

CHAPTER III

COMPANY BACKGROUND AND ORGANIZATION

3.1 Company Ownership

Big's Images is a company that was established to capture Bekasi and its neighbouring area market and to pursue the up coming presidential election event that automatically impules rocketing printing demand. Supported by the assistance of 12 employees, Big's Images started its first operation as a digital printing company. The company itself is a - 3.5 storey – shop house lies in front of the main railway station of Bekasi, on the right side of Regional Representative House of Bekasi. As a new establishment, Big's Images has to be more sensitive about some substantial issues as follows:

- a. Latest printing technology
- b. Market size
- c. Product, equipment and spare part.
- d. Team selection
- e. Venue selection
- f. Machine operators and other staff Training
- g. Competition
- h. Market Trend
- i. Capital resources
- j. Supplier selection

All the above issues will have the impact to the success of the business, because they are key success factors of the business.

3.2 Initial Investment and Working Capital Summary

The total initial investment that Big's Images founders have given can be summarized as follows:

Long term investment: Total long term investment Rp 800.000.000,- where the biggest portion is for outdoor printer, indoor printer and gimmick and then followed by building rent. And the rest of long term investments are for computer, furniture and building renovation

Working Capital: Total initial working capital is Rp 98.000.000,- and is prepared just for first run. It is included indoor material, outdoor material, ink and finishing material support.

Financial Objectives: Big's Images has set its 4th quarter 2008 financial objective is to be one stop printing that sells digital printing products, offset, screen printing and gimmick as well as outdoor advertising material such as billboard, banners and stickers.

Tabel 3.1 Financial Objective of Big's and New Product Launching Schedule

Type of service	Annual Sales			
	2009	2010	2011	2112
	Rp 2,500,000,000	Rp 4,775,000,000	Rp 6,406,250,000	Rp 8,882,813,000
Digital Printing	√	√	√	√
Gimmick	√	√	√	√
Offset		√	√	√
Screen Printing		√	√	√
Outdoor Advertising		√	√	√

(Source: Big's Images Marketing Unit)

3.3. Legal Structure

Big's Images Digital Printing is incorporated in Central Bekasi district, West Java Province and has been CV legalized. Net income that Big's Images earn is used for daily operational costs and new investment, especially for the latest printing technology purchasing that eventually will be the key factor for being

success and competitive advantages. Characteristics of a CV can be elaborated as in following Table:

Table 3.2 Legal Factors and Characteristic Of a CV

Legal Factors	Partnership
Ownership	No limitation on number of partners
Liability of owners	Depends on general criterion or limited partnership
New Business Capital	Based on partnership agreement
Business Continuity	Death or one party withdrawal, except partnership agreement stipulate otherwise
Transferability of Interest	General Partners have mutual concern while limited don't have
Capital Requirement	Loan or any new contribution may change partnership agreement
Management Control	All partners share equal control and majority rules
Profit and Losses Contribution	Based on mutual agreement and initial investment
Capital Raising Attractiveness	Based on partners capabilities and the progress of the business

(Source: Hirsich and Peters, 1995, p 182-183)

In Table 3.3, Big's Image share holders are Sugiharto and Aprowidodo, and it is located in Jl Juanda Kav 143/13 where it is shop house area with tenant composition 80% are printing company, 10 % electronics shop and 10% are food, refill electronic voucher and others. It can be reached in walk distance, 200 meters from Bekasi train station where. Visibility of the location is also very good, because from inside train station people can see the shop house area. Beside, this area is can be accessed with city car public transportation. Traffic jam always happens during peak hours the morning when people will go the office and when people are on the way back home.

Table 3.3 General Data of CV Big's Image

Name of Company	CV Big's Image
Ownership	Sugiharto Apro Widodo
CV Number Registration	No:10 , December 28, 2007 Legal Agent: Mrs Dahlia Rosyid SH
Tax Account Number	21.022.020.8-432.0000
Address	Jl Ir H Juanda Kav 143/13 Ruko Marga Jaya - Bekasi- 17150
Email	Big'simage@yahoo.com
Phone	62-21-88855595
Fax	62-21-88855596
Tax Record Registration	PEM-0600152ER/WP3-22/KP.1203/2008
Certificate of Registration	102635206555
Trading Business Registration	510/273-PERINDAG/PM/CV/2008

(Source: Big's Image HR unit)

3.4 Management Team

Having a good and solid team as well as outstanding creative and up to date issues are crucial for companies that rely on services and quality products oriented. At first, Big's Images was composed of 8 people, they are: Managing Director, Production Manager, Customer Relationship and Design Manager and Finance Manager. Although in the beginning, Big's Images didn't post the Marketing Manager position but continuously treated the customers carefully in

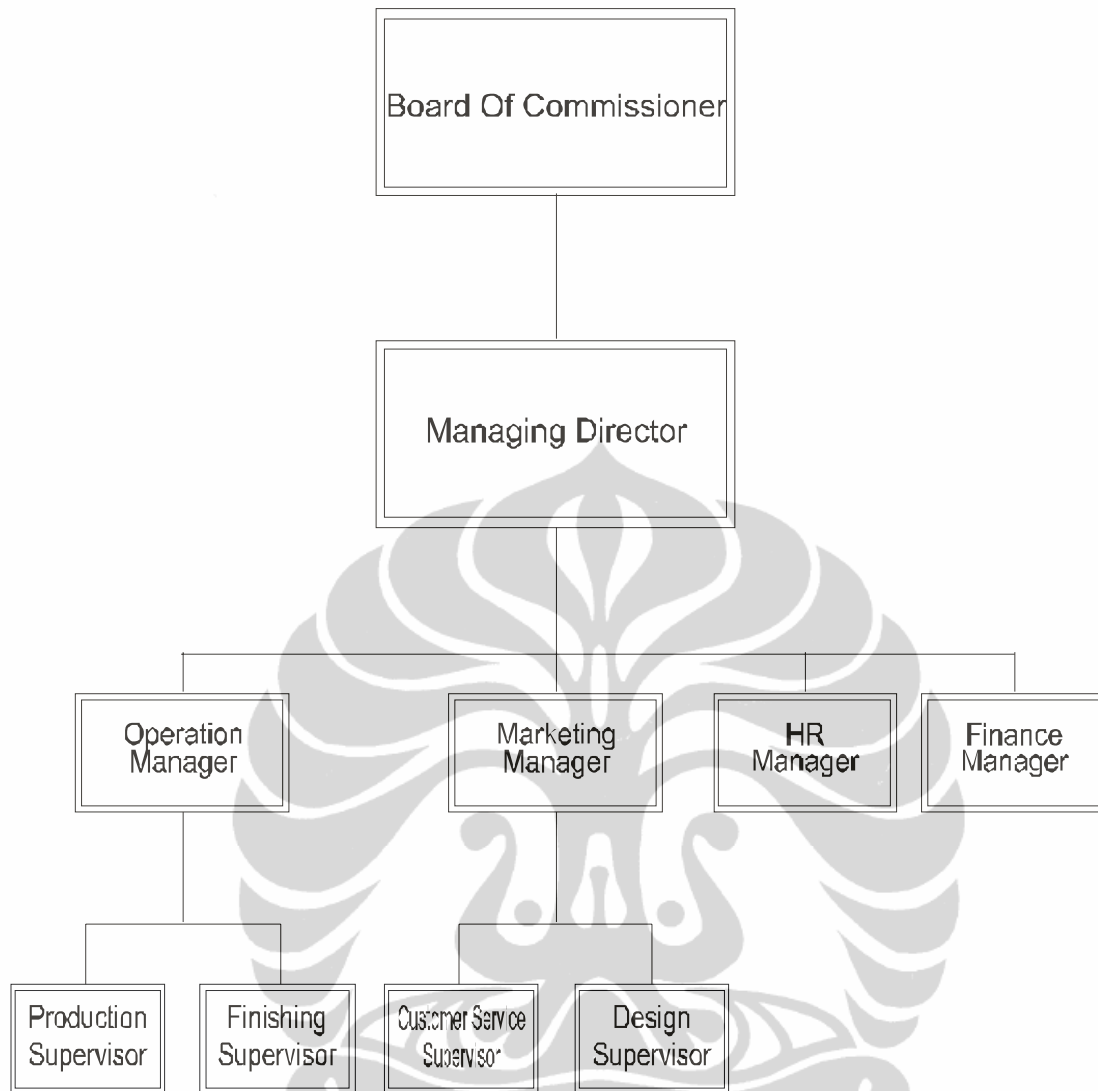
order to maintain the customers' satisfaction and loyalty. Due to the tremendously high demand of – on the spot products, sales force for the time being concentrated on the customer service.

