



**UNIVERSITY OF INDONESIA**

**ANALYSIS STRATEGIC ALLIANCE BETWEEN PT ANDALAN MULTI  
KENCANA & PT ASTRA OTOPARTS TBK TO IMPROVE  
FILTRATION's MARKET SHARE in HEAVY EQUIPMENT INDUSTRY**

**THESIS**

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**FACULTY OF ECONOMICS  
MAGISTER OF MANAGEMENT  
MM-MBA  
JAKARTA  
JULY 2012**



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**Submitted to fulfill one of the requirements to obtain degree of  
Magister Management and Master of Business Administrations**

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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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FILTRATION's MARKET SHARE in HEAVY  
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**Date : July 26, 2012**

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First and foremost I would like to thank God for all He has given me including the strength for me to be able to successfully finish my thesis.

At this moment, I realize that this thesis can be solved with the help of various parties, whether in the form of prayer, matter, energy, thoughts, time and encouragement. Therefore, I would like to express my gratitude and appreciation as much as possible to the parties who have helped in completing this thesis.

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6. Last but not least, to all of my friends everywhere who I cannot mention one by one.

I realize that this thesis is far from perfect and could use much more work in order to become the best business plan for establishing an independent software production company. I am always open to any opinion and constructive criticism that may be helpful in the future. I hope this thesis and business plan can provide value to everyone and can become of a contribution.

Jakarta, July 26, 2012

Pande Ketut Yodi Widnyana

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## ABSTRACT

Name : Pande Ketut Yodi Widnyana  
Study Program : Magister of Management – Master of Business Administrations  
Title : Analysis Strategic Alliance Between PT Andalan Multi Kencana  
and PT Astra Otoparts Tbk to Improve Filtration's Market Share  
in Heavy Equipment Industry

In Year 2011, heavy equipment sale reached 17,360 units or growth 47% year by year. In 2012, heavy equipment sale is expected to reach 210,000 units, growing 21% compared to 2011. This condition will be impact to the needs of component or spare part for heavy equipment, especially for filter part. Capturing this opportunity, PT Andalan Multi Kencana and PT Astra Otoparts Tbk has made strategic alliance since the end of 2010. This thesis is about analyzes why this strategic alliance cannot capture that opportunity and how to improve the strategy alliance between them. Besides of that, this thesis also analyze the new types of strategy alliance can be adopted by PT Andalan Multi Kencana and PT Astra Otoparts Tbk to enlarge the market size in amount.

The analysis will starts from defining external environment and find the opportunities and threat that lie within. Besides of external environment, internal environment also has to be defined to capture the strength and weakness that company has. Using SWOT analysis, strategy can be defined based on all opportunities, threat, strength and weaknesses.

Key Words:  
Strategic Alliance, SWOT Analysis, Heavy Equipment, Filter Parts

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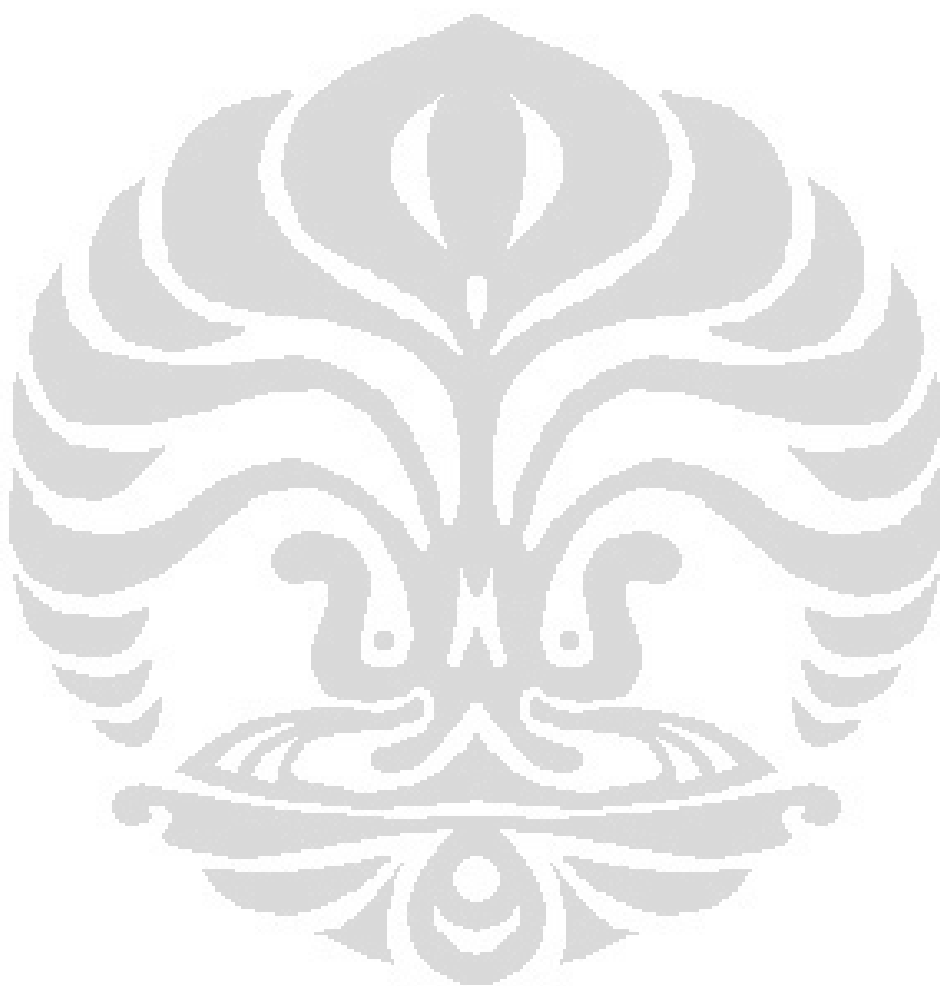
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## CHAPTER 1 INTRODUCTION

### 1.1 Background

As a fact in market research data, the heavy equipment industry in Indonesia has grown significantly by 247.7% from 2005 to 2011. Almost of the heavy equipment companies in Indonesia are joint venture companies with their principal, such as PT United Tractors Tbk with Komatsu's product, PT Hexindo Adiperkasa Tbk with Hitachi's product, PT Trakindo Utama with Caterpillar's product, etc. In purposes to support their principal, most of the heavy equipment companies in Indonesia do the business expansion by increasing their unit production consecutively. The production unit of each type could be seen at Figure 1-1

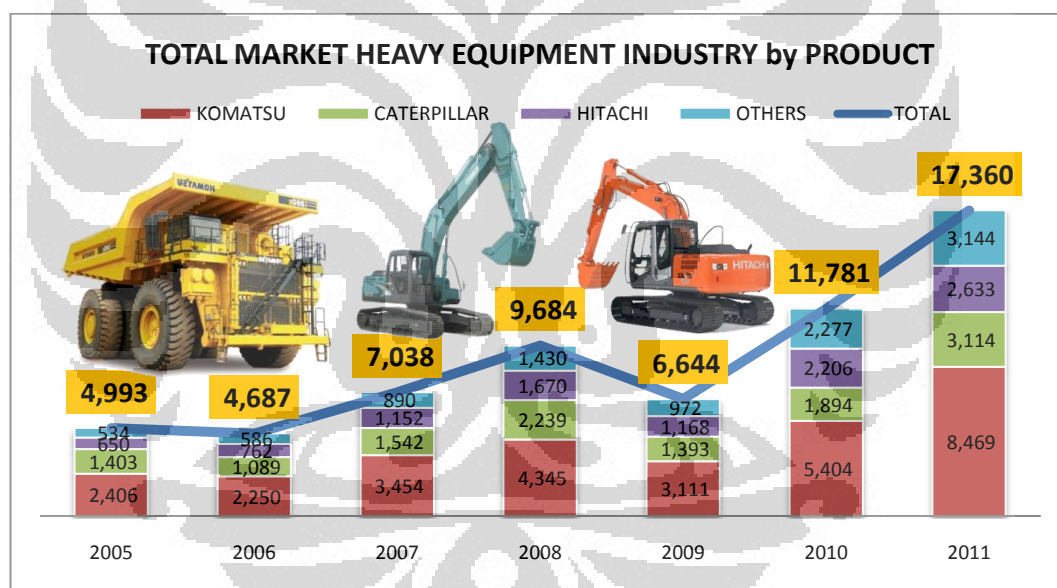


Figure 1- 1 Total Market Heavy Equipment Industry by Product 2005 – 2011  
Source: United Tractor, 2011

Komatsu is the leader of the heavy equipment market consecutively from 2005-2011. Recently, Komatsu lead the market by 48.78%. The total unit production in 2011 was increased significantly by 247.7% compared to 2005. Aggressive economic growth in Indonesia is one of factor that boost up total unit production in 2011. Based on the research of *Indonesia Badan Pusat Statistik*, the agriculture & mining sector are increased 5.0% & 2.9% in the third quarter of

2011, respectively. The contribution from each type of product by each sector (Mining, Forestry, Agro & Construction) shown at Figure 1-2.

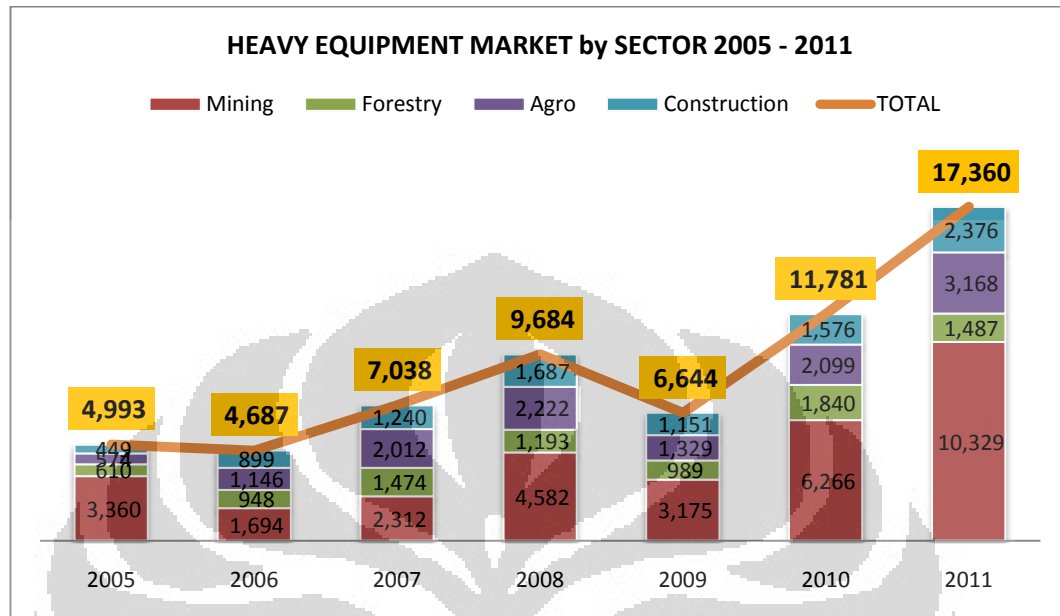


Figure 1- 2 Heavy Equipment Market by Sector 2005 - 2011  
Source: United Tractors, 2011

Based on the fact above, the component or sparepart industry for heavy equipment is significantly impacted by the growth of heavy equipment industry. These are new opportunity for the industry to fulfill the demand of spare part because maintenance activity needed by the contractor. To keep the business growth and filled the new opportunity, PT Andalan Multi Kencana was established in 2010 who are fully owned by PT United Tractors Tbk.

## 1.2 Problem Identification

PT Andalan Multi Kencana (AllMakes) is a subsidiary of PT United Tractors Tbk, which has responsibility in providing of heavy equipment parts. AllMakes serves customers in any different business sector such as mining, forestry, and construction, while also divided into any different group business such as undercarriage parts, filtration parts, hydraulic parts, electrical parts and complementary optional of heavy equipment parts.

Developing competitive product in term of cost, quality and delivery is one of strategy of AllMakes to not only win the competition in heavy equipment parts but also to boosting the AllMakes revenue. In Year 2011, AllMakes tries to catch up the market size in unit filtration by 39,337 units instead of total market 983,414 units or 4% market share. Achieving this objective, AllMakes has made strategy alliance with PT Astra Otoparts Tbk (AOP), especially for filtration parts. These two companies start the alliance in end of 2010 for R&D activity. AllMakes has competency related to product knowledge of heavy equipment parts. In other hand, AOP has good technology and testing facility on spare part industry.

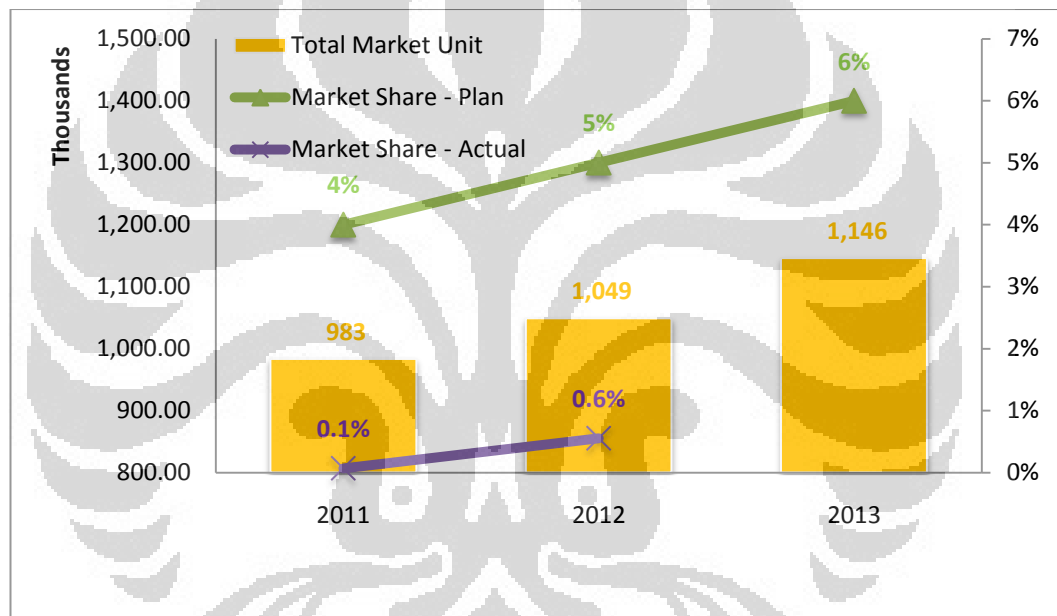


Figure 1- 3 Filtration Parts' Market & AMK's Target  
Source: AllMakes Presentation, 2011

End of Year 2011, this alliance didn't give good result. AllMakes achieved 694 units instead of target 39.337 units. AllMakes only achieved 0.1% market share. In Year 2012, AllMakes still forecast the filtration market share cannot achieve the original target. Based on these facts, AllMakes should change their strategy to improve the target in 2012 and achieve original target in 2013. Besides of that, AllMakes should increase the effectiveness of strategy alliance with AOP. Figure 1-3 shows the AllMakes target and the projection of Filtration parts' market.



Based on that problem identification, it can be concluded several issues that can be our research question,

1. How to improve the strategy alliance that occurs between PT Andalan Multi Kencana with PT Astra Otoparts Tbk?
2. What other types of strategy alliance that can be adopted by AllMakes and AOP within Astra group?

### **1.3 Research Purposes**

The purposes of this study are as follows:

1. Analysis that strategy alliance based on external analysis & internal analysis to improve the strategy alliance between AllMakes and AOP.
2. Find other strategy alliance that can be adopted by AllMakes and AOP within Astra group.

### **1.4 Research Method**

The methods used for this study are:

1. Collecting primary data as the main source of information from AllMakes and AOP.
2. Collecting secondary data from published studies.
3. Interview with professionals for the current and actual condition.

### **1.5 Writing Systematic**

Systematic ways of writing that will be used in preparing this thesis consist of five chapters which are:

#### **Chapter 1: Introduction**

Describe the introduction of research background, problem identification, research question, research objective, research method and writing systematic.

## **Chapter 2: Theoretical Framework**

This chapter describes the theoretical framework used for do analysis in chapter 4. The theoretical framework consist of PEST analysis, A five forces analysis, value chain analysis, definition of strategic alliance and the benefits that can be taken from the strategic Alliance. Then it also explains net present value (NPV) calculation to support investment calculation.

## **Chapter 3: Company Profile**

This chapter describes the company profile and its current business for PT Andalan Multi Kencana and PT. FSCM Manufacturing Ind. These company profiles consist of vision, mission, organization structure, products, distribution channel & network.

## **Chapter 4: Analysis**

This chapter describes analysis using PEST and a five forces analysis to get opportunities and threats. Value chain analysis is used to define strengths and weaknesses of the company. Based on these opportunities, threats, strengths and weaknesses, strategy can be defined to achieve the objectives. Net present value (NPV) calculation is used to support whether the investment will be implement or not.

## **Chapter 5: Summary & Recommendation**

This chapter will give the conclusion of the study and give some suggestion to improve the benefit as doing the strategy alliances.

## **CHAPTER 2**

### **THEORETICAL FRAMEWORK**

#### **2.1 Environmental Scanning and Industry Analysis**

Company should scan the external environment to identify possible opportunities and threat before they can begin strategy formulation. Wheelen, Thomas L. (2008) defined environmental scanning is the monitoring to key people within the corporation or can be defined as ‘the study and interpretation of the political, economic, social and technological events and trends which influence business, industry or even a total market. PEST (Politics, Economic, Social and Technological) analysis can be used as a tool to understanding the ‘big picture’ of the environment. Based on that analysis, opportunities and threat that lie within it can be captured.

Besides of that, company also should scan its internal environment to know its strength and weakness. Porter, Michael (1985) contends that a corporation is most concerned with the intensity of competition within its industry. The level of this intensity is determined by five basic competitive forces such as internal rivalry, new entrants, substitute and complementary products, bargaining power of supplier and bargaining power of buyer.

