

## Value Creation Through Order-To-Cash System Collaboration at Pt. Bukit Muria Jaya

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### ABSTRACT

Any business entity generally aims for value creations as one of the business objectives. Nowadays, value creation is increasingly represented as intangible drivers like innovation, people, ideas, product for the company and chain-networks (customers and suppliers). Creating value for customers by helping in selling the products and services are beyond the traditional methods. In overall perspective, value creation is a better management goal whose intention is to create cost-reduction, increase service level and profitability that enhance long-term competitiveness and sustainable business growth. This study focused on the understanding the "value creation initiative through order-to-cash system collaboration at PT Bukit Muria Jaya (BMJ)" to customers with objectives to increase value proposition, response customer voice of improvement regarding low-score KPI on value-creation criteria, and leverage company value proposition for sustainable business partnership. This study applies a qualitative approach by conducting a series of a personal interview with company top management, experts in selected functions and key buyers in selected customers. The interview results were analyzed through relevant theoretical frameworks, company primary data's and secondary data from various sources. Last but not least, the result of the analysis will lead to made conclusions and recommendations to the company. To maintain company reputation and position in the market In the near future, BMJ should focus on increasing value proposition by generating value creation initiatives and finally answering customer voices for improvement.

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## **INTRODUCTION**

Almost for the last two decades, the tobacco industry has been recorded as one of the biggest industries in Indonesia with high domestic cigarettes consumption. This affirmatively makes the tobacco industry of Indonesia is a huge contribution to the country. According to web article at [www.indonesia-investments.com](http://www.indonesia-investments.com) (2016), there are two cigarettes company PT Hanjaya Mandala Sampoerna Tbk (HM Sampoerna) and PT Gudang Garam Tbk within top ten of biggest Indonesian companies (in market capitalization) and registered in Indonesia Stock Exchange. Following China, Indonesia is the second-largest cigarette market in Asia. This was truly supported through the number of high Indonesia country population resulted from 255 million which is two-thirds of Indonesia men are a smoker of tobacco products and finally make Indonesia as a huge market.

PT Bukit Muria Jaya (BMJ) as a cigarette paper manufacturer in Indonesia is very dependent on the growth of tobacco and cigarette industry. This cigarette paper manufacture as part of the tobacco industry's circle is quite often got influence from government regulation like import tariff and quota to prevent import attacked from China and other countries. Less company able to produce specialty paper for cigarettes because the process is 'state of the art', unique/different from the normal paper. In the worldwide, there are few cigarettes paper manufacture like PT Bukit Muria Jaya (Indonesia), Heng-Feng (China), Delfort (Austria), Miguel Y Costas (Spain), Julius Glatz (Germany) and Schweitzer Mauduit (France).

PT. Bukit Muria Jaya (BMJ) was incorporated in 1989 to manufacture high-quality cigarette paper and packaging materials for the tobacco industry. The office and factory are located on 17 hectares of green landscape ground in Karawang, West Java, it is about 52 kilometers east side of Jakarta, Indonesia's capital city. The company employs about 1,400 workforces which have two divisions paper and packaging. After 27 years established, in 2016 company launched new vision-mission "To be World's Number ONE Partner for Cigarette

Industry in providing Total Solution for Non-Tobacco Material through intimate customer experience as well as innovative operation & service excellence". This vision-mission carrying a spirit that Everyone in BMJ has the passion to unveil a better solution and to do amazing things to their success and BMJ's success. Those people are bringing BMJ to greatness.

As one of the top three cigarette paper and packaging manufacturer in the world and become the market leader in Asia (exclude China), BMJ is fully aware that cigarette industry has been declined due to people increase their awareness on smoking effect and the government keeps stretch the regulations. Refer to the new vision-mission, BMJ aimed to be the number one partner for cigarette industry providing a total solution for non-tobacco material, means BMJ willing to retain their market position in the top three cigarette paper and packaging manufacturer. There are several strategic options is being analyzed by top management to maintain the company market share and enhance the value proposition.

These research objectives are as follows:

1. To find what are particular values that can be added to the business in term of on speed, accuracy, response time and feasibility.
2. To find a way to increase the company value proposition for sustainable business growth.
3. To find the best way how to improve KPI performance in value creation aspect.

To get a clear picture and better understanding regarding 'order-to-cash system collaboration' between BMJ and key customers along with company objective to enhance value proposition as well as to improve KPI performance (in value-creation aspect). Further to this, this research will focus on analyzing existing company data's and obtain key information through a series of an interview regarding the implementation of value creation initiatives during the period Q4-2018 until Q2-2019. Then finally will enable in providing conclusions and recommendations to the company.