Big's Images Digital Printing Company is really new in this business. There is no significant knowledge in the past experience of the whole team members. For the initial learning stage, the concentration in the production and customer handling and finally Big's Images hired marketing manager in the second month after the company was enough with to the result of sales performance.

3.5 Organizational Structure

An organization (source: Gibson, Ivancevich, Donnelly Jr. and Konopaske, 2006, page 5) is a coordinated unit consisting of at least two people whose functions are to achieve common goals or to set up goals. In order to set up the organizational structure, Big's Images has elaborated its mission and vision as a horizon to aim the goal, meaning that organization behavior should be aligned with the stated company vision itself. In determining the organization structure, Big's Images has some considerations as a new company to be more efficient during the survival period and competition. Big's needs to consider these following issues:

- a. The needs of the organization
- b. Operational Cost
- c. Function of all element
- d. Human Resources Qualification and Expenses
- e. Management Control
- f. Mision and Vision Fusion



(Source: Big's Image Operation Unit)

Picture 3.1 Big's Images Organizational Structure

3.6 Principal Stockholder

In the initial investment, authorized capital was Rp. 2.000.000.000,00 Rp.750.000.000,00 had been used for a shop – house purchasing, Rp. 250.000.000,00 was for the down payment for the machine. Initial investment plan was Rp. 1.630.000.000,00 and the rest was for business expansion, especially for new products development.

CHAPTER IV

ANALYSIS

4.1 Product and Services

To be successful in the tight printing business competition, Big's Images has to play a major role in creating customer experiences. Big's Images assists any clients from all levels in the economic society in order to get their images and products printed with the best quality of pictures, designs and colors. Assisting clients, Big's Images printing company is aware of the situation in which that some customers are not design literate, therefore the company provides designers who can assist them in designing their printed needs. Clients like personal, legislative candidates, banks, communication companies and tobacco companies usually will have their images for outdoor advertisement purposes. These companies have already set their images according to their regular needs and standards. Big's Images in accordance needs to keep up with the demands that each clients' requirements. Therefore an accurate calculation to the big amount of order that companies place should be able to be coped with the capacity of the machine and production speed.

All designs, images and photos are created in high resolution digital format. Internet taken pictures and commonly used computer – images are typically use 300 dpi formats, 300 dpi digital files are available to clients for a normal charge. Higher quality digital print outs and photos will be charged in full price. Big's Images retains the high resolution data and customers are able to place more orders whenever they wish.

Big's Images products include :

1. Outdoor Digital Printing

a. Front Lit Outdoor Digital Print :

- Flexy : Most of the purposes of these materials area for out door and advertising, like banner, X banner, Y banner, Roll banner, Roll up banner, Price list, Menu List, Giant banner, Billboard and Photos; as some of the clients' preference.
- Sticker : this material is commonly used for the neon box, billboard and cars stickers.
- Satin Korea : this material is regularly used for flags and decoration.
- One way vision : it is for semi transparent sticker, due to the small holes that covers the surface of this material, images will not be fully displayed.

b. Backlit Outdoor Digital Print

- Flexy : this material is more transparent and the main purpose of using this material is only for neon box.

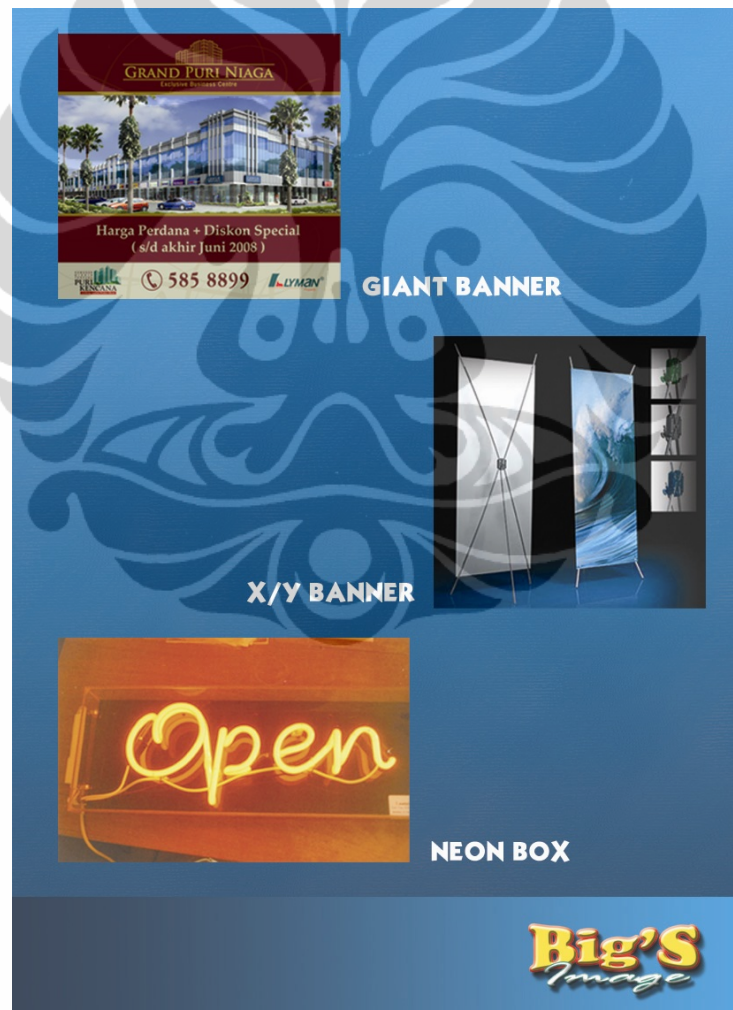


(Source: Big's Image Marketing Unit)

Picture 4.1 Outdoor products

2. Indoor Digital Print :

- a. Photo Paper : most the clients that place any print order use this material as photo, X banner and Y banner
- b. Canvas : this material is highly recommended for artistic photo print out.
- c. Sticker : it is commonly used for labeling and menu board, neon box.
- d. Backlit film : it is very fancy for the menu board and fine neon box usage.



(Source: Big's Image Marketing Unit)

Picture 4.2 Indoor products

3. Document Print :

- a. Art Paper : name card usage
- b. Art Carton : name card and proof print out.



(Source: Big's Image Marketing Unit)

Picture 4.3 Document products

4. Transfer paper light fabric and dark fabric : for T – Shirt
5. Pin
6. ID Card
7. Service :
 - a. Design : Big's Images provides in house design.
 - b. Billboard : Construction and Installation Permit.
 - c. Tax : For billboard, banner, sticker, menu board, and neon box

4.1.1 Competitive Comparison

The competition that occurs in this printing business overall can be classified into several grounds/categories :

a. Print – Out Quality

Quality of printer is defined by the technology of the printer component, printing media, printer manufacturing, and printing and speed features.

Printer Component : The most critical part that has a significant impact towards the output of a printed product is the print head. The most commonly found print heads in the market are Xaar, Seiko, spectra, Konika – Minolta and Epson. The printer operator is highly required to handle this sensitive part of the machine with extra care due to the excellence of the images of the printed output. Should the operator is reluctant to take care of the machine, the print head surely faces some clog and eventually it will be breakdown.

Printing Media : There are some materials that are commonly used in the business. They are PVC, Korean Cloth, Paper, Art Paper, Flexi, Backlit Film and some others. These different media surely display different quality of print outs.

Printer Manufacturer : Like other high technology gadgets, there are some companies that can be quality guarantee but writer is not going to mentioned any brands due to business reasons. However writer is able to describe the similarity and their differences. For example, China manufactured machines produce the same quality of print outs for they use similar component. However those machines still have their strengths such as accuracy, durability, spare part support and integrated software.

Printing Features : the most valuable and looking forward to be featured in any new released machines is the number of printing media followed by the feature of double sided print and the thickness of the media.

Speed : This is the most essential feature that hold the success key of digital printing business.



