

CHAPTER 4 ANALYZING

4.1. Investment Requirement Planning

Primary factor to determine as such a project is predicting fund need early that will be invested during project in execution. Manufacturing plant which to use is the building ex warehouse of Olympic, so it will not need investment for building and area again. Thus the expense for factory expansion is the as high as Rp. 3.9 Billion as shown in table 4.1. below :

Table 4.1. The expense for factory expansion

Description	Cost (Rp)	Age (Year)	Depreciation (Monthly)
Machine	1,451.44	5	24.19
Factory Equipment	730.88	5	12.18
Inventories Office	120.85	4	2.52
License	50.00	5	0.83
Lay out	550.00	5	9.17
Electricity Install	1,000.00	5	16.67
Expedition for machine	10.00	5	0.17
TOTAL	3,913.17		65.72

Source : Olympic Group 2008

For its detail we can see in appendix 15 Investment Projection.

4.2. Revenue Projection

The revenue of the company is received from the selling the product based on Internal Transfer Price (ITP) which has been decided by Top Management Policy of Olympic Group as follows:

Year 2009	ITP as 1.15 %
Year 2010	ITP as 1.14 %
Year 2011	ITP as 1.13 %
Year 2012	ITP as 1.12 %
Year 2013	ITP as 1.11 %
Year 2014, up	ITP as 1.10 %

Internal Transfer Price (ITP) is the selling price of the product from manufacture to marketing side which calculated based on percentage of production cost. In the beginning, we assume based on production trial that the capacity of production is not full capacity instead of will be run step by step according to the increment of capacity based on capacity bellow :

January 2009	Production Capacity : 60 %
February 2009	Production Capacity : 70 %
March 2009	Production Capacity : 80 %
April & May 2009	Production Capacity : 90 %
June 2009	Production Capacity : 100 %

And the company will forecast that the capacity increase as 6 % every year.

4.3. Operational Cost

Operational cost is expense that released by company to the operational activities that have the character of variable cost and fixed cost. The element of operational cost included are :

4.3.1. Manpower Requirement

We need manpower to do operational activities based on the skill of respective manpower. Here the detail of manpower planning in table 4.3 below.

Table 4.2. Manpower Planning

DESCRIPTION	STAFF	OPERATOR				TOTAL
		N-shift	Shift I	Shift II	Shift III	
Unit Head	1					1
Secretary/Cashier/Personnel	1					1
- Financial Control	1					1
- Security			2	1	1	4
- Office Boy	1					1
Cleaner In/out door		2				2
Total						10
- Laminating SB II			4	4		8
- Auto Running Saw			2	2	2	6
- Manual Running Saw			2	2	2	6
- Radial Arm Saw			1	1	1	3
- E/B Manual			4	4		8
- E/B Straight			6	6		12
- Vertical Drill MTB			2	2	2	6
- Trough feed Drill			2	2	2	6
- Automatic Double Bradawl			1	1	1	3
- Automatic Double Drill			2	2	2	6
- Multi Drill MZ 42			2	2	2	6
- Drill Engel			3	3	3	9
- Router			2	2		4

- Spindle Molder			1	1		2
- Finishing			14	14		28
- Packing		10				10
- Kitting		8				8
Total						131
- Production			1	1		2
- Mat'l Planer/Purch/C.Cont	1					1
- Scheduling/Prod.Cont	1					1
- Dispatching/Doc.Cont	1					1
- W/H Mat'l/FG/Tooling		1				1
- Laminating & Cuting		1				1
- Finishing/Packing			1	1		2
- Incoming Mat'l + Acc	1					1
- QC Line			1	1	1	3
- Fin-Pack/Outgoing		2				2
- Technician		1	1	1		3
- F/Lift Driver			1	1		2
Load Bongkar		4				4
Total						24
						165

Source : Olympic HR Dept. 2008

4.3.2. Operating Expense

And entire operating expenses in table 4.4. as follows :

