

CHAPTER 1

INTRODUCTION

1.1. Background

In globalization era, the business practice experience lots of growth along with introduction of various competitive strategies. The competitions in doing business become tough, so that makes the entire system and operation in companies should absolutely have benefit and advantages. The advanced business environment encourage to present new idea and system in doing business to maximize the performance of the business activity.

Supply Chain Management is a network of facilities that produce raw materials, transform them into intermediate goods and then final products, and deliver the products to customers through a distribution system. It spans procurement, manufacturing and distribution (Lee and Billington,1995 in Shukla et al, 2011) the basic objective of supply chain management is to “optimize performance of the chain to add as much value as possible for the least cost possible”. In other words, it aims to link all the supply chain agents to jointly cooperate within the firm as a way to maximize productivity in the supply chain and deliver the

most benefits to all related parties (Finch, 2006 in Shukla, Grag, and Agarwal, 2011).

In the mid-1990s, SCM (Supply Chain Management) began to attract interest. Both (Agile Management) AM and SCM (Supply Chain Management) appear to differ in philosophical emphasis, but each complements the other in objectives for improving organizational competitiveness. For example, AM relies more on strategic alliances/partnerships (virtual enterprise environment) to achieve speed and flexibility. But the issues of cost and the integration of suppliers and customers have not been given due consideration in AM. By contrast, cost is given a great deal of attention in SCM, which focuses on the integration of suppliers and customers to achieve an integrated value chain with the help of information technologies and systems (Gunasekaran, Kee-hung, and Cheng, 2007).

As global competition and advancing technology render borders irrelevant and link companies more closely, the supply chain networks of supplier, plans, distributors and retailers and other that participate in the sale, delivery and production of goods and services are growing increasingly complex (The Boston Consulting Group, Wharton University of Pennsylvania).

In doing supply activity, Larger companies needs a supplier that can offer material in good quality product and

service. Supplier should have best practice in case to built close relationship with the customer, with deliver excellence service and focus on delivering what clients wants to establish trusting and interdependencies that can lead to greater continuity of work and growth. Best practice supplier also determine on eliminating waste from their process and have a clear view how they are distinguished in highly competitive market.

Since the competition between suppliers also become though, it is necessary for supplier to have a strategy and mission to achieve their competitive advantages. According to Heizer and Render (2014: 70) Firms achieve mission in three conceptual ways, there are differentiation, cost leadership, and response. To create responsiveness in supply activity, firms should have flexibility in respond the customer order, especially for uncertain order that caused by unexpected condition. Flexibility can generated through the production process, delivery process, or the effective flow of information.

In the supply chain process we recognize about logistic, to move the goods from the supplier until arrived at customer placed. The geographical positioning of raw materials, work in process and finish good. Talk about movement that means it related with transportation. Whenever transportation is fundamental importance for logistic activity, it is the largest

expenditure in logistics. To achieve the responsiveness, firms use transportation to reduce the lead time in terms to deliver the order also added some value.

Transportation include in Third Party Logistics (3PL), that have purpose to increase the surplus chain surplus and decrease the cost. Transportation gives the surplus at time side. Based on Bowersox et al (2013: 35) factor of transportation performance are, speed, cost and consistency. 3PL transportation with the faster speed in delivery the product, it will give the benefit and advantage for the supplier to deliver goods as soon as possible. The consistency talks about the scheduling whether the transport operates frequently enough to deliver the goods and minimize the total system cost. These activities increase the supplier responsiveness. The important point not only the speed, but also the quality of service and some value added like stuffing and tracking. There many things can used as consideration in choosing 3PL to support the supply activity.

PT." X" is a Big Companies that produce food ingredients and supply the raw materials of food industry around Indonesia. With the production of large capacity, PT "X" to supply some food companies and also has several distribution centers are spread across several areas either in Java or outside Java. To meet the

demand of every customer and distribution branches, PT "X" require delivery via land or water.

The product that PT.X traded are sensitive and damaged easily, PT X should be very selective in choosing vendors, which with regard several factor; cost, speed, quality of service and consistency of delivery. This is a priority, so that the goods can be sent to the destination that the customer with a good situation, timely and normal price. Definitely many considerations that need to be considered in choosing proper third party of logistic

Now days food industry in Indonesia really successful and active operated, the production process will active, so the demand of supply will continuously. We know that every people need to eating, that's why food is consumption good that have faster cycle. Indeed the supply activity also will constantly run, and the logistic is important to support the activity. PT."X" already do supply for Food Industry since long time ago and PT."X" always try to improve the performance to keep the consistency quality of the product and service to maintain the customer loyalty. Whenever now day many new entrants in this Industry and the competition

become strict. That make PT.X have special consideration about how important the quick response (QR).

Based on the analysis, it recovered some problem occur in the process of delivery process. The major problem doesn't caused by the production activity, but it is come from customer order process and the delivery process. The finding show that customer likely to make order in abrupt and it turn being an urgent condition. It proved that the customers can not follow the procedure that suggested by PT."X". In that moment it is important for company to response that order and being responsive in purpose create customers satisfaction. So that's why PT.X should evaluate the transporter that have the qualification and good quality service such as the faster, reliable, and consistent.