(Source: www.chinasignpro.en.ec21.com)

Picture 4.4 Xaar Print Head



(Source: www.mgdiytrade.com/cding/519466/3687758/0/119459165)

Picture 4.5 Seiko Print Head



(Source: www.konicaminolta.com)

Picture 4.6 Konika – Minolta Print Head

b. Graphic Designers

Because of high skills and excellent taste in designing the images, Big's Images can produce desirable images and innovative designs. This can be seen from the customer's favouritism upon certain designers and this is also drive the growth of loyalty between customers and the companies.

c. Pricing

Setting up a business in an open market era stimulates the tightness of the competition in the business up rising. The industry itself is easily copied due the demand that the market has set, improvements occurred in equipments and supply chain.

d. Location

Feasibility and accessibility are two critical issues that should be given a thoughtful consideration in choosing the new establishment location.

4.1.2 Technology

Big's Images innovative approaches in the design and the usage of the latest software make the most customers fascinate, especially by its newest digital printing technology and imagery variety. Having known this market trend, Big's Images gains more new prospective customers and provides added value; therefore its customers are more able to promote their high quality printing although in small size images. Big's Images uses several types of printer that requires a – high speed processor with a large hard disk fully loaded with image – manipulative software such as Correl Draw, Adobe Photoshop, Freehand, Mantop and Photoprint. Big's Images also needs the on – going maintenance treatment for the computers and software as well as nightly backup of images files in order to avoid any of computer failures, thefts and fires.

4.2 Market Analysis and Marketing Plan

Market analysis is conducted to plan activities particularly around decision of product inventory, purchasing system, workforce for expansion and contraction, purchase of capital equipment, promotional activities and many other aspect of a company.

Marketing plan is conducted to guide necessary action to achieve one or more marketing objectives, that covers between one and five years. It can be for a product or service, a brand or a product line.

4.2.1 Industry Analysis

Digital printing industry has grown tremendously in the past 7 years in Indonesia. This industry replaced manual screen printing industry, because it is simple, clean, fast, no limited number of minimum quantity, less space for production and more varieties on media. The only advantage of manual printing is cheaper production cost for mass production.

Since digital printing industry has more market attractiveness, competition is likely to continue increasing in the market and in since new player are willing to entry the market. For certain market, like in Senen area the competition is sharp and low price is as their competitive weapon. Hence the future profit getting worst. Sometimes they only concentrate on sales volume to generate profit, so if there is low demand on the digital printing they will be suffered.

According to Lehman and Winner (2002, p44) industry analysis consist of 4 factors (see table 4.1).

Table 4.1: Industrial Analysis Factors

Market factors	Size Growth Stage in life cycles Cyclicity Seasonality Marketing mix Profits Financial Ratios
Competitive Factors	Concentration Power of buyers Power of suppliers Rivalry Pressure from substitutes Capacity Utilization Entries and exits
Environmental Factors	Technological Economics Social Regulatory

(Source: Lehman and Winer, 2002, page 44)

The technology trend on hardware and software will be the key success factor in the future competition. The technology cycles are very short and it would breakdown the sales product into 4 segments: introduction, growth, maturity and decline. There are 3 bases for industrial analysis: Market factors, Competitive factors and Environmental factors.

Market factor in Bekasi area, digital printing growth for the last 3 years, has shown good growth and the size of market was huge, because most of the key players of agencies also from Bekasi. Why did Bekasi market not grow? Because the availability itself, since the digital printing is relatively new, now still in the growth stage.

Seasonality in Bekasi also happens, especially during the general election for country, province, regencies, municipalities, district, villages and also sub villages. For continuity and market assurance, now digital printing can support marketing activities of company starting from kiosk until international companies.

Marketing mix in this industry is relatively not complicated, it is only visibility of the signage and location, these two key marketing mixes that can drive sales. And since the industry is relatively new, the generated profit will be high as well as the return on asset (ROA).

The competition in Bekasi area is also relatively low, but in the near future it also will be the same as Jakarta. Concentration in Jakarta only in 4 big players, 2 players have A quality market and the rest of players are playing for B & C quality. The difference between A Vs B&C is only in the equipment. The A quality will use printer with the price ranging USD 300.000 – USD 500.000 with the length between 1.8 m until 5 m, where B&C quality, they will use printer with the price ranging USD 12.000 – USD 80.000 with the length of machine 3.2 m to 5 m. Beside the machine,

the ink is also different where high end is using echo solvent but medium market uses solvent base ink. Market share for digital printing is as follows:



(Source: Big's Image Marketing Unit)

Picture 4.7 Market Share

Power of supplier is also relatively low, because there are 30 suppliers for media of printing and ink, and only 4 digital players in Bekasi. Rivalry is relatively low in Bekasi in term of the number of players, but since Bekasi is near Jakarta area, so customers have inclination to order their printing in Jakarta area. Power of the buyers are relatively high since they are also the agencies that serve Jakarta area.

The environmental factor is more in the technological aspect as the driver. Printer head, speed of motor and software are the trilogy printing technologies that can give more benefit. The technology should follow Jakarta as benchmark, otherwise all consumer will still order to Jakarta for their orders, because their perception of Jakarta is always leading and Bekasi as the follower. Government regulatory relatively is trouble free.

4.2.2 Target Market

To determine the target market, there are several target market strategies that can be followed (Source: www.netmba.com/marketing/market/target date: September 11, 2008):

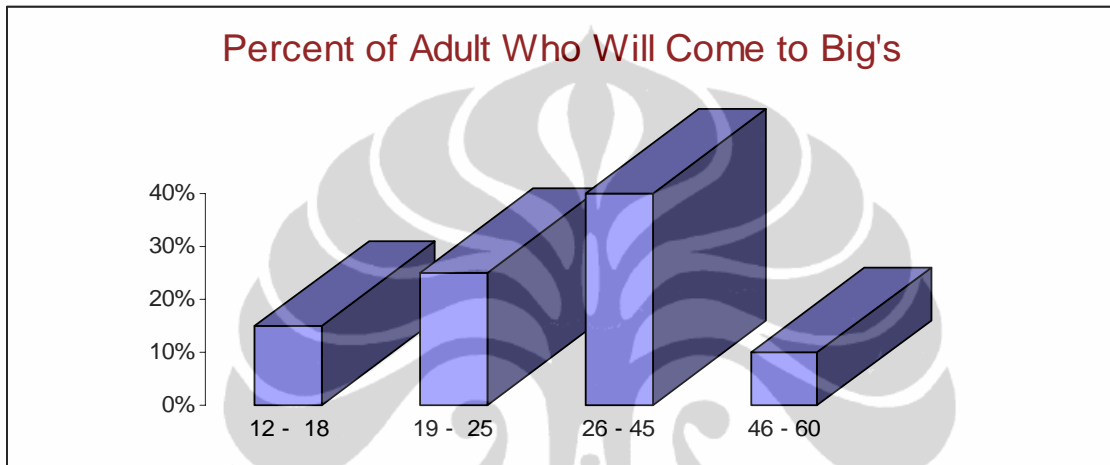
- A. **Single-segment** strategy - also known as a concentrated strategy. One market segment (not the entire market) is served with one marketing mix. A single-segment approach often is the strategy of choice for smaller companies with limited resources.
- B. **Selective specialization**- this is a multiple-segment strategy, also known as a differentiated strategy. Different marketing mixes are offered to different segments. The product itself may or may not be different - in many cases only the promotional message or distribution channels vary.
- C. **Product specialization**- the firm specializes in a particular product and tailors it to different market segments.
- D. **Market specialization**- the firm specializes in serving a particular market segment and offers that segment an array of different products.
- E. **Full market coverage** - the firm attempts to serve the entire market. This coverage can be achieved by means of either a mass market strategy in which a single undifferentiated marketing mix is offered to the entire market, or by a differentiated strategy in which a separate marketing mix is offered to each segment.

Big's Image will determine the target market based on market specialization where it will serve in Bekasi area and the details are as follows (Source: Big's Image marketing unit):

Geographic segmentation: Big's location will cover area for Bekasi, Cikarang, Karawang and Cikampek.