## **LITERATURE REVIEW**

There is a need to analyze company problem upon received company data's such as KPI performance evaluation result from key customers (Djarum, Philip Morris International and British American Tobacco) through some frameworks of analysis. It is important to understand company vision and mission through initial assessment stage prior to starting first analysis which is 'PEST Analysis' consisting macro analysis on Political-Economy-Social-Technology factor ; second is 'SWOT Analysis' to gather a few possible scenarios as alternate solutions and enable decision making; third is 'Customer Relationship Management' (CRM) framework analysis related to front-end company application capability to interact with customers; and last is digital B2B marketing best practice assessment in connection to 'Marketing 4.0' principles.

### **Initial Assessment (Business Definition)**

It is important to start an initial assessment process for the company before conducting a situation analysis. The whole company stakeholder must clearly understand the company vision and mission toward the strategy roadmap respectively. The vision of the company will emphasize what the company want to become? This should be clearly visualized the future of the company as the ultimate goal for company stakeholder and direction to the employee.

Secondly, the company mission should clearly describe what kind of business that company does. Of this, the company should identify business into three dimensions: what is being satisfied, who will be satisfied and how customer needs to be satisfied. The company mission statement will be acted as an important guide to company stakeholders and employees to make decisions during day-to-day business (Rothaermel FT, 2012).

### **PEST Analysis**

PEST Analysis is an important tool for market and environmental analysis and to support strategic decision making (Narayanan and Fahey, 1986). According to (Johnson et Al, 2008), PEST

framework analysis is a common analytical tool to identify key drivers of change in the strategic environment. This theory briefs the fundamentals of techniques and explores the strengths and weaknesses. PEST analysis includes Political, Economic, Social and Technology factors.

### **SWOT Analysis**

According to Thomson et Al (2014), SWOT analysis is defined as a simple tool but powerful analytical in measuring resources through identifying strengths, weaknesses, opportunities, and threats outside the company. In other perspectives, SWOT analysis is a basic of the analytical framework which assesses one company. It is usually a business company, though it can be a place, industry or product which can and cannot do according to an internal and external factor. It also stands where the position of the company today and where it may move toward. Prior to continuing the discussion about SWOT, it is wise to understand the SWOT terms: Strengths, Weaknesses, Opportunities, and Threats. Essentially, SWOT analysis is a baseline model of assessment which measuring what capability that company can or cannot do with potential opportunities and threats. By using environmental data to evaluate company positioning, a SWOT analysis will be determined what particular vital assists point of the firm to accomplish their objectives and what challenges should be overcome or minimize in order to achieve the goal/objective.

### **Customer Relationship Management (CRM)**

Customer Relationship Management (CRM) is a straight-forward definition but there are many different definitions and implementations. It includes all in-line and off-line relationship management (Strauss et Al. 2003). It is an approach from a company in managing an interaction or high-level relationship with an existing customer or prospect customers. CRM activities are applying analysis data regarding customer profile with the company in order to improve the level of relationship and finally aiming for customer retention then leverage sales revenue growth. Another CRM definition is a holistic

process of acquiring, retaining and growing customers. The effort of the process to create a meaningful relationship with the customer is characteristic of last understanding (Barnes, 2003).

Lakshman Jha (2008) marked a definitive statement that CRM is the philosophy, coordinating strategy connecting different players within the organization to provide overall value series of experiences, products, and service to the customer. One of the different players within the organization are identifiable groups is External Collaboration Functions: the people and technology support of processes supporting an organization and its cultivation of customer relationships with suppliers/vendors and retails outlets/distributors. It can also be applied within industry and trade association for lobbying purpose. This external network foundation can support internal operations and customer-facing operations.

Regarding the CRM for the company social network and system is certainly relevant to the company value proposition aspect. Gurjeet Kaur Sahi, Sanjeevani Sehgal, Rita Sharma (2017) emphasized on company social networks had become important means for the socialized marketing of a company, forming a new challenge to companies on how to attract customers. Based on this theory as customer engagement, value

co-creation, and relationship marketing, the journal presents a model of the influence of customer engagement on stickiness. It was enriching previous researches on existing theories of customer engagement, value co-creation, and stickiness, and gives practical guidance for companies to encourage customer engagement and enhance the stickiness of company social networks and their systems such as Enterprise Resource Planning (ERP) or Customer Relationship Management (CRM).

