

Value Chain Analysis, at PT. Indofood CBP SuksesMakmur Tbk (Noodle Division)

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Abstract- Based on data WINA (World Instant Noodle Association) Instant noodle industry in Indonesia continues to increase demand each year. However, one of the largest instant noodle company in Indonesia; PT. Indofood CBP Sukses Makmur Tbk. sales decreased by 0.004% and market share of 0.2% in 2013 to 2014. The main company's objectives can be achieved with increasing the maximum profit to increase the value chain. This study uses the exploratory method with elements of the company's value chain. Dimensions examined include inbound logistics, operations, outbound logistics, marketing & sales, service, firm infrastructure, human resources management, technology development, and procurement. Based on the nine factors the value chain through factor analysis with the CFA can be reduced to three factors that make up the value chain in the company that operation factors, factors outbound logistics, and service factors. And there is a priorities factor there are Inbound Logistics, Marketing & Sales, Firm Infrastructure, Human Resource Management, Technology Development, Procurement.

Index Terms- value chain analysis, Confirmatory factor analysis, CFA, instant noodle industry, supply chain, Indofood.

I. INTRODUCTION

The main objective of the company is achieving maximum profits in order to maximize shareholder value. To achieve this value chain, the company should be able to improve performance by managing its business activities effectively, efficiently and economically. WINA (World Instant Noodle Association) estimates that the trend of demand for instant noodles continue to increase every year in every country around the world. In 2013, China has the highest demand levels which ranged from 46 220 million packs, while Indonesia has the highest demand no.2 ranged 14.900 million packs after china and then followed by Japan, Vietnam, India, and so on. As seen in Table 1 below.

Table 1 Global Demand For Instant Noodles, Unit: 1 Million Pack (Bags/ Cups),

NO.	Country / Region	2009	2010	2011	2012	2013
Total		92,220	95,820	98,170	101,470	105,590
1	China / Hong Kong	40,860	42,300	42,470	44,030	46,220
2	Indonesia	13,930	14,400	14,530	14,750	14,900
3	Japan	5,340	5,290	5,510	5,410	5,520
4	Vietnam	4,300	4,820	4,900	5,060	5,200
5	India	2,280	2,940	3,530	4,360	4,980
6	Others	25,510	26,080	27,240	27,860	28,770

Sources: WINA (World Instant Noodle Association)

PT. Indofood CBP Sukses Makmur Tbk is one of the companies who engaged in instant noodle industry, the company who can manage and maintain the market leadership to achieve a good performance. Based on the financial statements of 2014 Total value of sales grew 15.0% to reach Rp19,92 trillion, an increase about Rp17,32 trillion. Operating margin increased to 14.9% in 2014 from 13.3% in 2013, although the division is facing cost pressures during the first half of 2014 due to the weakening of rupiah. However, the increase of profit is inversely proportional to the total volume of sales decreased to 12.59 billion from 12.65 billion packs in 2013.

The deflation of sales volume is the impact of competition on the instant noodle market in Indonesia, made Indofood market share began to decrease. This is mainly due to the emergence of its biggest competitor, namely Group Wingsfood with Mie Sedaap products that won the majority of markets Indofood and the entry of various brands of instant noodles from abroad. In the last few years the market of instant noodles became giant competition between the two companies Indomie (Indofood Group) with Mie Sedaap (Group Wings). The competitive landscape by company Industrial Noodles in Indonesia is shown in Table 2 below.

Table 2 Competition Map by company of Instant Noodles industries in Indonesia (%)

Company	2013	2014	Share Change
Indofood	57	57.2	-0.2
Wing'sfood	37.5	37	0.5
Olaga Food Industry	1.6	1.5	0.1
ABC President Interprices	1.1	1.4	-0.3
Others	2.8	2.9	4
Total	100	100	

Sources: AC Nielson May 2014

The deflation in sales volume and market share it's make company can't obtain maximum profit, where the sales are formed of a long series of supply chain process consisting of several activities.