##### **2.1.1 PEST Analysis**

As explained before, PEST analysis is used to understanding the ‘big picture’ of the environment and capturing the opportunities and threat that lie within it. According to Wheelen, Thomas L. (2008), PEST analysis involves at four types of factors, namely:

- Political factors are how government intervenes in the economy, such as tax policy, labor law, environmental law, political stability, etc.
- Economic factors are economic like economic growth, interest rate, exchange rate, etc can influence the business.
- Social factors are cultural aspect and include health, consciousness, population growth rate, etc. this social trend will impact to how company operate the business.

- Technological factors are technological aspect such as R&D activity, automation, the rate of technological changes, etc.

There are three stages process in PEST analysis. First, brainstorm the relevant factors that apply to companies. Second, identify the information that applies to these factors. The last is writing the conclusion from that information. Several factors that can be brainstormed as relevant factors can be seen in Figure 2-1.

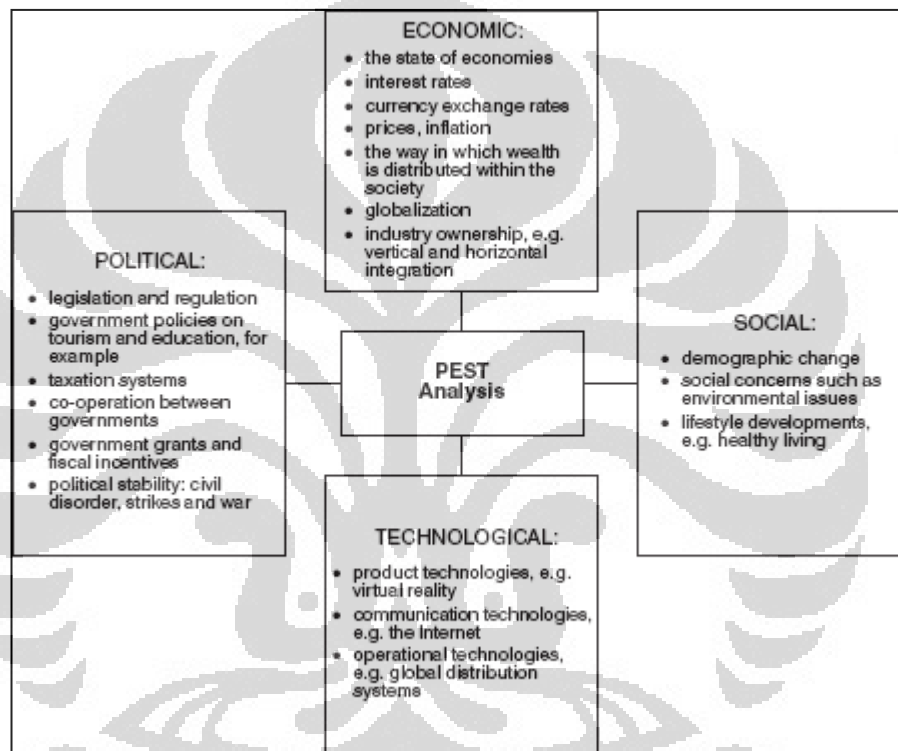


Figure 2- 1 Political, Economic, Social and Technological Factor in PEST Analysis

Source: <http://hotelmule.com/management/batch.download.php?aid=6668>

Good use of PEST analysis helps to avoid taking action that is condemned to failure for reason beyond company's control. In Addition, by making effective PEST analysis, strategic action that made can be aligned positively with the forces of change that are affecting the business.

### 2.1.2 A Five-Forces Analysis

According to Porter, Michael (1985), in any industry, whether it is domestic or international or produces a product or a service, the rules of

competition are embodied in five competitive forces: the rivalry among the existing competitor, the entry of new competitors, the threat of substitutes, the bargaining power of suppliers, and bargaining power of buyers (see Figure 2-2).

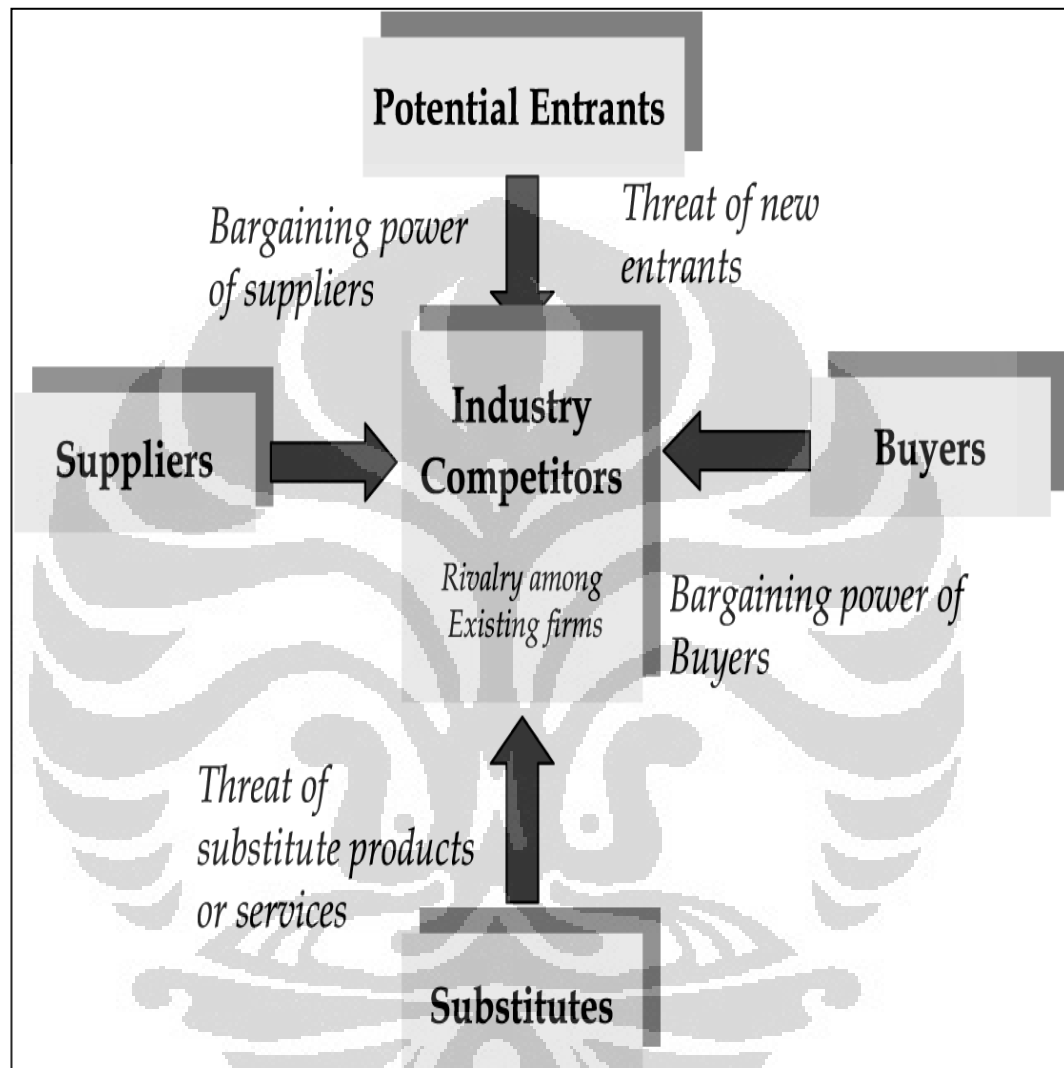


Figure 2- 2 The Five Competitive Forces that Determine Industry Profitability  
Source: Porter, 1985

- a. **Internal Rivalry** determines the rivalry among existing firms. The higher degree of rivalry means that it can be more difficult for existing company to gain or generate the profit. Rivalry will be higher if:
- There are a large number of similar sized companies.
  - The cost of leaving the industries is high for example high level of investment.

- The level of capacity utilization. If its capacity utilization is underutilized, the company will be very competitive to win sales.
- The market is shrinking so that companies are fighting for their share.

**b. New Entrants** may change the rule of competition but can be deterred by entry barriers. New entrants will be lower if:

- The entry cost is high for example high investment is required.
- Learning effect means that existing companies have already known the know how of the market works. It will be advantage for existing companies compare to new companies.
- The existing brand have a high level of loyalty
- The existing firm will aggressively counter the new entrant by several activities such as price war, etc.

**c. Substitute and Complementary Products** can restructure the entire industry above and beyond the existing competitive structure. Besides of that, this measures the ease of customer to switch the product to another product. This ease depends on what cost will be involved and how similar customers perceive the alternatives to be.

**d. Bargaining Power of Supplier** may affect the firm's profitability because the stronger the power of supplier in an industry can determine the terms and condition on which business is conducted. Bargaining power of supplier will be higher if:

- There are relatively few so the buyers have few alternatives.
- Buyers have difficulty to switch to another suppliers.

**e. Bargaining Power of Buyer** can change the structure of industries. The stronger power of Buyer can force to cut or force down the price of the product so that the profit of companies can also be lower because of price down. Bargaining power of buyer will be higher if:

- There are few of buyers so they will be very important for companies.

- The buyer can easily to find another product in the market so that the companies should provide both good quality of product and product's price.

## 2.2 Internal Scanning: Organizational Analysis

Even though Company have scanned the external environment to identify possible opportunities and threat, it is not enough. Companies still have to identify its internal factor to capture its strengths and weakness. According to Thomas L. Wheelen (2008), internal scanning, often referred to as organization analysis, is concerned with identifying and developing an organization's resources and competencies.

### 2.2.1 Value Chain Analysis

Porter, Michael (1985) argues that each company is a collection of several activities that are conducted to design, produce, market, deliver and support its product. Each corporation also has its own internal value chain of activities. Figure 2-3 shows the generic value chain.

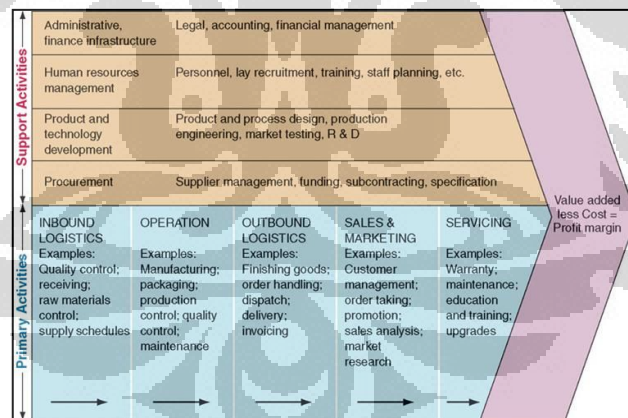


Figure 2- 3 The Generic Value Chain  
Source: Porter, 1985

Porter (1985) determines value activities can be divided into two board types, primary activities and support activities.

- Primary Activities**, activities involved in the physical creation of the product. There are five generic categories of primary activities, namely

- Inbound logistic. Activities related to receiving, storing, and disseminating inputs to the product, such as ware housing, material handling, etc.
  - Operations. Activities related to development of final product or transform from input / raw material into final product, such as packaging, assembly, equipment maintenance, testing, etc.
  - Outbound logistic. Activities related to collecting, storing, distributing to buyers, such as finished good warehousing, material handling, order processing, etc.
  - Marketing and Sales. Activities related to providing a mean so that the buyers can purchase the product, such as promotion, advertising, pricing, channel selection, etc
  - Service. Activities related to providing service to enhance and maintain the product, such as repair, training, part supply, etc.
- b) **Support Activities**, activities involved in supporting primary activities and each other. There are four generic categories, namely
- Procurement. Activities related to purchase inputs used by the companies. Purchase includes raw material, supplies, etc.
  - Product & Technology development. Activities related to procedures or technology embedded in companies. These activities include production engineering, R&D, etc.
  - Human Resource Management. Activities related to recruiting, hiring, training, development, and compensation of all types of personnel. These activities support both primary activities and support activities.
  - Firm infrastructure. Activities related to general management, planning, finance, accounting, legal, government affairs, and quality management.

### 2.2.2 Marketing Mix - 4P (Product, Price, Place, Promotion)

According to Kotler, Philip (2003), marketing mix refers to the particular combination of key variables under a corporation's control that can be used to affect demand and to gain competitive advantage. In this context refers to the



4’P’s (product, place, promotion and price). Good 4’P’s will impact to high customer satisfaction so that it will impact to organization’s objective.

- **Product:** product refers to the goods and services offer to customer or a bundle of benefit which a company offers to the customer.
- **Price:** price is the amount charged to consumer for a offered product or services. Pricing will effect to demand for the product and also effect to company’s profitability.
- **Place:** company should make sure the place that the product can be purchased by consumer.
- **Promotion:** promotion related to activities such as informing, persuading, and influencing a consumer to make a choice of the product to be bought.

Within these variables, there are several sub-variable that should be analyzed. Table 2-1 shows the sub-variable in marketing mix.

Table 2- 1 Marketing Mix Variable

Product	Place	Promotion	Price
Quality	Channels	Advertising	List price
Features	Coverage	Personal selling	Discounts
Options	Locations	Sales promotion	Allowances
Style	Inventory	Publicity	Payment periods
Brand name	Transport		Credit items
Packaging			
Sizes			
Etc			

Source: Philip Kotler, 2003

### 2.3 Strategy Formulation: Situation Analysis (SWOT Analysis)

Wheelen, Thomas L. (2008) defines strategy formulation begins with situation analysis: the process of finding a strategic fit between external opportunities and internal strengths while working around external threats and

internal weaknesses. Tool that can be used to analyze the company's competitive position relative to its competitors is SWOT Analysis. SWOT is an acronym used to describe the particular Strengths, Weaknesses, Opportunities, and Threats that are strategic factors for a specific company. Figure 2-4 shows SWOT analysis.

- Strength: characteristic of the business that make companies advantage compared to competitor.
- Weakness: characteristic of the business that make companies disadvantage compared to competitor.
- Opportunities: external chance to improve company's performance.
- Threats: external chance cause problem to the business in the environment.

		Internal Factors	STRENGTHS	WEAKNESS
		External Factors	Brand Name, Human Resources, Management Know-How, Technology, Advertising, etc.	Price, Lack of Financial Resources, Long Product Development Cycle, Dependence on Independent Distribution, etc.
EXTERNAL FACTORS	OPPORTUNITIES	Growth market, Favorable investment Environment, deregulation, stable exchange rate, patent protection, etc	<b>S*O Strategy</b> Develop a strategy to maximize strengths and maximize opportunities	<b>W*O Strategy</b> Develop a strategy to minimize weaknesses and maximize opportunities
	THREATS	New entrants, change in consumer preference, new environmental, protection laws, local content requirement, etc	<b>S*T Strategy</b> Develop a strategy to maximize strengths and minimize threats	<b>W*T Strategy</b> Develop a strategy to minimize weaknesses and minimize threats

**Figure 2- 4 SWOT Analysis**  
 Source: Masaaki Kotabe, 2011

Based on internal factors and external factors, strategy can be generated using those information. Those strategies are:

- S\*O Strategy are develop a strategy to maximize strength and maximize opportunities.
- W\*O Strategy are develop a strategy to maximize opportunities and minimize weakness.

- S\*T Strategy are develop a strategy to maximize strength and minimize threats.
- W\*T Strategy are develop a strategy to minimize weaknesses and minimize threats.

Nevertheless, using a SWOT matrix is only one of many ways to generate alternative strategies. Another approach is to evaluate each business unit within a corporation in terms of possible competitive and cooperative strategies.

## 2.4 Strategy Alliance

Gibbs, Richard and Andrew Humphries (2009) define strategic alliances is that they have strategic rather than tactical significance, and have a longer-term outlook than other partnerships. The firms involved support the arrangement with a range of specialized inputs such as know-how and manpower. In according to Richard Gibbs and Andrew Humphries (2009), the two most common types are technological and marketing alliances.

The Boston Consulting Group describes four types of alliance:

1. Expertise alliances – where firms share expertise and capabilities such as in the licensing of new drug compounds in bio-pharmaceuticals.
2. New business alliances – partnerships where non-competing firms look to exploit a new business or market.
3. Cooperative alliances – such as purchasing groups, trade and industry associations or political lobby groups where competitors combine to achieve critical mass.
4. Merger and acquisition – where the alliance is a substitute for a merger that is inhibited by legal or commercial factors.

Peter Lorange and Johan Roos (1992) define seven major challenges to the successful implementation of strategic alliances that, in our experience, can play a key role in the difference between success and failure:

- How to overcome reluctance to give up autonomy over one's own strategic resources
- How to achieve operating momentum

- How to deal with the need to maintain focus on the external environment, i.e., the competition and customers, rather than on internal friction points
- How to avoid unnecessary politicking
- How to maintain organizational energy to continue cooperation over time.
- How to increase one's willingness to learn
- How to keep particular individuals from becoming bottlenecks in the strategic alliances.

## 2.5 Net Present Value

Ross Stephen A., Randolph W. Westerfield and Jeffrey Jaffe (2010) define Net Present Value is the present value of future cash flows minus the present value of the cost of the investment. The basic investment rule can be summarized to:

- Accept a project if the NPV is greater than zero.
- Reject a project if NPV is less than zero.

The formula for Net Present value can be written as follows:

Net Present Value of Investment:

$$NPV = -\text{Cost} + PV$$

$$C_0 = -\text{Cost}$$

$$NPV = C_0 + \sum_{t=1}^T \frac{C_t}{(1+r)^t}$$

## **CHAPTER 3**

### **COMPANY PROFILE**

#### **3.1 PT Andalan Multi Kencana (AllMakes)**

AllMakes “PT Andalan Multi Kencana (AMK)”, established on 18th February 2010, is one of the subsidiaries of PT United Tractors, focusing on parts commodity and parts development of heavy equipment. The business started when customers demanded good quality parts at affordable prices, and AllMakes, since it was a division of PT United Tractors responded first through product. The business offers solutions for customer’s goal of achieving "lowest cost of parts" in maintaining their heavy equipment due to its competitive price. More than 10 years experience in developing, producing and expanding its lines of spare parts, AllMakes has earned customer trust and loyalty through consistent attention to the highest Quality, Cost and Delivery standards. As a result, AllMakes supplies parts for many leading brands of heavy equipment.

