

**BUSINESS FEASIBILITY STUDY
OF FACTORY EXPANSION OF OLYMPIC GROUP
IN SURABAYA**

THESIS

**HOTMAN SAUT NAINGGOLAN
0706170021**



**UNIVERSITY OF INDONESIA
FACULTY OF ECONOMICS
MAGISTER OF MANAGEMENT
MASTER OF BUSINESS ADMINISTRATION
PROGRAM STUDY MM-MBA
JAKARTA
FEBRUARY 2009**

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**Submitted to fulfill one of the requirements to obtain degree of
Magister Management**

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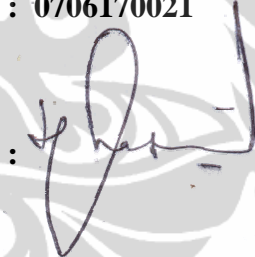
STATEMENT OF ORIGINALITY

**This final paper represents my own effort,
any idea or excerpt from other writers in this final paper, either in form of
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in this paper in accordance to the academic standard or reference procedures**

Name : Hotman Saut Nainggolan

Student Number : 0706170021

Signature :



Date : February 26, 2009

HALAMAN PENGESAHAN

Tesis ini diajukan oleh :
Nama : Hotman Saut Nainggolan
NPM : 0706170021
Program Studi : MM-MBA
Judul Tesis : Business Feasibility Study of Factory Expansion
of Olympic Group in Surabaya

Telah berhasil dipertahankan di hadapan Dewan Penguji dan diterima sebagai bagian persyaratan yang diperlukan untuk memperoleh gelar Magister Management pada Program Studi Magister Management – Master of Business Administration, Fakultas Ekonomi, Universitas Indonesia.

DEWAN PENGUJI

Pembimbing : Dr. Andreas Raharso ()

Ketua : Avanti Fontana, Ph.D ()

Penguji : Dr. Firmanzah ()

Ditetapkan di: Jakarta

Tanggal : 26 Februari 2009

PREFACE

Hallelujah, Great Glory in Jesus Christ for His Blessed in all my activities to complete my study in this MM-MBA dual degree of University of Indonesia and Grenoble University France.

In finishing my final paper, I would like to say sincerest appreciation to all parties for his encouragement, advice, direction, support, availability and patience and greatness thanks to :

1. Dr. Andreas Raharso, my lecturer advisor. I do respect his inspiration, motivation and his friendship. I will not forget for his high dedication in finalizing my final paper.
2. Rhenald Khasali, Ph.D. as Chief of MM Program of University of Indonesia.
3. Avanti Fontana, Ph.D as Coordinator of MM-MBA Program of University of Indonesia.
4. Dr. Firmanzah who gives me direction, suggestion to improve my final paper.
5. My love big family, special for my father Pdt. Pasu SH Nainggolan (Praeses HKBP District IBT Surabaya) and my mother Karolina br Sihaloho, my wife, my son and all my brothers and sisters.
6. My thanks to all librarians, academic and administrative staff of the University of Indonesia Master of Management Program for providing the resources needed for the completion of this final paper.
7. Mr. Edy Gunawan (CEO Olympic Group) who help me by providing scholarship program and also to Mrs. Esther Kurniawan as Managing Director, Mr. Suryadi as Chief Operating Officer who support me in beginning study till completing the MM-MBA program.
8. All my college in MM-MBA 07 for friendship, support for me.

Hopely, May our Lord God will give His Blessing for all kindness from all parties who help me. Finally, the author is expecting that this thesis could be useful for us.

Jakarta, February 2009

Author

**HALAMAN PERNYATAAN PERSETUJUAN PUBLIKASI
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Sebagai sivitas akademik Universitas Indonesia, saya yang bertanda tangan di bawah ini:

Nama : Hotman Saut Nainggolan

NPM : 0706170021

Program Studi : MM – MBA

Fakultas : Ekonomi

Jenis karya : Tesis

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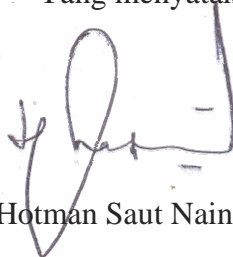
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ABSTRACT

Name : Hotman Saut Nainggolan
Concentration : MM-MBA
Title : Business Feasibility Study of Factory Expansion
of Olympic Group in Surabaya

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.

Keywords: Feasibility Study, Financial Analysis, Marketing Mix Strategy

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