

CHAPTER I

INTRODUCTION

1.1 Background

Electricity is one of the key factors that provide the energy for commercial or non-commercial purpose. Moreover, the sustainable of electricity supply in Indonesia is still not meet the end of issue yet, while for the certain sectors, the stability of electricity supply is very important. Furthermore, many of them decide to build their own power plant to manage this electricity problem. On November, in 2014, head director of *Perusahaan Listrik Negara* (PLN), Mr. Nur Pamudji stated about the plan to build electricity power plant with 35.000 Megawatt (MW) in five years, 66% or 20 thousand MW will allocate to private company, and the state government will take the rest.

In 2013, total distributed electricity to the customer was up to 183,717 GWh. It was distributed to residential group was about 77,869.29 GWh (41.34%), industries group was about 65,255.61 GWh (34.65%), and business group was about 33,748.61 GWh (21.03), and distributed to others was below 3%. In the same year, electrical energy production of PLN includes the rent was about 163,966 GWh which increased 9.49% from previous year. In the case of 2013, PLN was having the shortage electricity about 24,376.4 GWh (10.56%).

Rincian	unit	2011	2012	2013
Jumlah tenaga kerja	person	44,343	50,287	49,833
Daya Terpasang	MW	35,295	44,739	47,223
Produksi Listrik	000 MWh	184,173	201,714	213,750
Tenaga listrik yang terjual	000 MWh	158,694	174,342	183,717
Biaya Input	000 000 Rp	182,498,874	176,093,267	181,758,524
Nilai Output	000 000 Rp	116,491,318	134,114,744	143,362,932

Table 1.1 Source: <http://www.bps.go.id/>

In captive power report 2013, *Badan Pusat Statistik* (BPS) has reported about 82.02% of the following establishment such as government offices, hospitals, banking, hotels, shopping centers and office center buildings in Indonesia using captive power. Banking was the largest sector that used 95.50% of captive power of banking in Indonesia. Then, hospital was 95.26%, shopping center was 90.09%, office center building was 90.00 percent, hotel was 83.90% and government office was 58.20%.

Electricity Generating or Genset is a unit to produce electricity by some process mechanical system that change nature resources; water, the air, steam, solar and any sources to become electricity power and distribute it. However, for limited area and location, diesel is preferable because easier to use and does not require complex infrastructure even though diesel is not efficient in cost of fuel.

In 2013, the steam power plant has become the largest electricity supply with total 53.20%, 19.74% for steam gas, and diesel contribute for 8.61%. Especially for diesel, many of companies like hospitals, government offices, office center, and public transportation terminal provide the diesel to fulfill the electricity consumption when the main electricity source is not enough or power outage.