Table 4.3. Operating Expense

MANUFACTURING IN SURABAYA		BUDGET GENERAL AND ADMINISTRATION EXPENSE IN 2008 (Million rupiah)			
		NOP Rp	DEC Rp	TOTAL Rp	% TOTAL
1	Salary	13.50	13.50	27.00	15.77%
2	Fee	2.42	2.50	4.91	2.87%
3	Subsidy Transport + TPKD	2.70	2.70	5.40	3.15%
4	Meal allowance	1.92	1.92	3.84	2.24%
5	Housing allowance	1.10	1.10	2.20	1.28%
6	Phone allowance	0.30	0.30	0.60	0.35%
7	THR			-	0.00%
8	Baby allowance	0.50	0.50	1.00	0.58%
9	ATK, FC, Printed matter	1.50	1.50	3.00	1.75%
10	Delivery of document & stamp	1.00	1.00	2.00	1.17%
11	Administration [of] Bank of	3.00	3.00	6.00	3.50%
12	Contribution	1.00	1.00	2.00	1.17%
13	Transport Tour of duty	2.50	2.50	5.00	2.92%
14	Fire insurance	1.14	1.14	2.28	1.33%
15	Entertainment	0.50	0.50	1.00	0.58%
16	PPH 21	5.00	5.00	10.00	5.84%
17	Purchasing Sample	1.50	1.50	3.00	1.75%
18	Recruitment, Training	1.00	1.00	2.00	1.17%
19	Health insurance	1.00	1.00	2.00	1.17%

20	Uniform			-	0.00%
21	Maintenance Office supplies	0.50	0.50	1.00	0.58%
22	Product development	5.00	5.00	10.00	5.84%
23	Consumption	2.50	2.50	5.00	2.92%
24	Clean water	2.50	2.50	5.00	2.92%
25	Administration (car)			-	0.00%
26	Maintenance (car)		0.50	0.50	0.29%
27	Hygiene	2.00	2.00	4.00	2.34%
28	Security supplies	1.00	1.00	2.00	1.17%
29	Rent Warehouse	28.98	28.98	57.96	33.85%
30	Depreciation	1.26	1.26	2.52	1.47%
	TOTAL	85.32	85.90	171.21	100%

Source : Olympic Finance & Accounting Dept. 2008

4.4. Capital Budgeting.

The resource of the capital for this factory expansion project comes totally from the Olympic Group itself (all equity finance) as Rp. 3,913,171,000.

Formula : $Re = R_F + \beta X (R_M - R_F)$

Re = Cost of Equity

R_F = Risk – Free Rate

β = The company beta

$R_M - R_F$ = Market Risk Premium

Based on data from SBI (Interest Rate from Bank Indonesia), given $R_F = 9.56$ %.(See App.1) Based on data from Damodaran given the market risk premium for Indonesia = 12.88 % (See App.2) And to determine the value of β , Writer estimate the firm's beta by involving the whole industry and choose one of the beta of the furniture industry, as $\beta = 1.08$ (See App.3)

$$\begin{aligned} \text{So: } R_e &= 9.56 \% + (12.88 \% \times 1.08) \\ &= 23.47 \% \end{aligned}$$

Finally, it is found that the cost of equity is 23.47 %, so that the discount rate for this project is 23.47 %.

4.5.Assumption

All calculation is done in Rupiah which following by some assumptions below :

1. Salary and the costs will increase as 5 % per year
2. Output will increase 6.0 % per year.
3. Interest Rate in domestic is 9.56 %

4.5.1. Depreciation

The calculation of depreciation yearly according to straight line method for 5 years. This depreciation can be seen in appendix 4.

4.5.2. Project Period and Preparation

The project preparation assume in 3 months since in the middle of the year 2008 and the project period assume as 10 years.

4.6. Profit (Loss) Projection

In appendix 8 tell us that in the first year, the company has already receive profit Rp. 749 million.

4.7. Cash Flow Projection

The cash flow projection tell us the cash flow which will be invested with some assumptions so that the company can see whether the project feasible or not. As we have known that Net Present Value (NPV) is one of the main indicator, and the following by Internal Rate of Return (IRR). If Net Present Value is negative so that better this project is rejected.

Based on project analysis in table 4.5, we get positive Net present value as Rp. 231 million, and Internal Rate of Return as 26 %. It means that the sum of present values of the cash in flows generated by investment exceeds the present value of cash out flows, so that it shows that this project is feasible. And also Internal rate of return shows that rate of return earned on money greater than the cost of capital. Based on this criteria of IRR, this project is feasible.

In term of payback period we get result 2.06 years meanwhile the project period is ten years, so that based on the criteria of payback period, this project is accepted feasible. The calculation of payback period can be shown in table 4.5, in the first year until the second year we get negative cash flow, it means that there is still no return of investment. And in year 3, we get the positive cumulative of cash flow as Rp. 67.05 million, as the calculation below :

$$\begin{aligned} \text{Payback period} &= 2 \text{ years} + (\text{Rp. } 67.05 \text{ million} / \text{Rp. } 1157 \text{ million}) \\ &= 2.06 \text{ years} \end{aligned}$$

Profitability index measures the rate of feasible of investment based ratio between net present value of cash inflows and initial investment cash outflows. The calculation of profitability index as shown below :

$$\begin{aligned} \text{Profitability index} &= \text{Rp } 9,679 \text{ million} / \text{Rp. } 3,913 \text{ million} \\ &= 2.47 \end{aligned}$$

The result of profitability index is 2.47 so that based on this criteria, we can determine the project is feasible to invest. The projection of cash flow can be seen in appendix 9.

