

EXECUTIVE SUMMARY

Fossil fuel has been used as platform in various degrees of chemical applications. The range of products derived from fossil fuels has been used widely in society. On the other hand, fossil fuel is not renewable resource where its supply is limited and also raised concern over its effect on sustainable environment. Therefore, chemical industry needs a better source than fossil fuel. Levulinic acid is chemical substance which can be a better chemical platform. Currently, levulinic acid is used in flavor, fragrance and pharmaceutical industry where the raw material comes from crops.

PT Levu Chemicals offers levulinic acid from an alternative raw material- paper waste which is available abundantly in big cities. Generally, bigger proportions of waste paper are still burned or end up in landfill. Moreover waste paper is considered to be a cheaper raw material and also generates a relatively high yield to produce levulinic acid. Thus waste paper is considered to be a better raw material than crops. The company plan to export levulinic acid to United States focusing on pharmaceutical, flavor and fragrance and polymer industries.

PT Levu Chemicals adopts focus cost as its generic strategy. The generic strategy can be seen through its focus on several market segment, its competitive pricing and operational efficiency. The marketing, operation, human resources and finance functions are aligned to this generic strategy. Marketing department provide better value for customer through competitive price with a consistent product quality and service. In addition to a relative

cheaper cost of goods sold, the products are delivered through direct channel and thus eliminate channel price. The company also provides more value for customer image because of environment friendly raw material. Thus the process contributes to the environment and society. Communication is done through mainly online advertising and sales force which emphasize on product usage and corporate identity. Operation department maintains its operational excellence to produce good quality product by implementing total quality management (TQM). Operation department manage production capacity to be in line with demand forecast from marketing department to avoid excessive inventory and production capability to provide products at the right quantity in time. In addition, raw material which contributes the large proportion of operational expense is maintained to be purchased at certain price range.

Human resource department through its selection, recruitment and compensation strategy are aligned to needs from other department. Financially, the company intends to be funded by venture capital and shareholder amounting up to IDR 60 billion. Business feasibility analysis shows that the business can generate IRR 24.35% and NPV IDR 12 billion in 10 years. Thus, it can be concluded that the business is feasible to proceed.