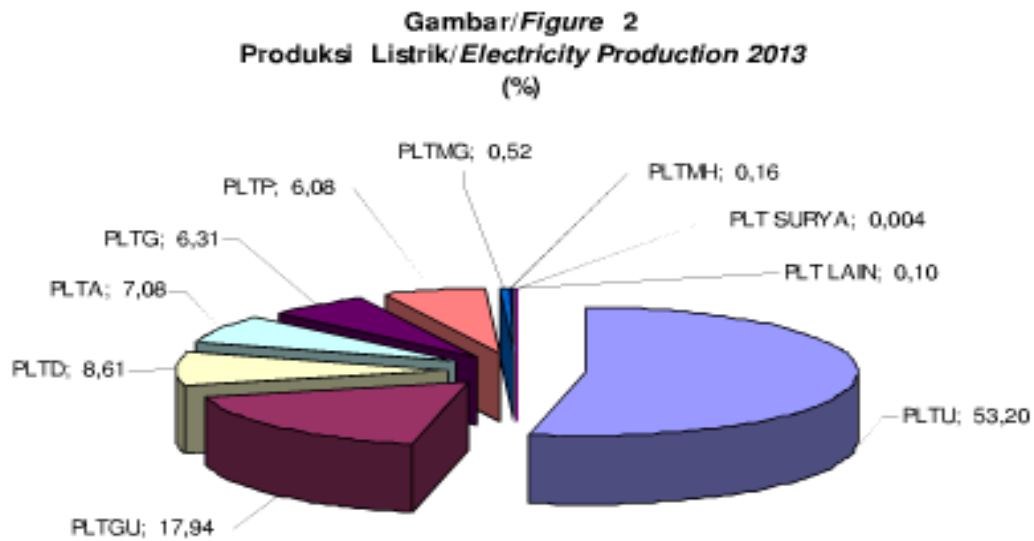


Figure 1.1 Source: www.bps.go.id

1.1.1 A Glance of Volvo Group

Volvo Group is one of the world's leading manufacturers of trucks, buses, construction equipment and Volvo Penta that operates the marine and industrial engine business. The Group also provides complete solutions for financing and service. The Volvo Group, which employs about 110,000 people, has production facilities in 19 countries and sells its products in more than 190 markets. In 2013, the Volvo Group's net sales amounted to about SEK (Sweden currency) 273 billion. Volvo Group is a publicly held company headquartered in Göteborg, Sweden. Volvo shares are listed on OMX Nordic Exchange Stockholm.

Volvo Group organization

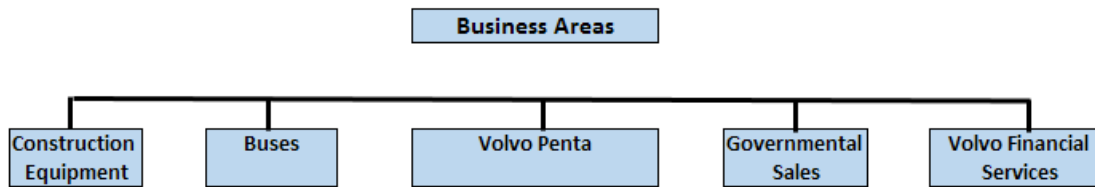


Figure 1.2 Source: <http://www.volvogroup.com/>

Volvo Group's Vision

To become the world leader in sustainable transport solutions by:

- Creating value customers in selected segments
- Pioneering products and services for transport and infrastructure industries
- Driving quality, safety, and environmental care
- Working with energy, passion and respect the individual

1.1.2 Volvo Penta

Volvo Penta is belonged to the member of Volvo group that currently has three business segments: Marine engines, industrial engine and industrial for Generating set. For a broader public, Volvo Penta is very popular in marine engines and world-leading innovations, such as the Aquamatic drive and the counter-rotating propellers, Duoprop. In the year of 2013, Volvo group reported that Volvo Penta has 3% sales of the group's total revenue.

In regional sales level, Europe still contributed the highest sales for Volvo Penta, followed by EM & APAC then Americas. Looking in APAC current situation,

the market for industrial engine is still growing better rather in Europe, as shown by building their production house in Lingang, China, in 2009.

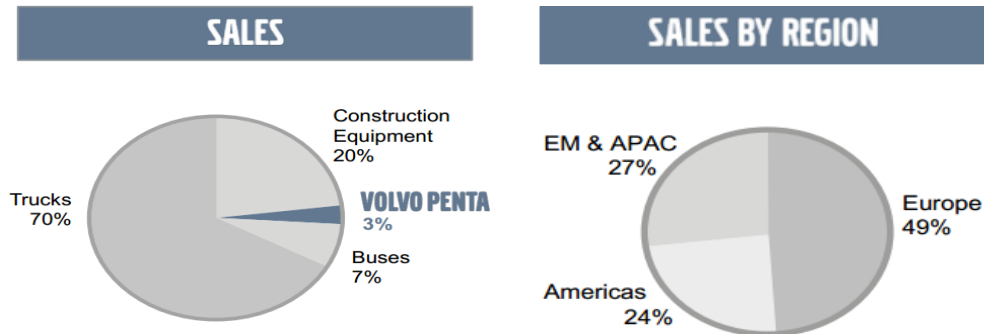


Figure 1.3 Source: Volvo corporate presentation 2014

Additional to that, sales of industrial engines showed the good trend that currently represented 51 percentage of Volvo Penta's total sales value. The industrial engine business is strength of Volvo Group product and services. As a result, Volvo Penta was able to create high-technological products as well as global support for such industrial applications, like diesel-operated Genset, cranes and container handlers.