Table 4.4 The summary of NPV, IRR , Payback Period and Profitability Index
(in million Rupiah)

Year	Cash flow	PV (23.47%)	Cumulative
2008	(3,913)	(3,913)	(3,913)
2009	1537	1245	(2,375.63)
2010	1286	844	(1,089.66)
2011	1157	615	67.05
2012	1006	433	1,073.11
2013	832	290	1,904.94
2014	632	178	2,536.57
2015	698	160	3,234.45
2016	768	142	4,002.56
2017	842	126	4,844.98
2018	921	112	5,765.88
NPV	231		
IRR	26%		
Payback period	2.06		
Profitability Index	2.47		

Source : Writer analysis

4.8. Real Option

In previous calculation, we stressed the superiority of net present value (NPV) analysis over other approaches when valuing capital budgeting project. Now, we will get the value of the project by calculate some adjustments due to uncertainty factors after a project is accepted. This adjustment are called real option.

We assume the NPV calculation for the to forecast are given here based on history data of production order (demand) as follows :

Optimistic forecast : Production order (demand) increase up to 8 % yearly

Pessimistic forecast : Production order (demand) increase only at 4 % yearly

The projection of cash flow can be seen in appendix 10 and attachment 11. And the calculation of cash flow can be shown in table 4.6 and table 4.7 .

Table 4.5. Calculation of Cash flow if production order increase up to 8%yearly
(in million Rupiah)

Year	Cash Flow	PV (14.48%)	Cumulative
2008	(3,913)	(3,913)	(3,913)
2009	1537	1245	(2,375.63)
2010	1407	923	(969.02)
2011	1406	747	436.95
2012	1392	599	1,828.81
2013	1362	475	3,190.70
2014	1313	371	4,504.05
2015	1573	360	6,077.38
2016	1861	345	7,938.50
2017	2179	327	10,117.75
2018	2530	307	12,648.18

NPV	1,784
IRR	36 %
Payback period	2.31
Profitability Index	4,23

Source : Writer analysis

Table 4.6. Calculation of Cash flow if production order increase at 4% yearly
(in million Rupiah)

Year	Cash Flow	PV (23.47%)	Cumulative
2008	(3,913)	(3,913)	(3,913)
2009	1537	1245	(2,375.63)
2010	1165	764	(1,210.30)
2011	912	485	(298.20)
2012	635	273	336.35
2013	331	115	667.31
2014	(1)	0	666.75
2015	(99)	(23)	567.99
2016	(208)	(38)	360.07
2017	(329)	(49)	31.04
2018	(463)	(56)	(432.13)
NPV	(1,197)		
IRR	~		
Payback period	3.53		
Profitability Index	0.89		

Source : Writer analysis

Those above cash flow both optimistic and pessimistic reflected that there is a 50 percent probability will be optimistic and 50 percent probability will be pessimistic condition.

So, we will get the true NPV of the project by an average of the two forecast as below :

$$\begin{aligned} \text{The true NPV} &= 50\% \times 1,784 + 50\% \times (1,197) \\ &= 892 + (598.5) \\ &= 293.5 \end{aligned}$$

Based on the average of the forecast, we get the positive NPV : 293,500,000.

When we conduct the further investigation, reveals there is no option to expand to some other locations both optimistic forecast and also pessimistic forecast.

$$\begin{aligned} \text{The NPV} &= (50\% \times 1,784 + \text{no option}) + (50\% \times -1,197 + \text{no option}) \\ &= 892 + 0 + (595.5) + 0 \\ &= 293.5 \end{aligned}$$

Even though, the project get positive NPV, we still can increase it by one of real option to expand by launching new product for special new segment still in Surabaya (student and new adult). We turn out optimistic forecast to increase the production capacity become 100% starting March in year 2009 and get new cash flow which result positive NPV= Rp. 2,119 million as we can see in appendix 15.

And then we can calculate the true NPV of the project would be :

$$\begin{aligned} \text{The true NPV} &= (50\% \times 2,119) + (50\% \times -1,197) \\ &= 1059,4 + (598.5) \\ &= 460.9 \end{aligned}$$

Finally, we can compare the summary of real option analysis in next table 4.8.