Demographic Segmentation: Age -----→ 12 years to 50 years
Income /SES----→ C to A- class

Product arrangement: B & C Quality



(Source: Big's Image Marketing Unit)

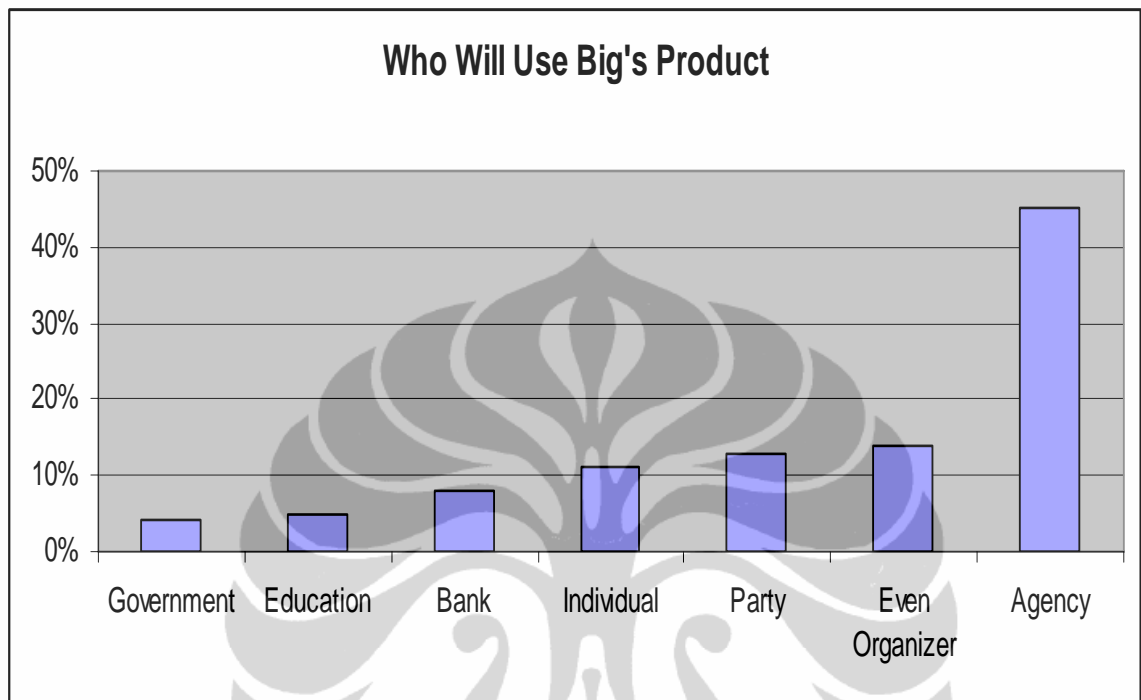
Picture 4.8 Graphic of Demographic Customer Based on Age

4.2.3 Customer Profile

Customers who will use Big's Image product will vary, and there are no boundary and limitation. For rough guidance, Big's customers will be:

- Agencies
- Event Organizers
- Legislative candidate from parties
- Individuals
- Bank
- Educational Institutions.
- Government Institutions.

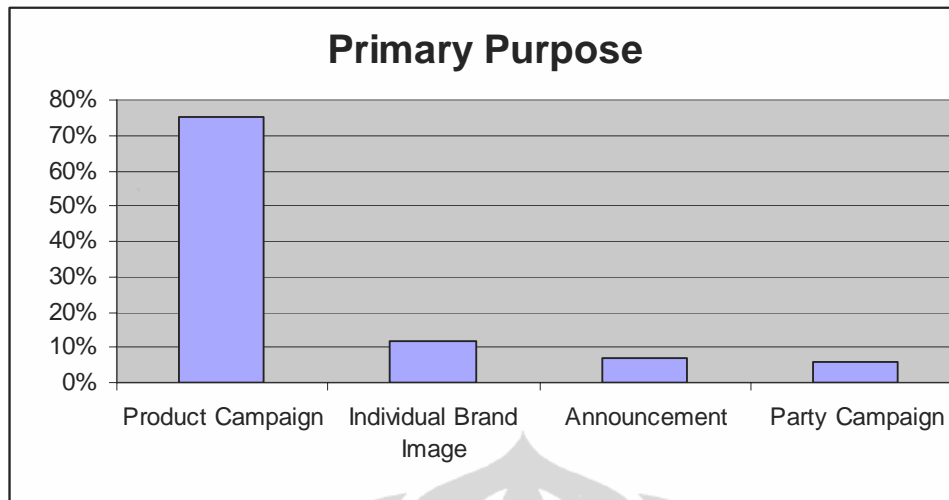
For detail number of the compositions can be seen in the Picture 4.9, where agencies will dominate the sales contribution.



(Source: Big's Image Marketing Unit)

Picture 4.9 Graphic of Big's Product Users

Purposes of the printing products can be classified as product campaign, individual brand, announcement and party campaign. There are changes of purposes in party campaign where it was used to party campaign will spend more money, but in 2008 where all candidates have obligation to finance their own campaign, and the party itself will spend very limited money, unless they have their own donator to promote and campaign their party platform. Primary purposes of Big's Images products can be seen in Picture 4.10.



(Source: Big's Image Marketing Unit)

Picture 4.10 Graphic of Primary Purpose of Printings Product

4.2.4 Major Competitors and Participants

Direct competitors of Big's Image are all printing companies, and to win the competition, Big's has to maintain good quality, reasonable price and services to the customers. Front desk or customer service has to give good services to get the first impression to maintain the customers and designer team could intimate the relationship to make customer more loyal.

To analyze strength, weakness and importance to the customer, Big's will use the following competitive analysis from SCORE (see Table 4.2). From this table, it shows that Big's Image started to give one stop shopping for printing by providing digital printing, screen printing and offset printing. One of the strength of Big's Image is the expertise of the operator to select appropriate ICC (International Color Certified) to produce matched color.. And one of the weakness is price is a bit higher, where for the customers with price sensitive can change their mind to other printing company.

4.2.5 Projected Market Growth and Market Share Objectives

Projected market growth is set at 20% every year, and Big's Images will project 30% comparatives sales for the following years. The demand will also increase

align with more product socialization. Market growth is not only in the commercial market but also for the individuals and family market, like for wedding, birthday party and reproduction of the old family photo.

4.2.6 Risk Factors of Failure and Anticipations

Some risk factors that may cause this business failure are:

1. Government regulation for solvent ink, most of them health issue.
2. Spare parts availability.
3. Non performing loan.
4. Computer bugs.
5. Operation risks, such as electrical short.

In the Table 4.2, to make better position in the printing industry competition, Big's Images will focus on ICC profile development, color matching and raw material selection. While the existing competitors are only focused on pricing war. Maintaining the quality of printing, of course it will increase the production cost, but it will develop brand image of the company.

4.2.7 Positioning Statement

“Fast and Friendly Printing Solution” is Big's Image positioning statement. This statement demonstrates that this company will provide fast services and keep maintaining personal touch to achieve customer satisfaction. And it is specific about the service that will be provided which is printing. Fast is also the attitude of the customer where they always have ideas and finished the execution plan on the last minutes. Solution is the keyword help them to solve their problem to execute their idea into picture, image and graphic. There are four elements of positioning statement (Source: www.brandeo.com/positioning+statement).

Table 4.2 Competitive Analysis

FACTOR	Big's Image	Big's Image Strength	Big's Image Weakness	Competitor A	Competitor B	Competitor C	Importance to Customer
Products	Digital, Offset, Screen printing	Digital, offset	Screen printing	Digital	Digital	Digital	One stop shopping
Price	Fair		A bit higher	Lower	Higher	Same	Lower Price
Quality	Excellent	Color match req.		Color does not match	Color does not match	Color match req.	Color Matching
Selection	Raw material	Depends on availability		Direct import	Depends on availability	Depends on availability	Consistency
Service	Fast			Slow	Slow	Fast	Fast
Reliability	Reliable			Untrustworthy	Reliable	Reliable	Reliable
Stability	Stable			Stable	Stable	Stable	Stable
Expertise	Excellent	ICC Profile		Standard	Standard	Standard	ICC Profile adjustment
Company Reputation	Excellent			Good	Good	Good	Excellent
Location	Excellent			Excellent	Good	Poor	Easy to be reached
Appearance	Good			Excellent	Good	Good	Excellent

(Source: www.counseling.score.org)

1. **Target Audience** - the attitudinal and demographic description of the core prospect to whom the brand is intended to appeal
2. **Frame of Reference** - the category in which the brand competes

3. **Benefit/Point of Difference** - the most compelling and motivating benefit that the brand can own in the hearts and minds of consumers *relative* to the competition
4. **Reason to Believe** - the proof that the brand delivers what it promises

From the all elements of positioning statement, Big's Images had concluded each element into the positioning statement. In term of frame of reference, Big's Image has drawn the horizon of the future picture that they will plan to make the positioning as company that will provide integrated printing solution.

