

CHAPTER 3 COMPANY PROFILE

This chapter describes the overview of PT. Coca-Cola Distribution Indonesia (CCDI), PT. CCDI organization structure, business process related to supply chain management and business process before and after new Matahari distribution method implementation.

3.1. Company Overview

3.1.1. Overview of PT. Coca-Cola Distribution Indonesia

PT. Coca-Cola Bottling Indonesia is one of the leading manufactures and distributors of soft drinks in Indonesia. Coca-Cola Bottling Indonesia is a trade name and is made up of joint venture companies formed by local companies, owned by independent businessmen, and Coca-Cola Amatil limited, which is one of the largest manufactures and distributors of Coca-Cola products in the world.

PT. Coca-Cola Distribution Indonesia, that is part of Coca-Cola Bottling Indonesia, has been operating in Indonesia since 1935 and as one of leading manufacturer and distributors of non-alcoholic, ready-to-drink products of The Coca-Cola Company, the company have been a catalyst in respect of the introduction and the application of business systems, technologies and practices to the beverage industry.

The company's range of products includes four of the world's top five: Coca-Cola, Diet Coke, Fanta, and Sprite. These products are part of the every day life of our consumers in Indonesia from all walks of life, connecting with and being relevant to them. It also produces and distributes Frestea ready-to-drink tea, Pulpy Orange, and Schweppes soda water and mixers.

3.1.2. Industry Profile

In Indonesia, soft drinks are readily available in various public places from roadside stalls to small shops. They are widely consumed by all levels of society, education and work groups. Studies by an independent research institution (LPEM of the University of Indonesia) and marketing research agency DEKA have shown:

- In 1999, 85% of monthly soft drink consumers had an average household income of less than Rp. 1 million (US\$ 100) per month. Of these 46% was less than Rp. 500,00 (US\$ 50)
- 72% of weekly consumers had an average household income of less than Rp. 1 million per month. Of these over 40% are either student, partially employed people or pensioners.
- Among weekly consumers, soft drinks are consumed as often as syrup and snack foods and far more than ice cream.

With the wide consumption of soft drinks, the industry offers an enormous yet untapped potential with its low per capita consumption and the large young population. Today, the country has one of the lowest rates of consumption of Coca-Cola Company products (only 13 8oz-servings per person per year), compared to Malaysia (33), Philippines (122) and Singapore (141).

3.1.3. Distribution Overview

The vast majority of its products are distributed through more than 120 sales centers located throughout Indonesia. Products are delivered to those sales centers by bulk transport vehicles and distributed to retail outlets by smaller distribution trucks. Placed bumper to bumper, our more than 1500 route trucks and delivery vehicles would be as far as 17 kilometers away, making this company one of the largest distribution companies in Indonesia.

Direct Store Delivery (DSD) is located in Plant Area. Each Unit Operation has 1 DSD and it directly deliver the bulk order to the customer for more efficient delivery cost.

It is estimated that more than 80% of Coca-Cola Company products are sold through retailers and wholesalers, which 90% are considered small-scale business employing less than five people and with an annual turnover of less than Rp. 1 billion.

Sales force not only sells products to our customers but also gives advice on how to merchandise the product. Sales supervisors also regularly visit customers and provide advice and listen to any input that the customers may provide.

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Overall sales and distribution policy is directed by the National Office, located in Wisma Pondok Indah, but the execution of the policy is carried out by well qualified and experienced regional and area operational managers and their staff.

3.1.4. Organization Overview

Figure 3-1 below shows the chart of PT. CCDI Organization Structure. There are 4 Functional Directors, 1 Sales Modern Channel Director and 3 Regional Sales Directors. A Sales Director leads one region, which consists of some Operations. Operation is lead by General Manager and responsible for the profitability of an Operation. In Operation, there is General Sales Manager to whom all sales managers reported to. Area Sales Manager is responsible for some Sales Center. Foodstore Manager is responsible for manage all food store sales and marketing in the Operation.

