



## Analysis of the Effectiveness of the Rating Method in Determining the Location of New Alfamart Stores in Rembang Regency

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### ABSTRACT

The modern retail industry in Indonesia continues to grow, including in Rembang Regency, making location selection crucial for Alfamart's expansion. This study analyzes the application of the rating method in determining new store locations, comparing Narukan Village and Kragan Village. Conducted from February to June 2024 using a qualitative approach through interviews, field observations, and company document reviews, the research assessed six factors: accessibility, population density, vehicle traffic, rental prices, supporting facilities, and number of competitors. Results showed Narukan scored higher, especially in road access, population density, and competition level. However, the rating method proved only partially effective, as it overlooked consumer behavior and socio-economic dynamics. Thus, while useful as an initial assessment tool, the method requires further refinement to improve accuracy and decision-making efficiency.

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## **INTRODUCTION**

The retail industry is one of the important sectors in the Indonesian economy because it plays a direct role in the distribution of consumer goods to the public. However, in recent years this sector has experienced significant dynamics, mainly due to the COVID-19 pandemic which has put pressure on economic activity. Data shows that retail sales experienced a sharp contraction of up to -20.6% in May 2020, reflecting weak consumer purchasing power and restrictions on physical activity (CEIC Data, 2023). This condition indicates the need for players in the retail industry to adapt in order to survive.

As the pandemic crisis phase ended, the retail sector began to show signs of recovery. In July 2022, retail sales growth was recorded at 6.194%, marking a turning point in the industry's recovery (CEIC Data, 2023). The driving factors included increased community mobility, improved economic conditions, and the relaxation of social restriction policies. In the medium to long term, the outlook for the retail industry remains promising given Indonesia's large population, growing middle class, urbanization, and accelerating digital transformation (PwC Indonesia, 2024; McKinsey & Company, 2016).

On the other hand, data shows differences in resilience between retail segments. Lower-middle-class retail is relatively more resilient than upper-class retail, despite its slower growth (Indonesia Stock Exchange, 2022). PT Sumber Alfaria Trijaya Tbk (Alfamart), as one of the industry's major players, has been able to maintain growth despite its performance declining from 46.7% in 2022 to 10% in 2024. This proves that Alfamart's business model is resilient in the face of macroeconomic pressures, mainly through an aggressive expansion strategy with the opening of more than 1,200 new outlets each year and an increase in market share to 34% in the first quarter of 2024 (Fitch Ratings, 2023; Alfamart 2024; KB Valbury Sekuritas, 2023).

Rembang Regency in Central Java is one of the strategic areas selected for Alfamart's expansion. With its geographical position on the northern coast of Java, this region has a high flow of goods and services and is supported by national road and port infrastructure. These conditions create a large market potential for modern retail. By 2025, the number of Alfamart outlets in Rembang Regency is estimated to have reached more than 60 outlets, with the largest concentration in the districts of Rembang, Lasem, and Pamotan (Rembang Today, 2024). This shows that the region has a high appeal for retail development.

However, the rapid expansion of modern outlets such as Alfamart and Indomaret also poses new challenges, especially competition with traditional traders. Therefore, location selection is a strategic decision that not only concerns market potential but also business sustainability. Alfamart uses a rating method as the main instrument in determining location feasibility. This technique allows the company to assess several important factors such as accessibility, population density, vehicle traffic, rental prices, supporting facilities, and the number of competitors in a quantitative and structured manner (Kotler & Keller, 2016; Heizer, Render, & Munson, 2020; Utami & Hadita, 2023).

Previous studies have highlighted the effectiveness of the rating method in different contexts. For example, Gaspersz, Setiawati, and Retnawati (2023)

proved that rating scales can produce more accurate evaluations in education, while Tanisri, Apriyani, Aji, and Nadia (2025) demonstrated the effectiveness of Behaviorally Anchored Rating Scales (BARS) in employee performance appraisals. These studies confirm that the rating method has broad flexibility in supporting more objective decision-making. Based on this context, this study focuses on analyzing the effectiveness of the rating method in determining the location of a new Alfamart store in Rembang Regency, comparing two alternative locations, namely Narukan Village and Kragan District.

## **LITERATURE REVIEW**

### ***Location Strategy***

Location strategy is an important aspect of business planning, especially in the modern retail sector, which is highly dependent on consumer accessibility. The right location can increase distribution efficiency, sales volume, and company competitiveness. According to Sirilertsuwan, Thomassey, and Zeng (2020), location strategy involves a systematic decision-making process that considers market potential, operational costs, accessibility, and socio-economic conditions. With the right location strategy, companies can reduce the risk of long-term losses and strengthen their competitive advantage.

