

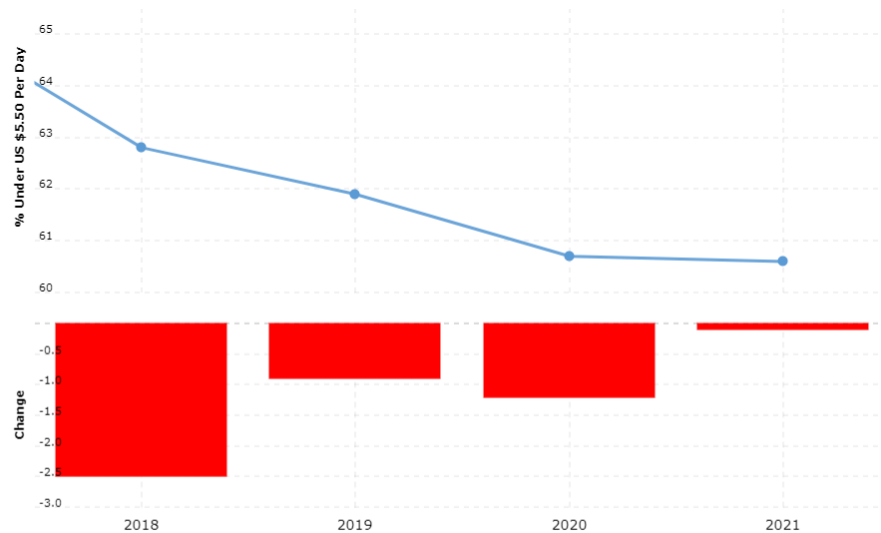
# CHAPTER I

## INTRODUCTION

This chapter contains the background, problem formulation, research objectives, research scopes and outline of the research report.

### 1.1 Background

Indonesia has declared its independence since 1945, but in these 70+ years this country has struggled to solve its poverty rate, as shown in **Figure 1.1**.



**Figure 1.1.** Indonesia Poverty Rate 2018-2023

(source: macrotrends, data source: World Bank)

The poverty headcount ratio at \$5.50 a day as shown in **Figure 1.1** is the percentage of the population living on less than \$5.50 a day at 2011 international prices. Based on the data, this means the poverty rate in Indonesia is still above 60 percent in 2021. More than half of Indonesia's population still lives on less than \$5.50 a day. Poverty rate is one of many economic problems that continuously threatened any country's stability. An unstable economy makes people's ability to fulfill their needs become haywire. Economic instability caused a number of adverse effects on the general well-being of people and nations by creating an environment in which economic assets depreciate in value. This can lead to

unemployment, inflation, subsequent rise in food prices, and rising debt (Hill, H., ANU, & Narjoko, D., 2023). To tackle these issues, the public choose to be self-employed or do business. Some, due to economic pressures, decide to look for additional income outside their main job. According to Ricahard D. Steade, et al, business is defined as all the commercial and industrial activities that provide goods and services to maintain and improve our quality of life. (Adil, 2017).

Islam encourages its believers to be involved in business activities. Besides that, it is also an encouragement that has a dimension of worship, Islam does not want its followers to live in an economic backwardness and underdevelopment. Through business, we can earn income, meet the need for goods and services. The business world is dynamic, always moving forward, full of initiatives, creative, and provides challenges in facing the future with optimism. Business activities include providing goods at the right time, right amount, right quality and right price (Alma, B., & Priansa D. J., 2014). In any sector, entrepreneurs are competing to sell their goods or services to meet the needs of society in today's modern times. However, in any company, business practices must carry out healthy competition activities (Muhammad, A. M., 2011) . The main purpose of establishing the company was not only to satisfy the needs of people, but also to make a profit. By making a profit, the company can maintain the continuity of its business and even develop it so that it is more advanced and developed. Hence, companies must always try to produce goods at affordable prices but of high quality, and determine the right marketing strategy for their business (Nurjanah N, 2019).

According to The American Marketing Association, marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (American Marketing Association, 2017) . Islamic economics is one of the areas of muamalat-fiqh that has a close relationship with marketing. At its inception, scholars have paid attention to the development of the foundations of economics in muamalat-fiqh. According to Yusuf Qhardawisyariah, marketing is all activities carried out in business activities in the form of value creating activities

which enable anyone who does them to grow and utilize their benefits based on honesty, fairness, openness, and sincerity in accordance with a process that is principled in an Islamic muamalat contract or business transaction agreements in Islam (Qhardawi, Y., 2021).

Marketing in business in Indonesia is experiencing very fast development. These business fields cover a broad field, both goods and services. This ever-increasing business development is accompanied by new innovations emerging from pre-existing businesses. An example is the term “reseller” in online media. A reseller is a business that purchases products from manufacturers, liquidators, or other retailers and then sells them to its own customers. and the payment is made through e-banking.