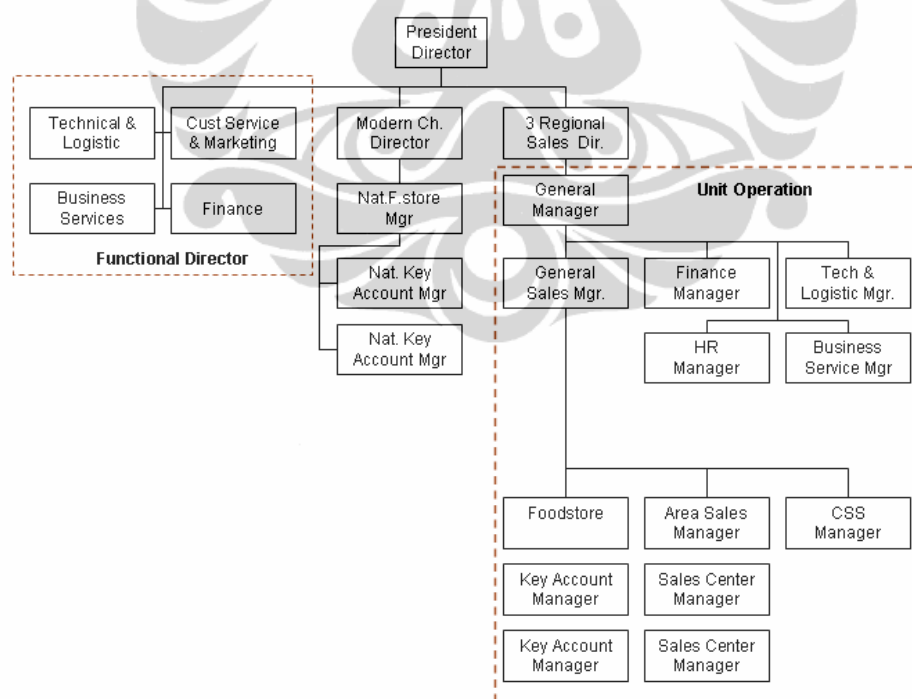


Figure 3-1 Organization Structure of PT. Coca-Cola Distribution Indonesia

Source: Internal PT. CCDI

3.2. Business Process

3.2.1. Sales Force Business Process

There are two types of distribution method in PT. CCDI, they are:

1. Conventional

Salesman brings the product, offers and delivers it to the customer based on Route Sequence List. Figure below show Salesman Conventional Business Process using ROAM. (Real Time Online Application for Mobile user).

- Preparation

Salesman prepares the product that will be delivered for the next day. After load the product into the truck, then Inventory Admin will input to system product that will be brought for next day and the print the Los-Lis (Load Out & Load In Sheet)

- Check Out

In the morning, before salesman move out from warehouse, shipper check the product in the truck. After he ensures all products in the truck match with Los-Lis, shipper will do check out using ROAM handset. Unless shipper doing check out using ROAM handset, salesman can not continue with sales activity using their ROAM handset.

- Sales Activity

Salesman go to market and sell the product directly to the customer and input the transaction directly using their ROAM. Salesman still gives the customer a manual invoice.

- Check In

After finishing sales activity, they come back to sales and the product will be checked by the shipper whether the product and empties in the truck is the same with that are written in Los-Lis.

- Cash Settlement

Salesman settle the cash, product sold and on-hand product to the settlement admin.

