

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nowadays, many companies are struggling to make faster cash flows and better value giving to the customers for more and faster profits while decreasing their unnecessary operating costs, such as too much labor costs, transportation costs, and inventory costs for better savings in the capital during the process. These cases mostly occur in the online shopping industry because their customers always demand for faster shipping and the retailers also struggles for faster cash flow and less operating expenses especially such as transportation and inventory expenses in their businesses. The solution for this kind of problem is to find any kinds of ways in creating the most efficient management possible in delivering more value to the customers by improving their Supply Chain Management (SCM) because it greatly affects the company performance if it is managed correctly.

Supply Chain Management makes processes much easier and more efficient, such as increasing the effectiveness of better productions from raw materials into final products and decreasing the cost of implementing logistics processes which are more economical. Without Supply Chain Management, companies can hardly provide excellent customer value and obtain competitive advantage at the target market.

An excellent Supply Chain Management will be able to create more effectiveness and efficiency in all Supply Chain Management processes. If it is done excellently, profitability may be able to increase significantly. Supply chain management (SCM) includes a set of approaches and practices to effectively integrate suppliers, manufacturers, distributors and customers for improving the long-term performance of the individual firms and the supply chain as a whole in a cohesive and high-performing business model. As defined by the Council of Supply Chain Management Professionals, "SCM encompasses the planning and management of all activities involved in sourcing and procurement, conversion and all logistics management activities as well as coordination and collaboration with channel partners" (CSCMP, 2019, p.187).

Supply chain management is the management of the flow of goods and services and includes all processes that transform raw materials into final products (Hayes, 2019). Supply Chain Management also covers processes by shipping them into their target destinations. Excellent implementation of Supply Chain Management will create efficient and economical processes which can also increase the profitability of the company, and also can deliver their products faster to their destinations. An idea about products which are delivered to the marketplace by many different companies may be also called as Supply Chain Management.

For this study, PT MajuJaya Pohon Pinang will be the company which will be discussed by the writer in this study. PT MajuJaya Pohon

Pinang started from supplying passion fruit juice to *cendol* artisans on the roadside. Razali Chuwardi, who was the founder, was determined to develop the business into a modern industry. That determination is currently a reality. Razali's father started to produce many different brands of passion fruit juice, which were later put together into one brand named Pohon Pinang from the company named PT Majujaya Pohon Pinang. The company was established in North Sumatra in 1982.

PT MajuJaya Pohon Pinang started to become well known since their collaboration together with companies who do processing and assisted farmers industry. And then the company has been known in developing Syukur and Ready to Drink in 2010. The reason PT MajuJaya Pohon Pinang holding other processing companies together is to create high-quality passion fruit drinks for their customers, and their assets do not involve any other investors while developing seedling and coaching.

PT MajuJaya Pohon Pinang's syrup products have been spreading across many Indonesian islands such as Kalimantan, Jawa, Bali, Sumatera, etc. They also have been selling them to the USA, Japan, Malaysia and Taiwan. In the international markets, there are distributors who import PT Majujaya Pohon Pinang products. The company uses ships and boats to ship the products to the distributors as their logistic activities. In the international market, the company's marquisa products are the most popular ones (Tempo.Co, 2015).

There are 15 types of products which the company sells in the market. The table also shows the brands from every product. There are 3 brands, which are Pohon Pinang, Syukur and Ready to Drink. Most of the products have the brand of Pohon Pinang, which shows 11 types but Syukur and Ready to Drink have the least types of products, which each of the brands has 2 types. The following table and figure show the annual sales which are as follows:



Table 1. 1 Annual Units Sold of Every Product

No	Product Type	Annual Sales (percent)				
		2015	2016	2017	2018	2019
1	Marquisa Juice Passion Gold 1000 ml	35.788	38.813	25.080	36.412	24.519
	% Change	-	+8.45%	-35.38%	+45.18%	-32.66%
2	Marquisa Juice Super Quality 520 ml	66.463	53.368	62.699	48.549	44.951
	% Change	-	-19.70%	+17.48%	-22.57%	-7.41%
3	Marquisa Juice Super Quality 1000 ml	28.119	24.258	32.604	25.731	20.432
	% Change	-	-13.73%	+34.41%	-21.08%	-20.59%
4	Marquisa Juice Super Quality 2000 ml	20.450	14.555	12.540	12.137	10.216
	% Change	-	-28.83%	-13.84%	-3.21%	-15.83%
5	Terong Belanda Juice Super Quality 520 ml	25.563	21.832	22.572	24.275	18.389
	% Change	-	-14.60%	+3.39%	+7.54%	-24.25%
6	Terong Belanda Juice Super Quality 1000 ml	12.781	12.129	15.048	9.710	8.173
	% Change	-	-5.10%	+24.06%	-35.47%	-15.83%
7	Marquisa Fresh Juice 520 ml	2.880.910	2.695.097	2.801.404	2.740.617	2.292.482
	% Change	-	-6.45%	+3.94%	-2.17%	-16.35%
8	Sirup Melon 520 ml	664.629	630.716	752.391	631.143	612.963
	% Change	-	-5.10%	+19.29%	-16.12%	-2.88%
9	Sirup Lychee 520 ml	613.503	582.199	551.754	582.594	490.371
	% Change	-	-5.10%	-5.23%	+5.59%	-15.83%
10	Sirup Cocopandan 520 ml	153.376	121.292	200.638	242.747	122.593
	% Change	-	-20.91%	+65.42%	+20.99%	-49.50%
11	Sirup Orange 520 ml	357.877	388.133	351.116	339.846	286.049
	% Change	-	+8.45%	-9.54%	-3.21%	-15.83%
12	Sirup Raspberry 600 ml	76.688	58.220	40.128	21.847	40.864
	% Change	-	-24.08%	-31.08%	-45.56%	+87.04%
13	Sirup Blueberry 600 ml	33.231	36.387	27.588	27.673	20.432
	% Change	-	+9.50%	-24.18%	+0.31%	-26.17%
14	Markizza 330 ml	102.251	145.550	100.319	97.099	81.728
	% Change	-	+42.35%	-31.08%	-3.21%	-15.83%
15	Grape 330 ml	40.900	29.110	20.064	14.565	12.259
	% Change	-	-28.83%	-31.08%	-27.41%	-15.83%
		5.112.528	4.851.660	5.015.943	4.854.946	4.086.421
		-	-5.10%	+3.39%	-3.21%	-15.83%

Source: Prepared by the Writer (PT MajuJaya Pohon Pinang, 2020)