#### Digital Marketing 4.0

In the past few years, current traditional marketing is shifted from product-driven (1.0) to customer-centric marketing (2.0) and lastly to human-centric marketing (3.0) which is observed that customer transforming into human beings with the heart, minds, and spirits. Of this, future marketing lies is to create products, services, and company cultures that embrace and reflect human or institutional values. A lot of things happened in the era of marketing 3.0 especially from technology advance develop rapidly which make the great result of marketing best practice around the world.

In order to summarize literature which already explained, it is important to understand in which literature to correlate with a list of interview attributes in the below figure.

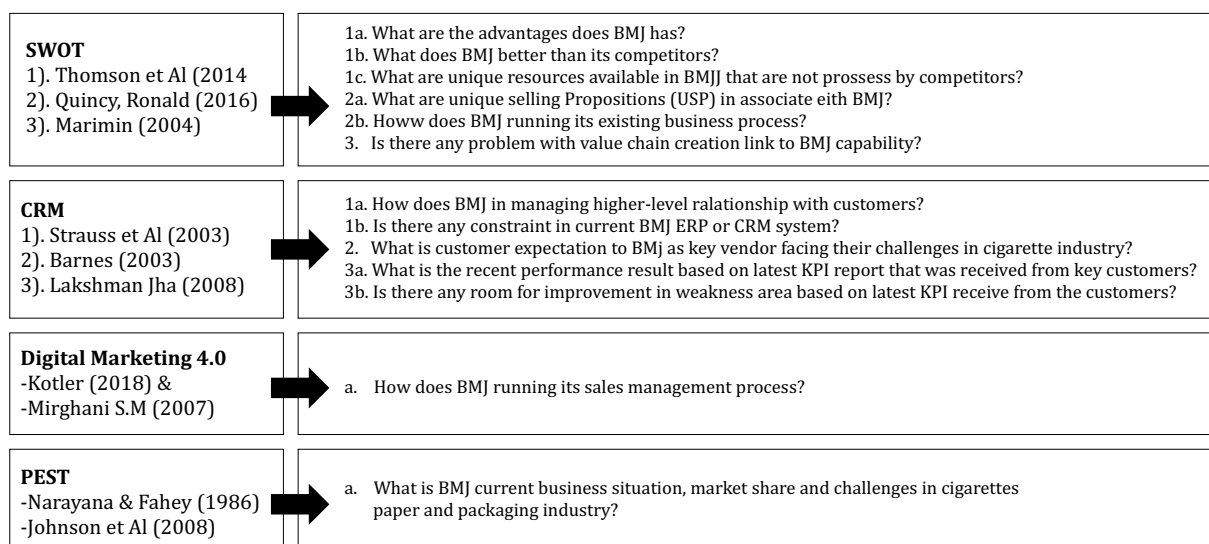


Figure 1. Literatures vs List of Interview Attributes

## **RESEARCH METHODS**

The research takes place in PT. Bukit Muria Jaya (Office and Plant) which is located in Karawang, East Java. PT. Bukit Muria Jaya only has a single office and factory with 17 hectares. Surrounding office and factory are urban area and few manufactures such as PT. Polycore Indonesia and PT. Resinda which also part of Djarum Group. The time of research was allocated starting Q4-2018 until Q2-2019 align with thesis study is being developed. The object of research was addressed to PT. Bukit Muria Jaya (BMJ) and their selected key customers and competitors, and the cigarette industry in Indonesia. The goal of this research is to study “The way of BMJ enhance company value proposition, maintain reputation under tight competition in the cigarette paper and packaging industry by creating system collaboration/integration between PT. Bukit Muria Jaya (BMJ) and their selected key customers”.

In order to get a better understanding about recent company situations, identify problems and summarizes it, direct observation and interview with company stakeholder (top management), company expertise in specific functions and selected employee in critical function within the organization.

Data collection based on qualitative facts through interview result (include list of questionnaires) with company top-management, stakeholder and customer (key buyer persons) which is relevant to the area for improvement. In addition, few quantitative data will also be collected. There are 2 (two) type of data: primary data and secondary data. The way to collect primary data is through field observation, interview with company expertise and lastly, interview with key buyer persons (key customers) to get valuable voices for improvement. For secondary data such that is related to cigarette industry situations (consumption, production, and demand), result KPI assessment from the customer, sets of company vision-mission-destination roadmap, company ERP and CRM system will be collected through company-internal data's, various sources

available in the library and previous studies.

Consider the scope of this study which is focusing to seek opportunity that BMJ can enhance their value proposition with existing key customers, there will be an initial assessment to the company vision and mission prior to starting SWOT analysis and PEST analysis, in addition analyzing company CRM best practice align with CRM theoretical and lastly to review effectiveness company in applying digital B2B marketing implementation align with digital marketing principle. By doing this, the flow of analysis will cope gathering, selecting, structuring and interpreting to relevant data. The result will become a basis to provide conclusions and recommendations for improvement.