Heizer, Render, and Munson (2020) emphasize that an effective location strategy can reduce distribution costs and improve the quality of customer service. Meanwhile, Utami and Hadita (2023) state that strategic location selection can increase consumer appeal, strengthen loyalty, and support retail network growth. Thus, location strategy is not merely a geographical decision, but part of a long-term business strategy.

### ***Definition of Location***

In the marketing mix, “place” or location is one of the main elements of distribution strategy that determines the extent to which a company is able to reach consumers. Kotler, Keller, and Chernev (2022) explain that location is not just a physical address, but also includes visibility, traffic flow, proximity to target markets, and accessibility. Tjiptono (2020) adds that location has a strategic dimension because it is directly related to marketing performance, customer satisfaction, and business sustainability.

According to Purnomo and Lestari (2023), location is one of the factors that influence consumer perceptions of a product's value. A good location can enhance brand image and expand market share. In addition, Utami and Hadita (2023) emphasize that the location chosen by modern retail companies must support distribution activities and provide sustainable competitive advantages.

### ***Factors Influencing Location Selection***

The determination of a business location is influenced by a combination of internal and external factors. Herjanto (in Rianda et al., 2020) states that internal factors include land capacity and expansion potential, while external factors include accessibility, regulations, and community behavior. According to Ortiz et al. (2024), factors such as proximity to markets, availability of labor,

rental prices, public facilities, visibility, traffic density, and the level of competition are important determinants of location success.

Imaarah and Yulfa (2024) add that demographic factors, including population size, purchasing power, and community age structure, greatly influence the success of a retail business. Meanwhile, Kotler, Keller, and Chernev (2022) emphasize the importance of understanding local consumer behavior as part of the location selection strategy. Thus, location decisions must consider quantitative variables such as rental costs and qualitative variables such as consumer preferences and socio-economic conditions.

### ***Rating Method (Factor Rating Method)***

The factor rating method is a quantitative approach widely used in location decision-making. According to Heizer, Render, and Munson (2020), this method allows companies to evaluate several alternatives based on specific criteria, assign weights to each factor, and then calculate a total score to determine the best location. Kotler and Keller (2016) explain that this method can reduce subjectivity in decision-making and provide a more measurable basis for comparison.

Utami and Hadita (2023) emphasize that the factor rating method is particularly suitable for modern retail businesses such as Alfamart because it can integrate important factors such as population density, rental costs, accessibility, public facilities, and the number of competitors. Meanwhile, Gaspersz, Setiawati, and Retnawati (2023) show that the rating scale-based assessment method has proven effective in producing more accurate evaluations. This reinforces the relevance of using factor rating in supporting strategic decision-making, although it needs to be supplemented with qualitative analysis related to consumer behavior.

## **METHODOLOGY**

This research employed a qualitative case study approach to explore the effectiveness of the rating method in determining new Alfamart store locations in Rembang Regency. A qualitative design was chosen because it allows for a deeper understanding of the decision-making process by capturing social and contextual dynamics that quantitative approaches may overlook. The case study strategy provided a comprehensive analysis of the location selection process through direct observation and interaction with key stakeholders. Data collection was carried out between February and June 2024 through several techniques: (1) in-depth interviews with managers, coordinators, and staff from the location department of PT Sumber Alfaria Trijaya Tbk (Alfamart) Rembang Branch, (2) field observations at two potential store sites, Narukan Village and Kragan Village, to assess accessibility, traffic flow, facilities, and surrounding conditions, and (3) document reviews of internal company reports and location survey forms.

The sources of data consisted of both internal and external stakeholders directly involved in location selection. Internal sources included the Location Manager, Location Coordinator, and Location Staff, each responsible for different aspects of the process ranging from field surveys to proposal evaluation. External

sources were obtained through environmental observations and interactions with the local community around potential store sites. The types of data collected were divided into primary and secondary data. Primary data came from interviews and direct observations at the two alternative locations. Secondary data were obtained from company documents, demographic statistics, location survey reports, and supporting literature relevant to retail location strategy.

The data analysis applied the rating method (factor rating method), in which each location was assessed based on strategic indicators: accessibility, population density, traffic flow, rental cost, supporting facilities, and number of competitors. Each factor was weighted according to its importance, scored on a scale, and then aggregated to produce a total rating for each location. Comparative analysis was conducted to identify which location scored higher and to evaluate the method's overall effectiveness in reflecting field conditions.

## RESEARCH RESULT

This study analyzes the location selection for a new Alfamart store in Rembang Regency by comparing two alternatives, namely Narukan Village and Kragan District. The store opening process follows a systematic business flow, starting from Location Proposal (ULOK KKS), survey and field data collection, proposal preparation, to the document legalization stage. This process ensures that each proposed location has undergone an initial selection process before receiving approval from the head office.