Porter (1994) states that each company is a collection of activities that are performed to design, produce, market, deliver, and support the products. All of these activities can be represented using Value Chain. Value Chain above definition also expressed by Shank and Govindarajan (1993), Value chain is a strategy to achieve profitability by evaluating and utilizing every activity to achieve the best results. Value chain in the company in any business is the activity forming interconnected value starting from the basic material resources by the supplier until the product is in the hands of consumers. Value chain is a strategy to achieve profitability by evaluating and utilizing every activity to achieve the best results. Value chain analysis help to understand the company's position in the value chain to increase competitive advantage. Weiler et al (2003), states that the value chain analysis approach is the best approach in establishing the value of the company towards the better.

The escalation of competition instant noodle industry in Indonesia make Indofood need to take corrective measures to improve their competence in order to maintain the existence and position as a market leader in instant noodles. Improvement efforts taken leave of the paradigm widespread today, that to be able to compete effectively a company must build its capabilities in response to market changes that occur quickly and accurately. The concept of time-based competition and flexibility that is the cornerstone of the expansion of scope of improvement towards the concept of supply chain management.

Based on the background of the problems above, deflation of sales volume resulted in a decrease in market share and less than the maximum of profits, where the sales is made up of a series of supply chain activities. Therefore it is necessary to analyze value chain for improvement in supply chain activities. the purpose of this research is to determine the factors that make up the value chain and determine the priority factors in the value chain in PT. Indofood CBP Sukses Makmur Tbk.

II. RESEARCH ELABORATIONS

This research was conducted by taking the object of research on the value chain of instant noodles PT. Indofood CBP Sukses Makmur Tbk. This research was conducted between August and September 2015. The location selection is purposive in considering the object of study was the perpetrator of value

chain activities. This study used a descriptive approach with case studies. Descriptive method used in this study to get an overview of the information, explanations and conditions related to the object of study in a factual, accurate and systematic. According to Umar (2010) case study aims to conduct a more detailed study, in-depth and thorough of a particular object that is usually relatively small in a certain period of time, including the environment.

The data used in this study are primary data and secondary data. Primary data was collected from in-depth interviews and direct the company's management and supervisors implementing value chain activities as respondents. Secondary data was collected through company documents, websites, and literature. Data collection techniques used in this study were interviews, questionnaires, observation, and literature. The number of respondents that used in this study were 89 supervisors from each department. After obtaining complete data, and then analyzed using confirmatory factor analysis approach model to see the condition of the company's value chain. Based on the nine elements of the value chain, then reduced to the factors that make up the value chain and priority factor to do the value chain improvement in PT. Indofood CBP Sukses Makmur Tbk.

III. RESULTS

Identification Elements Value Chain Instant Noodle, PT. Indofood CBP Sukses Makmur Tbk.

Based on these factors the value chain of 9 mentioned by Porter (1994), among others; Inbound Logistic (X1), Operations (X2), Outbound Logistics (X3), Marketing and Sales (X4), Service (X5), Firm Infrastructure (X6), Human Resource Management (X7), Technology Development (X8), Procurement (X9). Nine of these elements are interrelated to one another and provide an accurate picture of how the situation of the value chain. Through in depth-interview result, the company's management revealed the 35 indicators of the nine elements of the value chain. Through trials using factor analysis with the CFA resulted in the following model.

