CHAPTER 5
CONCLUSION AND RECOMMENDATION

5.1. Conclusion

1. The cost of equity of this project is 23.47 % and all equity financed by Olympic Group
2. Based on cash flow projection, this factory expansion have 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. It means the project is feasible.
3. 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.
4. Based on sensitivity analysis of decrease of production capacity, in order to get Net present value positive and Internal Rate of Return (IRR) greater than cost of capital, the company should maintain the production capacity as follows :

January 2009	: Production Capacity : >= 50 %
February 2009	: Production Capacity : >= 65 %
March 2009	: Production Capacity : >= 80 %
April 2009	: Production Capacity : >= 90 %
May, up 2009	: Production Capacity : 100%

5. 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.

4 Ps	4 Cs	SIVA model	Strategy
Product	Customer	Solution	Simple design, easy to assembly, multi function, fashionable, best after sales service
Promotion	Context	Information	Clear communication, competitive advantage, accurate information (sales, discount), launching new product
Price	Competitor	Value	Achievements many awards, ISO standard, multi purpose, standard price, give rewards or term of payment
Place	Company	Access	Best after sales service, easy to find solution, internet, on line system, fast & on time delivery

5.2.Recommendation

1. When valuing capital budgeting project, it is suggested 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.
2. In term of 6 month later , one of the real option could be in launching new product for special new segment still in Surabaya (student or new adult), to get cash flow more than previous which is to plan double cash flow in order to increase margin of safety.
3. 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.