Before this trend emerged, the term Multi-level marketing (MLM) was known. Multi-level marketing is a marketing system through a distribution network that is gradually built by positioning both the company's customers and the marketing staff. MLM is the concept of distributing goods (certain products or services) that provide opportunities for consumers to be actively involved as sellers and earn profits within the partnership line (Kuswara, 2005). This marketing system treats all members or distributors as mutually beneficial partners. Everyone who joins can consume products at a discount price and run their own business selling products or services and inviting others to join. All those who are successfully invited and joined will offer discounts and benefits to the invitees using a percentage or bonus system.

This marketing system is widely used as it is believed to bring greater profits compared to other marketing systems. This is in accordance with what Allah said in the chapter An-Nisa verse 85:

مَنْ يَشْفَعْ شَفَاعَةً حَسَنَةً يَكُنْ لَهُ نَصِيبٌ مِّنْهَا ۗ وَمَنْ يَشْفَعْ شَفَاعَةً سَيِّئَةً يَكُنْ لَهُ كِفْلٌ  
مِّنْهَا ۗ وَكَانَ اللَّهُ عَلَىٰ كُلِّ شَيْءٍ مُّؤَيِّدًا ۝ ٨٥

*“He who intercedes in a good cause (syafa’at) shall share in its good result, and he who intercedes in an evil cause shall share in its burden”.*

The term “syafa’at” or intercession, can be interpreted in the form of invitations, information, motivation, and facilities. This verse is explained by the words of the Prophet: “Whoever calls for guidance will have a reward similar to those who follow him, without detracting from their rewards at all. Whoever calls to misguidance will have sin upon him similar to those who follow him, without detracting from their sins at all” (Ṣaḥīḥ Muslim 2674). By running this MLM system, everyone involved in it has provided intercession for others. Like when the upline (top level) invites the downline (lower level) to join in the business. By inviting them to do business, their downline will get income from this business and the upline has a role in opening the door of sustenance for their downline.

Based on this, an alternative business concept was developed that could increase the level of the people's economy, namely Sharia Multi-Level Marketing (MLM) concept. Companies that implement a modern marketing system through a tiered distribution network, using the concept of sharia, both from the system and the products sold. The development of buying and selling and its variations certainly requires caution so as not to come into contact with things that are forbidden by sharia, such as usury and gharar, either in the product or in the system. The sharia MLM business is very prospective and has great potential to develop in the future. This is because the majority of the Indonesian people are adherents of Islam. Especially with more and more MLM being run according to sharia today, making these Sharia attributes very effective in attracting people to enter them. In addition, the awareness of Muslims to develop the sharia economy is increasing, both in universities and in religious forums. Sharia MLM activities are not only among ordinary people, but also penetrate the Ulama, Academics, and Bureaucracy.

PT Best Corporation was established in 2018. It was founded by an Indonesian youth named Febrian Agung. This business is located in the city of Bandung and has spread to cities in Indonesia. This company has many products,

29 products to be exact according to their website. Including Eco Racing products that function as fuel savers, Eco Farming as super active organic fertilizers that can reduce the use of excess inorganic fertilizers up to 25%, health products such as Habspro, Ecomaxx, LVN Collagenia, and cosmetic products such as LVN Serum, LVN Day & Night, Cream, LVN Loose Powder, and LVN Face & Body Soap, among many others. Apart from business products, it also offers bonuses and rewards viz (motorcycles, cars, *umroh*, pilgrimages, up to 1 billion rupiah worth of luxury real estate) from the company for partners who successfully develop this business through a network system. PT Best Corporation has had complete legality from the Ministry of Trade of the Republic of Indonesia since December 2019 with NIB 8120001861974 and has been registered as a member of the Association of Indonesian Direct Selling Companies (AP2LI). PT Best Corporation. is committed to running a marketing program with a Sharia system in accordance with the DSN MUI Fatwa Number 75/DSN-MUI/VII/2009 concerning Guidelines for Sharia Direct Sales Tiered System (PLBS).

Sharia businesses must be able to speak to the hearts and souls of their potential customers. In this way, consumers become more attached to the product or company, and the relationships built can last longer (long-term), not just short (short-term), since consumers are very interested in the products being offered or proposed to potential customers (Santoso, B., 2021). However, in MLM sharia business, as the process is difficult for some members, many leave this business.

Rita Team is one of sales community in PT Best, the team is regulated by Ms. Rita (one of the respondents). The team is starting in November 18, 2020. This team is centered in Padang city, West Sumatra. In the short span of 3 years, this team has produced 6 members who have won motorcycle and umrah awards and 3 people have won Mocash (car) and most members also have their own regular customers. Until November 22, 2023, this sales team has over 360 members. 10% have achieved rewards, 70% have their own customers and receive commissions even though they have not achieved rewards, 20% have not yet focused on this business and only buy products for their own consumption, such as health products

and agricultural products that are only used in their own fields. The reason is, by continuing to buy these agricultural products, for example, the points will continue to increase, this is much more profitable, apart from getting benefits such as savings on the use of chemical fertilizers of up to 80% and even not using chemical fertilizers anymore, the cost for PT Best fertilizers is much more affordable and with more outstanding quality results. And while the number of this sales team is not small, it's clear that because the nature of this sharia entrepreneurship is all about freedom to work as a team, and no one can force anyone to do anything, its members also taken this concept into completely different direction. Sales is one of the most lucrative money-making because the more products sold, the more profitable business will be, but sales can only be said as profitable when members are able to closing a deal. But what unfolding was insufficiency of mindscape, sales skillsets, and techniques that discourage many salesperson to land the desired deals. Even though it sounds harsh, it's also have some truth in it. On one occasion of the data gathering, one case of this issues has been said in **Appendinx A**, where it has been many members after getting setbacks in prospecting and sales, they withdrawn completely. While the rewardees actually move the prospects' objection into open opportunity.