Factor Analysis with CFA

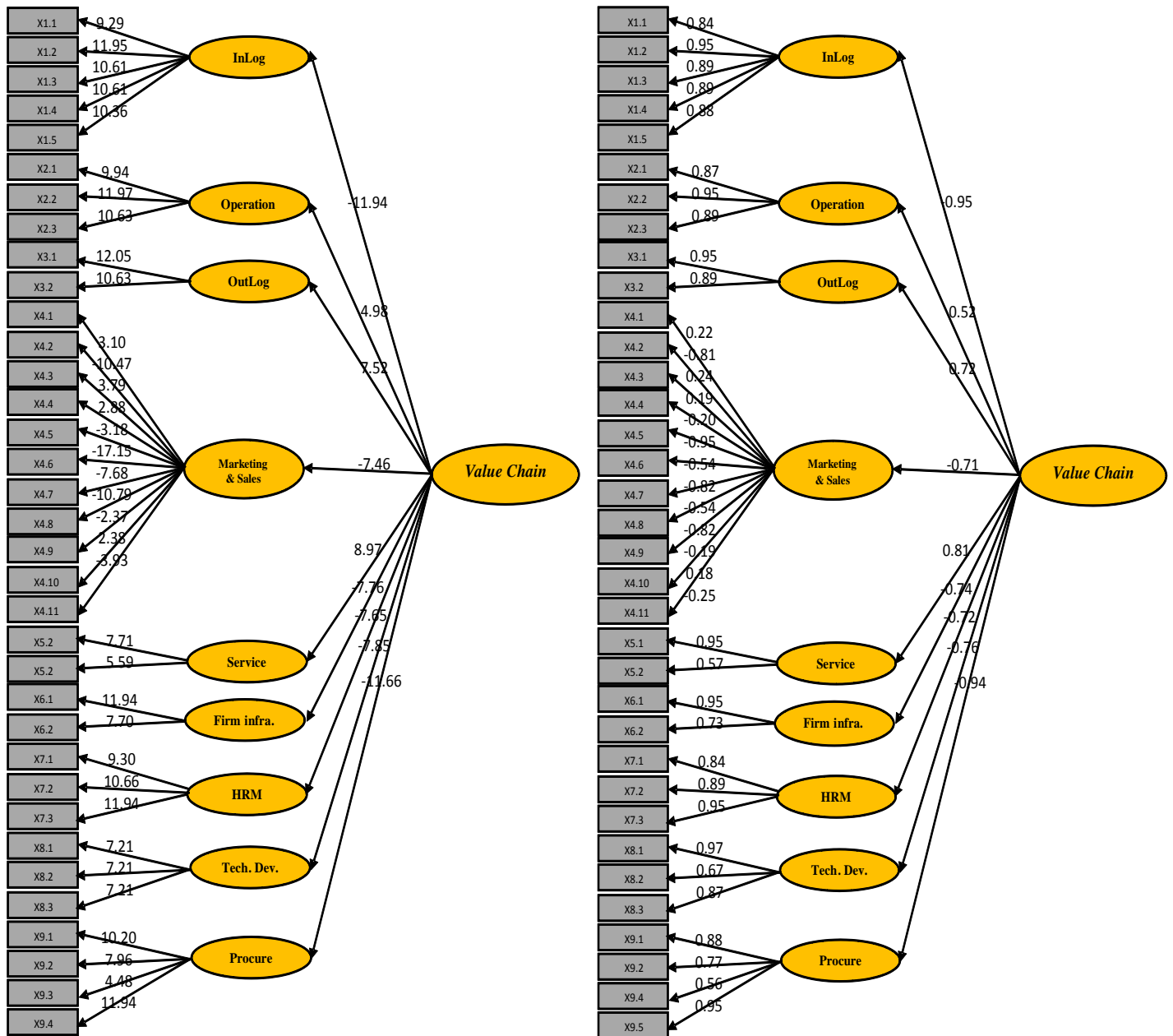


Figure 1. Standardized Loading Factor and T- Tes

Chi-Square=2.15, df=3, P-value=0.54267, RMSEA=0.000

The results in Table GOF show all indicated how good the model meets the criteria of Good Fit, which means; sample data obtained has been able to describe the theory that was built with the 2nd CFA analysis.

Tabel3.GOF Result

GOF	Cut Value	GOF Standar	Sum
Probability	0.54267	≥ 0.05	Good Fit
Chi-square/df	2.15/3 = 0,72	≤ 3	Good Fit
RMSEA	0.000	≤ 0.08	Good Fit
GFI	0.99	≥ 0.90	Good Fit
AGFI	0.92	≥ 0.90	Good Fit

Sources; Primary data is processed, 2016

Table 4.Hypothesis Testing most priorityFactors of the Value Chain.