4.2.8 Pricing Strategy

Big's Images pricing concept will use customized pricing to face the hardly competition. A customer can choose and direct comparison with other printing companies in term of pricing, quality of printings and services. In this situation customer can push the price as low as possible. To maximize sales and profit, Big's Image also will use non linier pricing strategy based on the following components:

1. Cost of goods sold.
2. Time of production.
3. Type finishing.

Table 4.3 Resolution impact towards passing, time and cost or good sold.

Res 240/720			Res 360/720			Res 360/720		
Passing	Sqm/hr	COGS	Passing	Sqm/hr	COGS	Passing	Sqm/hr	COGS
2	110	9000	2	60	7560	2	60	7560
3	85	9100	3	42	7644	3	42	7644
4	65	9200	4	30	7728	4	30	7728
6	50	9400	6	23	7896	6	23	7896
8	40	9700	8	18	8148	8	18	8148

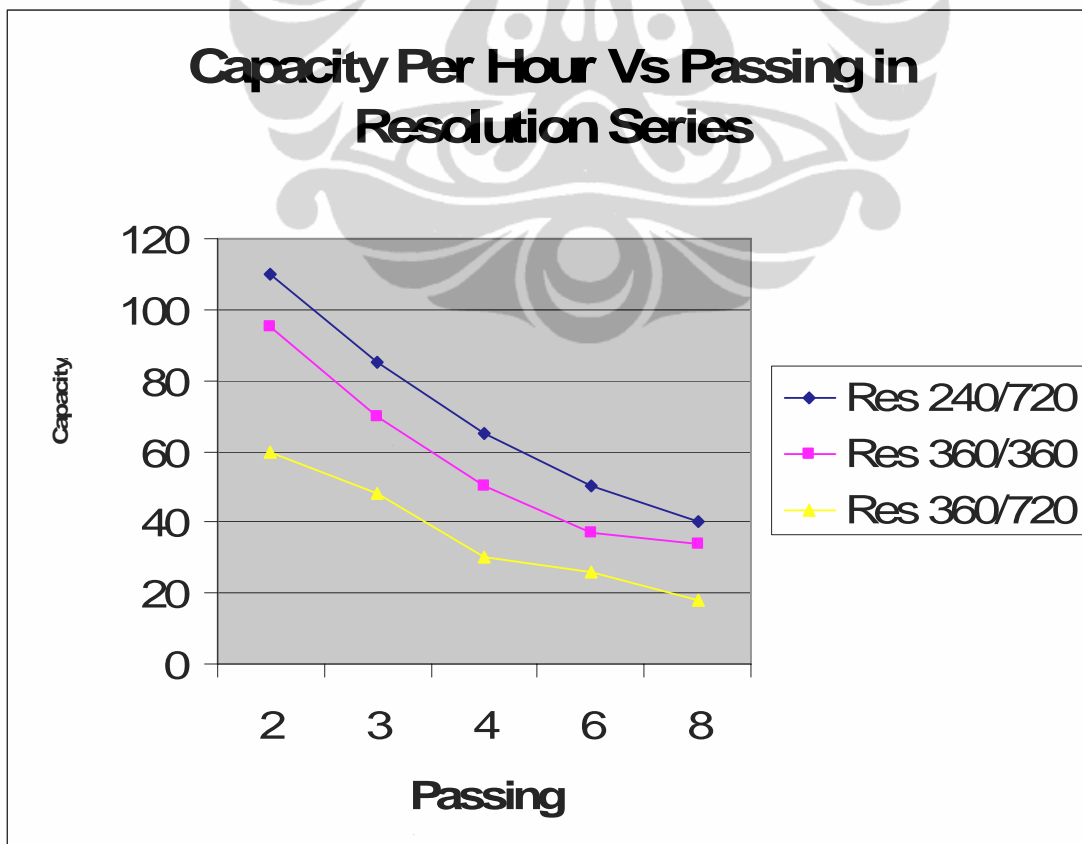
(Source: Big's Image Accounting Unit)

Resolution is indicated by dot per inch (dpi), and the largest part of printing output is influent by dpi. Dpi will impact to the density of injected ink and furthermore it has dramatic impact to the sharpness of image, color scheme, gradation and

brightness. It is more life if image has higher resolution. But if we put more resolution some time the image become blur because printing media has not sufficient absorbent coefficient. So the proper way to match the optimum dpi to printing media, we have to do color profiling. After we got proper color profile, then it has to be updated into computer for new standard of color profile digital image. Number of passing has almost the same impact with dpi where increasing number of passing.

In Picture 4.11, it will show that increasing number of passing will decrease the capacity of the machine and it also will give stronger color. For printing with playing with block area and gradation, it is advantages. But for image with face, skin and hair, it will be disadvantage.

Increasing the resolutions also will reduce the speed of machine, because the printer head will increase the number of dots per inches.



(Source: Big's Image Production Unit)

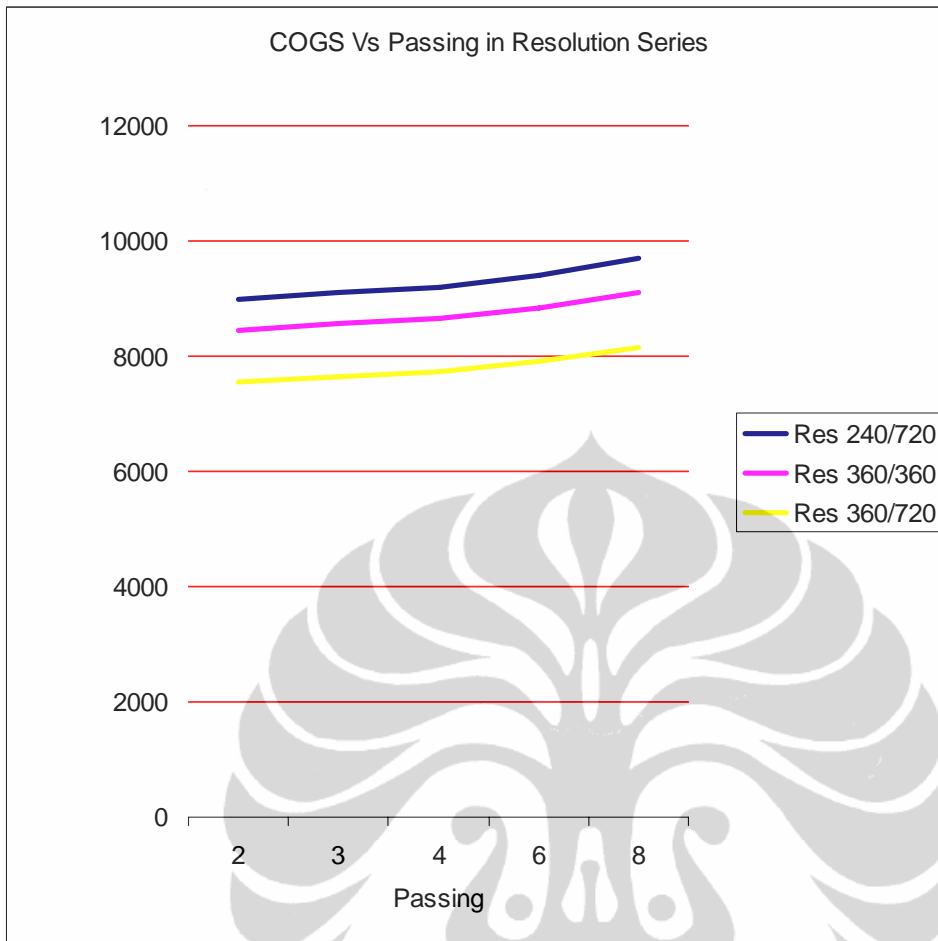
Picture 4.11 Graphic of Capacity per hour Vs number of passing

Picture 4.12 shows that number of passing and resolutions needed will have impact to ink consumption and it is related to cost of good sold. The strategy to maximize the profitability, the operator of the machine has to choose appropriate resolution and number of passing to get the best output printing.

Customers generally can be categorized into two types, first is sub agency where they get end user from their direct marketing. Second is the direct customer and most of them will print for their own purposes. Sub agent has more price sensitivity rather than direct customers, and they have more alternative to make purchase decision compare to direct customers when they feel agreed that price still does not meet their demand. So frontliner marketing has to be more accurate to judge whether the customer is sub agency or direct customers in order to make price decision better. Big's Images management will determine the price based on cost of good sold as the first consideration and followed by number of passing and the last is quantity of printing.