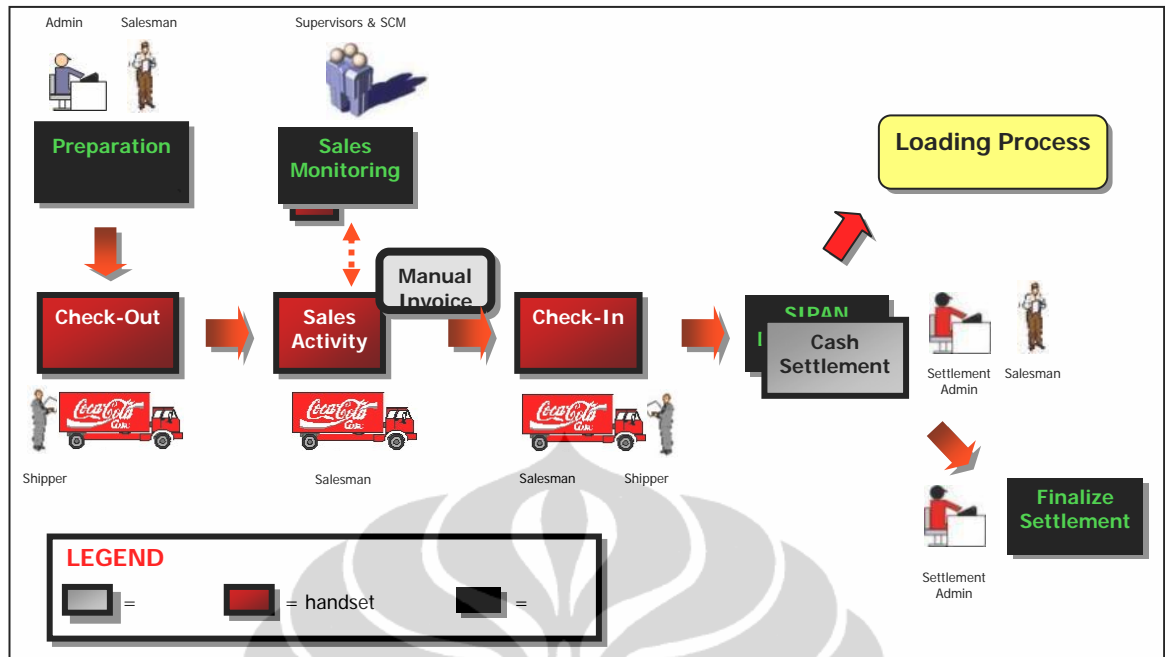


Figure 3-2 Conventional Salesman Business Process

Source: Internal PT. CCDI

2. Preselling System

- Taking Order

Presell visits customer and takes the order from customer. When he arrives in sales center, presell checks the price if there is any discount or price different. And then checks the product availability and recommends other product when the ordered product is not available.

- Load Preparation

After all the order finalized, orders are dispatched to a load that will be delivered tomorrow. Dispatching process is held centralized in National Office.

- Document Printing

Delivery supervisor will print the Pre-printed Invoice, Delivery List and Los-Lis for Deliveryman who will deliver product to customer on the following day.

- **Product Loading**
Product will be delivered by Deliveryman on the following day, so the Deliveryman should prepare the product as requested in the order and load to the truck.
- **Document Printing**
Delivery supervisor will print the Pre-printed Invoice, Delivery List and Los-Lis for Deliveryman that will deliver product to customer on the following day.
- **Check-Out**
Similar with Salesman Conventional, deliveryman move out from warehouse, then shipper will check the product in the truck. After he ensures all products in the truck matched with Los-Lis then shipper will doing check-out using handset ROAM. Unless shipper doing check-out using handset ROAM, Deliveryman cannot continue with order delivery activity using their ROAM.
- **Delivery Activity**
Deliveryman go to market and deliver the product directly to the customer and input the transaction directly using their ROAM. Deliveryman will give the customer a preprinted invoice.
- **Check-In**
After finished with delivery activity, they come back to sales and check by the shipper whether the product in the truck is same with on-hand product and bottle empties that are written in Los-Lis.
- **Cash Settlement**
Deliveryman settles the cash, product sold and product return to the settlement admin.