More on the causes of members not achieved the rewards, based on more interviews with several reward recipients in Rita Team, namely Ms Rita as leader, rewardee of Mocash (car), Mr Fahri as rewardee of Mocash, and Mr wawan as rewardee of motorcycle, after registering, which means just putting a name on the network, it turns out that even to sell quality products, members are afraid to start, don't know what the training should be like, targets are unclear, don't know who to ask for help, which end up almost can't close deals, and easy to scapegoating sponsors, even this company. These tendencies can only be detrimental in the long run, and its raise some concerns on how to be better. Everyone can run a business using the sharia multi-level marketing concept because it takes a person who has personal skills to be successful in business. With this MLM marketing strategy, some people become very successful, others earn a moderate income, but some don't even manage to make a single sale in several months (Nurjanah N, 2019)

Based on the background above, it can be concluded that there is a deficiency in the ability to achieve targets within a certain timeframe for many of Rita team's members. Therefore, it is a need to propose a study to analyze a proven system from the experiences of successful leaders in this business, as well as practical steps in a business development plan. Fahmi (2020) raised the question of a strategy to develop marketing strategies for services in Islamic financial institutions. From the results of analysis using SWOT (strength weakness opportunity threat) method, the researcher concluded that BMT La Tansa Gontor has some weaknesses. One of the factors was the lack of structured regeneration, so the pattern of value transformation and learning from senior to junior presented difficulties and the researchers were able to show that the marketing strategy to be implemented by BMT La Tansa Gontor in the service of customers is intended to be SO (Strength-Opportunity) in combination with ST (Strength-Threath). Furthermore, the SWOT analysis will also play a role in planning the formulation of strategies based on the factors that are maintained according to the SWOT analysis results (Phadermrod et al., 2019). A study of previous studies related to this issue is used as a reference for designing an appropriate strategy to be implemented at PT Best Corporation, mainly in Rita Team for business development. This study aims to research the strategy used in the MLM Syariah at PT Best which will essentially help members who are not achieving, and to propose strategically sustainable means of scaling the business by using Business Model Canvas (BMC).

## **1.2 Problem Formulation**

Based on the background described above, the formulation of the problems are: How PT Best's members at Rita Team can improve and develop their business, hence, become successful in this business opportunity?

## **1.3 Research Objectives**

The objectives of this research are to create current Business Model Canvas (BMC), proposed practical steps to scale up the business.

#### **1.4 Research Scopes**

The research scopes of this study are:

The subjects of this study were leaders of the Rita Team at PT Best Corporation, which markets products and have received rewards under the PT Best Corporation.

Target marketing products are agricultural, automotive and health products at PT Best Corporation

#### **1.5 Outline of Final Project Report**

The outline of the report that used in this final project are as follows:

##### **CHAPTER I INTRODUCTION**

This chapter contains backgrounds, problem formulation, research objectives, research scopes, and outline of the report.

##### **CHAPTER II LITERATURE REVIEW**

This chapter describes a review of the related literature of the research originating from journals, books and other sources of information.

##### **CHAPTER III RESEARCH METHODOLOGY**

This chapter contains the methodology used in this research consisting of preliminary study, problem formulation, data collection, results, discussions, conclusions, and suggestions for further research.

##### **CHAPTER IV ANALYSIS OF CURRENT BUSINESS CONDITIONS**

This section includes the creation of the current Rita Teams Business Model Canvas and SWOT Analysis to identify internal conditions in the form of strengths and weaknesses



and external conditions in the form of opportunities and threats owned by Rita Team. The results of this SWOT analysis will later serve as a reference for formulating Rita Teams' business strategy.

#### CHAPTER V STRATEGY FORMULATION

This section contains the phases in formulating the strategy in the Rita team. The strategy formulation phase consists of the input phase, the matching phase and the decision phase. The results of the previous SWOT analysis in the form of internal and external factors of the company flowed into this phase of strategy formulation. The outcome of the strategy formulation phase is the overriding strategy for Rita Teams' business development. After the priority strategies have been determined from the results of the strategy formulation, the strategy is described as a new business model using the Business Model Canvas.

#### CHAPTER VI DISCUSSION

The discussions are conducted to the results obtained.

#### CHAPTER VII CONCLUSION

This chapter contains the conclusions of the research results and the suggestions for further research.