CHAPTER 1
INTRODUCTION

1.1. Background

Nowadays competition in consumer goods industry, especially in carbonated soft drink is relatively competitive and the margin is very thin. Companies need to continually improve their supply chain design to increase efficiency and customer's responses. Because efficient and responsive supply chain can bring a sustainable competitive advantage for the company, reengineer process of distribution for some customer is one of supply chain strategy at PT. Coca-Cola Distribution Indonesia. Fortunately one of it's the biggest customer, PT. Matahari Supermarket, build Distribution Center (DC) and manage distribution of the good sold from its DC.

PT. Matahari Supermarket owned hundreds of stores across in all area in Indonesia. Previously, these stores provided their supply from supplier that is available in each area of their operation. Goods will be delivered from supplier that is located around them. For example: Matahari in Surabaya will order beverage product from supplier in Surabaya and then the product will be delivered from Surabaya. But since middle of 2007, PT Matahari Supermarket has operated Matahari Distribution Center at Balaraja which deliver all products and supplies to all Matahari Supermarket in Indonesia.

PT. Coca-Cola Distribution Indonesia (CCDI) is one of suppliers that supplies carbonated soft drink to Matahari's store. Before DC Balaraja starting the operation, this company sends its product from the warehouse which is located in each city near Matahari Supermarket. Order process management (receive, validate, and input order), delivery preparation (product preparation and truck dispatching), product delivery and invoicing are served decentralized. But after DC Balaraja start operating, CCDI sends the product only to DC Balaraja and all the product is sent from Cibitung, Jakarta.

PT. CCDI will give 4.1% from net sales revenue as a distribution fee to PT. Matahari Supermarket. The changes of distribution channel should improve the efficiency and effectiveness and at the end increase profit from sales to Matahari. This will be a result from improving service level such as order fulfillment,

delivery on time, and decrease out of stock either in supplier side or in retailer side.

After implementing this new distribution method for customer such as Matahari, we need to review this from the side of PT. CCDI. If it brings positive effect for the company's financial and customer service level, then this solution should be expanded to other similar customer. We need to know the success key factor of this implementation. If the result is not as good as expected then management need to know what are the major cause and what recommendation will be carried up to resolve and improve the supply chain performance. Then this review will become a reference for implementing a similar project to other customer.

1.2. Formulation of Problem

Changing the distribution process is one of important supply chain decision in the company. This supply chain decision and implementation need to be review from academic point of view.. Is the new distribution process to Matahari profitable for PT. CCDI? Is there any improvement in supply chain performance? What is the key factor cause the success or failure of this implementation?

1.3. Objective

The objective of this study is:

- to evaluate before and after condition of distribution process using SCOR 9.0 process mapping

- compare the process with performance metrics in SCOR so we can identify whether this new distribution is better in terms of internal-facing, which is reflected in financial performance.

- compare the process with performance metrics in SCOR so we can identify whether this new distribution is better in terms of customer-facing, which is reflected in supply chain performance.

1.4. Scope and Limitation

The scopes of this study are:

- This study reviews the problem from point of view PT. CCDI and use SCOR as framework..

- This study compares & uses data in year 2007 and 2008

- This study evaluates the process from outbound supply chain.

1.5. Research Methodology

The methods that will be used for this study depict in below flowchart:
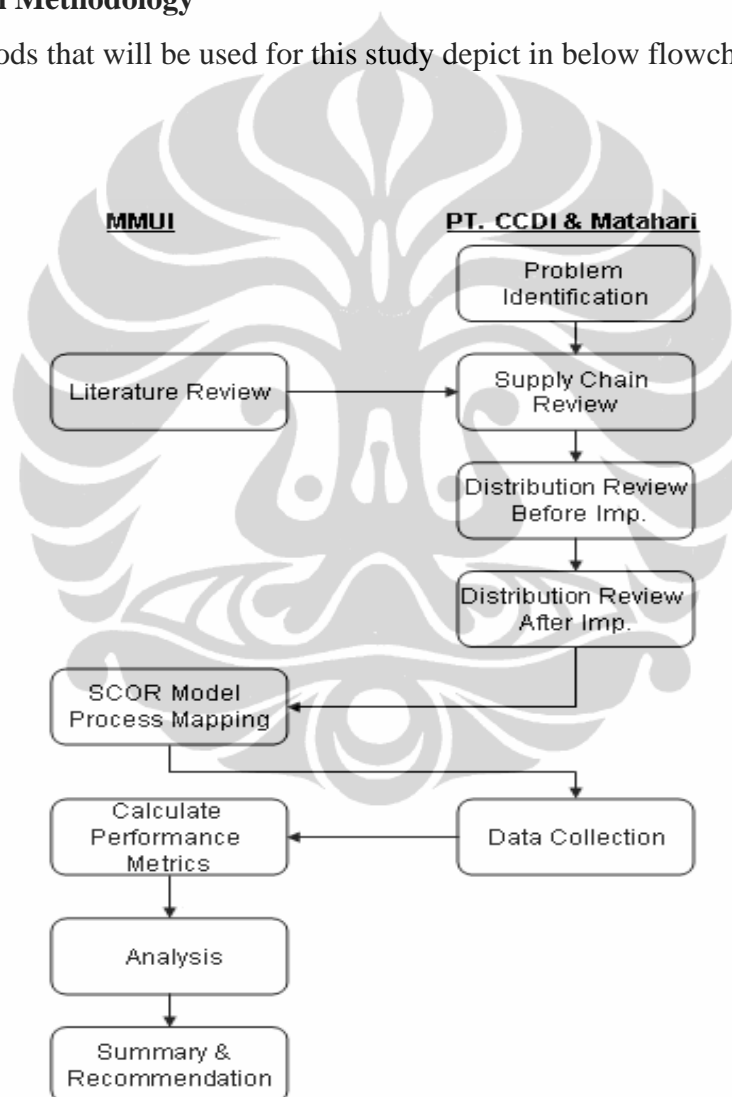

Figure 1-1 Research Methodology Flowchart

1. Starting with reviewing supply chain in PT. CCDI, business process of product distribution to customer such as Matahari, before and after implementation of current Distribution Center.

2. Process Mapping to SCOR Model Process : Identify all process in the channel distribution and map the process into SCOR model version 9.0

3. Data collection, that conducted as follow :

    a. Reviewing and mapping business process for this customer before and after Matahari DC implementation.

    b. Collecting data of customer Matahari DC such as sales, order date, actual delivery date, financial data and others.

    c. Calculate the metrics based on literature review.

4. Problem analysis:

    Compare and review distribution process changes against application theory and evaluate the performance using SCOR Model 9.0.

5. Summary

    Formulate the conclusion and develop a recommendation based on data & analysis.

1.6. Structure of Report

Chapter 1 contains introduction that describe the structure of this report. It contains background, problem definition, objective, data collection, methodology, structure of this report and scope.

Chapter 2 describes literature review related to this supply chain design and changes. Concept of Supply Chain Management, Supply Chain Performance Metrics, Inventory Concept, and SCOR Model 9.0.

Chapter 3 describes short version of company profiles. It covers company business process related to this study, before and after implementation business process, of PT. CCDI and PT. Matahari Supermarket.

Chapter 4 contains the mapping of before and after implementation process using SCOR Model, calculation of supply chain performance metric, review the result and compare this result to literature.

Chapter 5 contains the conclusion on implementation literature review and recommendation to improve supply chain performance and also the limitation if implemented in other customer.