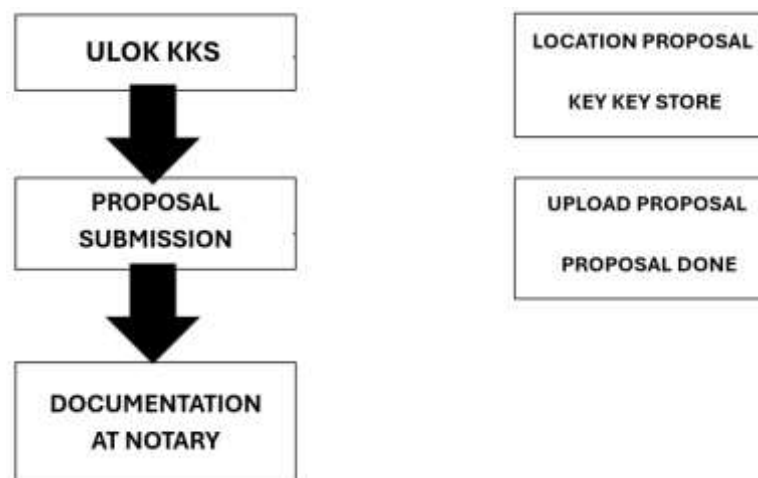


Figure 1. Business Process of New Store Opening PT Alfamart

The location assessment was carried out using the factor rating method with six main criteria: road access, population density, vehicle traffic, rental prices, public facilities, and number of competitors. Each factor was weighted according to its level of importance, then multiplied by the score obtained from field observations. The comparison of the final scores can be seen in Table 1. The results show that Narukan Village obtained a total score of 405, while Kragan obtained a score of 320.

Table 1. Location Assessment Results Using the Rating Method

No.	Assesment Factors	Weight(%)	Narukan Value	Narukan Score	Kragan Value	Kragan Score
1.	Road Access	25%	5	125	3	75
2.	Population Density	20%	4	80	3	60
3.	Vehicle Traffic	20%	4	80	3	60
4.	Public Facilities	15%	4	60	3	45
5.	Rental Price	10%	2	20	4	40
6.	Number of Competitors	10%	4	40	2	40
Total Score				405		320

Source: Researcher's processed data (2024)

Details of the assessment per factor can be seen in Tables 2 to 7. Narukan excels in road access (wide and paved roads), population density (more than 1,000 households within a 500 m radius), and vehicle traffic (more than 190 vehicles/hour). In addition, Narukan has more public facilities than Kragan. Kragan is relatively superior in terms of rental price because the rental costs are lower. In addition, the level of competition in Kragan is higher because the location of the prospective store is close to Indomaret, while in Narukan, competitors are located further away.

Table 2. Road Access

No.	Location	Road Access	Score
1.	Narukan	±6 meter	5
2.	Kragan	±3 meter	3

Source: Researcher's processed data (2024)

Table 3. Population Density

No.	Location	Population Density (wirhin a radius of 500 M)	Shopping Frequency	Score
1.	Narukan	1108	2	4
2.	Kragan	508	2	3

Source: Researcher's processed data (2024)

Table 4. Vehicle Traffic

No.	Location	Average Vehicle Traffic per Hour	Score
1.	Narukan	194.40 vehicle/hour	4
2.	Kragan	48.00 vehicle/hour	3

Source: Researcher's processed data (2024)

Table 5. Public Facilities

No.	Location	Facilities				Score
		PT	SD	MB	KD	
1.	Narukan	1	2	1	1	4
2.	Kragan	1	1	1	0	3

Description: PT = Traditional Market, SD = Elementary School, MB = Grand Mosque, KD = Village Office

Source: Researcher's processed data (2024)

Table 6. Rental Price

No.	Location	Rental Price	Score
1.	Narukan	Rp. 40.000.000,00	2
2.	Kragan	Rp. 30.000.000,00	4

Source: Researcher's processed data (2024)

Table 7. Competitor

No.	Location	Competitor (Indomaret) within a radius $\pm 1$ km	Competitor Position	Score
1.	Narukan	Ada ( $\pm 1$ km, di ujung jalan)	Tidak berdampingan	4
2.	Kragan	Ada ( $\pm 1$ km, dekat titik lokasi)	Hampir berdampingan	3

Source: Researcher's processed data (2024)

To reduce subjectivity in the assessment process, this study also compiled a proposal for standardized assessment guidelines that can be used as a standard reference for the location team. These guidelines are shown in Table 8.