As announced in the annual report in 2013, the company set the business development into growing the business countries in Asia and Africa. The company has seen good prospect of business for the company in the future. For the East Asia region, the head quarter use VEA Singapore to manage the business operation including as region warehouse, sales and marketing activities. For the procurement supply chain, 95% of product is OEM from Sweden.

Overall, Volvo Penta has 17.500 total employees in global (see Figure 1.4), consist of 15.000 people from an independent dealer or importer, 1.300 by Volvo

Group, and 1.412 by Volvo Penta. Sweden as Volvo Penta headquarter office engages about 800 employees, while, for the Asia Pacific and emerging market, Volvo Penta hires 150 employees which relatively smaller from independent dealers/ importers.



Figure 1.4 Sources: Volvo Penta

Distribution of Volvo Penta to South East Asia



Figure 1.5 Source: Volvo Annual Report 2013

In production line, all of the core component parts for the industrial engine is produced under AB Volvo Penta as headquarter in Sweden (**see figure 1.5**) which connected to Volvo East Asia (VEA) in Singapore as sales operations office. The dealers in South East Asia included Indonesia. They are only allowed to order via Volvo East Asia Singapore sales operation office. Within this system, any authorized or official representative dealers from South East Asia is restricted to request the purchase order directly to Volvo Penta headquarter or Volvo Sales operation office outside the dealer's region.

The benefit of this distribution system, the company as the sole distributor has more opportunities to increase more sales and profit. Beyond the line distribution, the customer also can buy directly to Volvo Penta without using dealer but the unit price per product cost will be charge higher than official distributor.

1.1.2 Volvo Penta in Indonesia

There are three business segments of Volvo Penta in Indonesia, the industrial engine, industrial Generator set and marine engine. While in this consulting project, the thesis discussion only limited to industrial engines range. Up to now, the industrial engine of Volvo Penta in Indonesia is represent by two local companies, (**See figure 1.6**).

The First Company is PT. Volta Prima Nusantara (Jakarta), and the second company is PT. Eka Dharma Jaya Sakti (Balik Papan). Unlike PT. Volta Prima Nusantara which only selling the engine diesel, PT Eka Dharma Jaya Sakti also has other business segment from Volvo's Group (Volvo Truck, Marine Diesel, Generator Set). Especially for Volvo Trucks, the company has already become authorized dealer since 1984 by providing support for the mining business, logging, construction and oilfield industries.

Volvo Penta dealer location



Figure 1.6 Sources: www.volvo-penta.com

Right now, in industrial engine Volvo Penta has two official dealers representative in Indonesia, (See figure 1.5). The first dealer is PT. VPN located in Jakarta, and PT. Eka Dharma Jaya Sakti is second dealer located in Balikpapan, at Kalimantan Island. Incorporated in Jakarta on June 20, 1983 PT Eka Dharma Jaya Sakti has successfully established itself as one of the major distributors of heavy-duty trucks in Kalimantan.

1.1.3 Background PT. Volta Prima Nusantara (VPN)

Since 2002, PT. VPN is appointed as sole agent (ATPM) by Volvo Penta for Indonesia region. The company also only has one business segment which is only selling the engine diesel for Genset with brand Volvo Penta including the parts and after sales service under Volvo East Asia in Singapore. To expand the business, PT. VPN also has already cooperated with seven dealers especially in major cities: Jakarta, Semarang, Surabaya and Balikpapan. The function of dealers for company are to support the availability of product and services, especially to enter the segment market where PT. VPN cannot enter directly in: PT. PLN, PT. KAI and local government. Further, the existence of after sales service and parts for type of product with a long lifespan product is really important. However, those dealer also has privilege to sell other brands.