PT.X uses the Third Party Logistic (3PL) of transportation to deliver the goods to the areas spreading around Indonesia. Different Third Party Logistic used by PT."X" in deliver the product to every different destination. To achieve better performance in the supply chain activity, PT.X like to evaluate the performance of each third party logistics in previous

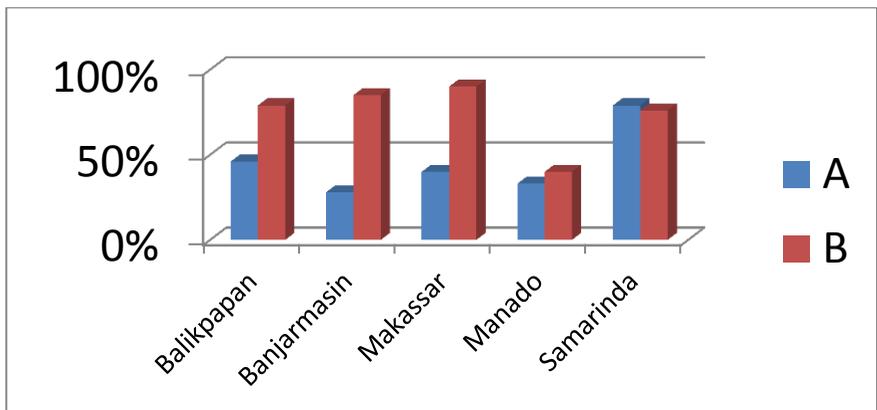
period and analyze the behavior of customer in every region to repair some system to arrange the proper order process, and result of the evaluation will be the basic consideration to make decision in the future for choosing the right third party logistic to make the distribution process more effective and can catch customer expectation.

To improve the performance of PT.X in the purpose to gain customer satisfaction and built the customer royalty in necessary to arranges strategy and make a planning properly where it is strongly associated with third party that involve to be corporates. With the formation of good planning, then the running processes will produce good results, with good process, firm performance will show a good indicator anyway, so it can serve the customers and provide satisfaction which leads to maintaining business relationships in the long term.

Because of the important role of the transporter for PT.X business activity, they assesses that is important to evaluate the performance of transporter companies, whereas PT.X has established an agreement

with two big expedition company to serves their distribution activity.

The major consignment are headed to Kalimantan and Sulawesi, because it is PT.X in Surabaya have duty to handle order from this area. The delivery towards there are frequently ,so company need to evaluate the transporter performance to find out how far the quality and flexibility of transporter in serves PT.X.



Source: Data process

Figure 1.1.
Performance rate of Transporter A and B

Therefore, based on the description above, it is interesting to lift the problems that occurred in the company to improve corporate performance and

improve customer satisfaction. Along with the existing problems, PT. "X" being the real object to be studied and used as a final task, since the phenomena that occur during this time. By evaluating the above activities then set the title **“Evaluation of Transporters Performance and Delivery Process to Sulawesi and Kalimantan in PT.X at Surabaya”**

1.2. Main Objectives

Based on the background of this study, there are main objectives belong to this case:

1. What is the transporter important role for PT.X delivery performance?
2. How the differences between standard of sailing days and the sailing days in real practice?
3. Which transporter have responsibility and responsiveness in respond the PT.X urgent order?
4. What is the problem that occur in during the whole of delivery activity?

1.3. Research Scope

This research conduct based on the PT.”X” to recover the performance of third party logistic that they corporate in this period. Because they have the customer around of Indonesia with many unexpected demand and

many kind of habit, they need the third party logistic that can respond their urgent order in right time. Also realize the customer behavior in every region, which customer suddenly like make order.

1.4. Research Objective

The purpose of this research is to understand well about what is the important role of transporter for the company, how the transporter can support the company business activity what makes the transporter being the one of main concern in planning. To evaluation which transporter among the transporters that already cooperated with PT.X have the ability and high responsiveness so that it is worth to continue the corporation. Also find out the whole delivery activity in company and what the role of the transporter itself in the delivery activity and the problem that can being an obstacle in delivery process.

1.5. Significant

From the research that has been done, will be useful and provide assistance, both for the PT. "X" on their own to take decisions or to researchers who will conduct further research

1.5.1. Academic Significant

The results of this study can be used as a reference for future researchers who will conduct intensive search with the same type of study, especially in the field of transport logistics, which can show performance standards and also take a cruise. This research is also useful for researchers who will conduct advanced research; this data can be used as a basis for comparison.

1.5.2. Practical Significant

The results of this study can be used as a reference and benchmark for PT. "X" in the chosen Third Party Logisti. Also helping the PT. "X" in making decisions based on the theories and suggestions will be given. For the future, the results of this research can also be used as a comparison for evaluating the performance of Third Party Logistics in 2016, which the Third Party Logistic is have improvement or quality of the performance decrease and become worst , which can be used as a decision-maker in 2017.