Table 8. Proposed Standardized Assessment Guidelines for Factors in the Rating Method

No.	Faktor	Score 1 (Very Bad)	Score 2 (Bad)	Score 3 (fair)	Score 4 (Good)	Score 5 (Very Good)
1.	Road Access	<2 m, narrow alley, unpaved, not accessible by car	2-3 m, partly unpaved, only for two-wheeled vehicles	3-5 m, partially paved, limited vehicle access	$\geq 6$ m, well paved, passable by trucks with adjustments	$\geq 6$ m, smooth asphalt, two-way, distribution trucks can enter directly
2.	Population Density	<250 households within	250-500 households	500-1.000 households	1.000-1.500 households	>1,500 households within a

		a 500 m radius				500 m radius
3.	Vehicle Traffic	<50 units/hour	50-100 units/hour	100-150 units/hour	150-200 units/hour	>200 units/hour
4.	Public Facilities	No public facilities within a 300 m radius	1 public facility (e.g., only a small elementary school)	2-3 facilities (elementary school, small market, mosque)	≥4 facilities (elementary school, market, mosque, village office)	≥5 large facilities (elementary school, market, mosque, village office, terminal, etc.)
5.	Rental Price	>Rp50 million/year	Rp41-50 million/year	Rp35-40 million/year	Rp25-34 million/year	<Rp25 million/year
6.	Number of Competitors	Direct competitors (<100 m)	Competitors within a radius of <300 m	Competitors within a radius of 300-500 m	Competitors within a radius of 500-1,000 m	No competitors within a radius of >1,000 m

*Source: Researcher's processed data (2024)*

Overall, the results of the study show that Narukan Village is more suitable for the development of a new Alfamart outlet because it has better accessibility, a denser population, and lower competition compared to Kragan.

## DISCUSSION

The results of the study confirm that the factors of road access, population density, and vehicle traffic are the main variables that determine the suitability of a location for modern retail. This is consistent with the opinion of Kotler, Keller, and Chernev (2022), who state that location plays an important role in the marketing mix, and is in line with the findings of Ortiz et al. (2024), who emphasize the importance of transportation infrastructure and demographics as indicators of retail business success.

Although the factor rating method has proven to be helpful in providing an initial measurable overview, this study found weaknesses in the effectiveness of this method. The absence of standard criteria for each indicator makes the assessment results prone to the subjectivity of the assessor. For example, the population or vehicle volume limits used to determine a certain score still depend on the interpretation of the survey team.

This method is not yet able to capture non-technical factors such as consumer shopping behavior and local purchasing power. In practice, some locations with high scores may have low visitor numbers because consumers are

more accustomed to shopping at traditional markets. Therefore, this study proposes standardized assessment guidelines (Table 2) to make the assessment process more objective and consistent. In addition, the use of the rating method needs to be combined with a qualitative approach, such as consumer preference surveys or socio-economic analysis, so that retail expansion decisions are not only based on quantitative data but also reflect actual market conditions.

In practical terms, the results of this study provide important input for Alfamart's management. The rating method can still be used as an initial instrument in assessing locations, but the final decision should consider consumer behavior analysis and local market dynamics. Thus, the process of expanding new outlets can be more accurate, efficient, and in line with the company's long-term business strategy.

## **CONCLUSIONS AND RECOMMENDATIONS**

This study concludes that the process of determining the location of new Alfamart stores in Rembang Regency was carried out in three main stages, namely location proposal, proposal preparation, and notarization.

The results of the analysis using the rating method indicate that Narukan Village is more suitable than Kragan, particularly in terms of road access, population density, and level of competition. However, the rating method is only effective as an initial instrument because it is unable to capture non-technical aspects such as shopping behavior and socio-economic conditions of the community.

Based on these findings, it is recommended that Alfamart complement the rating method with consumer surveys and socio-economic analysis to ensure a more comprehensive evaluation. Additionally, standardized guidelines are needed for the application of the rating method to minimize subjectivity. Further research could incorporate new variables, such as consumer preferences and purchasing power, to make the location evaluation method more relevant and accurate in supporting modern retail expansion strategies.

## **ADVANCED RESEARCH**

This study still has limitations, particularly due to the use of a rating method that only emphasizes quantitative factors and does not fully describe non-technical aspects such as consumer behavior, purchasing power, and socio-economic dynamics. Therefore, further research is recommended to combine the rating method with a qualitative approach, for example through consumer surveys and socio-cultural analysis of the communities around potential locations.

Additionally, future research could expand the scope of study by comparing more locations or involving other retail companies, thereby providing a more comprehensive overview and stronger generalizations. The location evaluation instrument also needs to be developed by adding new variables, such as retail digitalization trends, community lifestyle preferences, and regional development potential. This will make the research results more relevant in supporting modern retail expansion strategies in Indonesia.

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