The product range, of PT. VPN offers engine diesel with range 85 up to 630 kVA electricity output. In after sales service, the company also provides only the same genuine parts with exactly the same parts in the engine. In addition, there is an company's official website can be accessed by public where the customer can see the list of authorized dealer by PT. VPN to make sure the originality product include for after sales service or maintenance for the engine.

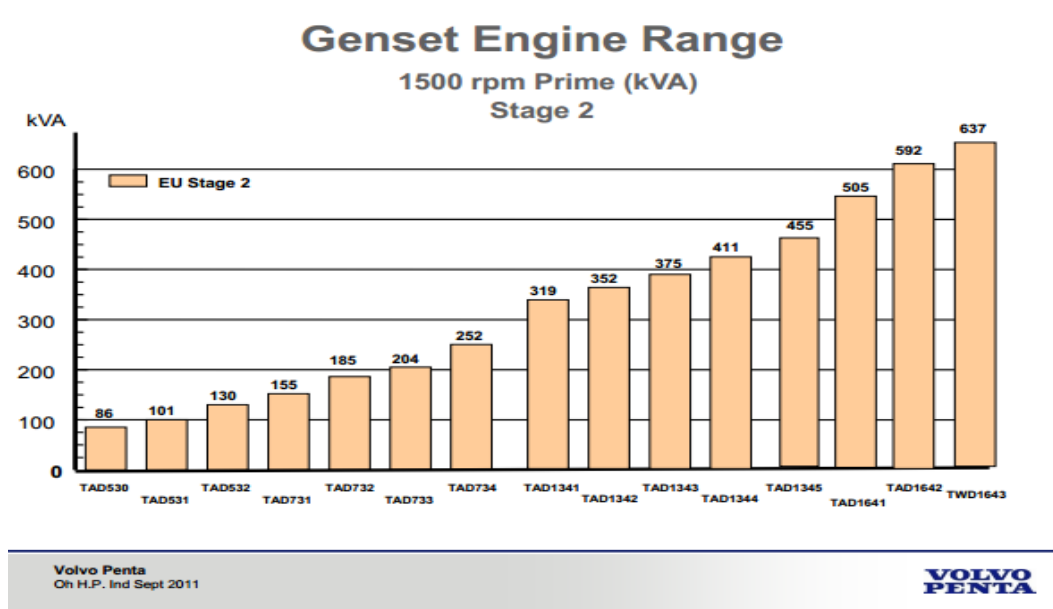


Figure 1.7 Source: Volvo Penta

In detail, PT. VPN has only offer two kinds of engine types such as Power generator engine and industrial engine. Functionally, the engine require complement parts before it ready to use for example; power at film locations, Forklift and tractors in public transportation terminals, harbor, airport, and hospital. Within range 85-630 kVA, its available with 15 types of engine in term of stocks, Volvo East Asia in Singapore supports the company with reach 100 units' ready stocks available.

For the parts and after sales service, it consists of fast moving product and slow moving product. Fast moving product is the item that usually needed for regular maintenance, for example, oil filter for turbocharger. While for slow moving product, PT. VPN probably provide not many stocks of this item and the customer may have to wait a longer delivery time before the item is ready. While for the after sales service mostly like engine service, the company still has limited range to cover.

1.2 Problem Identification

According to data sales from 2011 until 2013, sales and marketing department reported that the management had faced stagnant in 2011 to 2012, and at the end of 2013, the sales performance dropped to 30%.