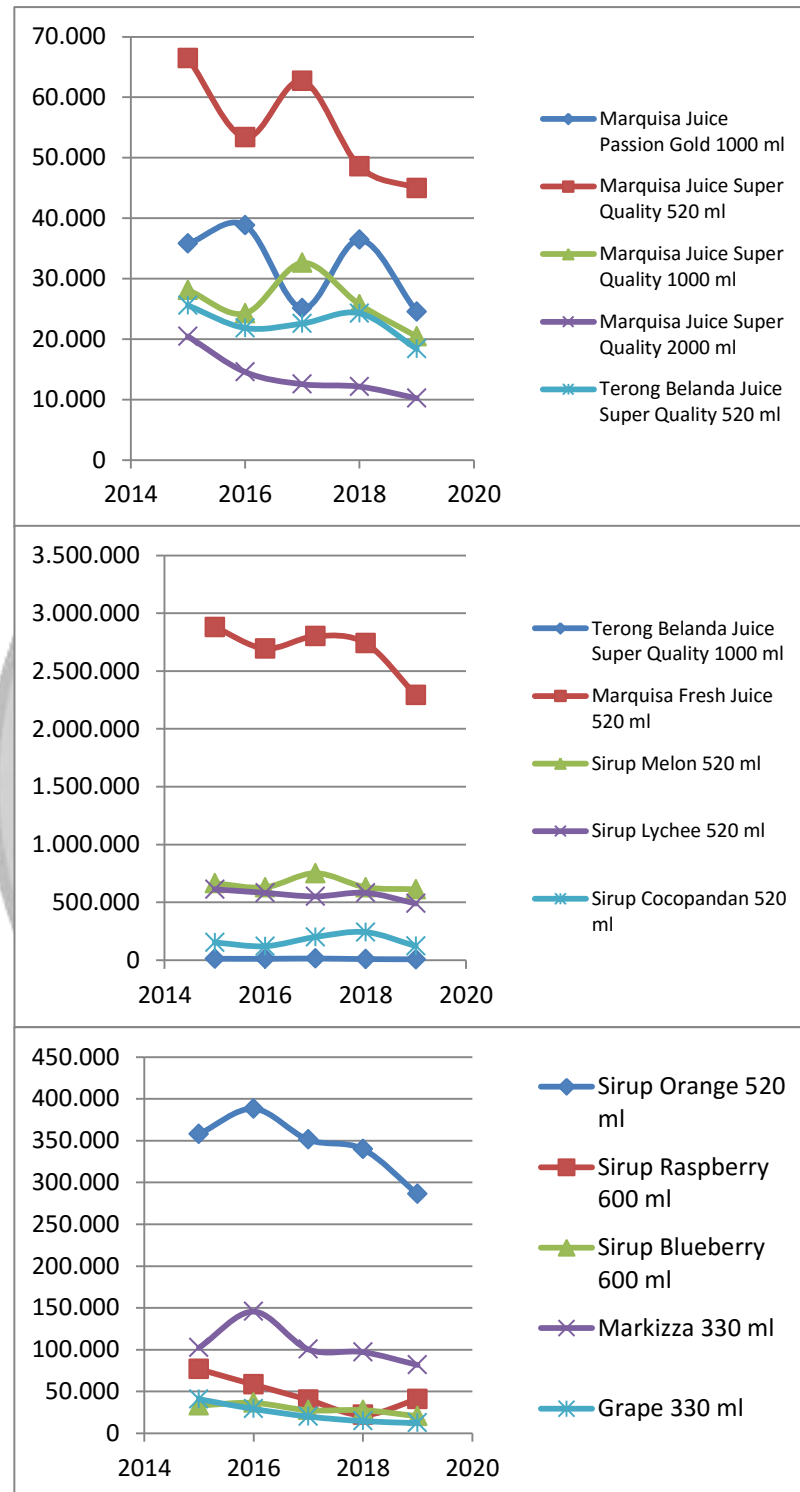


Figure 1. 1 Annual Units Sold of Every Product

Source: Prepared by the Writer (PT MajuJaya Pohon Pinang, 2020)

From the Table 1.2 table above, it indicates the annual units sold of every product. The table also indicates that Marquisa Fresh Juice 520 ml is the highest selling product from all other types of products. Most of the products were experiencing ups and downs every year for the last five (5) years. The explanation of the changes in the amount of units sold for the last five (5) years are as follows:

a) Marquisa Juice Passion Gold 1000 ml

There were ups and downs in the changes of sales amount in the last 5 years. In 2016 and 2018, the amounts of sales increased higher than the years before, which are 2015 and 2017. In 2019, the sales amount went lower 32.66% than the amount in 2018.

b) Marquisa Juice Super Quality 520 ml

There were also several ups and downs in the changes of sales amount in the last 5 years for this product as well. The amount of products are sold in 2015 is 66.463 units. The number decreases in 2016 which only sold 53.368 units and it went higher again in 2017 as 62.699 units are sold. In 2018, the amount sold is 48.549, which is 22.57% lower than last year's amount. In 2019, the amount is also lower by 7.41% than last year's amount, as it indicates there were 44.951 units sold.

c) Marquisa Juice Super Quality 1000 ml

For this product, only in 2017 when the amount of sales increased, and for the rest of the other period indicates that the number of product sales kept decreasing. Those periods were in 2016, 2018 and 2019.

d) Marquisa Juice Super Quality 2000 ml

For the changes of sales of this product, the number of sales just keeps decreasing. In 2015, the number of units sold is 20.450 units. But in 2019, the number of units sold is 10.216 units.

e) Terong Belanda Juice Super Quality 520 ml

There were changes when the amount of sales increased in the year of 2017 by 3.39% and 2018 by 7.54%. And for the rest of the other years, which are 2016 by 14.60% and 2019 by 24.25% are the periods when the amount of the product's sales went down.