## **RESULTS AND DISCUSSION**

Based on the interview with company stakeholder and obtained information from secondary sources, generally BMJ sustainability business and operations is quite dependent with political and economic factor along with industry outlook of cigarette manufacturer (customer of BMJ). The new presidential and parliament election held in Q2-2019 will carry a big impact to cigarette excises tax policy along with industry growth in associated with consumer buying power. Another government regulation is regarding health, safety and import quota that will also affect to BMJ.

Another factor may affect to BMJ is a social factor regarding the trend of minimum wages increase to align with production capacity expansion which surely required more additional labor. As a matter of fact, additional labor was triggered due to new additional converting machine in correlate to shifting demand trend (hand-mate kretek to machine-kretek). Lastly, with a high number of Gen Y and Gen Z employee as well as e-Commerce trend up will force the company to develop the IT technology.

SWOT result analysis (S-O, S-T, W-O, W-T) gather feedback through interviews with company stakeholders and customers. The conclusions as the first priority for the company to take action

is to apply the benefits of IT solutions/platform embarkment with company ERP system to create efficiencies (commercial, procurement, and manufacture) as well as to create a value proposition for external benefits. This conclusions was formulated from the facts of interviews with internal stakeholders and customers that in term of quality, prices, services and delivery that company was good and satisfied enough according to requirement, however expectation from key customers like Djarum and British American Tobacco that tend to shift from common basic requirement (on-time delivery, service level, quality and service) to the specific requirement such as value creation initiative to get mutual benefits. This has been emphasized by the key buyers (Mr. Sintan and Mrs. Meijuan) as they need BMJ able create point-of-connectivity or company perceived as "outside-in" wish list; similar feedback received during an informal interview with ink supplier (Siegwerk), they need more demand feasibility from BMJ. Based on a company performance indicator, the trend of material and production cost increased and push company effort to reduce costs through project management program/kaizen program along with IT solutions embarkment.

The second priority for taking action is strategic to construct and establish a talent pool management program. Looking at employee percentage that shown Gen Y and Gen Z was at 50% of total BMJ employee, they have strong knowledge and more familiar with information technology and sense on the internet of things (IoT). Because of this, the company may empower their skill by engaging them in several project management program link to value creation initiatives. In line with this, the company may leverage their ability to create new products through innovation division with support from internal system improvement.

CRM process analysis recorded that BMJ has sufficient fundamental activities such as receive new inquiries from prospect/existing customer, research and development for a new product, manage confidential customers data's up to

complaint handling. However, it has been identified some CRM activities has not maintained yet in current company CRM best practice such as commercial order management process, commercial delivery acknowledgment, invoice generation for commercial shipment, account receivable monitoring and forecast-demand management. Those activities marked an important value chain activity that can be automated with a customer platform/system and become an opportunity for CRM process improvement.

The perspective in business-to-business (B2B) which involved huge of money was made an engagement value chain activity between BMJ system versus customer system are becoming high importance (especially customers who have a sophisticated system). The CRM principle through services automation by identifying 'point of connectedness' shall be implemented to enhance the value of relationship, leverage intimacy level, provide multi-channel integration and upgrade customer path ladder. The point of connectedness is a similar meaning to "boundary-less". In macro strategic, it could help the company lock sustainability of business partnership and close the hole from potentially competitors attack.

As the initial conclusion to enhance company capability in promoting their products and services in this recent e-Commerce era, the company should transform its way of doing B2B digital marketing. The basic idea to create a digital online catalog and established it as part of a new way of sales business model which is called 'consignment online'. In fact , BMJ competitors have not implemented yet this business model. The basic concept may follow the Amazon company where they are selling the books in a digital way through the online catalog to all-over the world (apply in one standard order lead time: 2x24 hours delivered upon payment receipt in advance). To mitigate the risks, BMJ may consider this idea by running a pilot project initiative after a thorough analysis of cost-benefit and risks factor.

The table below explains the result of the analysis correlated to the research questions.