Table 4.7. Summary NPV using Real Option

Description (Rp million)	Optimistic (increase 8%)	Pessimistic (increase 4%)	Average	Real Option	New Average
NPV	1,784	(1,197)	293.5	2,119	460.9

Source : Writer analysis

4.9. Sensitivity Analysis

This project will always face uncertainty and risk in the future to the return of investment. And this project will be sensitive to the change of capacity of production in the beginning of production in the first year.

The purpose of sensitivity analysis is to know the possibility of condition where the capacity of production order not maximum. It can be happened if the condition of the company not same as predicted as before.

Writer will analyze sensitivity of increment of production capacity in the beginning first year by calculating back Net present value. The condition will estimated happen as follows :

Scenario 1 : Optimistic : Decrease of production capacity :

January 2009 : Production Capacity : 55%

February 2009 : Production Capacity : 65%

March 2009 : Production Capacity : 80%

April 2009 : Production Capacity : 90%

May, up : Production Capacity : 100 %

The projection of cash flow can be seen in appendix 12. And the calculation of cash flow can be shown in table 4.9.

Table 4.8. Summary of NPV, IRR , Payback Period dan Profitability Index

(in million Rupiah)

Year	Cash flow	PV (23.47 %)	Cumulative
2008	(3,913)	(3,913)	(3,913)
2009	1539	1247	(2,373.8)
2010	1286	844	(1,087.82)
2011	1157	615	68.89
2012	1006	433	1,074.96
2013	832	290	1,906.81
2014	632	178	2,538.45
2015	698	160	3,236.34
2016	768	142	4,004.46
2017	842	126	4,846.9
2018	921	112	5,767.81
NPV	233		
IRR	25.7 %		
Payback period	2.06		
Profitability Index	2.47		

Source : Writer analysis

The projection in scenario 1 get result positive net present value as Rp. 233,000,000.00 IRR 25.7 %, payback period 2.06 years and profitability index 2.47.

Based on the analysis of sensitivity in scenario 1, the project is accepted to invest.

Scenario 2 : Normal : Decrease of production capacity :

January 2009 : Production Capacity : 50%

February 2009: Production Capacity : 65%

March 2009 : Production Capacity : 80%

April 2009 : Production Capacity : 90%

May, up : Production Capacity : 100 %

The projection of cash flow can be seen in appendix 13.

The calculation of cash flow can be seen in the below table 4.10.

Table 4.9. Summary of NPV, IRR , Payback Period dan Profitability Index

(in million Rupiah)

Year	Cash flow	PV (23.47%)	Cumulative
2008	(3,913)	(3,913)	(3,913)
2009	1517	1229	(2,395.87)
2010	1257	825	(1,138.57)
2011	1128	599	(11.04)
2012	976	420	965.37
2013	802	279	1,767.13
2014	601	170	2,368.33
2015	666	152	3,034.09
2016	734	136	3,768.27
2017	807	121	4,574.88
2018	883	107	5,457.97
NPV	125		
IRR	24.7 %		
Payback period	3.99		
Profitability Index	2.39		

Source : Writer analysis

The projection in scenario 2 get result positive net present value as Rp. 125,000,000.00 IRR 24.7%, payback period 3.99 years and profitability index 2.39.

Based on the analysis of sensitivity in scenario 2, the project is accepted to invest.

Scenario 3 : Pessimistic : Decrease of production capacity :

January 2009 : Production Capacity : 45%

February 2009 : Production Capacity : 60%

March 2009 : Production Capacity : 80%

April 2009 : Production Capacity : 90%

May, up : Production Capacity : 100 %

The projection of cash flow can be seen in appendix 14.

The calculation of cash flow can be seen in the below table 4.11.

Table 4.10. Summary NPV, IRR , Payback Period dan Profitability Index

(in million Rupiah)

Year	Cash flow	PV (23.47%)	Cumulative
2008	(3,913)	(3,913)	(3,913)
2009	1426	1155	(2,486.93)
2010	1143	749	(1,344.34)
2011	1011	537	(333.58)
2012	858	369	524.18
2013	681	237	1,205.63
2014	479	135	1,685.08
2015	537	123	2,222.27
2016	598	111	2,820.71
2017	732	99	3,484.01
2018	225	89	4,215.84

NPV	(308)
IRR	20.4 %
Payback period	3.61
Profitability Index	2.08

Source : Writer analysis

The projection in scenario 3 get result negative net present value as Rp. 308,000,000.00 IRR 20.4 %, payback period 3.61 years and profitability index 2.08. Based on the analysis of sensitivity in scenario 3, the project is rejected to invest.

