously improve services. Tailored after-sales services based on member feedback and customized offers for future purchases further strengthen the brand-customer relationship.

Repeat Purchases and Value-Added Services for Members: Offer additional value-added services, such as member-only events, birthday gifts, and point redemption opportunities, to continually enhance members' sense of value and experience. This encourages customers to maintain a consistent and organized shopping behavior in the post-sales phase, fostering lasting brand loyalty.

CONCLUSION

The research concludes that a comprehensive strategy focusing on market positioning, consumer insights, and a structured operational approach can support the development of a home furnishing retail business for the lower-middle class in Indonesia. By understanding the needs of the emerging middle class and differentiating itself from competitors, the proposed business model is able to create unique value through customer-centered service, efficient supply chain management, and a commitment to sustainability. This approach not only strengthens brand trust but also fosters long-term customer loyalty. As a strategic move, the study recommends that companies clarify new retail strategies by prioritizing market research to understand consumers, competitors, and relevant technology trends. Rational resource allocation, especially on information technology such as ERP and CRM systems, is an important element to improve operational efficiency. In addition, it is important for companies to raise supply chain management awareness across the organization to ensure smooth operations. Finally, digital transformation is also a key success factor. Companies need to develop digital talent through internal training, external recruitment, and motivating incentives. Digital skills development programs, such as data analysis and e-commerce operations, should be designed to meet the needs of this transformation. With these strategic steps, companies have a great opportunity to create innovative, competitive and sustainable business models in Indonesia's growing retail market.

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