AllMakes not only provides parts for Komatsu but parts for other heavy equipment manufacturers, meaning customers find AllMakes well able to deliver a total solution for all heavy equipment brands. AllMakes strives to deliver sustainable growth through an integrated strategy concentrating on product development, materials management and distribution network coverage. AllMakes serves customers in any different business sectors such as mining, forestry and construction, while also divided into any different group business . Currently, AMK's product range consists of approximately 17,000 items and are further divided into 14 business groups.

##### **3.1.1 Vision & Mission**

AllMakes that focusing on parts commodity and parts development of heavy equipment for Komatsu and other heavy equipment brands has Vision and Mission. That AllMakes’ Vision and Mission are:

- **Vision :**  
To be the best company in parts commodity and parts development for heavy equipment and its related business in region and having AllMakes as worldwide brand.
- **Mission :**  
To become company that :
  - One of the 5 biggest revenue and/or profit contributor in AHEME group
  - Creates sustainable value-added benefit for stakeholders

### 3.1.2 Organization Structure

In running the business, AllMakes was led by President Director. In day to day, President Director was helped by two Directors, Director Operational and Director, that have responsible for four divisions and several department. The AllMakes' organization structure can be shown at Figure 3-1 Organization Structure PT Andalan Multi Kencana.

Director operational is in charge of three division namely Management and Business Development Division, Operational Division, and Supply Chain Division. Each division has two departments that help them to run day to day operation. Related to strategic alliance with PT Astra Otoparts Tbk (AOP), Business Development division, Operational division, and Supply Chain division have intense communication AOP.

Another Director is in charge of only one division namely Admin and Support division. Admin and Support Division have responsible for three departments as Human Resources & General Affairs department, Accounting & Finance department, and Management Information System department.

With this organization structure, as of May 2012, AllMakes have 175 employees to support the business for both head office and site. This numbers include not only permanent employee but also contract employee.

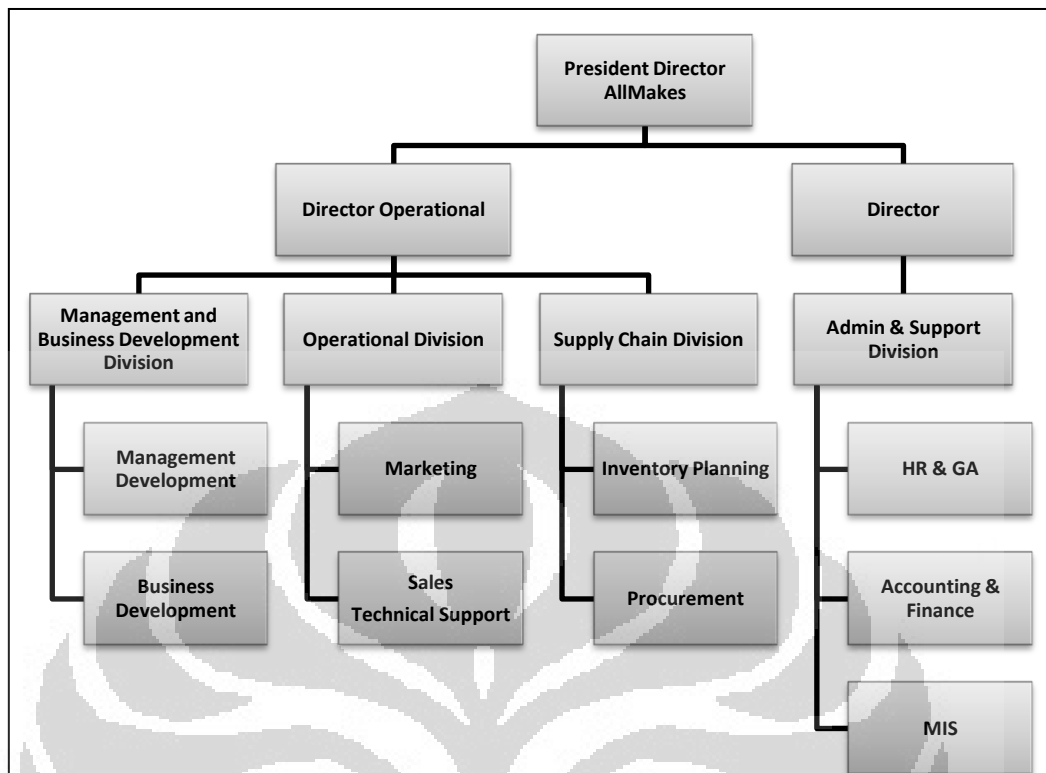







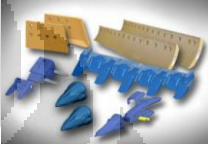






Figure 3- 1 Organization Structure PT Andalan Multi Kencana  
Source : AllMakes New Employee Program Presentation, 2012

### 3.1.3 Products



AllMakes offers roughly 17000 product line items, covering parts from the leading heavy equipment brands. In addition to 14 groups of business product lines including AllMakes, UT Parts, and HEO AllMakes is a part distributor for more than 50 international brands. The group of business referred to Table 3-1.

Table 3- 1 AllMakes Group Business

No	Groups Business	Group Products
1	Hydraulic and Fluid Connector System	
2	Attachment and Fabrication	

3	Undercarriage Undercarriage parts include : Roller, Sprocket, Idler, Track Link, Shoe	
4	Filtration Filtrations parts include : Fuel Filter, Air Filter, Oil Filter, Water Filter, Hydraulic/ Transmission Filter	
5	Tire	
6	Wear Parts	
7	Electrical System & Battery	
8	Industrial and Marine Engine	
9	Lubricant and Grease	
10	International Standard Parts	
11	Suspension, Axle and Brake System	
12	Engine Related Parts	



13	Enviro Chemical and Additive	
14	Optional Equipments	

Source : AllMakes, 2012

### 3.1.4 Distribution Channel & Networks

#### 3.1.4.1 Domestic Channel Network

AMK has six (6) distribution centers, thirty (30) distributor/stockiest and sixty (60) Point of Sales through PT United Tractors Tbk for retail based sales. To reach out its customers and to support AllMakes distribution network strategy, distribution centers area is located in six big cities: Pekanbaru, Jakarta, Surabaya, Banjarmasin, Balikpapan, and Samarinda. Figure 3-2 shows domestic distribution channel AllMakes had.



Figure 3- 2 Domestic Distribution Channel  
Source : AllMakes New Employee Program Presentation, 2012

#### 3.1.4.2 Overseas Channel Network

To become a world-class company, to further develop parts solutions for heavy equipment, AllMakes has established a joint venture company in Singapore

to expand its market within the Southeast Asian Region at the end of 2010 namely AllMakes Asia Pacific Pte. Ltd. AllMakes also cooperates with Hongkong Dealer to distribute to overseas market at South America Region.

### 3.1.5 AllMakes Brand

#### 3.1.5.1 Private Brands



UTPARTS is brand that was developed to meet customer demand of substitution parts, for all application units that distributed by United Tractors such as Komatsu, Nissan Diesel, Scania, etc



AllMakes Parts was fundamentally based on customer's needs of high quality spare parts and other heavy equipment components. We offer a solution for customer's goal of achieving "the lowest cost of parts" in maintaining their heavy equipment due to its competitive price.



Heavy Equipment Oil (HEO) was fundamentally developed based on customer's needs of high quality oil and multi functional uses, by which it means that this product can be applied to all heavy equipment units.

#### 3.1.5.2 International Brands

Below is the diverse range of international brands where AllMakes holds full-control of its distribution:

- **QTec** is an International brands for safety automatic fire suppression system. The product system was designed to quickly extinguish the fire and prevent to light up again.
- **Turbo Precleaners** is an International brands for filtration system. The product system was designed to extend engine air filter life by reducing

engine wear and maintains effective engine breathing for maximum power efficiency.

- **Graco** is an International brands for automatic lubrication system. The product system was designed to move, measure, control, dispense and apply a wide range of fluids and viscous materials used in vehicle lubrication setting.
- **Hensley** is an International brands for wear parts (tooth and adapter). The product was designed to run profitability and efficiently of heavy equipment in earthmoving activities.
- **Fleetguard** is an International brands for filtration system. The product was designed to meet the high performance requirements of the engines.
- **Parker** is an International brands for hydraulic and fluid connectors system. The product was designed to meet or exceed all industrial specification requirements standard.
- **Black Cat Blades** is an International brands for wear parts (blade and cutting edge). The product was designed to meet the demanding requirements of the earthmoving application.
- **Pirelli** and **Bridgestone** are an International brands for Off the Road Truck and Bus tire. The product was designed for comfort and safety while driving.

### 3.2 PT Astra Otoparts Tbk

PT Astra Otoparts Tbk (Astra Otoparts - AOP) is Indonesia's foremost automotive component company producing and distributing spare parts for both two wheelers and four wheelers. The history of Astra Otoparts began from the establishment of PT Alfa Delta Motor in 1976 which was engaged in automotive industry, machinery assembling and construction. Following a number of transformations and corporate name changes, finally in 1997 company's name became PT Astra Otoparts and in 1998 the Company registered its shares on Jakarta Stock Exchange (now Indonesia Stock Exchange) with ticker symbol AUTO. Since then PT Astra Otoparts became a listed company under the name of PT Astra Otoparts Tbk.

Currently the company has already transformed into Indonesia's biggest automotive component company supported by 6 business units and 29 subsidiaries & affiliated companies with a total of 36,284 employees. Several subsidiaries/affiliated companies are joint ventures with prominent component producers from Japan, Europe and America, such as Aisin Seiki, Aisin Takaoka, Akashi Kikai Seisakusho, Akebono Brake, Asano Gear, Daido Steel, Denso, DIC Corporation, GS Yuasa, Kayaba, Keihin Seimitsu Kogyo, Mahle, NHK Precision, Nippon Gasket, Nittan Valve, Hangzhou SunFun Chain, Toyoda Gosei, Toyota Industries Co., Visteon Corporation, and Aktiebolaget SKF.

Automotive spare parts produced by Astra Otoparts are absorbed by Original Equipment for Manufacturer (OEM) and Replacement Market (REM). The customers of Astra Otoparts in OEM segment are among others Toyota, Daihatsu, Isuzu, UD Trucks, Mitsubishi, Suzuki, Honda, Yamaha, Kawasaki, and Hino.

For the past five years Astra Otoparts have already recorded a solid financial performance, which is signified by, among others, the annual sales growth with the average at 17% and net income above Rp1 trillion for the past two years, which indicated a consistent and continuous performance improvement. With its healthy financial profile and varied business portfolio, Astra Otoparts would keep on growing to be the world class automotive components suppliers.

### **3.2.1 Vision & Mission**

AOP that focusing on automotive component company producing and distributing spare parts for both two wheelers and four wheelers has Vision and Mission. That AOP Vision and Mission are:

- **Vision**  
World class auto parts supplier, partner of choice in Indonesia with excellent engineering competence.

- **Mission**

- To develop a strong and competitive automotive components industry and become a strategic partner for domestic and regional industry players.
- To be a responsible corporate citizen that provides positive contributions to stakeholders.

### 3.2.2 Business Structure

AOP business structure consists of two business areas, Manufacturing business and Trading business. Manufacturing business is business area that has responsible to produce OEM Parts (Original Equipment Manufactures), REM Parts (Replacement Market) and the Export Parts. In other hand, trading business area is business area support AOP's product distribution for both Domestic and International Network. Business structure AOP can be seen in Figure 3-3

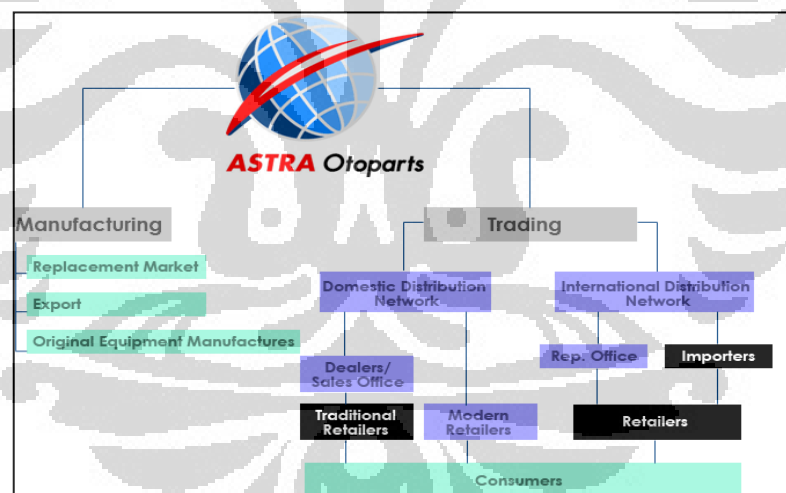


Figure 3- 3 Business Structure AOP Group  
Source : [www.component.astra.co.id](http://www.component.astra.co.id)

### 3.2.3 Distribution Channel & Networks

Astra Otoparts products have been distributed to all over Indonesia, through its 68 main dealers and 12,000 spare parts retailers. Astra Otoparts' products are not only controlling domestic market but have also reached out to 49 countries in Middle East, Asia Oceania, Africa, Europe and America. Astra

Otoparts has three representative offices in Singapore, Dubai and Australia. Figure 3-4 shows AOP distribution channel & networks.



Figure 3- 4 Domestic Distribution Network AOP  
Source : [www.component.astra.co.id](http://www.component.astra.co.id)

### 3.2.4 Business Portfolio

Astra Otoparts Group has 6 business units and 29 subsidiaries & affiliated companies. Business portfolio Astra Otoparts 2012 can be seen on Table 3-2. Based on AOP Strategy, AOP new product and unique process focus on aluminum based, plastic based, forging parts, lighting, rubber parts and mirror parts.

Table 3- 2 Business Portfolio Astra Otoparts 2012

No	Company Name	Ownership (%)	Line of Business
<b>PT Astra Otoparts Tbk. - Parent Companies :</b>			
1	Domestic Sales Operation Division		National distributor of automobile and motorcycle parts for domestic Replacement Market.
2	Retail Division		Retail chain shops of automotive parts
3	International Sales		Distributor of automobile and

	Operation Division		motorcycle parts for overseas market
4	Nusa Metal Division		Aluminum Die Casting components & Products
5	Adiwira Plastik Division		Air Cleaner, Plastic Injection, Back Mirror, Head Lamp, Motorcycle Seat
6	Winteq Division		Manufacturer of Precision Machinery, Automation & Production Equipment
<b>Consolidated Companies :</b>			
7	PT AOP Australia Pty. Ltd	100.00%	Automotive parts sales representative distribution for Australia and Oceania region
8	PT Menara Terus Makmur	100.00%	Forging Part, Mechanical Jack & Hand Tools Manufacturing
9	PT Senantiasa Makmur	100.00%	Holding company of PT Aisin Indonesia
10	PT Astra Komponen Indonesia	100.00%	Plastic Injection, Painting Line
11	PT Ardendi Jaya Sentosa	100.00%	Automotive and motorcycle parts dealer for Java and Bali
12	PT FSCM Manufacturing Ind.	100.00%	Motorcycle Chain, Silent Chain, and Fuel, Oil & Air Filter
13	PT Indokarlo Perkasa	100.00%	Rubber Molded Parts, Rubber Extruded Parts/Hoses, Rubber Vibration Insulation Parts

			(Cushion/Mounting)
14	PT Century Batteries Indonesia	80.00%	Manufacturer of Storage Batteries
15	PT Astra Daido Steel Indonesia	66.67%	Tool Steel, Machinery Steel, Stainless Steel, Heat Treatment, Machining Plate Service
16	PT Federal Izumi Mfg.	58.06%	Automotive Engines Piston
17	PT Nusa Keihin Indonesia	51.00%	Machining and Sub Assembling for automotive component
18	PT Gemala Kempa Daya	50.67%	Frame Chassis and Press Parts
<b>Equity Method Companies :</b>			
19	PT GS Battery	50.00%	Manufacturer of Automobile & Motorcycle Lead Acid Storage Battery
20	PT Kayaba Indonesia	50.00%	Shock Absorber, Front Fork, Oil Cushion Unit, Damper (Stay Damper, Chair Damper, Steering Damper)
21	PT Astra Nippon Gasket Indonesia	50.00%	Automotive & Motorcycle Gasket
22	PT Akebono Brake Astra Indonesia	50.00%	Brake System
23	PT Astra Visteon Indonesia	50.00%	Electronic Instrument Clusters
24	PT Wahana Eka	43.50%	Transmission and Gear Box



	Paramitra		
25	PT Inti Ganda Perdana	42.50%	Rear Axle dan Propeller Shaft
26	PT AT Indonesia	40.00%	Flywheel, Exhaust Manifold, Bearing Cap, Pulley, Pressure Plate, Retainer, Knuckle Sub-Assy Steering, Brake Drum, Support Mounting
27	PT Federal Nittan Industries	40.00%	Automotive Engine Valve
28	PT Aisin Indonesia	34.00%	Clutch System, Door Frame, Door Lock, Window Regulator, Hood Lock & Hinge. (Indirect ownership through PT Senantiasa Makmur)
29	PT Denso Indonesia	25.66%	Air Conditioner, Alternator, Starter, Spark Plug, Radiator, Horn
30	PT TD Automotive Compressor Indonesia	25.70%	Compressor & Compressor with Clutch
31	PT DIC Astra	25.00%	Colorants for Plastics and Leather Chemicals
32	PT Toyota Gosei Safety Systems Indonesia	20.00%	Steering Wheel
<b>Cost Method Companies:</b>			
33	E-Tech Incorporated (Japan)	19.00%	Designing, manufacturing, selling and maintenance of Electronic Machines and Facilities, Machine

			Tools and Industrial Machines, and Precision Measuring Machines
34	PT SKF Indonesia	13.52%	Manufacturing and Sales of Deep Groove Ball Bearings
35	PT EDS Manufacturing Ind.	5.00%	Automotive Wiring Harness

Source : [www.component.astra.co.id](http://www.component.astra.co.id)

### 3.3 FSCM Manufacturing Indonesia

PT FSCM Manufacturing Indonesia (formerly known as PT Federal Superior Chain Manufacturing) is one of subsidiary of PT Astra Otoparts Tbk. FSCM manufactures a wide spectrum of motorcycle and automotive chains, automotive filters, as well as industrial chains. Today, FSCM try to find new opportunity in supply heavy equipment part, especially for Filtration parts. Supporting this opportunity, FSCM has had strategic alliance with AllMakes starting in 2010.