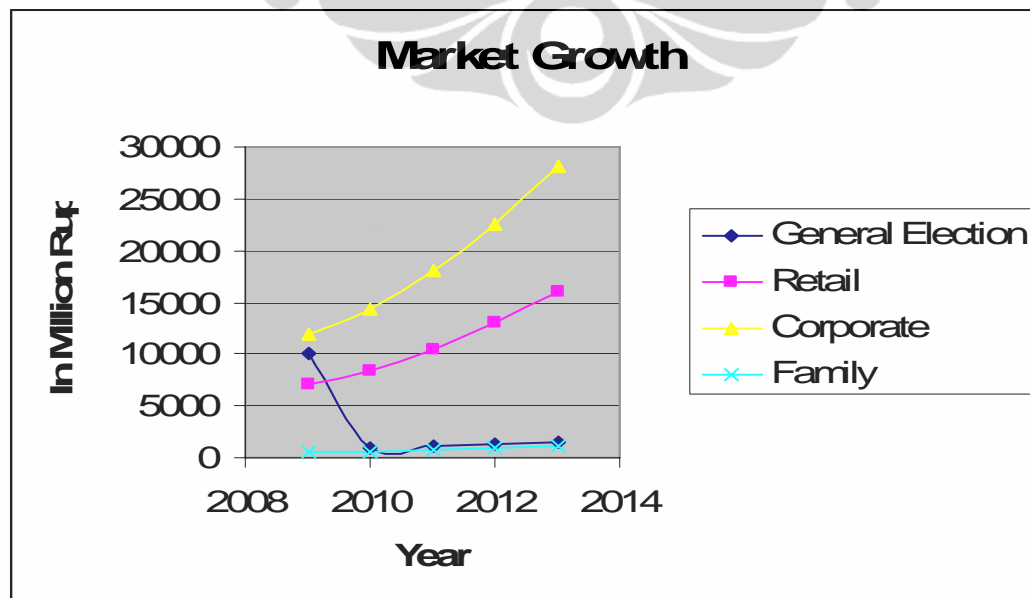
4.2.9 Market Segmentation

Market in Bekasi will grow very fast, especially in 2009 where the election will vote for parliament, local government and president. Retail will grow in line with corporate growth, general election will drop in total sales projection after presidential and parliament election but for local government election also will still grow. Family demand also will help growing the market but is not significant portion. For detail growth of each category can be fseen in Picture 4.13.



(Source: Big's Image Accounting Unit)

Picture 4.12 Graphic of Cost of good sold Vs Passing



(Source: Big's Image Marketing Unit)

Picture 4.13 Graphic of Sales Volume

To estimate sales volume in Bekasi area can be seen in the Table 4.4. In 2009 is predicted higher than 2010 because in 2009 there will be general election for parliament and president where the campaign budget is huge budget from individual candidate. They will promote with their own way to introduce the platform of the party, their background of organization, experiences and sometime they also promote their family clan. Compare to 2004 election where government gave budget to each party for their campaign. Now, they have to finance their own campaign.

The biggest portion of the sales pie came from corporate budget and year by year printing company earned positive comparable sales. The challenge in corporate market, they are very hard to change their mind to replace their existing supplier.

**Table 4.4 Sales Volume in Bekasi
(in Rp 000.000)**

Market	2009	2010	2011	2012	2013
General Election	10000	1000	1120	1250	1400
Retail	7000	8400	10500	13100	16000
Corporate	12000	14400	18000	22500	28100
Family	500	650	800	920	1050
Total Market Volume	29500	24450	30420	37770	46550

(Source: Big's Image Marketing Unit)

4.2.10 Promotion Strategy

Big's Images will use 'Pull' strategy rather than 'Push' strategy at the beginning, to reduce initial investment and burden of the wages. Big's Image will utilize their strategic location by installing big billboard to attract customers. And after 6 months of operations, Big's Images will change the promotion strategy into "Push" strategy. Promotion section of Big's Image has 5 categories:

1. Advertising: put ad in the local magazine to introduce their company, service, product offered and pricing.

2. Public relation and publicity: support activity local government, Islamic community, Parties and Betawi community.
3. Direct Marketing: send sales staff to marketing & communications company, advertising agency, retail company, supermarket chain, restaurant chain and consumer goods company.
4. Promotions and events: participate in local exhibition.
5. Website Promotion: utilize web social network (Friendster, Facebook, Moli, Flickr, Multiply etc), mailing list and search engine optimizer.

4.3 Production Analysis

There are six elements that will have significant impacts to produce quality of printing:

1. Equipment
2. Software of the printer
3. Layout
4. Cleanliness of Printing Area
5. People
6. Supply Chain (product)

1. Equipment: in the digital printing equipment are divided into outdoor machines, indoor machines, document and gimmick. *Outdoor printing* will use JETTEK, 3.2 m media printing, XAAR 128-360 dpi for print head, capacity 25 m² / hour for medium resolution, 12 m for high resolution and they base on number of passing head. *Indoor printing* will use EPSON Pro Stylus 9450, 1.10 m media printing, capacity 8 m²/ hour for medium resolution and 4.5 m²/ hour for high resolution and they are base on dpi (number of dots per inch). Document will use XEROX 3450, 32 x 29 cm² print area and capacity 1500 pages/ hour.

2. Software of the printer: Software that will be used for running printer is crucial, because software will give speed, ICC profile and capability to print longer area.
3. Layout: The first floor will be used for outdoor digital printing, outdoor material storage and aisle for customer access to second floor. The second floor will be customer service and cashier area, design area and storage for indoor material, ink and gimmick. Third floor will be used finishing area.
4. Cleanliness of printing area: Cleanliness in printing area has significant impacts to finish product of printing because when the image of the printing still wet, so dust will create unwanted spot.
5. People positioning in one shift with the maximum capacity will be 1 operator for out door printing, 1 helper, 3 designers, one cashier, 1 customer service, 2 finishing and for operating indoor, document and gimmick will be handled by designers.
6. Supply Chain: one of the key success parameter in the printing industry is the raw material product supply. Because from this point will start the product quality, efficiency in term of material usage and production capacity and on time delivery. Ink supply and vinyl are two materials that can be deliver the quality of product. Only good quality ink and vinyl can deliver the highest quality of printing at the same printer.

4.3.1 Costs

Costs in the production line consist of cost of goods sold that include vinyl, paper, ink and glue. Other expenses that related to the productions are labor and electricity. Below are the sample of production costs and capacity (source: Big's Image accounting unit):

Table 4.5 Production Capacity of Machines

Description	Prod/hr	Ops hr	Prod/day	Prod/mo	Price/m	Maximum Sales
JETTEK						
Standard Resolution	25	20	500	12500	18,000.00	225,000,000.00
High Resolution	12	20	240	6000	30,000.00	180,000,000.00
EPSON PRO 9450						
Standard Resolution	8	20	160	4000	120,000.00	480,000,000.00
High Resolution	4.5	20	90	2250	150,000.00	337,500,000.00
XEROX DOCU 3450						
Standard	1500	20	30000	750000	10,000.00	7,500,000,000.00

(Source: Big's Image Accounting Unit)

Table 4.6 Cost of Good Sold for All Machines

Description	Price/m	Maximum Sales	COGS/m	Profit
JETTEK				
Standard Resolution	18,000.00	225,000,000.00	11,000.00	87,500,000.00
High Resolution	30,000.00	180,000,000.00	14,000.00	96,000,000.00
EPSON PRO 9450				
Standard Resolution	120,000.00	480,000,000.00	80,000.00	160,000,000.00
High Resolution	150,000.00	337,500,000.00	90,000.00	135,000,000.00
XEROX DOCU 3450				
Standard	10,000.00	7,500,000,000.00	3,500.00	4,875,000,000.00

(Source: Big's Image Accounting Unit)

Maximum sales can be achieved at the following production matrix: Jettek with standard resolution, Epson with standard resolution and Xerox with standard resolution. But for profit analysis, company will generate profit with the following matrix: Jettek with high resolution, Epson with standard resolution and Xerox with standard resolution.

According to actual sales in the market, so sales composition base on the production mix analysis is as follows (Source: Big's Marketing Unit):

- Outdoor 75%
- Indoor 13.5%
- Document 11%
- Gimmick 0.5%

So all sales forces have to do 'suggestive selling' outdoor in high resolution to get maximum profit.

