

GUNUNG SEWU GROUP

TRANSFORMING INTEGRATED PLANNING FOR HYPERGROWTH

Student Team:

Muthueaswaran Ayemperumal – Master of Supply Chain Management

Gaurav Goyal – Master of Supply Chain Management

Project Sponsors:

Wayan Ardana – Production Director, GGF, Gunung Sewu

Michael Budi – Corporate Planning Manager, GGF, Gunung Sewu

Denny Budianto – Retail Manager, Semasi, Gunung Sewu

Tjandra Soewarto – CEO, Semasi, Gunung Sewu

Faculty Advisors:

Luis Garcia Guzman – College of Engineering

Eric Svaan – Ross School of Business

Gunung Sewu is a privately held Indonesian conglomerate operating diversified businesses in insurance, food, real estate, consumer goods, and resources (mining). Semasi and Great Giant Pineapple (GGP) are subsidiaries of Gunung Sewu. Semasi is an export-oriented manufacturer having retail channel presence in Indonesia. GGP, established in 1979, operates the largest integrated canned pineapple facility in the world.

The objective of the Tauber project was to support the management hypergrowth ambition by evaluating the current forecasting and inventory management techniques, identifying critical areas of improvement, designing a solution, and implementing it to ensure efficient planning processes in both business units.

In Semasi, the team revolutionized the forecasting methodology by designing a multi-collaborative forecasting process to capture current business realities and developed various simulation models to arrive at the best-fit time series forecasting model for SKU classes. Post classification of Finished Goods SKUs, forecasting horizon was decided using procurement lead time. The Tauber team enabled IT to deploy the design for pan-Indonesia roll out through 14 standard operating procedures. The team also proposed an inventory policy, which could potentially reduce inventory investment by 77.55% and make the planning process more responsive to actual demand. A detailed Sales & Operations planning approach was also proposed as one of the critical pillar of integrated planning. As a proof of concept, five stores along with Distribution center were identified and put onto pull-based replenishment using the tool developed by the Tauber team. The potential savings in Semasi from all the initiatives comes around IDR 18.8 billion annually (\$1.45M).

While Semasi was struggling with **demand variability**, at GGP the major challenge was **supply-side variability** due to the inherent nature of the agriculture business. The team worked with R&D to identify key factors influencing the harvest and fruit size distribution. The team used linear programming to develop simulations using those factors to predict the harvest and fruit size distribution from a particular plantation. A template was designed to use the forecasted information to calculate the quantity of 300 SKUs with the objective of maximizing GGP's revenue. The model was up-scaled to allow planning for both annual budgeting and monthly harvest planning. The new model could lead to GGP increasing the current service level from ~65% to 80% whilst also potentially increasing annual revenue by 5.54% (\$12M).

Overall, the project enabled Gunung Sewu in aligning business processes to meet business objective of hypergrowth and simultaneously has potential to deliver revenue growth by 5.54%, cost savings of \$1.45M annually and improvement in service level by ~15% across Semasi and GGP.