Variabel	Standardized Loading Factor	T-Test	Sum
Inbound Logistic	-0.95	11.94	<i>Significant</i>
Procurement	-0.94	11.66	<i>Significant</i>
Firm Infrastructure	-0.74	7.76	<i>Significant</i>
Technology Developmet	-0.74	7.85	<i>Significant</i>
Human Resources Management	-0.72	7.65	<i>Significant</i>
Marketing & Sales	-0.71	7.46	<i>Significant</i>
Services	0.81	8.97	<i>Significant</i>
Outbond Logistic	0.72	7.52	<i>Significant</i>
Operation	0.52	4.98	<i>Significant</i>

If | t-test > t table (1.96), the significant
 Sources; Primary data is processed, 2016

Based on the test table-hypothesis, generating value loading for variable Operation, Outbound Logistics, and Service has a value of loading positively to the value chain, which means that the respondents have a positive perception or level of agreement is high on factor Operation, Outbound Logistics and Service as an increase in the value of the value chain. The highest value of 0.81 loading owned by Service means is the most important factor of the value chain, followed by the Outbound Logistic factor with a value of 0.72 and factor loading Operation with 0:52 loading values. This model is supported by Hair et al. (Hair et al. 2006) mentions that the goodness of fit is important to look before continuing factor analysis in CFA. This method is carried out to determine which factors are most significant. Therefore, nine this construction as an application to measure implementation of the Value Chain in PT. Indofood CBP SuksesMakmurTbk.

Results The study was supported by research conducted Wiradinata (2004) stated that the Operational Excellence in the process of raising the value chain strategic positioning of companies in the industry. Research conducted Hult (et., Al., 2008) support the results of this study which stated that the Operational orientation is a supply chain orientation can enhance the capabilities of the company's strategy. Research conducted by Akyun (2013) also states that the activity of critical values that affect the profitability of the drinking water company is a value event operation in the amount of 78 369% of sales volume, and to the overall cost of primary activity is 91.482%, while for supporting activities of 9.015%. andPriyono (2008) in stating that the Outbound logistics is one of the main functions in the supply chain eco-friendly products that can support this research.

Negative loading value can mean a lack of companies improve the factors that make the respondents' assessment of the factors was low (a low level of agreement). This shows the priority the improvement of the factors Inbound Logistics, Marketing & Sales, Firm Infrastructure, Human Resource Management, Technology Development, Procurement. Inbound Logistic variable has a value of -0.95 loading has the highest value so that a priority should come first, second variable is the Procurement of -0.94 be a secondary priority to be fixed. Further variables that need to be fixed third priority is Firm infrastructure with loading value -0.74. The fourth variable is a priority for repair is Technology Development with loading value -0.74. The fifth variable is a priority for repair is Human Resource Management with loading value -0.72. Variable sixth priority for repair is Marketing & Sales with a value of -0.71 loading. Supriyono (2002) states are not value-added activities are activities that do not need or activities that need, but it is inefficient and can be repaired. If the value-added activity is not implemented, will result in adding unnecessary cost and hinder performance, causing no value-added costs. Cost is not worth the added expense caused by activities that are not value-added. Cost is not value-added can be defined as the cost of activities that can be eliminated without causing a bad impression of the customers regarding the performance, functionality, or other quality measure of a product. Analysis of activity can lower costs by suppression of activity, electoral activity, decreased activity, and the use of activities together.

The results of this study are supported from the research study, conducted Charles T. and Foster (1991) in Supriyono (2002) revealed that the manufacturing activity there are five main activity often is wasteful and unnecessary, namely

scheduling, transfer, waiting, inspection, and storage , Costs of activities that do not create added value should be reduced or eliminated.

IV. CONCLUSION

Based on the research that has been done several conclusions. Namely; 1. Based on nine factors of value chain delivered by Porter, with the results if the data on the factor analysis CFA PT. Indofood CBP Sukses Makmur there are three factors that make up the value chain in the companies including; operation factors, factors outbound logistics and service factors. 2. The value of negative loading can mean a lack of companies improve the factors that make the respondents' assessment of the factors was low (a low level of agreement). This shows the priority the improvement of the factors Inbound Logistics, Marketing & Sales, Firm Infrastructure, Human Resource Management, Technology Development, Procurement.

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