4.3.2. Investment

Investment in Big's Image at the beginning of the business can be divided into long term investment and inventory.

Long Term Investment:

- Building Renovation	Rp. 20.000.000.00
- Electrical Renovation	Rp. 17.000.000.00
- Outdoor Printer /Plotter 2 units	Rp. 426.100.000.00
- Indoor Printer	Rp. 186.000.000.00
- Docuprinter	Rp. 48.000.000.00

Long Term Investment (continued):

- Dye Ink Portable Printer	Rp. 900.000.00
- Sublime Ink Printer	Rp. 6.000.000.00
- Computer 8 units	Rp. 56.000.000.00
- Air Conditioner 4 units	Rp. 11.000.000.00
- Hot Press Sablon 6 units	Rp. 10.000.000.00
- Furniture	Rp. 19.000.000.00
- Electric Sign	Rp. 10.000.000.00
- Building Rent	Rp 90.000.000.00
Total Long Term asset	Rp. 800.000.000.00

And for initial inventories can be summarized at Table 4.7. The initial inventories is estimated only for 5 days for outdoor material, because ordering material has lead time only one day, so minimize space and maximize turn over, 5

days stock is enough. For indoor materials and documentation are estimated 15 days and one month, because turn over of indoor materials are relative slower than outdoor materials.

4.4 Financial Analysis

Financial analysis is prepared to make report and it is used to make business decision. It is usually using ratios that make use of information taken from financial statement. Base on this report, management may:

1. Continue or discontinue its main operation or part of its business.
2. Make or purchase certain materials in the manufacture its product.
3. Acquire or rent/lease certain machineries and equipments in the production its goods.
4. Make decision regarding investing or lending capital.

Table 4.7 Initial Inventory

Descriptor Qty	Per unit	Sub Total		Xaar print head ink			
Outdoor				Cyan	1	Rp 750,000	Rp 750,000
Flexy 300	480 Rp	6,000	Rp 2,880,000	Magenta	1	Rp 750,000	Rp 750,000
Flexy 320	480 Rp	6,500	Rp 3,120,000	Yellow	1	Rp 750,000	Rp 750,000
Flexy 340	480 Rp	7,000	Rp 3,360,000	Black	1	Rp 750,000	Rp 750,000
Flexy 440	160 Rp	8,400	Rp 1,344,000	Hole punct	2	Rp 125,000	Rp 250,000
Flexy 300	160 Rp	6,000	Rp 960,000	Glue	1	Rp 650,000	Rp 650,000
Flexy 320	160 Rp	6,500	Rp 1,040,000	Cutter	3	Rp 12,000	Rp 36,000
Flexy 340	160 Rp	7,000	Rp 1,120,000	Scissor	2	Rp 15,000	Rp 30,000
Flexy 440	160 Rp	8,400	Rp 1,344,000	Metal Rule	4	Rp 30,000	Rp 120,000
Banner Prt	160 Rp	10,000	Rp 1,600,000				Rp 4,086,000
One way v	36 Rp	16,000	Rp 576,000				
Sticker vin	36 Rp	12,000	Rp 432,000				
			Rp 17,776,000	Indoor			
				Photopape	36	Rp 16,000	Rp 576,000
				Photopape	36	Rp 16,000	Rp 576,000
				Kanvas	15	Rp 30,000	Rp 450,000
				Sticker ma	36	Rp 11,000	Rp 396,000
				Paper mat	36	Rp 11,000	Rp 396,000
							Rp 2,394,000
				Indoor ink			
				Cyan	1	Rp 625,000	Rp 625,000
				Magenta	1	Rp 625,000	Rp 625,000
				Yellow	1	Rp 625,000	Rp 625,000
				Black	1	Rp 625,000	Rp 625,000
			Rp 7,200,000				Rp 2,500,000

4.4.1 Buy or Lease Analysis

This chapter will analyze investment for equipment selection and procurement in terms of its financial benefit especially for decision that will give the lowest cash out flows needed.

The company in its initial plan has decided to provide printing machine that fit with its capacity as new company that has a class B machine where the price of printing machines are about between USD 12,000 and USD 80,000 or IDR 120 million and IDR 800 million. This plan of printing machine acquisition is also in line with the company's strategy that will start with small to medium target market of customers around Bekasi.

The company has some options to finance the printing machines such as using loan, lease or directly use its own money (buy). This chapter will analyze the financing through leasing or directly buying the machine.

Buy or lease is heavily concerning on the least costly of the decision of investment. The least costly decision in term of money is shown on how much money spent on the investment including benefit capitalized from the decision such as tax shield on the depreciation and/or interest expenses for tax deductible aspect.

4.4.2 Leasing

Leasing is one of financing alternatives that can be used as it gives some benefits to the company. Leasing has grown tremendously in popularity and today is the fastest growing form of capital investment. The type of lease in this option is financial/capital lease.

In accordance to Indonesian Generally Accepted Accounting Principles (Indo GAAP)/PSAK No.30, the lease to be treated as capital lease, the lease must be non-cancellable and meet one or more of the following criteria:

- The lease transfers ownership of the property to the lessee.
- The lease contains a bargain purchase option.
- The lease term covers almost all of the estimated economic life of the leased property.
- The present value of the minimum lease payment will be equal or exceed the fair value of the lease property.
- The leased property is specific and only lessee that used the property without any material modification.

Meanwhile, operating lease are those that do not meet the above criteria and treated as common rental activity where the company only pay rental payment based on agreed schedule of using the property.

Some of the benefits that can be derived from financing through leasing are as follows (Source: Donald, Kieso and Jeery 1998):

- **Full Financing at Fixed rate:** Leases are often signed without requiring any money down from the lessee, which helps to conserve scarce cash- especially desirable feature for new and developing companies. In addition, lease payments often remain fixed, which protects the lessee against inflation and increases in the cost of money. Meanwhile if using loan, conventional bank mostly came up to 80% of the purchase price and wouldn't go any higher.
- **Flexibility:** Lease agreement may contain less restrictive provisions than other debt agreements. For instance, rental payments can be structured to meet the timing of cash revenues generated by the equipment so that payment are made when the the equipment is productive.
- **Less Costly Financing:** Some companies find leasing cheaper than other forms of financing. For example, start-up companies in depressed industries, or

Companies in low tax brackets may lease as a way of claiming tax benefit that might otherwise be lost.

Especially in Indonesia, currently is not easy to get loan from bank for medium and long term period as well as new company, bank never give loan to company that has than two years operations, even they have collateral. So in the beginning of operations leasing is one of the best alternatives for financing with interest higher than bank. Bank rate is about 7% and leasing rate about 9.5%.

4.4.3 Buy or Lease Decision Analysis

The analysis is started using the company plan. It plans to provide a printing machine with price about Rp 800 million and the useful economic life of the machine will be for 3 (three) years. The borrowing interest rate applicable for the leasing is 16% and the corporate tax rate is at 30%.

Based on the calculation result (See the calculation of investment analysis below), it is noted that the net present value (NPV) of the cash out flow from the financing using the company own fund or directly buy the printing machine is lesser than that using the leasing for amounting to Rp 68,162,819.26. It means that, in terms of financial cash flow approach, it is noted that buy the machine give more benefit to the company, rather than purchase the machine through leasing.

However, the company is just started the business, where it still needs much working capital to finance its operational activities from their own money. It is not easy for a new company to get loan from a bank to finance its operational activities as its reputation has not been established yet to convince the bank to give them loan.