The summary of calculation of sensitivity analysis in table 4.12. as follows :

Table 4.10. Sensitivity Analysis the change of production capacity

Decrease Production Capacity	NPV (million)	IRR	Payback Period (Year)	Profitability Index	Result
Scenario 1	233	25.7 %	2.06	2.47	Accepted
Scenario 2	125	24.7 %	3.99	2.39	Accepted
Scenario 3	(308)	20.4 %	3.61	2.08	Rejected

Source : Writer analysis

4.10. Marketing Strategy

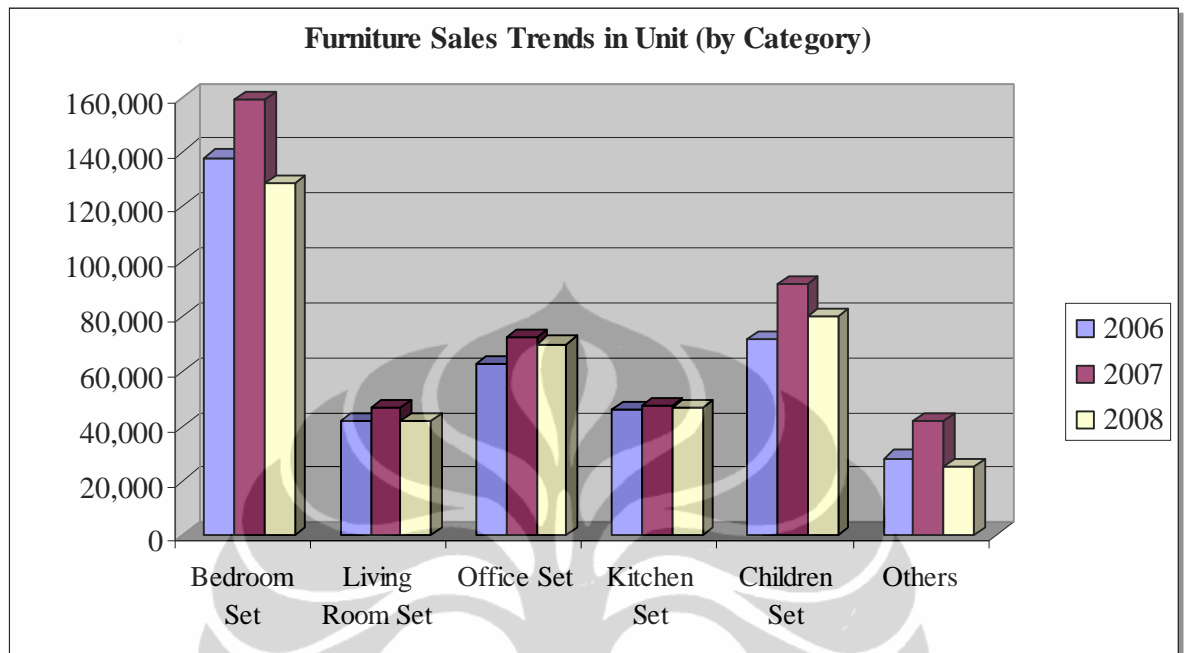
4.10.1. Analyzing the 4Cs

The 4 Cs should be used when performing a market assessment and background evaluation of the situation at hand, as follows

4.10.1.1. Context

Nowadays we have to consider macro-economic factors as well as other external factors (industry, consumer trends) including broad social, economic and technology trends – in which the firm compete. Furniture industry will compete each other to win market share to make a market leader. Marketing activities and many other social forces do influence people's wants. Indeed, a major part of the marketer's job is to help develop an attractive product or service, then stimulate customers wants for it buy convincing them it can satisfy one or more of their needs better than available alternatives.

In today's economy, firms in country must increasingly compete – even in local markets with firms from across the globe. And this condition has given a positive effect to Olympic furniture sales trends as we can see in the next figure.