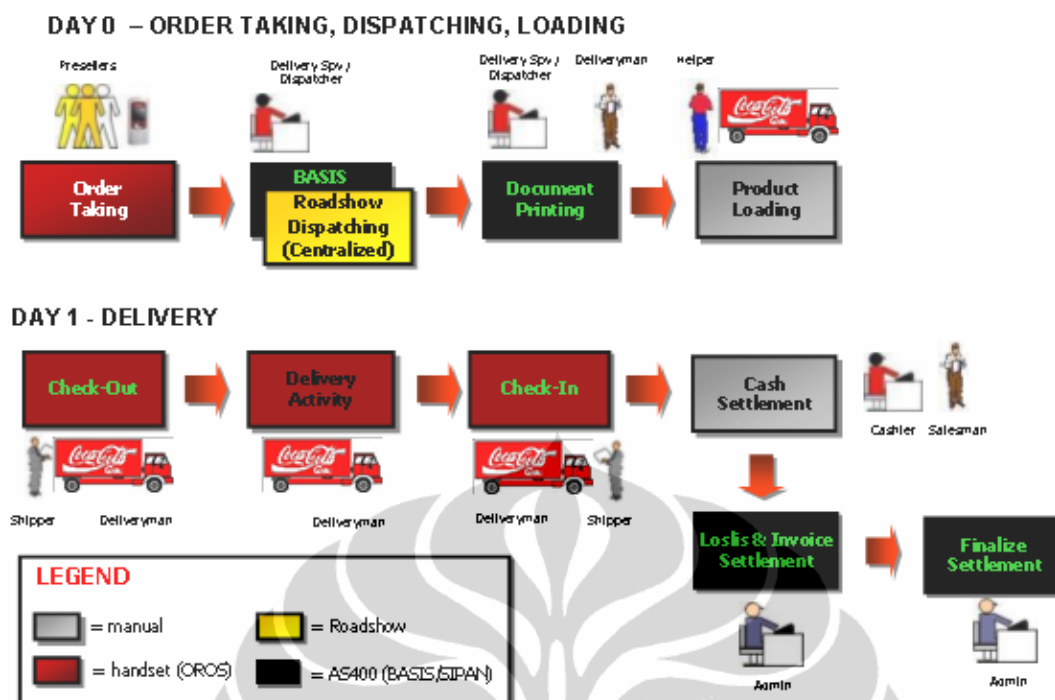


Figure 3-3 Preselling Business Process

Source: Internal PT. CCDI

3.2.2. Centralized-Order Business Process

Centralized Order (C-Order) is a business process that receives the orders from customer in one centralized location, inputs the order, and monitors the product delivery. Orders are received through a fax system and then send them to related person, such as Key Account Officer, National Key Account Manager and also to RED DESK Team who is responsible for key-in the order to system. The customer that is using Centralized-Order business process is start from 5 biggest food stores national account in Jakarta, and in progress roll out to all Operations. Benefits of C-Order are better monitoring of discount, price discrepancy, customers credit limit and also monitoring product delivery to customer.

Figure 3-4 below explains the business process of Centralized-Order. All orders from customer should be submitted to RED DESK. If there are some urgent order then KAO can key-in it them to system without through RED DESK. RED DESK also will verify minimum order quantity and inform KAO if the quantity is below the minimum qty order. KAO will contact customer and suggest additional order. RED DESK also compares price from customer and price from

PT. CCDI system. If there is any price difference then RED DESK will contact KAO. If the discrepancy can not be solved until end of day, then the order will be unproductive and will not be delivered. The same procedure also given to outlet that exceed credit limit and if the credit limit is not released then the order will be hold and not delivered.