f) Terong Belanda Juice Super Quality 1000 ml

In 2015, there were 12.781 units which are sold. In 2016, the number of units sold decreased by 5.10% which is 12.129 units. In 2017, the number of units sold increased by 24.06% which is 15.048 units. In 2018, there was a decrease by 35.47% which is lower than last year's amount. In 2019, the number of units sold also decreased by 15.83% which sold 8.173 units.

g) Marquisa Fresh Juice 520 ml

In 2015, there were 2.880.910 units sold, which is a very large amount of sales. In 2016, the amount of sales is 6.45% lower than the amount in 2015. In 2017, the amount increased by 3.94%. In 2018, the amount decreased by 2.17% which sold 2.740.617 units. In 2019, the amount of sales decreased by 16.35% from last year's amount, which sold 2.292.482 units.

h) Sirup Melon 520 ml

For this product, the sales amount in 2015 is 664.629. And then, in 2016, the number of units sold decreased by 5.10% as they sold 630.716 units. Meanwhile, there was a change in 2017, which was the increase of sales amount by 19.29% from last year's amount. After that, the amount percentage in 2018 decreased by 16.12% compared with the amount in 2017. In 2019, the number of units sold decreased by 2.88% which sold 612.963 units.

i) Sirup Lychee 520 ml

There were 613.503 units which are sold in 2015. In 2016, the number of units sold decreased by 5.10% which sold 582.199 units. And in 2017, the amount of sales is 5.23% lower than the amount in 2016. After that in 2018, the percentage of sales amount increased again by 5.59% compared with 2017. In 2019, the number decreased again by 15.83% which sold 490.371 units.

j) Sirup Cocopandan 520 ml

In 2015, the amount of the products sold is 153.376 units. In 2016, the number of products sold is 121.292 units, which is 20.91% lower than 2015. In 2017, the amount of sales is 65.42% higher than 2016, which are 200.638 units. In 2018, the amount increased by 20.99% compared with the previous year 2017, which is 242.747 units. In the next year that is 2019, the amount sold is 122.593 units, which is lower by 49.50% by last year's amount sold.

k) Sirup Orange 520 ml

The amount of this products sold in 2015 is 357.877 units. In 2016, the sales amount increased by 8.45% compared to the previous year, which is 388.133 units. In 2017, the sales amount decreased by 9.54%, with the total amount of 351.116 units. In 2018, the number of units sold decreased by 3.21% which sold 339.846 units. In 2019, the number of units sold also decreased by 15.83% which sold 286.049 units.

l) Sirup Raspberry 600 ml

In 2015, the amount of units sold is 76.688 units. There was a period of 3 years of decreased amount in units sold, with the amount of 58.220 units sold in 2016, 40.128 units in 2017, and 21.847 units sold in 2018. In 2019, the amount sold increased significantly by 87.04% from the previous year, with the number of 40.864 units.

m) Sirup Blueberry 600 ml

In 2015, there were 33.231 units sold. The next year, which is 2016, there were 36.387 units sold. The number of units sold decreased in 2017, which sold 27.588 units. Meanwhile in 2018, the number increased by 0.31% compare to the previous year, which is 27.673 units. In 2019, the number decreased again, which only sold 20.432 during that year.

n) Markizza 330 ml

In 2015, there were 102.251 units sold. In 2016, the number increased by 42.35%, which is 145.550 units sold. In 2017, the number of units sold decreased by 31.08%, which is 100.319 units sold. Meanwhile in 2018, the number of units sold is 97.099 units, which is lowered by 3.21% from the amount in the previous year. In 2019, the number decreased again by 15.83%, which becomes 81.728 units sold.

o) Grape 330 ml

For this product, the number of sales kept decreasing for straight 5 years without any increases. There were 40.900 units which are sold in 2015. The number decreased in 2016, which only sold 29.110 units. In 2017, there were 20.064 units sold, which is lower by 31.08% than the amount in the previous year. In 2018, 14.565 units were sold, and it is lower by 27.41% compared with the previous year. In 2019, the

amount of units sold is 12.259 units which is 15.83% lower than the amount in 2018.

p) Total Annual Sales per Year

For the total sales data, it shows that the amount of products sold in 2015 is 5.112.528 units. Furthermore, the amount of units sold decreased in 2016, and then increased in 2017. In 2018 and 2019, the number decreased for straight two years. The number of units sold in 2019 is lower by 15.83% which sold 4.086.421 units, and it is the lowest percentage for the last 5 years in the data.