#### 3.3.1 Vision & Mission

FSCM as one of subsidiary of PT Astra Otoparts Tbk that has responsible in Automotive and motorcycle chain and filters manufacture has Vision and Mission:

- **Vision :**  
Big three automotive filter maker in ASEAN, partner of choice in Indonesia and global market.
- **Mission :**  
To provide safety product with competitive price and acceptable quality through healthy, safe and environment friendly production.

Achieving that vision and mission, FSCM always focus on aggressive marketing, quality satisfaction and R&D investment. Aggressive marketing means giving competitive price, service differentiation, and support overseas customers.

Quality satisfaction means FSCM has to fulfill zero defect policy, 100% test on critical point and continuous improvement. Another is R&D investment means developing environmentally friendly product.

### 3.3.2 Production Process Flow

A filter composed of three main parts, namely the seat assy, element assy, and body. Every main parts has unique process that can be seen in Figure 3-5 Production Process Flow Filter.

Seat assy is a fundamental part of the filter, while the body is the filter cover. Fundamental components in developing seat assy are seat and element covers (elco). Seat is made from metal material that have roll shaped (plate coil). This material will be processed in forming and tapping process to get appropriate shaped. Element covers have same process. After that, Seat and elco will be merged by welding process.

Body filter is made from plate coil that will be processed in deep drawing, trimming, and emboss process to get appropriate shape. Last process after getting appropriate body filter is plating process to prevent wear of the material.

Element assy has core part, namely inner tuber. Inner tuber is made from plate coil that have small holes. This plate will be formed into spiral tube, helix tube, or perforating tuber related to specification of desired component.

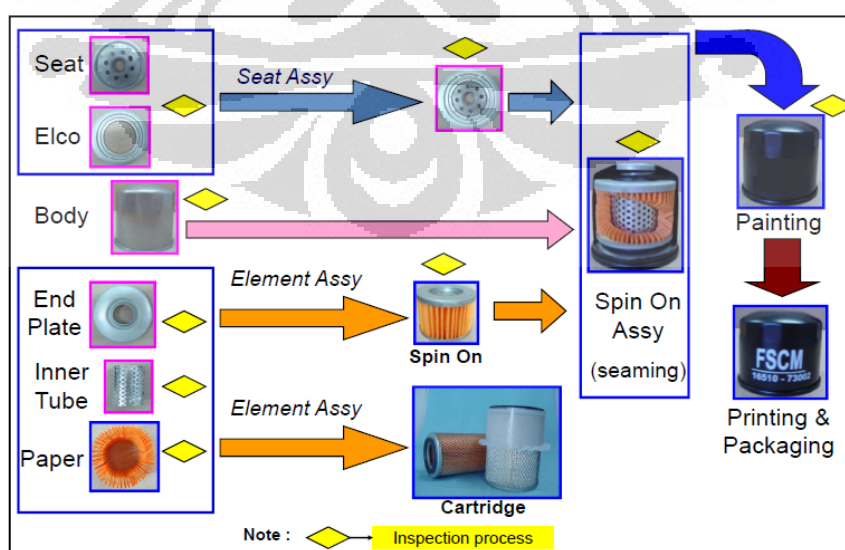


Figure 3- 5 Production Process Flow Filter  
Source: Company Profile FSCM, 2012

### 3.3.3 Organization Structure

In running the business, FSCM was led by President Director. In day to day, President Director was helped by board of director (BOD). BOD will have responsible in two business FSCM, filtration business and chain business. The FSCM's organization structure can be shown at Figure 3-6 Organization Structure PT FSCM Manufacturing Indonesia.

In Filtration business, Plant Manager helped by Department head of plant and Department head of Administration & Finance will do day to day operation. Department head of plant has responsible in four departments, namely product development department, plant support department, process engineering department and quality assurance. In other hand, Department of Administration & Finance coordinates four departments too, namely Finance & Accounting, Purchasing, Human Resources Development / General Affairs and Marketing Administration department

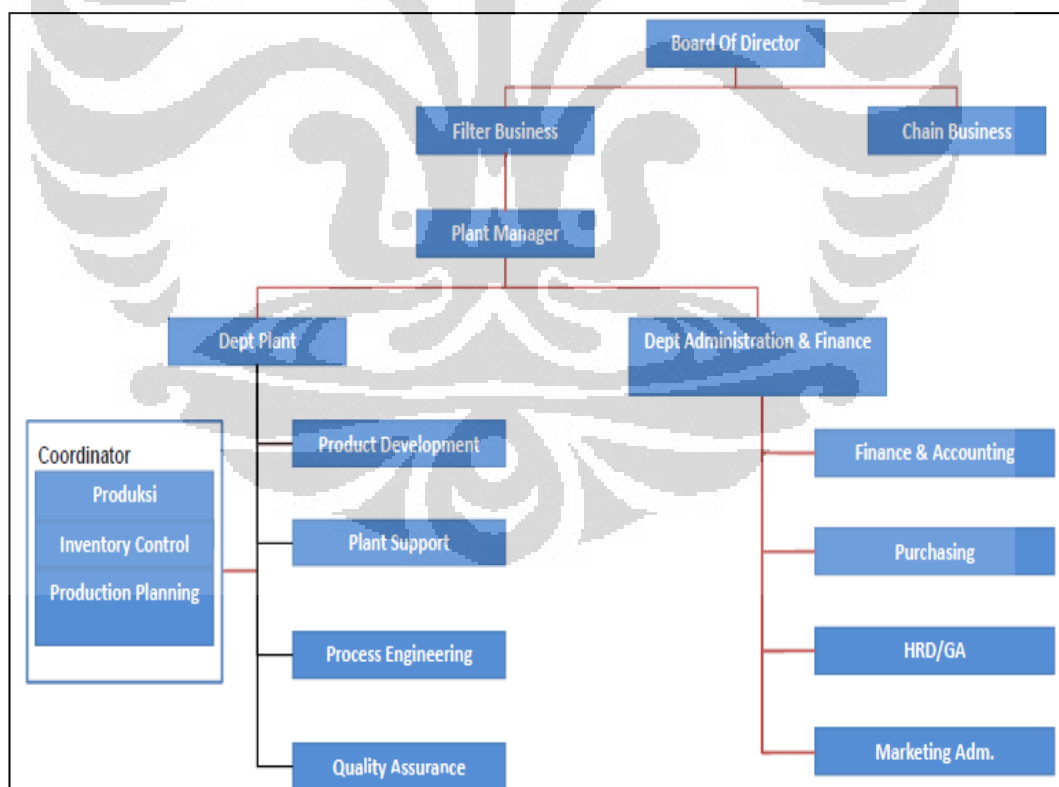


Figure 3- 6 Organization Structure FSCM Manufacturing Indonesia  
Source: Company Profile FSCM, 2012

### 3.3.4 Products

In filter business FSCM has four type of product as shown in Table 3-3. As explained before, heavy duty filter is the new part resulted from strategic alliance between FSCM and AllMakes to support component needs from heavy equipment industries.

**Table 3- 3 FSCM Type of Product**

No	Groups Business	Group Products
1	Oil Filter	
2	Fuel Filter	
3	Air Filter	
4	Heavy Duty Filter	

Source: Company Profile FSCM, 2012

## CHAPTER 4

### ANALYSIS

#### 4.1 Analysis of External Factor

##### 4.1.1 Politics and Laws

Indonesia has had an experience in changes of politic condition since 1998. In 2004 and 2009 Election, Changes in politic condition has signed by arising new parties with the significant vote. Based on “Lembaga Survei Indonesia” data, Indonesian show a lot worse or highly bad response related to politic condition compare to a good or highly good response. This survey is shown at Figure 4-1 National Politic Condition 2012 (in percentage, %).

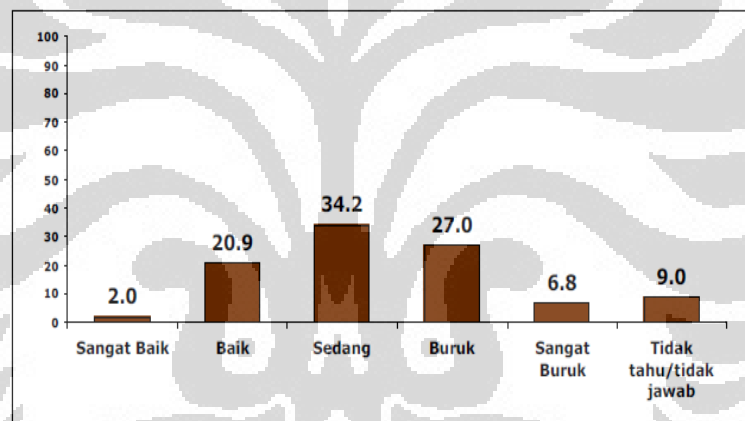


Figure 4- 1 National Politic Condition 2012 (in Percentage,%)  
Source: Lembaga Survei Indonesia, Februari 2012

This bad response caused by unhealthy political condition, means a lot of politicians did corruption. They prefer to prioritize their personal interest rather than their primary roles and responsibilities as a public representation. Indonesia needs optimal performance to build up conducive and stable politic condition by using good politic instrument. Instability politic condition and laws will raise inconvenience for foreign investors to do capital investment in this country. This instability condition will also obstruct the growth of Indonesia economical.

Respected to Law, Government through Kementrian Energi Sumber Daya Mineral (ESDM) informs validity of Peraturan Menteri (Permen) ESDM Nomor 7 Tahun 2012 that restricts mining export regulation starting on 7<sup>th</sup> May 2012. This regulation is an extension of UU Nomor 4 Tahun 2009 related to full export prohibition of raw minerals until 2014. This Permen obligated mine owners to process 14 mining products that will be exported to overseas. These 14 mining products are copper, gold, silver, tin, lead, chromium, molybdenum, platinum, bauxite, iron core, iron sand, nickel, manganese and antimony.

Enforcement of Permen Nomor 7 Tahun 2012 will give impact to cessation of production and continually impact to termination of employment, for example, this condition happens in Riau Island. This condition happened because processed products cannot be exported, even though Government has been given approval to do the production. There are no domestic companies that have responsibilities in processing the processed product. The discontinuation of production will also impact to decreasing in utilization of heavy equipment and continually impact to decreasing in utilization spare part of heavy equipment.

#### 4.1.2 Technology

Both increasing in air pollution and supporting government's program associated with emissions reduction, innovation in technologies are needed. All companies have to do research to find innovative and green products. Figure 4-2 show increasing in air pollution in all sectors from the year 2000 to year 2003.

Air Pollution					
Sektor	Total Emisi CO <sub>2</sub> (juta ton)				Pertumbuhan (% per tahun)
	2000	2001	2002	2003	
Industi	58	73	109	141	2,4
Rumah tangga	21	23	22	25	0,4
Transportasi	55	76	128	168	3,4
Pembangkit listrik	54	90	220	275	5,1
Energi industri	40	35	48	63	1,9
TOTAL	228	298	526	672	3,3

**Figure 4- 2 Total CO2 Emission (Million ton) 2000 – 2003**  
**Source: National Strategy Study on CDM, KLH-GTZ, 2001**

In point of view information technology, information technology has developed rapidly. Today, technology is very important and is needed to support business in one company. Using this information technology, all information can be accessed no matter the distance, when and who accessed that information.

### **4.1.3 Economic**

#### **4.1.3.1 Indonesia Economic**

The Central Bank also noted Indonesia's inflation rate in April 2012 at 0.31 percent and this inflation is higher than the inflation rate in April 2011 at 0.21 percent. Encouraging economic growth in Indonesia and due to the low inflation outlook, The Central Bank lowered the BI rate by 25 bps to 5.75% in early February 2012. In addition, BI also expects the decline in BI rate followed by a decrease in interest rates of bank credit that would provide a stimulus for national economic growth.

Indonesia's economic growth in the first quarter 2012 compares with fourth quarter 2011 increased by 1.4 percent in terms of Gross Domestic Product (GDP). This growth was supported by agriculture, livestock, forestry, and fisheries by 20.9 percent due to the harvest season in the first quarter of 2012. In another hand, if the GDP of Indonesia in the first quarter of 2012 compares to same quarter 2011 growth of 6.3 percent. This growth is supported by all sectors, where the highest growth generated by the transport and communication sector at 10.3 percent. It shows in the Figure 4-3.



Lapangan Usaha	Triw I-2012 Terhadap Triw IV-2011	Triw I-2012 Terhadap Triw I-2011	Sumber Pertumbuhan Triw I-2012 (y-on-y)
(1)	(2)	(3)	(4)
1. Pertanian, Peternakan, Kehutanan, dan Perikanan	20,9	3,9	0,5
2. Pertambangan dan Pengalihan	0,7	2,9	0,2
3. Industri Pengolahan	-2,0	5,7	1,4
4. Listrik, Gas, dan Air Bersih	-1,5	6,1	0,1
5. Konstruksi	-4,1	7,3	0,5
6. Perdagangan, Hotel dan Restoran	-1,8	8,5	1,5
7. Pengangkutan dan Komunikasi	1,3	10,3	1,0
8. Keuangan, Real Estat, dan Jasa Perusahaan	2,3	6,3	0,6
9. Jasa-jasa	-1,3	5,5	0,5
<b>PDB</b>	<b>1,4</b>	<b>6,3</b>	<b>6,3</b>
<b>PDB Tanpa Migas</b>	<b>1,5</b>	<b>6,7</b>	<b>-</b>

**Figure 4- 3 PDB Growth Rate based on Industry (in percentage)**  
**Source: Badan Pusat Statistik**

In March 2012, Indonesia export reached US\$17.27 billion or increased by 10.01 percent compare to February 2012. While comparing to March 2011, export is increasing by 5.51 percent. In another hand, Indonesia import in March 2012, reached US\$16.43 billion (increase by 10.49 percent compared to February 2012) or increased by 13.40 percent compare to March 2011.

Year 2012 will be many challenges for the global economy, including economic growth in Indonesia. Indonesian stock market is predicted to fluctuate with the passing of the European crisis and its economic recovery of developed countries, and also the increase in world oil price.

Furthermore, the development of economic sectors can be seen in Figure 4.4 Crisis Effect to Macro Economy Indicator. The picture showed the effect of the crisis on the sector of the economy (the period 1989 to 2009). Abscissa axis is earning stability (coefficient of variation, CV, smaller is better) for each period. Ordinate axis is the average growth in the period.

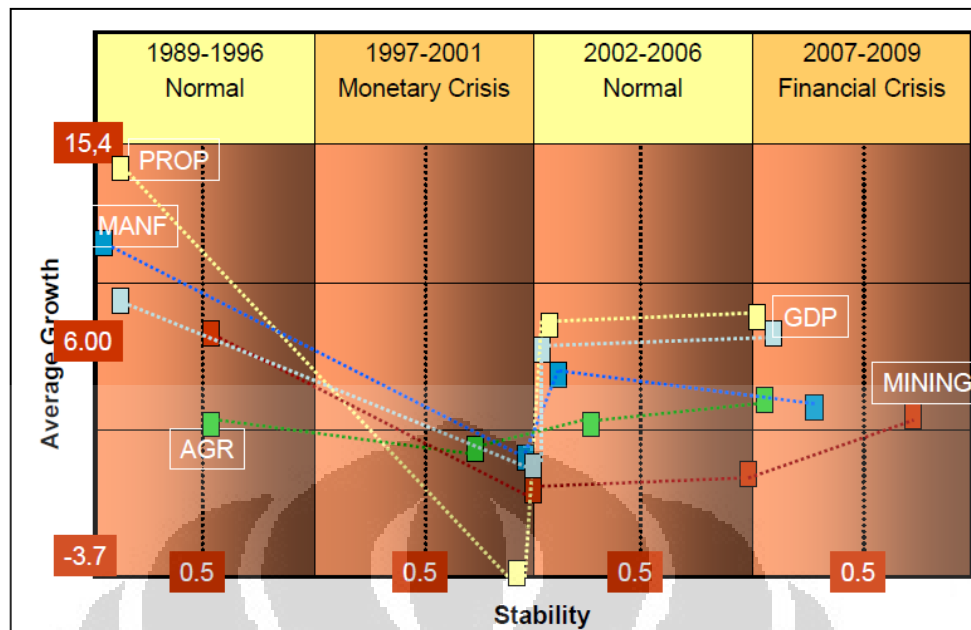


Figure 4- 4 Crisis Effect to Macro Economy Indicator  
Source: LM-FEUI

In the late 1990s, the financial crisis hit economic growth (light blue line) which growth becomes negative. The hardest hit sectors or very elastic is property sector (yellow line), manufacture sector (dark-blue line) and mining sector (red line). In manufacture and mining sector, the growth is not only decreasing but also to be unstable. Only agriculture sector (green line) shows inelastic condition, although the growth is unstable.

Even though the growth of mining sector shows a decreasing (elastic) and unstable, Coal is one of the alternative energy as a power plant. In 2010, Coal used to support domestic demand was 60 million ton (18 percent from total production) in which electricity used is a dominant coal user for Indonesia. The rest, 265 million ton coal, was exported to other countries like Japan, China, India, South Korea, and ASEAN country.