**Table 1.** Summary of Analysis vs Research Questions

Research Questions	Summary of Analysis	Comments
How to add more value to business in term of speed, accuracy, response time and feasibility?	It is required to conduct fit and gap assessment to company ERP and CRM system which is currently.  This assessment must be aligned with company strategic objectives and result will become a strong baseline to conduct pilot assessment project to add more value to the business (efficiency, cost saving, integration / collaboration with 3rd parties i.e. customers and possibly with suppliers).	This activity should be conduct by Business Service System (BSS) with the engagement to top management and selective company stakeholder.
How to increase company value proposition for sustainable business growth?	Company value proposition enhancement becoming very important through the improvement on ERP and CRM system in-associate with embarkment new IT solutions (platform). By doing this, it may create internal efficiency, cost reduction in some critical area: procurement, manufacture, logistic and innovation.  This effort creates attractive factor to customers related the point-of-connectiveness that emphasize trust, integrated, robust, accuracy, accessible (at anytime and anywhere) and lastly the uniqueness.	The value proposition enhancement should be treated as valuable guidance for execution.
How to improve KPI performance in value creation aspect?	The importance to rolled-out a specific pilot project initiative regarding system / collaboration initiative with customers (Djarum, BAT and PMI) is a key success driver to improve weakness on KPI score in value-creation aspect.	The pilot project collaboration / integration should be created mutual benefits among BMJ and Customers.

## CONCLUSION

Conclusions were formulated based on PEST and SWOT analysis in addition taken from an assessment on company CRM and B2B Digital Marketing implementation. Those analyses are strongly backup from result interview and brainstorming with company top management, stakeholder and customer. The conclusions as follows:

1. It is very important to conduct fit and gap assessment of company ERP system (SAP application). This fit and gap assessment must be aligned with the company strategic objectives. The result of the assessment will become a baseline to conduct pilot project and make company ERP system to be more flexible then enabling opportunity to deliver more value-add to the business (internal efficiency, cost savings, integration/collaboration with 3rd parties i.e. customer and possible also with supplier).
2. Similar with ERP system as stated in point #1,

enhancement company CRM system capability is critical especially with few CRM features that are currently in-active such as commercial order process, delivery confirmation, invoice-payment and order tracking. The enhancement must be aligned with strategic objective since CRM is the front-end application that can interact between company and customer.

3. There is an urgency to immediate rolled-out a pilot project for value-creation initiative regarding system/collaboration with key customers (Djarum, BAT and PMI). This is a key success driver to improve weakness area on KPI regarding value-creation aspect.

## RECOMMENDATION

BMJ has to set the best scenario on how to enhance company value proposition according to priority level. Other improvement opportunity or ideas/solutions which have not been highlighted in the conclusion of analysis and strategy formulation will be delivered recommendations are as follows:

1. BMJ may continue the order-to-cash system collaboration (“B-Less” project) toward to delivery and payment up forecast-demand planning.
2. BMJ may replicate a similar project with other key customers with additional features. PT. Djarum might become a prototype to run a similar project with other customers (BAT). There is one stage added which is called “Chatting-Interactive” that B-Less does not possess. The feasibility for chatting-interactive will be facilitated through BMJ CRM application as a front-end system with customers (need to be tested and validated on technical aspect).
3. BMJ may establish new strategic sourcing upon re-assess of current procurement business processes. It is very crucial for BMJ to strengthen the collaboration between BMJ and supplier through supplier relationship management (SRM) program to reduce raw material cost and get mutual benefits. There are few potential suppliers can be engaged for implementation such as Siegwerk (inks), Schaefer (chemical CaCo3). Another initiative in the sourcing area is to seek the possibility to apply e-Procurement as an effective tool to conduct bidding.
4. BMJ need to increase their uniqueness which possesses an attractive factor called “one-stop-service” company which proof BMJ is the only one company who is selling paper and packaging in one roof. Of this, to compete with the market, the company may implement selling in new bundling product (paper and pack) which surely can offer very attractive selling prices for existing customers or prospective customers.
5. BMJ is member of APKI (Indonesia Company Paper Association), together with other APKI members such as Asia Pulp & Paper, Padalarang Paper, Pura Barutama and Surya Zig-Zag they may propose to government authority regarding possibility to increase special import tariff for imported cigarette paper and packaging or alternative way is to negotiate with government authority to deploy SNI (Standard Nasional Indonesia) policy for any imported cigarette paper. This surely will prevent any imported cigarette paper and packaging from competitors.
6. BMJ may propose to PT Djarum as a shareholder to get approval to establish a new office building with green and co-working space concept. The reason, it was because the company needs to improve working environment conditions with 50% percent gen Y and gen Z employee that more conveniences.
7. BMJ must accelerate the development of the new product with specific customers and 3rd party (university, research laboratory). In the meantime, there are two new cigarette paper products in the development pipeline to be launched in 2019: security fine paper and electronic perforation paper that potentially deliver high margin/profit.

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