The large decrease percentage change in 2019 picks the writer's attention in doing research for finding the cause, since the other sales amount of products from the other four years seemed to be going ups and downs in the numbers from the data. This is the reason why the writer wants to use PT MajuJaya Pohon Pinang as the research object for this study.

Besides the problem on the sales, the company also seems to be lacking the improvement of their logistic systems, because they only use ships, boats and trucks for logistic activities. They do not utilize air shipping methods to deliver their products to the customers. Logistic system is crucial for a better supply chain management system in the company, which is why improvements are required in this department.

The reason why the writer chooses this title is because the company seems to be experiencing declines on their sales amount of units

sold in the market, which leads to the writer's curiosity on finding out what actually happens in the company.

From the above background of study, the author decided to do a research about **“The Influence of Supply Chain Management Practices on Company Performance at PT Majujaya Pohon Pinang, Medan”**.

1.2 Problem Limitation

According to Matar et al. (2018), there is another independent variable which also has influence the company performance. That variable is Supply Chain Management. If supply chain management practice as an independent variable affects company performance as a dependent variable at a certain percentage, then the other percentages is affected by the other variable which is supply chain management. In this study, the problem discussion will be limited by the writer to discuss a smaller scope of the topic. The writer use supply chain management practices as the independent variable and company performance as the dependent variable for the research.

The writer will discuss about the influence of supply chain management practices on company performance at PT MajuJaya Pohon Pinang, Medan. The first variable for this study is the influence of supply chain management practices which will discuss about the procedures in managing the supplies, shipping and deliveries of the products to the

customers. The second variable is to discuss about the performance of the company.

According to Spina et al. (2015), the indicators of supply chain management practices are collaboration; demand & supply planning; inventory, production & distribution; and logistics. According to Kurniasari & Memarista (2017), the indicators of company performance are finance perspective, customer perspective, internal business perspective, and growth & learning perspective.

1.3 Problem Formulation

The following are the research questions formulated in this study:

- a. How does the company PT MajuJaya Pohon Pinang implement their supply chain management practices?
- b. How well has PT MajuJaya Pohon Pinang been performing?
- c. Does supply chain management practice influence the performance at PT MajuJaya Pohon Pinang?

1.4 Objective of the Research

Based on the research questions, the objectives of this study are as follows:

- a. To describe the Supply Chain Management Practices implemented at PT MajuJaya Pohon Pinang
- b. To assess the performance of PT MajuJaya Pohon Pinang

- c. To analyse the influence of the supply chain management practices on company performance

1.5 Benefit of the Research

The research in this study will be able to provide many benefits for people who want to have better understandings on supply chain management understandings. There are two types of benefits in the research, which are Theoretical Benefit and Practical Benefit.

1.5.1 Theoretical Benefit

The Theoretical Benefit of the Research is to extend the knowledge of the academicians about the influence of PT MajuJaya Pohon Pinang's supply chain management practices on company performance and to improve the understandings of the academicians about the effectiveness and the efficiency of the supply chain management practices at PT MajuJaya Pohon Pinang which influences the company performance.

1.5.2 Practical Benefit

The Practical Benefits of the Research are as follows:

- a. For the writer, he will be able to expand the knowledge of SCMPs which are implemented in the company and also understand why the certain SCMPs are the ones to be used to improve the company performances.
- b. For the company, the results of this study are expected to help the company to expand their SCMPs implementations on their fields and

to provide new ideas about how they can enhance the company performance with the influence from their SCMPs.

- c. For other researchers, they will be able to discover new ideas and insights of certain SCMPs which may be suitable for company implementations according to their research purposes.