Source: Olympic Group Sales Report 2006 – 2008

Figure 4.1. Furniture Sales Trends

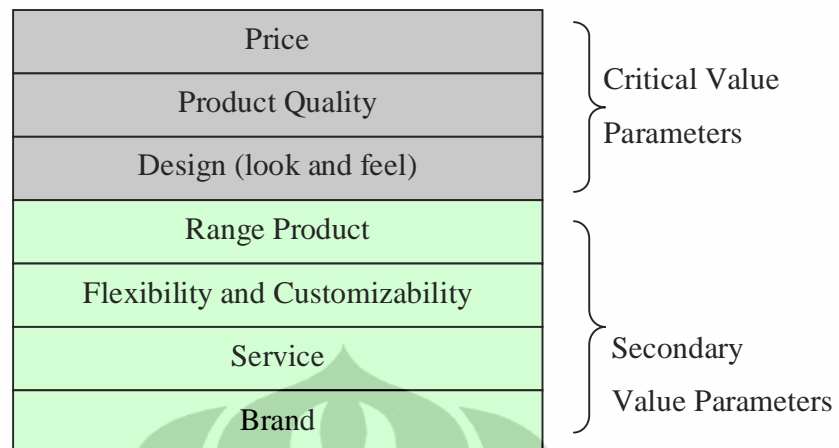
4.10.1.2. Company

- **Philosophy, Vision and Mission**

Our Philosophy is the best generation conducting for the best regeneration. The company Vision is become the world class integrated and comprehensive furniture company and the mission is to give performance excellence and cooperation harmony for business relations and benefit for all the take holders.

- **Basis for competitive advantage**

The basis of Olympic competitive advantage to serve customer value is made up of seven components. The concept shows in this figure 4.2.



Source: Furniture Industry Research (2000)

Figure 4.2 Olympic Customer Value

We have three main factors which are Price, Product Quality and Design have been identified as consumers' primary value drivers, helping to explain the increased market share captured by fashionably designed, affordable, and high quality products.

- **Strength and Weakness**

The strength of Olympic group has high equity of Olympic brands. In the Indonesia market, a market share of domestic furniture is still dominant and supported by wide distribution infrastructure (based on Frontier Analysis, 2005). The utilization of Information Technology through online system is very support in applying efficient production technology.

The weakness is based on Frontier analysis (2005) that the marketing strategy have not uninstructed properly, proven by having not yet its consistence promotion models that have not integrated properly and unsuitable with local needs. This condition make consumer confuses and races competitor easy to conduct imitation strategy.

And also, although it has been applied online system but utilization of data warehouse is not applied properly, too much function administrative and job duplication still often happened in daily routine and it makes inefficient and ineffective because of there is no SOP (standard operating procedure) in operational process.

4.10.1.3. Customer

- **Segmenting ,Targeting and Positioning**

This factory expansion will try to develop marketing strategy and try to identify several unique customer segments across all market to aim at level middle to low market by giving different customer services. The segmentation which middle to low market is very sensitive to price, in consequence, all products focus on price oriented combine with value oriented, so there is a pricing strategy that will arrange in particular product of a category in customer acquisition products and product that related to value for money. But a customer not only will find a price oriented product but can also find a good quality products at affordable price.

The targeting has already identified a primary and secondary priority segment especially for young family. Of course, the first priority is to manage an existing customer in order to become a loyal customer, by giving additional better services. Secondary priority is trying to influence or acquisition a middle customers be more recognizes by giving more promotion.

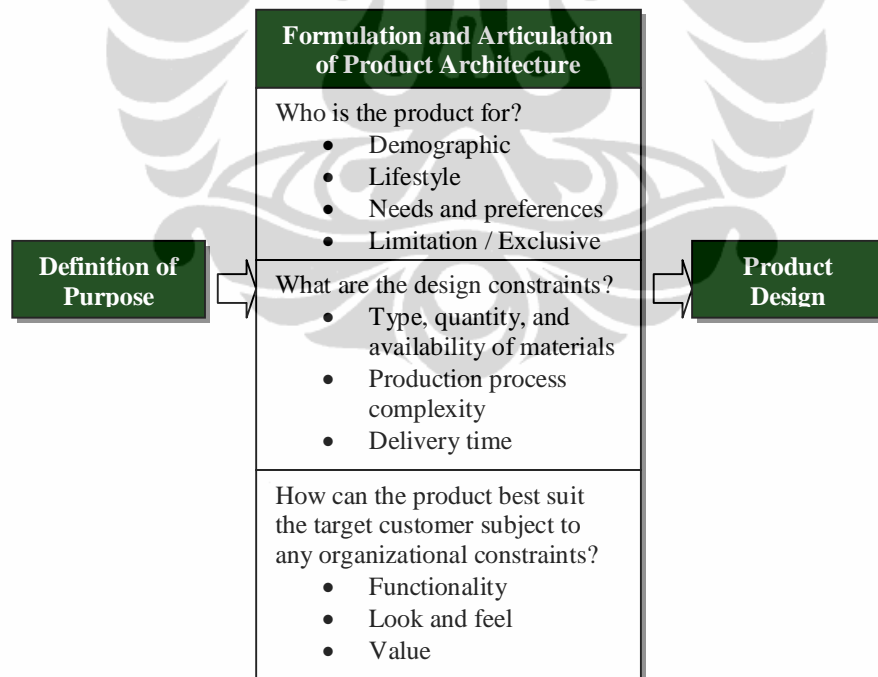
Through innovation and improvements in all aspects, the company will offer a good value to customers even though the purchasing power is go down because of Indonesia economic conditions.