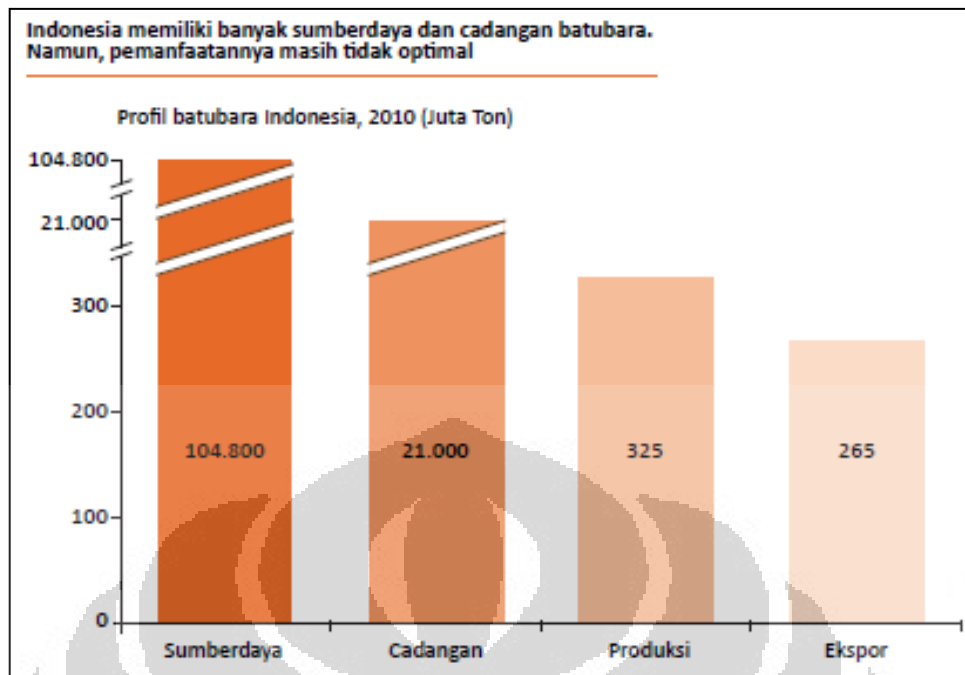
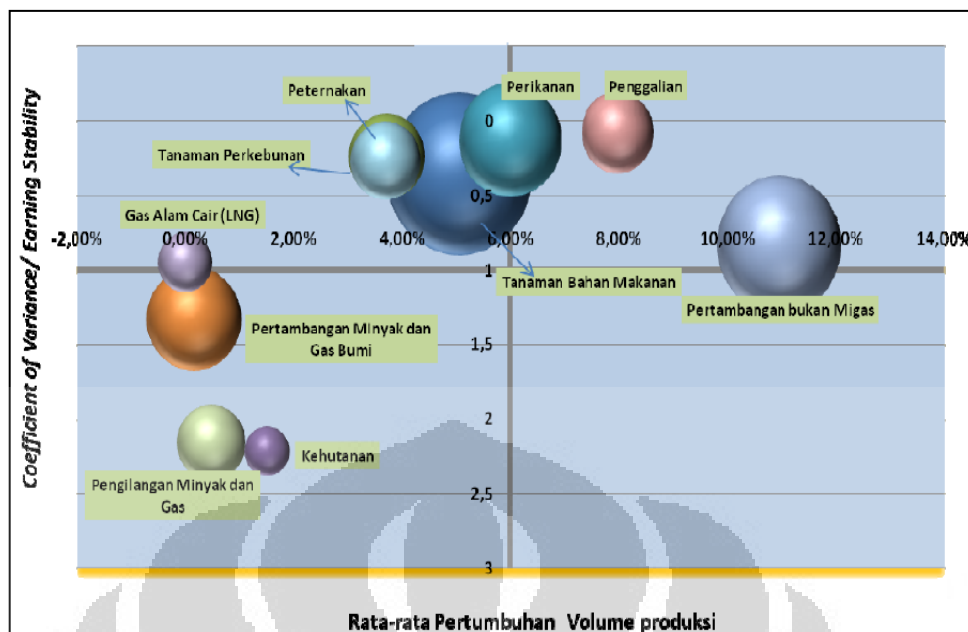


Figure 4- 5 Profile Coal in Indonesia, 2010 (Million Ton)  
Source: MP3EI

In point of view of Coal Profile used by Indonesia in 2010, mining industry will require supporting of heavy equipment in order to execute production. Increasing of heavy equipment will impact increasing in the component utilization like filtration component, tire, wear parts, lubricant and grease, undercarriage, etc.

In contrast with coal, the growth of the agriculture sector shows inelastic condition. Palm oil is the largest source of vegetable oil needed by many industries in the world. Fulfilling the request of the world palm oil production is dominated by Indonesia. Indonesia produces about 43 percent of the total production of crude palm oil/CPO in the world. Growth in palm oil production in Indonesia is 7.9 percent that is better than Malaysia at 4.2 percent yearly.

Figure 4-6 showed all the prospective sectors, namely mining sector (Coal and other minerals), trenching, and fisheries. Sectors such as plantations, crops, food and LNG despite growing stable but tend to be low. Oil and gas sector and the forestry sector tend to grow low and unstable.



**Figure 4- 6 Primer Sector Growth on PDB**  
 Source: Processed and Estimated by LM-FEUI from BPS Data (2011)

#### 4.1.3.2 Indonesia vs China

Today China is a country that is succeeding. As a successful country, they have marketed their product to the world using the cheap product as their additional point. Ease in bank loans with low interest rates, good infrastructure and ease of the business license encourage development of cheap products. Besides of that, rapid economic growth also makes China became the most important figure in Asia.

Ease of convenience such as in China, until now, has not been found in Indonesia. This is what gives its own concerns over the impact of ACFTA in the country. Domestic products cannot compete with China's products because production cost is still high and led to the selling price is far above China's products. Application of ACFTA will certainly lead to changes in the map trade between Indonesia, ASEAN countries and China.

During January – March 2012, China is the largest country in importing non oil and gas goods by US\$6.64 billion with market 18.75 percent. Figure 4-7 showed Non Oil and Gas Import Indonesia from Five Countries for period January – March 2012 compared to 2011. Machine and mechanic equipment give

large contribution for Non Oil and Gas Import with value of US\$2.25 billion or increase by 6.81 percent compared to February 2012 (US\$2.10 billion).

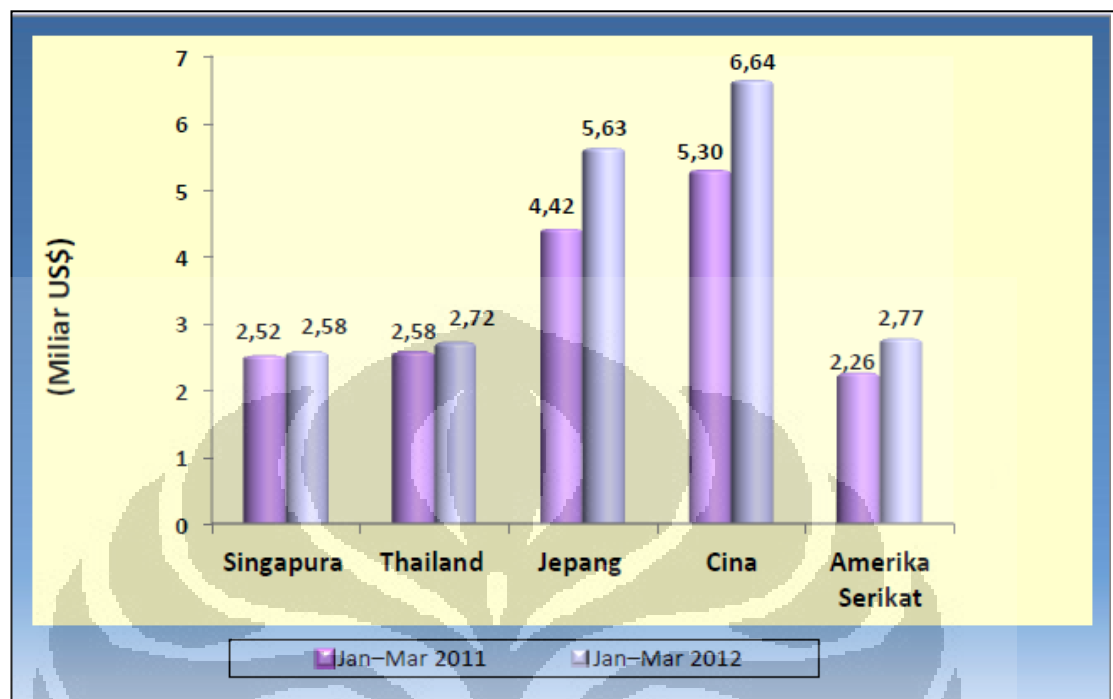
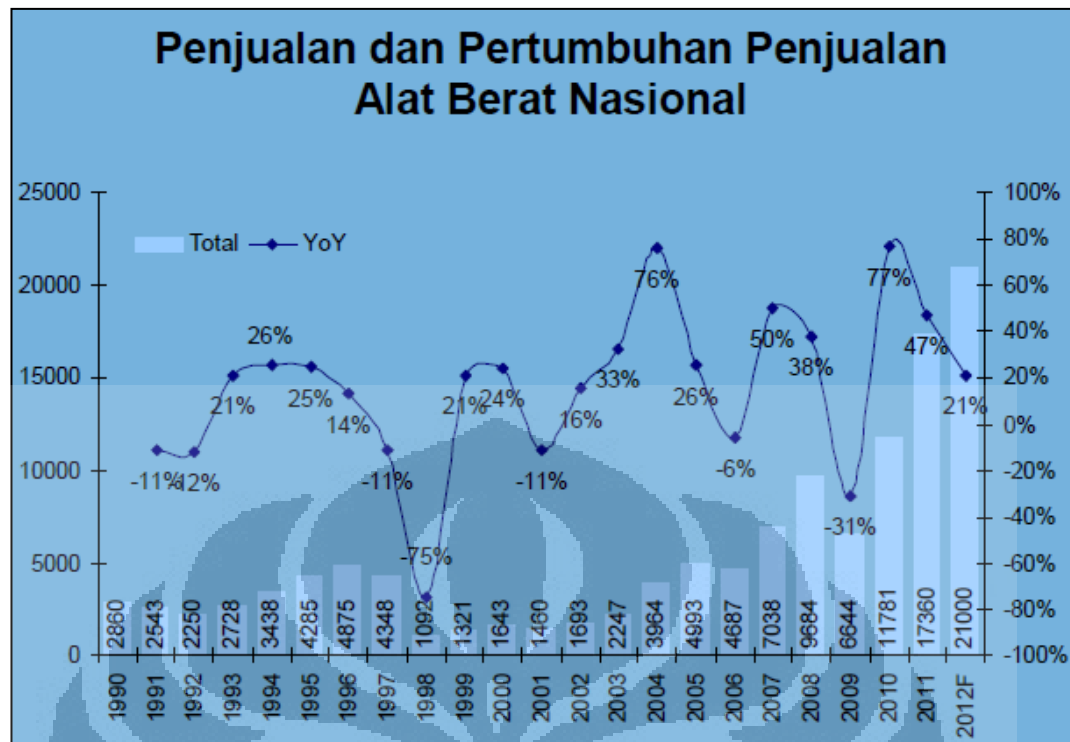


Figure 4- 7 Import Nonmigas Indonesia from Five Countries of Origin of Product, January – March, 2011 and 2012  
Source: BPS, 2012

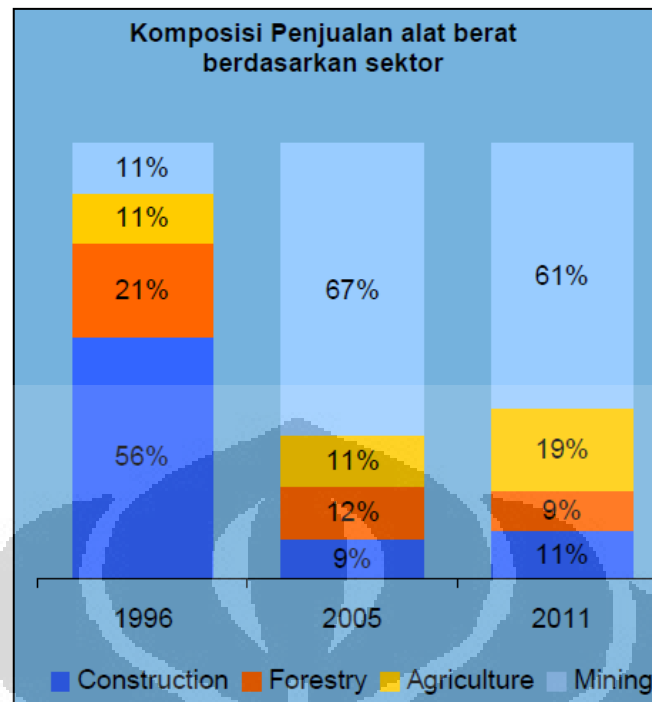
#### 4.1.3.3 Heavy Equipment Market in Indonesia

Heavy equipment sales reached 17,360 units or growth 47% year by year. In 2012, demand for heavy equipment still increases even though not high as 2011. A heavy equipment sale is expected to reach 210.000 units, growing 21% in 2012. Figure 4-8 shows about national heavy equipment sales and growth from 1990 until 2011.



**Figure 4- 8 Sales and Growth Heavy Equipment Industry (National Scale)**  
Source: UT,2012

The momentum of economic growth, particularly in the mining, plantations, and construction is driving the growing demand for heavy equipment, supported by the trend of low and stable interest rates. The mining sector is still dominated sales of heavy equipment with a share of 61%, followed by the plantation sector, construction and forestry with a share of 19%, 11%, and 9%. Heavy equipment sales composition by sector in 1996, 2005 and 2011 can be seen in Figure 4-9.



**Figure 4- 9 Heavy Equipment Sales Composition by Sector**  
Source: UT, 2012

Before the crisis of 1997-1998 was happened, demand for heavy equipment dominated from the construction sector. However, in the last decade, the role of mining and plantation sectors are increasing together with rising commodity prices and earnings in that sector. By pushing the development of infrastructure, in the future expected demand for heavy equipment in the construction sector will increase. The composition is based on sales of heavy equipment.

Production of heavy equipment is limited and cannot meet domestic demand. Current global crisis, the production of heavy equipment in 2009 was decrease 69%. In 2011, production reached 7.353 units of heavy equipment or grew 57% Year to Year. Production estimation of heavy equipment in 2012 will reach 9.500 units or grew 29% Year to Year.

However, production estimation is less than half of the estimated 2012 sales. Therefore, the import demand is still high. Imports came from Japan, followed by Thailand, US, Korea, and China.

## **4.2 Analysis of Heavy Equipment Industry**

### **4.2.1 New Entrants**

Indonesia has three big heavy equipment companies that produce excavator, bulldozers, motor graders and dump trucks. These three companies are PT Komatsu Indonesia that produces heavy equipment using Komatsu brand, PT Caterpillar Indonesia that produces heavy equipment using Caterpillar brand and PT Hitachi Construction Machinery that produces heavy equipment using Hitachi Brand.

Because of the rapid growth of heavy equipment market in Indonesia, China thru Sany Heavy Machinery Limited (Sany Group) that having collaboration with PT Satrindo Mitra Utama will try to sell heavy equipment product using Sany brand. These products have quality as well as other brands in market. PT Satrindo Mitra Utama will build the factory and hopes finish in the end of year 2012.

Increasing number of players in the heavy equipment industry to meet market demand will give impact to component industry, especially for heavy equipment component. Today, PT Komatsu Indonesia is the one that has factory to produce heavy equipment component started in 1987. Looking this opportunity, Caterpillar Incorporation that have majority share in PT Caterpillar Indonesia by 80% share planned to enter heavy equipment component industry.

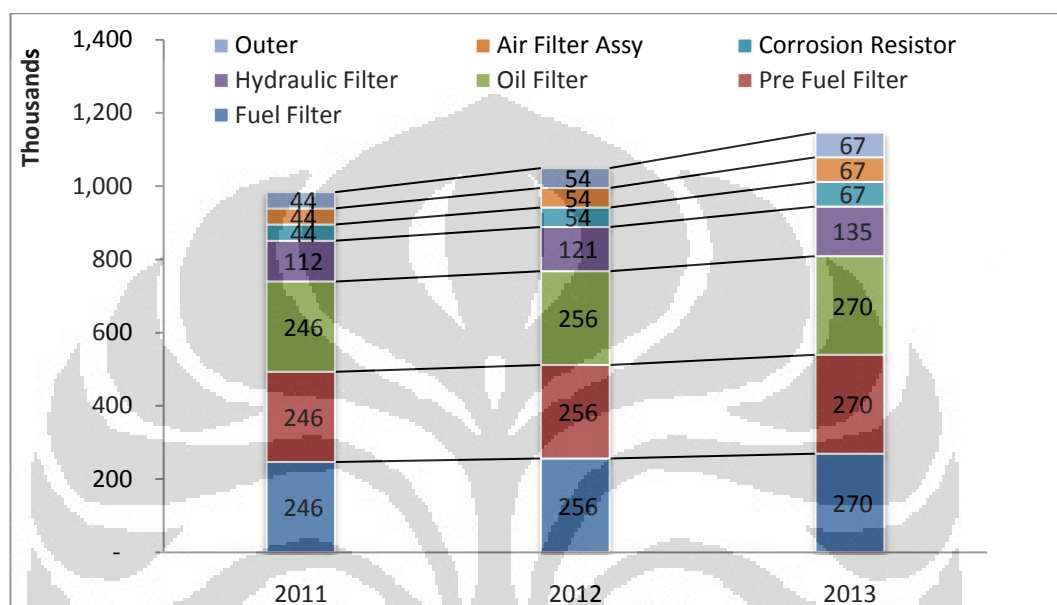
In addition to Caterpillar Incorporation, South Korea recently is conducting an assessment to make investment for components of heavy equipment in Indonesia. This action is a reaction to the rapid growing market of heavy equipment in Indonesia. South Korea will do investment in component of heavy equipment industry thru Hyundai Heavy Industries Co Ltd, Dusan Heavy Industry and Volvo Korea.