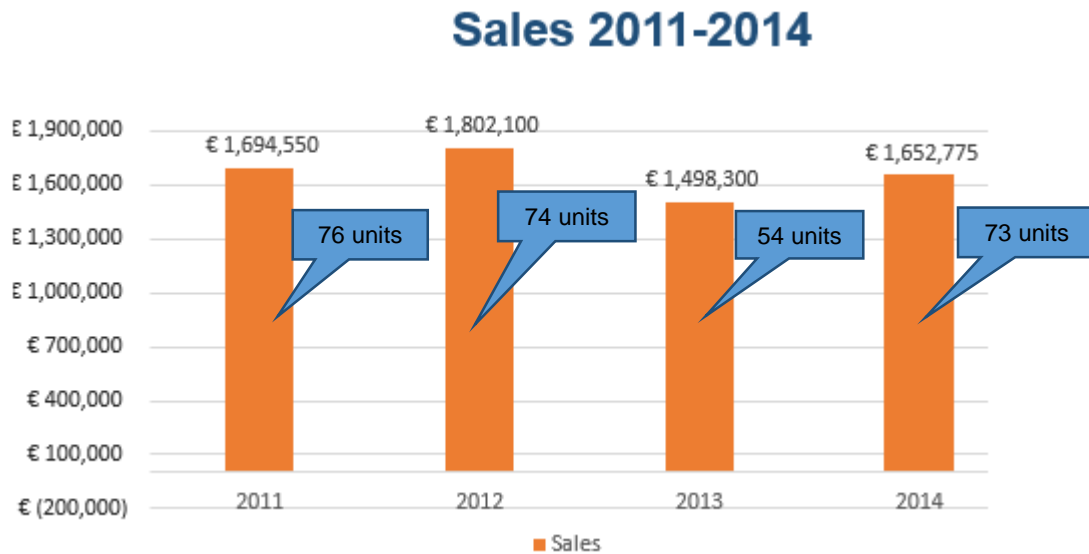


Figure 1.8: PT. VPN Sales Chart

From the sales data above, the sales in 2013 dropped for 30% as the impact of competitor's attack due to free trade agreement and government stopped to purchase the new Genset due to budget proposal disapproved. As described in figure 1.8, the first issue identified in PT. VPN's sales is reduce significantly. The others identified problems will focus on significant factor below that influenced the business performance.

1. Low of brand level awareness
2. Small market share

3. Low customer/dealer loyalty
4. Limited of after sales service support

Another factor that impacted the sales performance in last two years were competitor disruption and attack with low pricing strategy. Even though Volvo Penta engine diesel has better quality product but the competitor's strategy seemed has impacted to PT. VPN because the partnership dealers also sell the competitors product.

1.3 The Importance of Project

The main purpose of this consulting project is to analyze the marketing performance of PT. Volta Prima Nusantara then optimize the sales performance. Moreover, this project can help the company to keep having a sustainable performance by using the current human resources and technology resources.

1.4 Scope and Limitations

The scope of this consulting project are focusing on marketing area such as strengthening relationship with customer (dealer), optimizing CRM to support the marketing and simplifying of supply chain distribution. We use the last four years data starting 2011 till 2014, it concentrates on the sales history of PT. VPN. In addition, this thesis also will conduct questionnaire and interview with PT. VPN employees and their dealer as primary data.

1.5 Framework of Reports

Chapter 1: INTRODUCTION

The first chapter will briefly explain the introduction of background industry, company profile, and problems within the PT. VPN, and then followed by the beneficial of the consulting project, Scope and Limitation and Framework of reports that explain the sequences of whole activities that will be conducted by the team.

Chapter 2: THEORIES

The second chapter consist of theories that will be used to analyze the company condition in chapter fourth.

Chapter 3: PROJECT METHODOLOGY

The third chapter consist of steps of the research such as the methodology to collect the data information both internal and external in PT. VPN.

Chapter 4: DATA ANALYSIS & DISCUSSION

The fourth chapter will be focus on analysis and discussion by applying the theories in Chapter two.

Chapter 5: FEASIBILITY AND RECOMMENDATION

The fifth chapter will described about the conclusion about the company issues and some recommendations strategies for the company in short and long term.