The position of the company right now become more powerful because already closely with it's target market which is customer that required affordable price

- **Decision Making Process**

Olympic company will treat designers to responsible for conceiving and crafting product architecture. While the design process is not consistent across all firms, furniture design is generally conducted as an iterative process. More efficient in design product especially in using standard material will effect to cost of product.

That's why, the most important thing is how to make functional product with less than ten components, in order to make cost reduction and to make easy in installation. In this case, manufacture is responsible for sourcing and transforming material to produce furniture according to design specifications. Historically, designers have dictated these specifications. However, increasingly retailers are having a greater influence in the product architecture. The design process shows in this figure below.



Source: Furniture Industry Research (2000)

Figure 4.3. Design Process

Olympic has to consider the production capacity or economies of scale concept related to the target market. To produce in high volume is more effective and efficient to reach and penetrate the market.

4.10.1.4. Competitor

According to ASMINDO (Indonesian Furniture Industry and Handicraft Association), up to now there is around 9 producers furniture in Indonesia as Olympic competitors in Surabaya (Java) in table 4.13.

Table 4.11. The Competitor of Olympic

No	Company Name	Location	Type of Product
1	PT Aromana Sejati Wood Industri	Bekasi	Wood Furniture
2	PT Alam Inrotama	Mojekerto	Wood Furniture, Rattan
3	PT Aneka Regalindo	Sidoarjo	Rattan
4	PT Belladona Primaraya	Cirebon	Wood Furniture, Rattan
5	PT Cahaya Sejati Cemerlang	Sidoarjo	Wood Furniture, Rattan
6	PT Firafit	Surabaya	Wood Furniture, Rattan
7	PT Hadinata Brothers&Co, Ltd (Ligna)	Bogor	Bed Set, Office, Kitchen
8	PT Intraco	Semarang	Living, Kitchen, Office
9	PT Tulus Tri Tunggal	Surabaya	Wood Furniture, Rattan

Source: Asmindo, 2006

4.10.2. Analyzing the 4Ps

The controllable elements of a marketing program are often referred to as the 4Ps :

4.10.2.1. Product

Product plan consists as t product type as available in table 4.14 below

Table 4.12. Product type

No	Categories	Product type	Qty
1	Computer desk	MTS-21XX	5,000
2	Computer desk	MTS-20XX	2,000
3	Book Cabinet	RSG-1245	2,000
4	Book Cabinet	RSG-1345	2,000
5	Bedroom set	LAP-2005E	2,000
7	Bedroom set	LPP-2505	1,000
6	Children set	MBP-2205	2,000
Total			16,000

Source : Olympic Group Marketing Dept. 2008

It is possible to produce the product type outside of the above type product especially for new product based on market demand.

At least two times a year, Olympic always conduct a new product launching. The lifestyle growth makes every product adapt to the market demand. A color combination and technology make an exclusive product is not easy imitated, and also complete range product begin at bedroom set, living room set, office set, children set,

kitchen set and miscellaneous make every customer can select a product match to their needs.

4.10.2.2. Price (Production Cost)

The production cost of the product which is produced can be shown in table 4.15.

Table 4.13. Production Cost

No	Product type	Price			Qty	Total Price	
		Production Cost	Material Cost	DLC+FOH		TOTAL MC	Production Cost
1	MTS-21XX	107,524	92,185	15,339	5,000	460,923,138	537,618,500
2	MTS-20XX	128,955	106,956	21,999	2,000	213,912,051	257,910,980
3	RSG-1245	109,591	94,252	15,339	2,000	188,503,416	219,181,560
4	RSG-1345	91,965	77,837	14,128	2,000	155,674,389	183,930,580
5	LAP-2005E	145,478	126,506	18,972	2,000	253,012,432	290,956,460
6	MBP-2205	165,850	131,539	34,311	2,000	263,078,773	331,700,960
7	LPP-2505	221,846	198,837	23,009	1,000	198,837,255	221,845,870
Total					16,000	1,733,941,454	2,043,144,910

Source : Olympic Group R&D Dept.

The above price is not necessary to consider the delivery cost from manufacturing Bogor to branch office Surabaya. We will get cost cutting as Rp. 10 million per

delivery (trip) by container. In one container contains 400 units, it means that one unit will charge as Rp. 25,000.00. In other word, by expansion the manufacturing in Surabaya, we will reduce the price as Rp. 25,000.00 per unit.