### **4.2.2 Existing Competition**

With the increasing domestic demand of heavy equipment, the need for heavy equipment components also increased. Especially for filtration product, they have total forecast product population 1,146,024 units in 2013 or increase 9.27% compare to forecast product population in 2012. Figure 4-10 shows



product population in Filter Market (Fuel Filter, Pre Fuel Filter, Oil Filter, Hydraulic Filter, Corrosion Resistor, Air Filter Assy, and Outer). From total forecast product population in 2013, Komatsu product has 44.6% or 511,074 units, Caterpillar product has 17.8% or 203,871 units, Hitachi product has 17.5% or 200,158 units and other product has 20.15% or 230,921 units.



**Figure 4- 10 Filter Product Population 2012**  
Source: AllMakes, 2012

In point of view of product's market price, every filtration product has different price for every brand (Komatsu, Caterpillar, Hitachi, etc). Typically, outer has the highest price (\$ 27.0/unit) and hydraulic filter has the lowest price in filter market (\$ 1.1/unit). Detail list market price can be viewed on Table 4.1 Filter Market Price.

Table 4- 1 Filter Market Price

Filter Type	Price in Dollar			
	Catterpillar	Hitachi	Kobelco	Hino
Fuel Filter	\$ 6.0	\$ 2.2	\$ 2.8	\$ 5.2
Pre Fuel Filter	\$ 5.9	\$ 2.1	\$ 2.9	\$ 5.1
Oil Filter	\$ 6.6	\$ 5.2	\$ 1.8	\$ 6.2
Hydraulic Filter	\$ 9.0	\$ 9.2	\$ 1.3	\$ 1.3
Corrosion Resistor	\$ 9.0	\$ 9.2	\$ 9.5	\$ 9.8
Air Filter Assy	\$ 11.1	\$ 4.7	\$ 9.3	\$ 4.8
Outer	\$ 24.7	\$ 26.1	\$ 27.0	\$ 25.8

Filter Type	Price In Rp			
	Catterpillar	Hitachi	Kobelco	Hino
Fuel Filter	54,338	19,447	25,620	46,643
Pre Fuel Filter	52,785	19,293	25,920	46,292
Oil Filter	59,225	47,039	16,296	55,385
Hydraulic Filter	81,305	82,872	11,387	11,716
Corrosion Resistor	80,960	82,944	85,316	88,447
Air Filter Assy	100,194	42,160	83,456	43,168
Outer	222,640	235,197	242,855	232,260

Source: AllMakes, 2012

#### 4.2.3 Substitute Product

Today, there is no substitute product for Heavy Equipment's Filtration.

#### 4.2.4 Bargaining Power of Consumer

Bargaining power of consumer in Indonesia is weak because every brand has to use their special components. This special component makes consumer have no choices in market so they have to buy the product based on the brand they have. In reality, because market is dominated by many big players, the bargaining power of consumer can be high because they can choose or find supplier easily.

#### 4.2.5 Bargaining Power of Supplier

Supplier to filter products are not only held by the Federal Supply Chain Manufacturing but also held by other companies such as, Panata Jaya Mandiri, Batara Surya Mulya, Hardaya Equipment, Cummins Filtration etc. With so many options to choose from a component manufacturer, the bargaining power of suppliers is not too high.

### 4.3 Opportunity and Threat

Based on the analysis results of external factors analysis that have been done before, it can be concluded some opportunity and threat facing as below.

#### 4.3.1 Opportunity

Asia pacific economic growth throughout 2011 has made a demand of primary energy, especially coal, continues to raise increased domestic demand of coal for power generation also continues to increase along with the realization of PLTU development. This increase in coal demand will directly impact the heavy equipment industry itself. Can be seen in the previous explanation, demand is projected to reach 210.000 units which grew by 21% compared with 2011. Therefore, the increase in demand for heavy equipment will also be accompanied by an increased need for heavy equipment components. This is an opportunity that should be taken by companies assembling machine components.

Development of information technology lead e-marketing is also growing rapidly, it creating more opportunities to expand products and markets. In addition, high levels of pollution which causes the component assembler companies heavy equipment to be able to innovate in creating products that are environmentally friendly filter. This is a separate opportunity could be improve the quality of the product compared with competitors.

#### 4.3.2 Threat

Political and legal conditions that would threaten the unstable economy and also will further threaten sales targets, profit and market share. Relevant government policies Permen No. 7 of 2012 will cause a decrease in production due to demand ban on exports for 14 minerals.

Movement of goods and services that are free to move between countries within the framework of ASEAN in AFTA will lead to the emergence of many new competitors will hereinafter achievement would threaten the success of the target company's market share and profit

In addition to the implementation of AFTA, pulling heavy equipment industry market growth in Indonesia and South Korea push China to do more

exploration in the industry to do business in the machine components. In addition to China and South Korea, America through Caterpillar Incorporation also interested in getting into the industry Heavy equipment components in Indonesia. It is a threat to the successful achievement of the target company's market share and profit.

Inter-vehicle component companies also will be fierce competition to gain market share continues to increase due to the correlation of increased demand for heavy equipment. Quality products and services of the company will be a lure for customers so as to improve

In addition, the number of players in this industry causes consumers have many choices that lead to bargaining position higher. It also led to the consumer demands will be greater in order to have a reliable product and have the convenience of the service

#### **4.4 Analysis of Internal Factor**

##### **4.4.1 Inbound Logistic**

In dealing with stock components, especially components of filter equipment, AllMakes run decentralized methods / push system for AMK's branches. The method of decentralization / push system was undertaken to follow the demand needs of the customer where the availability of these components will be needed in a high percentage. This is especially true for the customers are engaged in the mining industry that requires fast moving components, such as filters, undercarriage, hose, etc.

Machine components, especially filters made by PT Federal Supply Chain Manufacturing directly sent to the depot-depot owned by AllMakes. Currently, AllMakes has 6 Depots great (Stockiest) located in Pekanbaru, Jakarta, Surabaya, Banjarmasin, Balikpapan and Samarinda.

Logistic system into which has been consistently applied and effective and is AllMakes advantage to be a world-class companies in order to be able to compete with other competitors.

#### 4.4.2 Out-bond Logistic

Distribution of vehicles and services to customers through point of sales which is owned by PT United Tractors Tbk, distributors and AllMakes store. Allmakes used these three alternative channels to get direct contact with customers. Direct contact with customers is essential point for Allmakes because customer satisfaction is highly determined by the quality of this process.

The speed of delivery, quality of goods delivered and informative explanation of the seller are an important point to do sales in heavy equipment industry. The quality of the goods shipped here includes the quality of the component manufacturers, the specifications demanded by consumers and the quality of delivery. Incidence of product defects often occurs at the time of delivery of goods from point of sales to the consumer. This note should be maintained by Allmakes. Allmakes can collaborate with the product delivery logistics operator to minimize this component's defect due to delivery process.

#### 4.4.3 Product

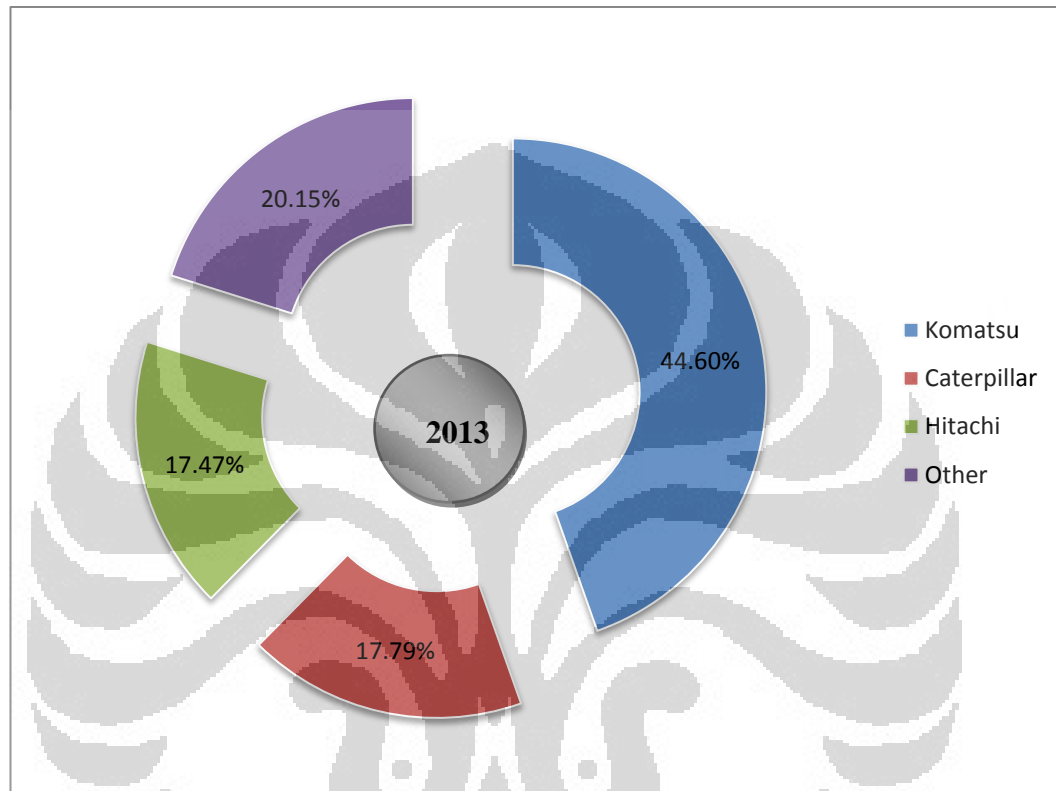
AllMakes offers roughly 17,000 product line items, covering parts from the leading heavy equipment brands. In addition to 14 groups of business product lines including AllMakes, UTParts, and HEO, AllMakes is a parts distributor for more than 50 international brands.

Filter is one of the product that AllMakes sells to customer. AllMakes and AOP use strategy alliance to develop filter silver that intended to substitute the genuine parts in Indonesia.

Filtration parts made by AllMakes and AOP include:

- **Fuel Filter**, is a filter in the fuel line that screens out dirt and rust particles form the fuel, normally made into cartridges containing a filter paper.
- **Air Filter**, is a device composed of fibrous materials which removes solid particulates such as dust, pollen, mold, and bacteria from the air.
- **Oil Filter**, is a filter designed to remove contaminants from engine oil, transmission oil, lubricating oil, or hydraulic oil.
- **Hydraulic Filter**, is filter that is used by hydraulic system. This filter usually takes place between the reservoir and the pump intake.

In accordance to Figure 4-11, from total product population in 2013, Komatsu's product has 44.6% or 511,074 units; Caterpillar's product has 17.8% or 203,871 units; Hitachi's product has 17.5% or 200,158 units and other product has 20.15% or 230,921 units.



**Figure 4- 11 % Product Composition in Heavy Equipment Industry**  
 Source: AllMakes, 2012

In point of view for that composition, AllMakes should have wide product range for all product & brands. However, in fact, AllMakes still have limitations in product range. Table 4-2 shows product range of AllMakes in 2011, AllMakes only provide for Hino's product and Hitachi's product.

Table 4- 2 AllMakes's Product Range &amp; Purchase AllMakes to AOP

Product	Application	2011			
		Plan		Des	
		Items	Amount	Items	Amount
Filter	Hino	5	100,000	8	138,775
Silver	Hitachi	9	120,000	9	91,580
			<b>220,000</b>		<b>230,355</b>

Source: AllMakes, 2011

#### 4.4.4 Price

A standard and sales price policy made by the head office is then used as the benchmark for all branches and dealers to provide price to the customer. Wisdom discount on the authority of the competent authority has also been standardized by the central office then used as the benchmark for all branches to give discounts to customers.

In point of view of product's price, AllMakes price is higher than the market price by average 5% because FSCM cannot manufacture the product. FSCM still bought the product from other suppliers. Because of that, AllMakes cannot sell the product easily in the market. Detail list AllMakes price can be viewed on Table 4-3 Allmakes Price.

Table 4- 3 AllMakes Price

Filter Type	Price (in IDR)			
	Catterpillar	Hitachi	Kobelco	Hino
Fuel Filter	57,054	19,903	26,254	48,345
Pre Fuel Filter	53,841	19,590	26,874	47,620
Oil Filter	61,002	49,169	17,704	57,877
Hydraulic Filter	82,118	85,847	11,788	12,055
Corrosion Resistor	82,029	84,976	87,756	91,693
Air Filter Assy	102,699	44,437	87,061	44,368
Outer	229,889	248,462	250,762	242,296

Source: AllMakes, 2012

#### 4.4.5 Distribution

To reach customers effectively across Indonesia, AllMakes using an extensive network of 60 point of sales through PT United Tractors Tbk, and 6

large depots located in Pekanbaru, Jakarta, Surabaya, Banjarmasin, Balikpapan, and Samarinda, as well as 30 stock centers for retail-based sales which owned by the stockiest.

To become a world-class company, to further develop parts solutions for heavy equipment, AllMakes has a joint manufacture with PT Astra International Tbk as a holding company and to expand its market within the Southeast Asia region, at the end of 2010 PT Andalan Multi Kencana established AllMakes Asia Pacific Pte Ltd, a joint venture based in Singapore.

#### **4.4.6 Promotion**

Promotion is done by a combination of push and pull oriented strategy. Running the oriented push strategy, Allmakes used the salesman to attract customer in a personal selling. AllMakes executed pull oriented strategy through advertising in heavy equipment magazine in order to strengthen the image and product awareness. In advertising, it is often used to influence the endorser to be more consumers. It can build a brand image as a world-class.

#### **4.5 Strength and Weakness**

Based on the analysis of internal factors discussed above, it can be concluded that the significant strengths and weaknesses are as follows:

##### **4.5.1 Strength**

AllMakes have the ease and speed in service to make out the logistics activities has advantages over competitors. These conditions happen because AllMakes use decentralization system and large network. AllMakes has 60 point of sales, 6 large depots (AllMakes Distribution Center) and 30 distributor/stockiest. Besides of that, AllMakes has Representation Company in Singapore to sell the product for Asian Pacific.

In the field of marketing and sales, AllMakes can provide quality products, extensive distribution network and effective promotion through advertising and the use of a salesman to get the purchase of consumer interest. Also in the field of



service, the power possessed by AllMakes is the established pattern of thinking (mindset) is oriented to customer satisfaction (Customer Satisfaction Oriented).

AllMakes with the support of PT United Tractors Tbk have knowledge of heavy equipment products. With knowledge of this product, AOP & AllMakes make strategic alliance that can maintain quality and reliable products that create a demand from customers. In addition, good R & D facility components owned by the AOP become its own power to be able to conduct research in creating new innovations for heavy equipment components.

#### 4.5.2 Weakness

Even though AllMakes has good knowledge in Komatsu product, they don't have good knowledge for product outside Komatsu brand. This reason make AllMakes cannot help AOP in developing those parts. Because of that, AllMakes has not fulfilled all the existing product range.

In terms of price, the price offered to the customer is relatively high compared with competitors because AOP still buy the product from other supplier. Because of high price, AllMakes cannot sell the product easily to the market.

#### 4.6 SWOT Analysis

Based on the analysis of external factors and internal factors, it can be concluded Opportunities, Threats, Strengths and Weaknesses owned by AllMakes are as follows:

##### 4.6.1 Strength

- **Inbound logistic**, AllMakes use decentralization / push system to fulfill the demand needs of the customer. Almost Allmakes products are fast-moving products. It means that the product has short lifecycle in their usage. Because of that reason, the method of decentralization / push system was undertaken to follow the highly demand needs of the customer.

- **Good knowledge in Komatsu product**, AllMakes is supported by competent human resources from PT United Tractors Tbk. AllMakes also has knowledge about Komatsu product that can absorb by market.
- **Extensive AllMakes channel and network**. AllMakes have six large depots and 30 stockiest. Besides of that, AllMakes has been supported by PT United Tractor to use sixty (60) UT point of sales. To become worldwide company, supporting AMK Vision, AllMakes has representative channel in Singapore, AllMakes Asian Pacific (AMAP).
- **Complete testing facilities**. Quality of product is one of the important things in order to increase customer satisfaction. AllMakes has to be considered the quality of product. To support the quality, AOP as a component manufacture has complete testing facilities. AOP has 48 testing facilities to test quality of product.

#### 4.6.2 Weakness

- **Lack of market penetration activities**. Even though AllMakes has combination of push and pull oriented strategy, Allmakes didn't execute those strategies routinely for filter product. Comparing to other product such as HEO (heavy equipment oil), they do promotion routinely through advertising in heavy equipment magazine, etc.
- **Lack of competency for non Komatsu products**. Although AllMakes has been supported by PT United Tractors Tbk, AllMakes don't have competency outside Komatsu Product. AOP as a component manufacture has good competency in automotive filter but in heavy equipment industry AOP still fulfill the competency. Because of that reason, AOP still using outsource to fulfill AllMakes demand.
- **High Price because AOP still buy the product from other supplier**. Heavy equipment is a new business for AOP as a component maker. AOP

had experience in spare part for automotive industry (4wheeler and 2wheeler) instead of spare part for heavy equipment industry. Because of that, AOP cannot produce or manufacture the component for heavy equipment by itself. This condition will give impact to Allmakes because, today, their price will be higher than the market price by average 5%. The Allmakes price can be seen on Table 4-3 Allmakes Price.

#### 4.6.3 Opportunity

- **Rapid Indonesia growth.** Indonesia's economic growth in the first quarter 2012 compares with fourth quarter 2011 increased by 1.4 percent in terms of Gross Domestic Product (GDP). This growth was supported by agriculture, livestock, forestry, and fisheries by 20.9 percent due to the harvest season in the first quarter of 2012. In another hand, if the GDP of Indonesia in the first quarter of 2012 compares to same quarter 2011 growth of 6.3 percent. This growth is supported by all sectors, where the highest growth generated by the transport and communication sector at 10.3 percent which can be seen on Figure 4-3 PDB growth rate base on industry (in percentage). This Indonesia growth will invites both foreign and domestic investor to do investment in Indonesia.
- **Growing Market Size in Heavy Equipment Industry.** Heavy equipment sales reached 17,360 units or growth 47% year by year. In 2012, demand for heavy equipment still increases even though not high as 2011. A heavy equipment sale is expected to reach 210.000 units, growing 21% in 2012. Figure 4-8 shows about national heavy equipment sales and growth from 1990 until 2011. With this market size, China, South Korea and United States will enter to Indonesia's market. Increasing number of players in the heavy equipment industry to the existing competition will give impact to component industry.
- **High variance in Hino, Kobelco, Catterpillar& Komatsu Product,** Even though there is increasing number of players; AllMakes only sell for limit variance for those products. Table 4-2 shows product range of

AllMakes in 2011, AllMakes only provide for Hino's product and Hitachi's product.