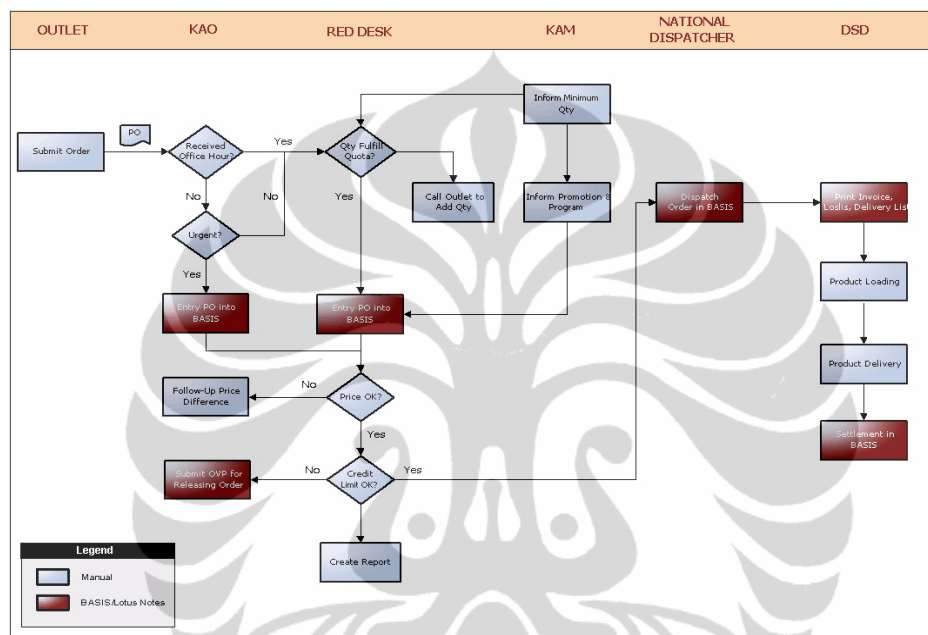


Figure 3-4 Centralized-Order Business Process Flow

Source: Internal PT. CCDI

Price Difference is very sensitive for customer and also for PT. CCDI because if price difference occurs in the invoice, then it is difficult to PT. CCDI to collect the payment because of administrative problem. And some uncollected payment will be expensed in discount & allowance expense.

3.3. Matahari Distribution Center

3.3.1. Company Overview

Distribution Center Matahari is owned by PT. Matahari Putra Prima, Tbk. which have more than 79 department stores, 38 Hypermarket and 31 Supermarket, and more than 46 Pharmacy Outlets. The networks are Matahari Department

Store, Parisian Department Store, Hypermart, Foodmart, Boston Health & Beauty, Times Bookstore and Timezone.

3.3.2. Matahari DC Implementation

Before implementation of Matahari DC, Direct Sales Distribution (DSD) in each Operation serve Matahari Store located within the Operation. After implementation, all Matahari stores are served from Matahari DC. There are 2 Matahari DC, Balaraja DC and Surabaya DC. Balaraja DC serves Matahari stores in Jakarta, West Java, Northern Sumatera, Central Sumatera, Southern Sumatera, and Pontianak. Surabaya DC serves Matahari stores in East Java, Central Java, Balinusa, Kalimantan, and Southern Sulawesi.