4.10.2.3. Place

And right now 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 but it is still not enough to cover the orders. In order to fulfil the order and to reduce the material cost and delivery cost from suppliers and to customers, Olympic has to increase the production capacity by expansion factory. So, the branch office near in East Java are not necessary to wait long time to fulfil the order instead of to order from Bogor West Java. And also, the deliver cost will be reduced because there is no more delivery cost from Bogor to branch office near in Surabaya.

4.10.2.4. Promotion.

To increase customer perception of Olympic product are main goals from promotion that conducted in Surabaya. Through regular promotion every month such as regular catalogue two times every month, print ad through national and local newspaper, joint promo with leasing company to support consumer funding, project catalogue for small office home office, and online promo through internet marketing.

4.10.3. Relation Between 4Cs and 4Ps

The 4Cs model is based on the 4Ps. The 4Cs is a customer-centric approach while the 4P is a product-centric approach. The 4Cs makes more sense since marketing focuses on satisfying customer satisfaction. Philip Kotler, the expert of marketing, says that marketing must focus more sharply on the customer. He convincingly argued that the seller's paradigm of the four Ps - product, price, place

and promotion - should become the four Cs of a buyer's or customer's mix as propounded by Robert Lauterborn (1990) in an interview with Mazur (1991-2).

In a customer-oriented marketing mix, product becomes commodity - the product for the consumers or citizens; price becomes cost to the customer and includes time and energy cost; place for the customer is channel and promotion becomes communication. Some might argue that this is a mere play on words, but it does portray a massive shift in marketing management thinking, philosophy and strategy. The issue is not what words are used but what is the best way to offer value to the user. Interestingly, the customer charters that are now proliferating are also examples of a paradigm shift toward customer satisfaction as a priority.

Their basic philosophy is Pro-marketing - to promote the marketing activities, moving forward. However for the low growth economic, it is replaced by Com-marketing - to communicate and cooperate with the consumers, sometimes stopping or even moving backward to listen to their voices.

In simple words all the four Ps which Dr. Kotler gave should be focused on the **consumer satisfaction** of consumer needs that automatically meant that organizations now needed to “know” the consumer better. Not only for understanding their needs and then designing products accordingly but to see how they reacted to the products. That gave birth to marketing research as well.

So the world saw what be later called the “product oriented” form marketing. Most of the guys (business men and academician) were concerned about manufacturing, production, cost, efficiencies. This model looks at the marketing from the customer’s point of view.

1. **Place** becomes **Company**
2. **Price** becomes **Competitor**
3. **Promotion** becomes **Context**
4. **Product** becomes **Customer needs and wants**

These C's reflect a more client-oriented marketing philosophy. They provide useful reminders - for example that you need to bear in mind the convenience of the client when deciding where to offer a service. To apply the 4Cs approach to marketing you must consider the impact of the "uncontrollable" elements on your marketing mix. The 4Cs explicitly require you to think like a customer.

4.10.4. SIVA Model

The marketing mix used to serve Olympic target markets may be explained using the SIVA (Solution, Information, Value and Access) model. The SIVA model take into account both buyers and sellers objectives by focusing primarily on the buyer .

4.10.4.1. Solution (Product)

The customers are interested in solution to their problems, rather than products. The customer needs are as follows :

- ⇒ simple furniture design
- ⇒ easy to assembly
- ⇒ multi function or multi purpose
- ⇒ interested design (fashionable)
- ⇒ best after sales service

4.10.4.2. Information (Promotion)

The customers are interested in information about identified solution, rather than promotions. Some information that the customer needs are as follows :

- ⇒ Clear communication about the competitive advantage

- ⇒ Accurate and true information about discount, sales and best deals
- ⇒ Launching new product.

4.10.4.3. Value (Price)

The customers are interested in view the solutions in terms of value, rather than price.

We do effort how to motivate the customer know the benefits such as :

- ⇒ Achievements of many Awards
- ⇒ Hold standardization system (ISO)
- ⇒ Multi function or multi purpose, like as study table have function for writing, book rack, computer desk and included for printer.
- ⇒ The product categories in three level : high, middle and low market
- ⇒ The standard price
- ⇒ Give rewards or term of payment to customer (loyal customer)

4.10.4.4. Access (Place)

The customers are interested in convenient access to their identified solutions, rather than place (distribution). Some factors that make customer satisfy like as :

- ⇒ Best after sales service
- ⇒ Easy to find the solution, near to customer
- ⇒ Use internet facility for eg. Website, on line system
- ⇒ Fast delivery, on time delivery