#### 4.6.4 Threat

- **High new entrant to industry.** Because of the rapid growth of heavy equipment market in Indonesia, China thru Sany Heavy Machinery Limited (Sany Group) that having collaboration with PT Satrindo Mitra Utama will try to sell heavy equipment product using Sany brand. These products have quality as well as other brands in market. PT Satrindo Mitra Utama will build the factory and hopes finish in the end of year 2012. Increasing number of players in the heavy equipment industry to meet market demand will give impact to component industry, especially for heavy equipment component.
- **Development green product.** This will be threat to FSCM because they don't have competence in heavy equipment product. They still do R&D and need time to get good quality & green product.
- **Instability politics and laws,** unhealthy politic condition makes bad environment for investor. Besides of that, new regulation PERMEN Nomor 7 Tahun 2012 obligated mine owners to process 14 mining products that will be exported to overseas. Enforcement of Permen Nomor 7 Tahun 2012 will give impact to stop the production and continually impact to termination of employment, for example, this condition happens in Riau Island. This condition will impact to Heavy Equipment Industry.

Looking at the relationship between the opportunities, threats, strength and weaknesses so that strategies can be formulated in the SWOT Matrix is shown in Figure 4.12 below. Those strategies based on discussion on team meeting between Allmakes, AOP-FSCM and Astra which can be seen in appendix 1.

SWOT ANALYSIS	STRENGTH		WEAKNESS	
		S1 S2 S3 S4	Inbound Logistic - Decentralization Good Knowledge in Heavy Equipment Komatsu Product Extensive AllMakes Channel and Network Good AOP Testing Facility	W1 W2 W3
OPPORTUNITY	O1 O2 O3	Rapid Indonesia Growth Growing Market Size in Heavy Equipment Industry High Variance in HINO, KOBELCO, CATERPILLAR & KOMATSU Product	O1S1 O1S2 O1S3 O2S1 O2S2 O2S3 O3S4	Expand networking in other area Transfer knowledge for Komatsu Product Expand networking in other area Expand networking in other area Develop for Komatsu's component Expand networking in other area Invest new Machine Study process development of Non Komatsu Product
			O1W1 O1W2 O1O3W3 O2W1 O2W2 O2W3 O3W1	Improve Market Penetration Activities Transfer knowledge for Komatsu Product Outsourcing product with other company AOP do Joint Venture with other company Outsourcing product with other company AOP do Joint Venture with other company Invest new Machine Study process development of Non Komatsu Product Improve Market Penetration Activities Transfer knowledge for Komatsu Product Outsourcing product with other company AOP do Joint Venture with other company Transfer knowledge for Komatsu Product
THREAT	T1 T2 T3	High New Entrant to Industry Development Green Product Instability Politics and Laws	T1S1 T1S2 T1S3 T2S1 T2S2 T2S3 T2S4	Expand networking in other area Develop for Komatsu's component Expand networking in other area - Transfer knowledge for Komatsu Product - R&D activities between AMK & AOP
			T1W1 T1W2 T1W3 T2W2 T2W3	Improve Market Penetration Activities Transfer knowledge for Komatsu Product Outsourcing product with other company AOP do Joint Venture with other company Invest new Machine Study process development of Non Komatsu Product Transfer knowledge for Komatsu Product Outsourcing product with other company AOP do Joint Venture with other company Invest new Machine Study process development of Non Komatsu Product

Figure 4- 12 SWOT Matrix

#### 4.6.5 Strategy Strength – Opportunity

Based on rapid growth in Indonesia characterized by a positive GDP growth in the mining, forestry and construction in the period first quarter 2012 to first quarter 2011, the estimated growth of heavy industry will reach 210,000 units by the end of 2012. Using this opportunity and the strength of AllMakes, product development for Non Komatsu product to meet product variant and the development of domestic networking will be AllMakes' focus strategy to increase market share in the product filter.

To fulfill product variant, especially for non Komatsu's product, AllMakes has four alternatives, such as:

1. AllMakes directly do outsource or purchase to supplier non AOP-FCSM.
2. AllMakes produce or manufacture the product by itself.
3. AllMakes purchase to AOP which do outsource or purchase to another supplier.
4. AOP invest new machine to produce the product.

In alternative 1, AllMakes has advantage getting lower price compare to alternative 3 because they buy directly to suppliers non AOP that can manufacture or produce the product. But according to Principal's direction, AllMakes should give an opportunity to AOP to study and do R&D in order to increase their competence in filter for heavy equipment. Besides of that, increasing competence in heavy business is one of AOP strategy. In another hand for alternative 2, AllMakes don't take this alternative because even though AllMakes has good product knowledge in Komatsu product, they don't have manufacturing competence.

In alternative 3, AllMakes cannot continue to buy the product from AOP which do outsource or purchase to another supplier because the price will be high compare to the market price. Because of that, both AOP and AllMakes continually do R&D (research and development) and AOP invest new machine to produce the product in order to decrease the price compare to the market price.

In alternative 4, AOP needs IDR 4,050 million as an initial investment in new machine. This machine will be depreciated in 5 years. The sales projection in 5 years can be seen in Table 4.4.

Table 4- 4 The Sales Projection in 5 Years, in IDR

CATTERPILAR	2013	2014	2015	2016	2017
Fuel Filter	414,000,000	455,400,000	500,940,000	551,034,000	606,137,400
Oil Filter	172,500,000	189,750,000	208,725,000	229,597,500	252,557,250
Hydraulic Filter	603,750,000	664,125,000	730,537,500	803,591,250	883,950,375
Air Filter	342,125,000	376,337,500	413,971,250	455,368,375	500,905,213
HITACHI					
Fuel Filter	76,000,000	83,600,000	91,960,000	101,156,000	111,271,600
Oil Filter	360,000,000	396,000,000	435,600,000	479,160,000	527,076,000
Hydraulic Filter	320,000,000	352,000,000	387,200,000	425,920,000	468,512,000
Air Filter	120,000,000	132,000,000	145,200,000	159,720,000	175,692,000
KOBELCO					
Fuel Filter	75,000,000	82,500,000	90,750,000	99,825,000	109,807,500
Oil Filter	90,000,000	99,000,000	108,900,000	119,790,000	131,769,000
Hydraulic Filter	66,000,000	72,600,000	79,860,000	87,846,000	96,630,600
Air Filter	208,000,000	228,800,000	251,680,000	276,848,000	304,532,800
HINO					
Fuel Filter	135,000,000	148,500,000	163,350,000	179,685,000	197,653,500
Oil Filter	106,000,000	116,600,000	128,260,000	141,086,000	155,194,600
Air Filter	252,000,000	277,200,000	304,920,000	335,412,000	368,953,200
TOTAL SALES	3,340,375,000	3,674,412,500	4,041,853,750	4,446,039,125	4,890,643,038

Source: AllMakes, 2012

Based on that sales projection and initial investment, NPV calculation gives positive number by 755,637,892. It means that the investment for new machine can be accepted. The calculation of NPV can be seen in Table 4-5 NPV calculation.

$$\begin{aligned}
 NPV = & -4,050,000,000 + \frac{926,398,010}{1 + 18\%} + \frac{1,330,395,311}{(1 + 18\%)^2} \\
 & + \frac{1,440,754,842}{(1 + 18\%)^3} + \frac{1,562,150,327}{(1 + 18\%)^4} + \frac{2,184,749,663}{(1 + 18\%)^5}
 \end{aligned}$$

$$NPV = \underline{\underline{278,096,701}}$$

Table 4- 5 NPV Calculation

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	2012	2013	2014	2015	2016	2017
Capital Expenditure	(4,050,000,000)					
Sales Revenue		3,340,375,000	3,674,412,500	4,041,853,750	4,446,039,125	4,890,643,038
-/- Operating Cost		(1,904,770,125)	(2,095,247,137)	(2,304,771,851)	(2,535,249,036)	(2,788,773,939)
-/- Depreciation		(810,000,000)	(810,000,000)	(810,000,000)	(810,000,000)	(810,000,000)
Earning Before Tax		625,604,875	769,165,363	927,081,899	1,100,790,089	1,291,869,098
-/- Income Tax Expense		(175,169,365)	(215,366,302)	(259,582,932)	(308,221,225)	(361,723,347)
Net Income		450,435,510	553,799,061	667,498,967	792,568,864	930,145,751
+/+Depreciation		810,000,000	810,000,000	810,000,000	810,000,000	810,000,000
Operating Cash Inflow (outflow)		1,260,435,510	1,363,799,061	1,477,498,967	1,602,568,864	1,740,145,751
+/-Changes in Net Working Capital		(334,037,500)	(33,403,750)	(36,744,125)	(40,418,538)	444,603,913
<b>Cash Inflow (Outflow)</b>	<b>(4,050,000,000)</b>	<b>926,398,010</b>	<b>1,330,395,311</b>	<b>1,440,754,842</b>	<b>1,562,150,327</b>	<b>2,184,749,663</b>



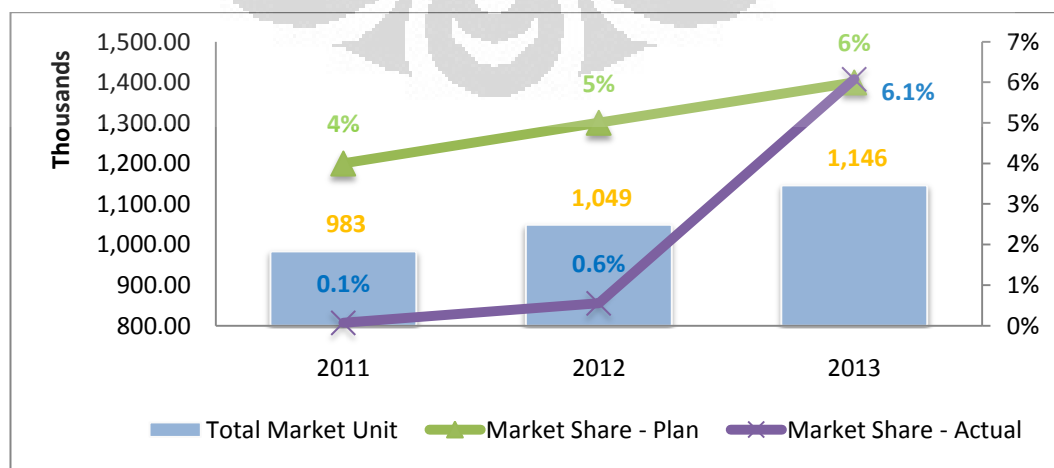
With this new machine, AOP can reduce their price by average 4 percent compare to price when they buy to other supplier. The new price can be shown at Table 4-6 AOP-FSCM price compare to the market price.

**Table 4- 6 AOP-FSCM Price Compare to The Market Price**

CATTERPILAR	Market Price	New Price	Difference
Fuel Filter	54,338	51,750	-4.8%
Oil Filter	59,225	57,500	-2.9%
Hydraulic Filter	81,305	80,500	-1.0%
Air Filter	100,194	97,750	-2.4%
HITACHI			
Fuel Filter	19,447	19,000	-2.3%
Oil Filter	47,039	45,000	-4.3%
Hydraulic Filter	82,872	80,000	-3.5%
Air Filter	42,160	40,000	-5.1%
KOBELCO			
Fuel Filter	25,620	25,000	-2.4%
Oil Filter	16,296	15,000	-8.0%
Hydraulic Filter	11,387	11,000	-3.4%
Air Filter	83,456	80,000	-4.1%
HINO			
Fuel Filter	46,643	45,000	-3.5%
Oil Filter	55,385	53,000	-4.3%
Air Filter	43,168	42,000	-2.7%

With that projection 1,146 million unit in 2013, AllMakes hopefully can sell 68,761 units filter into the market. This means that AllMakes will have 6.1% market share instead of 6% target market share. The figure 4-12 shows the projection of market share with this new investment.

**Figure 4- 13 Market Share Projection in 2013**



Supporting the sales process, AllMakes will strengthen the domestic networking. Currently, AllMakes still use the 60 point of sales held by United Tractors to be able to sell to the customer. In the future, AllMakes will study the development of self-owned outlets that sell product outside Komatsu product. Even though AllMakes have AMAP (AllMakes Asia Pacific) as a representative company in Singapore, AllMakes will focus to develop domestic network to catch the market growth due to significant growth in Indonesia.

With so many outlets owned by AllMakes later, high distribution cost will be a cost that must be concern. Looking at that condition and accordance with Principal direction, there is opportunity to have other two strategic alliances with SERA group which have responsible in logistic activity. First is strategic alliance between AllMakes and SERA group, SERA will do distribution from all AllMakes supplier to Depo that owned by AllMakes. Second is strategic alliance between AOP, especially from FSCM, to AllMakes depo. Figure 4-14 shows opportunity alliance between AllMakes, AOP-FSCM and SERA group. This alliance will be studied by AllMakes to support simple distribution with competitive cost.

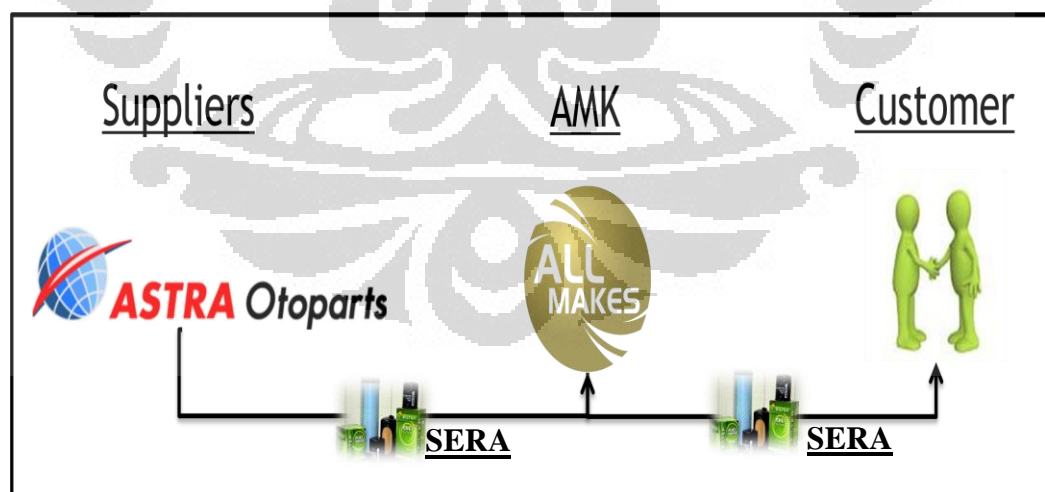


Figure 4- 14 Framework of New Strategic Alliance between AllMakes, AOP and SERA

Due to this alliance, Allmakes can secure their delivery from AOP to Allmakes and from Allmakes to customer. Besides of that, ease in communication

is one of benefit that can be got form this alliance because SERA is one of Astra subsidiaries.

Additional production will happen in the FSCM from increased product demand; FSCM's supplier will require initial working capital to meet purchased order. Besides of that, FSCM's supplier also requires capital for new machinery and tools investment. Based on that condition, Bank Permata can support this opportunity. They have two products, Working Capital Loan (PO-purchased order Financing) and Investment Loan. Purchased Order Financing is product that gives working capital loan to customer based on purchased order from Astra group. In other hand, Investment loan is product that gives loan to support new machinery and new tools investment.

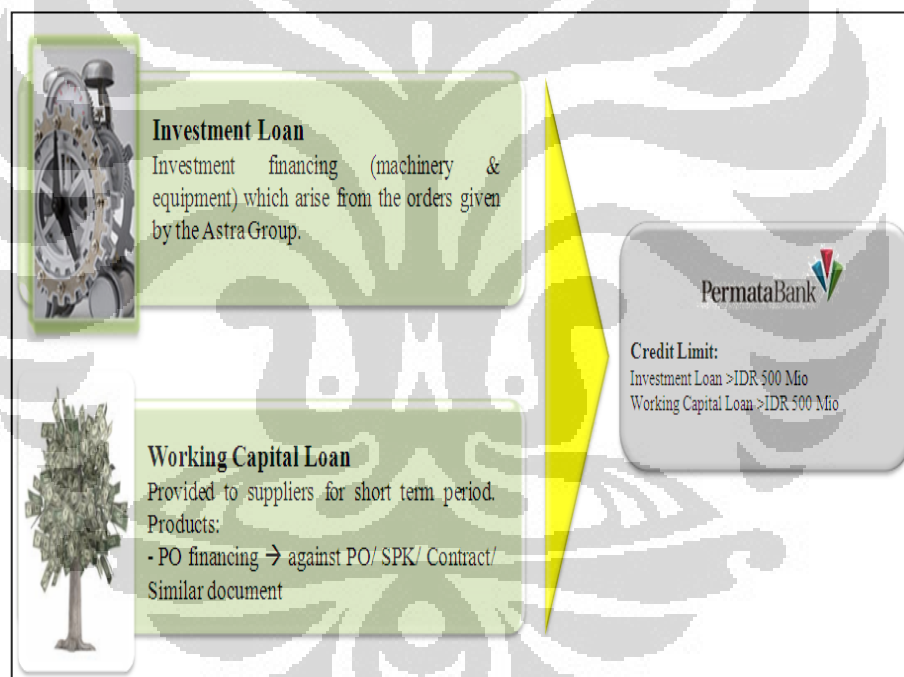


Figure 4- 15 Bank Permata's Product: Working Capital Loan & Investment Loan  
Source: Bank Permata, 2012

Besides of that, Bank Permata can enhance their customer data base from FSCM's supplier. Today, Bank Permata has supported other Astra group supplier by giving working capital loan and investment loan.

