

Business feasibility study of factory expansion of olympic group

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Abstrak

The purpose of this thesis is to analyze feasibility study based marketing and financial analysis of factory expansion of Olympic Group in Surabaya. Nowadays Olympic has more and more order from customer both domestic market and international market. Now the capacity of production has been already 720,000 units per year or value 250 M per year but it is still not enough to cover the orders. In order to fulfil the order and to reduce delivery cost from manufacturing Bogor to customers in Surabaya, Olympic has to increase the production capacity by expansion factory in several cities around in Indonesia. One of the city is Surabaya. In these thesis, I would like to examine the profitability in commencing the expansion of new factory in Surabaya and the feasibility of the business through the use of financial tools namely Payback Period, Profitability Index, Net Present Value (NPV) and Internal Rate of Return (IRR). Criteria for a project to be accepted is where Net Present Value is positive, Internal Rate of Return exceed the cost of capital and Profitability Index exceed 1. The project has result positive Net Present Value as Rp. 231,000,000.00;

Internal Rate of Return (IRR) as 26 % which is exceed the cost of capital; Profitability Index exceeding to 1 as 2.47 ; Payback period is 2.06 years which is less than the period of project 10 years. Based on real option analysis, this factory expansion have positive Net Present Value as Rp 293,500,000. It means that there is no option to expand to some other location both of the optimistic and pessimistic forecast. Based on analysis, the project is feasible . The marketing mix strategy used to serve Olympic target market is SIVA (Solution, Information, Value, Access) model. The SIVA model take into account both buyers and sellers objectives by focusing primarily on the buyer . that adapted by combination between the 4Ps and 4Cs model, where 4Ps is a product ? centric approach while 4Cs is customer ? centric approach.

When valuing capital budgeting project, firstly, it is recommended better to use real option analysis. Because from a valuation standpoint, these options are valuable because they allow decision makers to react to favorable or unfavorable new situations by dynamically adjusting the capital budgeting decision process for flexibility associated with the project. And secondly, it is recommended for marketing strategy should focus comprehensively on customer orientation by SIVA (Solution, Information, Value and Access) for all activities in Strategic Business Unit (SBU) rather than 4 Ps which on product-centric orientation.