Table 4.8 Calculation Leasing Tax Benefit

Assumption	
Cost	800,000,000.00
Borrow – Before tax inter	0.16
Interest lease before tax	384,000,000.00
Cost + Inetest (3 years)	1,184,000,000.00
Lease Payment	394,666,666.67
Depreciation period	3.00
Depreciation expense	266,666,666.67
Residual value	-
Corporate tax	0.30
After tax interest rate	0.11
Interest lease after tax	44,202,666.67
Depreciation Tax benefit	80,000,000.00
Leasing Tax benefit	118,400,000.00

Table 4.9 NPV Comparison BUY Vs LEASE

Year		0	1	2	3
BUY	Cost	(800,000,000.00)			
	Depreciation		266,666,666.67	266,666,666.67	266,666,666.67
	Depreciation tax benefit		80,000,000.00	80,000,000.00	80,000,000.00
	NPV	800,000,000.00			
LEASE	Leasing	-			
	Lease payment		(394,666,666.67)	(394,666,666.67)	(394,666,666.67)
	Lease tax benefit		118,400,000.00	118,400,000.00	118,400,000.00
	Lease instead of buying	800,000,000.00	(356,266,666.67)	(356,266,666.67)	(356,266,666.67)
		1.00	1.11	1.24	1.38
	NPV	(867,594,596.75)	(320,383,693.05)	(288,114,831.88)	(259,096,071.83)
NPV BUY Vs LEASE		(67,594,596.75)			

Therefore, a justification on financing decision making should be made especially by considering the aspect of financing easiness and other aspect outside the investment financing such as operational financing to get an integrated financing decision. Integrated decision making can help the company to plan its financing decision and maintain it going concern and achieve its goals, in turns.

Given the fact that the company is new and just started the business, the economic environment instability or crisis where the interest borrowing rate become higher and the analysis of financing decision between buying or leasing decision through the calculation result analysis, we conclude that:

- The company in terms of total cash benefit (Table 7.2), can choose the buying option as its give lesser cash out flow. However, by considering of fund scarcity and the status as the new company has driven the company to allocate some of its own fund as working capital to finance its operational activity cost. Therefore, the company can still choose the leasing option as the financing decision in order to provide enough working capital to support operational cost.
- Through leasing, the company can arrange the leasing payment as flexible as possible to avoid financial distress. The rental payments can be structured to meet the timing of cash revenues generated by the equipment so that payment are made when the the equipment is productive.
- It is easier to the company getting financing through leasing rather than obtain loan from bank. In addition, the company can get 100% financing for printing machine from leasing, meanwhile, if the company seek loan from the bank, the company will obtain the loan at 80% of the investment asset, and the rest 20% of fund will be financing by the company and it give risk of inflation due to the loan is set on floating interest rate.

4.4.4 Four Years Income Statement

Sales comparable will increase due to the company growth and product differentiation. The initial product is only digital printing, but later on to meet customer demand, Big's Images will provide offset printing, screen printing and signage manufacturing. The biggest components of operating expense are cost of good sold, wages and depreciation. Income statement will increase every year, it means that differentiation will contribute revenue and net income.

Table 4.10 Income Statement

all in number Rp 000,-				
	2009	2010	2011	2012
Revenue	2,500,000	4,775,000	6,406,250	8,882,813
Digital Printing	2,500,000	3,125,000	3,906,250	4,882,813
Offset		600,000	900,000	1,500,000
Screen Printing		450,000	650,000	900,000
Signage Manufacturing		600,000	950,000	1,600,000
Cost of Sales				
Cost of Goods Sales	1,375,000	2,626,250	3,523,438	4,885,547
Gross Profit	1,125,000	2,148,750	2,882,813	3,997,266
Operating Expenses				
Wages	240,000	458,400	615,000	852,750
Payrol taxes	36,000	68,760	92,250	127,913
Rent	25,000	50,000	50,000	60,000
Electricicty	36,000	68,760	92,250	127,913
Depreciation	266,666	266,666	266,666	133,333
Office supplies	6,000	8,000	9,000	10,000
Outside service	1,000	1,200	1,600	2,000
Transportation	50,000	60,000	100,000	120,000
Interest expense	44,240	44,240	44,240	44,240
Maintenance and Repair	60,000	75,000	90,000	110,000
Total Operating Expenses	764,906	1,101,026	1,361,006	1,588,148
Operating Income	360,094	1,047,724	1,521,807	2,409,117
Other Income				
Interest Income	0	80,000	112,000	240,000
Income before tax	360,094	1,127,724	1,633,807	2,649,117
Tax on Income (30%)	108,028	338,317	490,142	794,735
Net Income	252,066	789,407	1,143,665	1,854,382
Deviden	0	0	0	0
Retained earning	252,066	1,041,473	2,185,137	4,039,519

The growths of net income from first year to fourth years are 10%, 15%, % and 20% and growth of net profit are 91%, 45% and 67%. The highest incremental growth of profit is in the second year where the company starts doing product differentiation. New product development will induce the customer to buy.

Net income will be used for reinvesting of the equipment, developing new product and developing new facilities. Until fourth years, Big's Images has no plan to pay dividend.

4.4.5 Four Years Balance Sheet

Refer to the balance sheet (see table 4.10), it shows that sales composition 90% cash sales, 10% credit sales because 90% sales came from advertising agencies where they always pay in cash to get good price. The advertising agencies negotiated published price when they have more than 50m² for outdoor printing, 10 m² for indoor printing and 10 boxes name cards. The rest of sales composition 10% came from corporation that will pay the account payable within one and two month.

The following tools are used for investment analysis:

a. $ROE = \text{Net Income} / \text{Average Equity}$

Year			
1	2	3	4
56%	93%	63%	56%

$ROA = \text{Net Income} / \text{Average Total Asset}$

Year			
1	2	3	4
14%	39%	41%	45%

$\text{Profit Margin} = \text{Net Income} / \text{Sales}$

Year			
1	2	3	4
10%	17%	18%	21%

ROE in the second year will be almost twice from the first year because in the second year there is an incremental sales almost 100% compares to the last year and it will follow through the bottom line (operating income). ROA shows that CV Big's Image can utilize asset to generate good profit and it can be showed in ROA figure above. The profit margin shows that operations of Big's Images improve from year to year, it is represented by incremental of the profit margin trend within the four years.

In the beginning of the fourth year, Big's Images will invest new machine to replace the existing one. If the output of the printing from existing machine still acceptable to the customers, so existing machine will be kept to add the production capacity

Tabel 4,10 Four Years Balance Sheet

Description	YEAR			
	2009	2010	2011	2012
Assets				
Current Asset				
Cash and Bank	545,093,800	241,093,600	330,011,483	785,587,587
Deposito		1,000,000,000	1,400,000,000	3,000,000,000
Account Receivable		170,000,000	240,000,000	350,000,000
Inventory	400,000,000	401,362,667	600,000,000	600,000,000
Prepaid Expense				
Other Asset				
Total Current Asset	945,093,800	1,812,456,267	2,570,011,483	4,735,587,587
Non Current Asset				
Fixed Asset	800,000,000	533,333,333	666,666,667	266,666,667
Total non current Asset	800,000,000	533,333,333	666,666,667	266,666,667
Total Asset	1,745,093,800	2,345,789,600	3,236,678,150	5,002,254,254
Liability				
Current Liability				
Account Payable				
Tax Payable	108,028,000	314,317,000	456,541,000	762,735,000
Total Current Liability	108,028,000	314,317,000	456,541,000	762,735,000
Non Current Liability				
Leased Payable	1,185,000,000	790,000,000	987,000,000	197,333,333
Total liability	1,293,028,000	1,104,317,000	1,443,541,000	960,068,333
Equity				
Share Capital	200,000,000	200,000,000	200,000,000	200,000,000
Retained Earning	252,065,800	1,041,472,600	1,593,137,150	4,039,519,254
Total Equity	452,065,800	1,241,472,600	1,793,137,150	4,239,519,254
Total Liability & Equity	1,745,093,800	2,345,789,600	3,236,678,150	5,002,254,253

Other financial parameters that will support investment decision is NPV and the calculations are as follow:

b. NPV

Assumption:

- $r = 10\%$

- initial investment = Rp 800.000.000,-

Net cash flow (net income + depreciation) from income statement:

NCF1 = Rp 518.732.000,- (net cash flow 1st year)

NCF2 = Rp 1.056.073.000,- (net cash flow 2nd year)

NCF3 = Rp 1.410.331.000,- (net cash flow 3th year)

NCF4 = Rp 1.987.715.000,- (net cash flow 4th year)

$$\begin{aligned}
 NPV &= -800.000.000 + \frac{NCF1}{(1+r)} + \frac{NCF2}{(1+r)^2} + \frac{NCF3}{(1+r)^3} + \frac{NCF4}{(1+r)^4} \\
 &= -800.000.000 + \frac{518.732.000}{(1+10\%)} + \frac{1.056.073.000}{(1+10\%)^2} + \\
 &\quad \frac{1.410.331.000}{(1+10\%)^3} + \frac{1.987.715.000}{(1+10\%)^4}
 \end{aligned}$$

$$NPV = 2.961.600.793$$