#### **4.6.6 Strategy Weakness – Opportunity**

Lack of market penetration by AllMakes is one of weakness they have, especially for filter product. Therefore, Improvement in market penetration activities is one of the strategies taken by AllMakes to support sales of Komatsu and Non Komatsu product.

These market penetration activities are:

- Bundling program, AllMakes can bundling their filter product with their Heavy Equipment Oil (HEO). HEO has good response for customer. Other type of bundling is filter product with Mr. RB (Rubber Bushing) product. Mr. RB is one of fast moving product in heavy equipment industry.
- Advertising, AllMakes will increase their marketing program by advertise their product continuously. AllMakes try to make leaflet that give all information about filter product and try to advertise this product in heavy equipment catalogue.

#### **4.6.7 Strategy Strength – Threat**

In the middle of increasing fierce competition, AllMakes is trying to make customer still be loyal and not go to competitor. Using a customer database which is owned by AllMakes and United Tractors, AllMakes will continually keep good relation with all customers.

In addition, with the challenge to keep developing green product, AllMakes in corporation with AOP will do innovation continually with supporting by AOP testing facility. AllMakes and AOP expected have competitive product compared to their competitor. Especially for Komatsu product, AllMakes will keep do transfer knowledge to improve their product performance.

#### **4.6.8 Strategy Weakness - Threat**

In order to minimize weaknesses and threats that appear, AllMakes and AOP always carry out the learning and educating process in order to improve their capability in term of product and marketing knowledge.

#### 4.6.9 AllMakes – AOP Strategy

In order to achieve target market share and based on above explanation, the strategy should be taken by AllMakes and AOP are:

- Product Development: Fulfill product variant
  - For Non Komatsu product, AllMakes purchase to AOP which invest new machine.
  - For Komatsu product, AllMakes will help in Research and Development process in which AllMakes have good knowledge in Komatsu product.
- Improve penetration activities in market: bundling program & continuous advertising.
- Strengthen the domestic networking & keep good relation with all customers
- Do innovation continually with supporting by AOP testing facility

Timeline to implement the strategy can be shown at Figure 4-16 below

No	Strategy	2012	2013	2014-2017
1	<b>Product Development</b>			
	Invest New Machine	→		
	R&D for Non Komatsu Product	→		
	Starting Production (Caterpillar, Hitachi, Kobelco, Hino)	→		
	R&D for Komatsu Product	→		
2	<b>Market Penetration</b>			
	Bundling Program	→		
	Continous Advertising	→		
3	<b>Network Development</b>			
	Study to develop own channel	→		
	Develop own channel	→		
	Keep good relationship with customer	→		
4	<b>Develop New Strategic Alliance</b>			
	Preparation	→		
	New Strategic Alliance	→		

Figure 4- 16 Timeline Strategy Implementation

Besides of that, new opportunity strategic alliance can be developed from opportunities, threats, strength and weakness can be show in Figure 4-17 below.

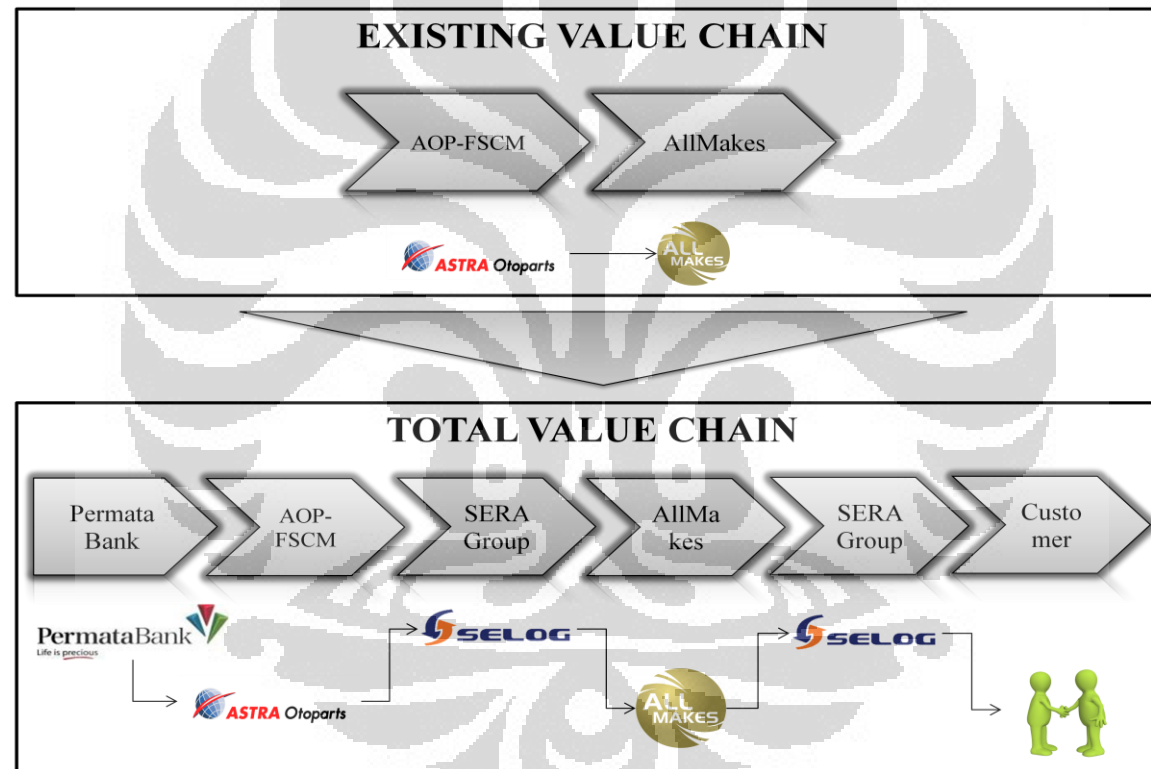


Figure 4- 17 Total Value Chain

## CHAPTER 5

### SUMMARY AND RECOMMENDATIONS

#### 5.1 Summary

Based on that analysis, there are two conclusion to answer these two thesis purposes are as follows:

1. Strategy alliance between AllMakes and AOP since the end of 2010 didn't give good result in year 2011. They only achieve sales unit for by 694 units in 2011 and 5,784 units (projection) in 2012. Based on internal scanning, there are still many weaknesses in strategy alliance between AllMakes and AOP, such as:
  - a. Lack of Market Penetration Activities,
  - b. Lack of Competency outside Komatsu Product,
  - c. High Price because AOP still buy the product from other supplier.

To improve this strategy alliance in order to capture or achieve target in year 2012 and using SWOT analysis, several strategies will be taken by AllMakes and AOP based on opportunities, threats, strengths and weaknesses. These strategies are:

- Fulfill product variant
  - For Non Komatsu product, AllMakes purchase to AOP which invest new machine. NPV calculation shows positive results (NPV = 278,096,701), it means that FSCM can invest the machine to produce the filter for Non Komatsu's product.
  - For Komatsu product, AllMakes will help in Research and Development process in which AllMakes have good knowledge in Komatsu product.
- Strengthen the domestic networking.
- Improve penetration activities in market & keep good relation with all customers.
- Do innovation continually with supporting by AOP testing facility

2. In addition, based on those opportunities, strategy alliance is not only happen between AllMakes and AOP but also happen between AllMakes, AOP, SERA and Bank Permata. SERA will support in logistic activities by distributing parts from AOP to AllMakes and from AllMakes to customer. Besides of that, Bank Permata will support in working capital loan and investment loan financing for FSCM's suppliers. Based on those strategies, market share filtration will achieve 6.1% in 2013 instead of the target 6%.

## 5.2 Recommendations

The writer understands that this thesis is far from perfect. The writer would like to take the time to close this writing by adding some note that may be useful in deeper analysis.

- Further analysis for strategy alliance between AllMakes-SERA, AOP-SERA and FSCM's suppliers-Bank Permata can be done by doing feasibility study. The strategy alliance between them should give "win – win" solution.
  - First, strategy alliance between AllMakes and SERA will give benefit to Allmakes on securing their delivery from Allmakes to customer.
  - Second, strategy alliance between AOP-SERA will also give benefit to AOP on securing their delivery to AllMakes. In another hand, those two strategy alliance will give additional revenue for SERA.
  - Third, strategy alliance between FSCM's supplier-Permata Bank. FSCM's suppliers will require initial working capital to meet additional purchased order because there is increasing in market heavy equipment. Permata bank will support for this requirement and get additional revenue.
  - Besides of that, from this strategy alliance, easy communication is one of benefit that can be got from this alliance because Allmakes, AOP, SERA & Permata Bank is one of Astra subsidiaries.
- Strategy alliance between AllMakes and AOP is not only happen for filter parts but also other parts, such as Oil, forging parts, etc that will improve benefit for each of them. Allmakes can complete their product range and AOP can increase their competency in heavy equipment industry.



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<b>Respondent</b>	<b>1/ Bapak Bambang M.</b> <b>(Division Head of Business Development PT Andalan Multi Kencana)</b> <b>2/ Bapak Abdul Ghonin</b> <b>(Key Account Manager PT Astra Otoparts Tbk)</b>
<b>Date &amp; Time</b>	7 <sup>th</sup> March 2012

M : Selamat pagi Bapak-Bapak, terima kasih ya atas waktu yang diberikan. Meeting kali ini bertujuan untuk berdiskusi dan mendapatkan masukan mengenai strategi yang akan diimplementasikan di aliansi AllMakes – AOP FSCM. Strategi ini sesuai dengan SWOT yang telah dirumuskan dengan tim kecil. Secara garis besar, terdapat 3 kelompok strategi yaitu diantaranya produk development, market penetration dan network development seperti yang terlihat pada matrix SWOT di layar. Mungkin saya akan langsung menanyakan Pak Bambang, bagaimana tanggapan bapak terkait product development.

B : Iya, saat ini memang kurang lengkapnya varian filter menjadi tantangan tersendiri bagi kami. Untuk melengkapi varian produk ini, kami membutuhkan support dari AOP dalam pembuatannya. Tapi kami juga sadar AOP selama ini baru bermain di filter untuk automotif, sedangkan bisnis kami bergerak diindustri alat berat. Hal ini sangat membutuhkan waktu dalam development produk khususnya untuk peningkatan kompetensi dari AOP. Tetapi sesuai dengan direction dari Astra bahwa kami diminta untuk tetap memberikan kesempatan bagi AOP untuk dapat mensuplai produk filter ini, maka AOP saat ini melakukan pass through dimana AOP membeli produk dari vendor lain sehingga harga

menjadi lebih mahal dibandingkan dengan market. Hal ini yang menyulitkan kami untuk menjual produk tersebut ke pasar. Memang harus ada strategy khusus yang harus di lakukan oleh AOP.

- G : Yaa Pak Bambang memang saat ini, kami berusaha untuk meningkatkan kompetensi kami di industri spare part alat berat ini. Saat ini kami membeli produk filter dari vendor lain tetapi pada saat yang sama kami juga sedang melakukan studi terkait proses produksinya. Berdasarkan hasil studi kami, memang mesin yang kami miliki tidak dapat memproduksi spare part sesuai dengan spec yang diinginkan.
- M : Tapi Pak, dengan kondisi market bergerak yang bergerak sangat cepat, apakah tidak ada inisiatif dari AOP untuk melakukan investasi mesin sesuai dengan spec yang diperlukan?
- B : Iya itu memang harus menjadi salah satu strategy dari AOP untuk mempercepat terpenuhinya varian produk yang kami inginkan. Tetapi memang hal ini harus disesuaikan dengan kondisi keuangan dari AOP serta proyeksi penjualan dari kami. Mungkin Yodi bisa membantu untuk menganalisa hal ini, sekalian untuk melengkapi thesis Yodi.
- G : Saat ini, tim kami juga sedang menganalisa spesifikasi mesin yang cocok dan harga dari mesin tersebut. Saya akan coba minta tim untuk men-share hasilnya ke tim aliansi ini. Jika memang dengan investasi mesin baru tersebut akan menguntungkan, kita akan mulai produksi sendiri di tahun 2013 dengan mesin kita yang baru.
- B : Iya Pak, saya setuju. Dan sebagai informasi, saat ini lebih baik untuk memfokuskan development untuk produk non Komatsu, karena untuk produk Komatsu, kami sudah mempunyai kontrak jangka panjang dengan vendor lain. Tetapi tidak menutup kemungkinan, kami memberikan kesempatan AOP untuk men-develop produk Komatsu jika memang hasil development dari produk non Komatsu ini memberikan hasil yang baik dari sisi QCD nya.
- G : Oke Pak kalo gitu, saya akan informasikan ke Tim internal AOP. Tetapi Pak jika memang nanti perhitungannya tidak feasible, salah satu

alternative dari kami untuk meningkatkan kompetensi adalah dengan melakukan joint venture dengan perusahaan lain sejenis.

B : Bisa saja sih Pak. Bagi kami, quality, cost, dan delivery tetap menjadi pertimbangan kami. Untuk hal dari investasi mesin, membeli dari vendor lain ataupun joint venture, kami serahkan ke strategi AOP itu sendiri.

M : Oke Pak, berarti jika disimpulkan untuk product development ini akan ada tiga pilihan, yakni melakukan investasi mesin baru jika feasible, tetap melakukan pembelian ke vendor lain dibarengi dengan studi produk untuk Non Komatsu dan komatsu atau AOP akan melakukan joint venture dengan perusahaan lain.

G & B : Ya, setuju.

M : Selanjutnya kita masuk ke pembahasan yang kedua ya Pak mengenai market penetration. Bagaimana ni Pak Bambang mengenai strategi AllMakes dalam penetrasi market untuk produk filter ini?

B : Ya, saat ini kami kesulitan dalam penetrasi market dikarenakan belum lengkapnya produk varian yang kita miliki dan sisi harga yang kurang kompetitif seperti yang kita bahas sebelumnya. Namun kami tetap berusaha agar dapat menjual produk filter AOP ini ke pasar. Saat ini kami lebih menekankan ke bagian Sales kami untuk melakukan kegiatan promosi dan pengenalan produk filter ini ke customer kami. Kami juga membuat iklan baik melalui media internet maupun media cetak. Namun hasilnya nampaknya memang belum memuaskan tetapi kita akan tetap melakukan promosi dengan konsep yang lebih menarik karena dengan cara ini lah kita dapat membangun brand awareness dari konsumen.

M : Oh iya Pak, sepertinya saya sering melihat produk oli Bapak yang HEO di media-media promosi Pak. Bagaimana jika kita membuat paket bundling saja Pak? Rasanya produk HEO Bapak sudah sangat dikenal di pasar Pak. Dengan paket bundling ini, rasanya kaan meningkatkan angka penjualan filternya Pak terutama untuk Oil Filter.

B : Ide ini memang sudah kami pikirkan sebelumnya, dimana kami akan membundling produk filter ini dengan produk kami yang cukup baik di pasar dan memiliki keterkaitan dengan produk filter itu sendiri. Oli lah

yang menjadi produk yang mungkin tepat. Tetapi ini masih membutuhkan kajian yang lebih mendalam lagi terutama dari sisi cost benefit nya.

G : Ya itu lah gunanya ada tim alliansi ini Pak. Apalagi Yodi lagi sedang membuat thesis terkait aliansi antara Allmakes dengan AOP ini. Jadi gimana Yodi, apakah masih berminat untuk menulis thesis ini?

M : Wah pastinya dong Pak, udah dibuat SWOT nya, masa harus berhenti sekarang. Oke lah Pak Bambang dan Pak Ghonin, berarti untuk market penetration ini disimpulkan kita akan coba untuk melakukan bundling dengan produk lain, yakni HEO dengan tetap melakukan studi lebih lanjut cost benefitnya. Selain itu, kita juga akan tetap menjalankan promosi dengan konsep yang lebih menarik guna meningkatkan brand awareness dari konsumen terhadap produk filter ini. Sepakat yaaa Bapak – Bapak?

B : Oke..

M : Kalau gitu kita lanjut ke pokok pembahasan ke tiga terkait network development. Hal ini juga penting Pak Bambang karena jika dilihat channel yang sekarang digunakan dimiliki oleh UT lebih fokus untuk penjualan sparepart untuk Komatsu. Apakah dari Allmakes tidak ada rencana untuk membangun channel sendiri?

B : Impian kami memang ingin memiliki channel sendiri tetapi membangun channel bukanlah point yang mudah untuk dilaksanakan. Banyak pertimbangan yang harus kami pikirkan, apalagi kami ini adalah perusahaan baru dan pemain baru di dunia ini. Untuk sementara waktu, kami Allmakes akan memfokuskan untuk melengkapi seluruh varian produk dan juga focus untuk melakukan penetrasi market yang lebih baik. Untuk menjaga networking kami, kami akan terus menjaga hubungan baik kami dengan para customer baik customer Komatsu maupun non Komatsu.

G : Betul sih Pak. Jika varian produk belum lengkap, bagaimana kita dapat berjualan? Product development memang harus menjadi focus utama kita dalam menjalankan aliansi ini. Selain itu, dalam jangka panjang

AOP akan mempunyai kompetensi di Alat Berat selain dari kompetensi di otomotif.

M : Pak, apakah ada kemungkinan menggunakan channel dari AOP pak? Kan channel AOP cukup banyak. Jadi Allmakes juga bisa menggunakan channel tersebut untuk men-touch customer?

G : Tidak bisa seperti itu, karena channel AOP tidak berada dalam site – site pertambangan. Channel AOP lebih banyak berada di area perkotaan.

M : Oiyaaa Pak.... Maaff.... Berarti untuk sementara waktu, network development akan dijalankan di tahun – tahun berikutnya. Allmakes akan menggunakan channel yang ada sekarang ini.

B : Okeee...

--- Selesai ---