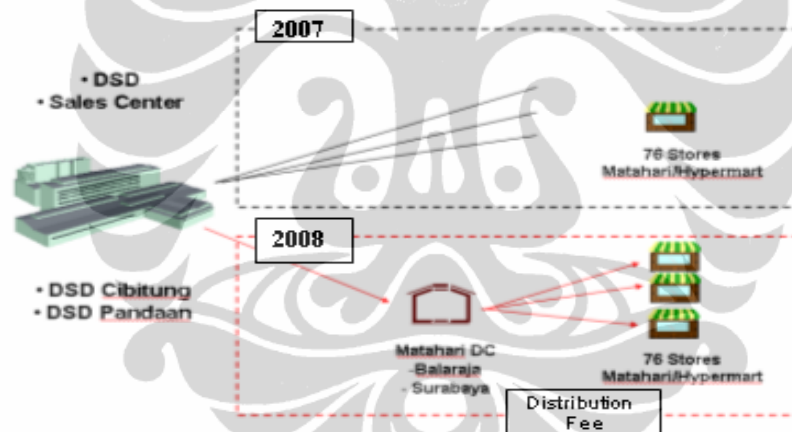


Figure 3-5 Matahari Distribution Center Concept

Source: Internal PT. CCDI

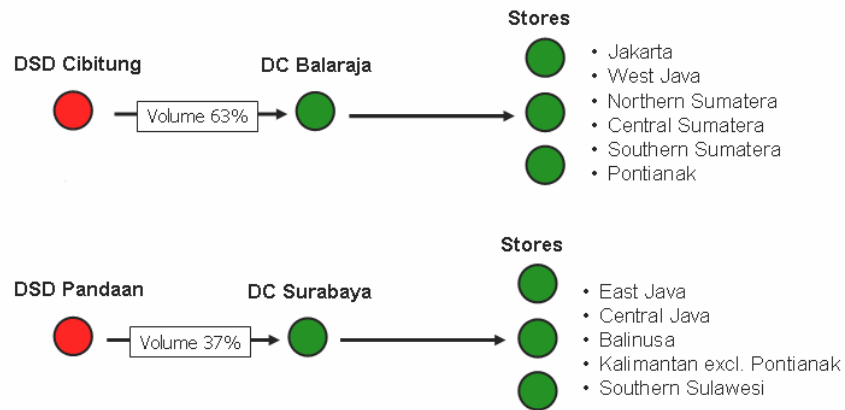


Figure 3-6 Operation Allocation for Matahari DC

Source: Internal PT. CCDI

3.4. Right Execution Daily (RED) Survey

Right Execution Daily (RED) Survey is a part of process cycle to ensure right sales force execution in outlet. The survey is conducted by third party auditor from AC Nielsen Company based on the question provided by PT. CCDI. The questions they asked are related to product availability, competitor product availability and price, price compliance and some others. Figure 3-7 below shows example of list of question for Matahari Food Store audit.

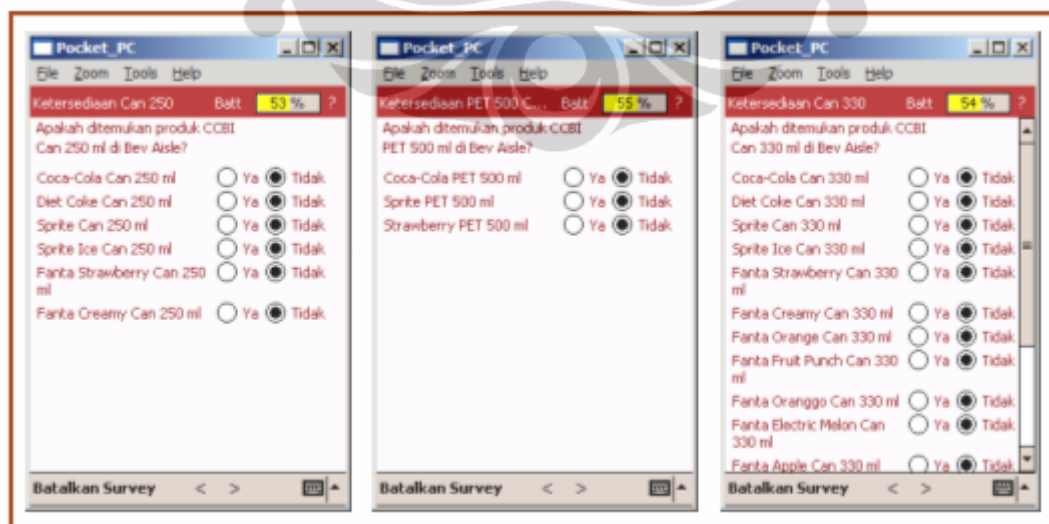


Figure 3-7 RED Survey Question List

Source: Internal PT. CCDI