

# CHAPTER I

## INTRODUCTION

This chapter includes background, problem formulation, research objective, research scope and assumption, and research outline.

### 1.1 Research Background

Logistics according to Butler (2005), as quoted in Arimbhi, *et al.* (2021) is the process of strategically managing from the procurement, movement, storage of materials, part and finished inventory (and related information flows) through the organization and its marketing channels to maximize current and future profitability through the cost-effective fulfillment of orders. Based on Arimbhi, *et al.* (2021), Bowersox (2005) stated that logistics is the processes including planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods such as services and related information from the point of origin to the end of consumption to conform to customer requirements.

In fulfilling one of the logistic's activities, delivery, the company usually does it by itself or by cooperating with another company. The company that does a delivery activity with a certain capacity to a specific destination is called an expedition company (Union Logistics, 2021). The procedure on how things work is different in each company so are its risks. The risks that are faced by the expedition company are different from other companies. While other companies mainly face the risks that are related to their products, the expedition company faces risks associated with their customer's goods. Customers entrust the expedition companies to deliver their goods. One of the expedition company is Kerta Gaya Pusaka. Kerta Gaya Pusaka is a legal company that runs an expedition of goods around Indonesia. The company was founded in 1969 and is one of the oldest expedition companies in Indonesia. The company is not known in general because Kerta Gaya Pusaka prioritizes other companies that cooperate with them, such as

tax companies, insurance companies, banks, and other big companies, than the ordinary customer.

The goods delivery procedure at Kerta Gaya Pusaka starts from picking up the goods from the companies, then gathering the goods in the main office to be recorded and then dispatched within the same day to the main office at the final destination. Three delivery tracks are available at Kerta Gaya Pusaka; by land, air, and sea track. Based on the interview with one of the supervisors at Kerta Gaya Pusaka, the most prioritized track is the air track for a far destination because the delivery time is shorter than other tracks. The goods prioritized by Kerta Gaya Pusaka are electronics like computers and essential letters from partner companies. The reasons are because those goods have a high value based on the price and information those goods have.

Each track has its risks from the three tracks explained before; land, sea, and air. The riskiest track is the land track compared to the other two tracks. The possible risk that could occur is the risk of damaged goods on the way to the destination. From the said risk, Kerta Gaya Pusaka implemented regulations to reduce the possibility of risks. So far, Kerta Gaya Pusaka does prevention activity regarding the goods damage by giving insurance to goods valued at more than 1 million rupiahs. For the damaged goods during the delivery, Kerta Gaya Pusaka offers compensation as much as ten times the price of the delivery cost of the broken goods. Based on the interview with one of the supervisors of Kerta Gaya Pusaka, the company does not have a written and detailed risk and description of the risk. The company also has no list of prioritized risks from the most important to the least essential.

Based on The Ministry of Finance of Indonesia (2010), successful risk management is shown by the risk identification and analysis based on the level of importance. Other things that show the success of risk management are mitigation, tracking, and control of the risk effectively and problem prevention, and the employees focus on things that affect the goals (The Ministry of Finance of

Indonesia, 2010). As mentioned in the previous paragraph, Kerta Gaya Pusaka still has not identified and analyzed the risk correctly, which could put the company in a catastrophic situation that could be avoided and cause the critical decision to be taken without complete information or adequate knowledge (Juneja (2022) in Management Study Guide (2022)). Therefore, this problem became the research topic to identify and analyze the risks at Kerta Gaya Pusaka to minimize the probability of the risks that could disadvantage the company.

## 1.2 Problem Formulation

The problem formulations based on the background explained in this research are:

1. What are the risks in the goods delivery process at Kerta Gaya Pusaka?
2. How to evaluate current risks management at Kerta Gaya Pusaka?
3. How to implement risk mitigation at Kerta Gaya Pusaka based on the risk priority assessment?

## 1.3 Research Objective

The objectives of the research are:

1. To identify the risks in the goods delivery process at Kerta Gaya Pusaka
2. To analyze the current risk management at kerta Gaya Pusaka
3. To propose the implementation of risk management as a consideration of risk mitigation at Kerta Gaya Pusaka

## 1.4 Research Scope and Assumption

The scopes and assumptions of the research are:

1. This research does not change or add the technology used at Kerta Gaya Pusaka
2. This research focuses on the goods delivery process at Kerta Gaya Pusaka

## 1.5 Research Outline

The outline of this research consists of six chapters, which are:

### CHAPTER I INTRODUCTION

This chapter includes background, problem formulation, objectives, scope and assumption, and research outline.

### CHAPTER II LITERATURE REVIEW

This part of the research consists of relevant theories regarding the case study in this research.

### CHAPTER III RESEARCH METHODOLOGY

This part of the research contains a preliminary study, literature study, problem formulation, method selection, data collecting, data processing, analysis, and closing.

### CHAPTER IV DATA COLLECTING AND PROCESSING

This part of the research includes the process of data collecting based on primary and secondary data related to the risk management in the goods delivery process at Kerta Gaya Pusaka with the FMEA method.

## **CHAPTER V            RESULT AND ANALYSIS**

This part of the research consists of the result and analysis of the study regarding risk management in the goods delivery process at Kerta Gaya Pusaka.

## **CHAPTER VI            CLOSING**

This part of the research includes the conclusion obtained from the study and suggestions for further research.

