CHAPTER 1 INTRODUCTION

1.1. Car Rental Industry in Indonesia

Transportation and logistics industry which plays a vital role in Indonesia's national economic growth indicates a positive growth, along with the increasing of export on manufacture products, international trade, and investment. It is predicted that until 2020, the growth of transportation and logistics sector will reach 15.4% or equal to 4.396 Trillion Rupiahs. This condition is also supported by a positive growth from Indonesian tourism. It has been recorded that growth of Indonesian tourism in 2015 reached 7%, exceeding ASEAN's growth (5.1%), and even international growth (4.4%).

This achievement brings much implication to the increasing demand for transportation and logistics sector and has created a positive climate both for new and pre-owned car sales business. It has been projected that both market will continue to grow following demand trend coming from respective market segment. (PT. Serasi Autoraya,2019: Overview).

In the middle of rapid urbanization and easy access on smart mobility services, transportation industry in the present day has major changes that also affect to its business player's and its consumer's behavior. The growth of the collaborative economy in the urban mobility ecosystem is disrupting traditional business models of automotive and many transportation companies (EY,2019: 05). Despite of on demand transportation services help so many needs, the rent car industry still become a primary support infrastructure for transportation and logistics to corporate customers or B2B needs.

The significant factor that increase car rental market specially in logistic company is the growth of e-commerce business. Based on the chief of ASPERINDO (Indonesian Post & Logistic Express Delivery Service Association), stated that the economy in South Borneo Island tend to increase which e-commerce give 20% contribution for logistic services. The growth of logistic services also impacts on sales for Logistic vehicle such as pick up vehicle show a significant increase for 30% based on Daihatsu Sales Operation in South Borneo (Media Indonesia,2019: 01).

Indonesia car rental market has showcased a consistent growth trend during the review period, 2011-2016 at a CAGR of 8.7% in terms of revenue generated from the trips. The major factors that augmented market growth are the arrival of international and domestic tourists, traffic congestion and inclining consumer spending on transportation. Indonesia had always been an affordable destination for international tourists. The increasing demand for car rental services in the country has increased competition in the market. The fleet size of car rental industry has grown at an impressive CAGR of 15,3%. Inclining demand and availability of cheaper second hand cars have led to the growth in the fleet size.

In terms of revenue generation, Indonesia car rental market has been dominated by the organized players. Fixed rental tariffs, ease of accessibility, reliability and security are some of the factors which led to the dominance of organized sector over the unorganized sector in the country. In 2016, the non-chauffeur driven segment has dominated the market over chauffeur driven services. This was primarily due to preference of international and domestic tourists to rent cars and drive it themselves across the country.

Indonesia car rental market is very fragmented and highly competitive one, with over 20 companies operating in this space. These companies compete against each other on the basis of providing better consumer experience, rental tariffs, type and size of fleets, maximum rental period, timely maintenance, immediate backup in case of breakdown and several other parameters. The major players in the market included Blue Bird, TRAC, Express Taxi, Tunas Rental, MPM Rent, Assa Rent and several others.

The growth in the car rental market shall be driven by the increasing number of international tourists, increased focus of car rental on corporate clients, increasing fleet size, incline in number of both on-airport and off-airport locations by the car rental companies. The existing players in the car rental market are in the process of launching new services and enhancing entertainment options including the addition of LED screen for customers so that they do not get exhausted in traffic jams of Indonesian cities and GPS tracking of the trip. Since the companies providing car rental services are increasing in number every year, the type and quality of these services is improving in the market to withstand the competition. All these factors would result in greater demand for car rental services and the market is expected to grow at a CAGR of 5.6% during the period 2016-2021.

Nowadays, rental cars are on the verge of becoming commodities, in a travelers' survey conducted by Google, only 48% of leisure travelers saw a clear difference between car rental brands. The core competencies that once gave key players an edge providing new, clean and reliable cars are no longer sufficient. The ongoing digital revolution has allowed consumers to share more information about themselves opening new channels through which car rental companies can approach them. At the same time, customers expect this data to be used to provide them with secure, more personalized experiences and effortless access to service. (Ken Research,2017: 03)

1.2. Company Background

1.2.1. History of TRAC Astra (PT. Serasi Autoraya)

As a general trading company, PT. Astra International business diversified in many sector. One of the most valuable sector is Infrastructure & logistics which now operated by PT. Serasi Autoraya (SERA). SERA provides transportation and logistics services made up of three core activities: car rental by TRAC - Astra Rent a Car, used car resellers Mobil88 and auction services Ibid, and SELOG logistics services.

SERA started its business through car rental services business in 1986 under PT Sinar Inti Telaga. The company start with 5 units of Toyota Cars for rent in October 5^{th}, 1986 then along with continues operation and more fleet, the company start branding their business as 'Toyota Rent a Car' in 1990. In March 22^{nd}, 1990, PT Sinar Inti Telaga transformed into PT Serasi Autoraya which continues to grow as a leading company in vehicle and rental services. As time goes on, in 2001 SERA rebranding their brand into 'TRAC – Astra Rent a Car' or 'TRAC Astra'.

Considering that the company core business is delivering services, in 2003 TRAC Astra start to expand their rent car business by establish the TRAC Driver Services (TDS) with legal entity as PT. DAMIRA (PT. Daya Mitra Serasi). TDS established to manage for 9.500 drivers throughout Indonesia. In 2004, TRAC Astra officially establish TRAC Motorental or TREMO that move in Motorcycle Rent Services with total size of fleet for 9.000 units to manage until now.

As leading company that provide Transportation Solution Services in Indonesia, TRAC Astra never stop innovate their business as in 2006, SERA as holding acquire Mobil88 or PT. Serasi Mitra Mobil which the legal entity officially belong to SERA in 2010. Mobil88 is the second core business for SERA after TRAC Astra which their role is to sell (dispose) a large number of used car in TRAC Astra as high quality pre-owned used car sales to consumer market (B2C).

After that in 2007, IBID or PT. Balai Lelang Serasi as an auction services company established to conduct an auction for used car in large number both to corporate and consumer as end user. Another innovation to make their business more integrated, TRAC Astra develop their TMS (Transportation Management System) in 2008 to optimize their transportation solution more comprehensive between vehicle units, operational costs and driver's management.

The third and also the last entity of SERA is SELOG (Serasi Logistic) or PT. Harmoni Mitra Utama which in 2009 established as logistic business line for the company. SELOG handling contract logistics, shipping services, shipping agency, freight forward, Warehouse/Yard management and carrier services. Finally, in 2012 until now, SERA establish their bus services call PT. United Automobil Sembilanpuluh Utama or TRAC Bus which deliver bus services consists of small bus, medium, big and luxury bus that rent for collective needs, such as corporate events, gathering, as well as group holiday. In the middle of digital advancement at present day, SERA already develop three digital applications which ‘TRAC to go’ that can support rent car services, ‘Mobil88 e-store’ that can support pre-owned used car needs, and ‘IBID online’ that can support auction services through online.

Moreover, to enhance their fleet management system, the advancement of technology also develops through their Transportation Management Solution AstraFMS, which it is an integrated transportation solution that combine high speed data, computer device (mobile phone, laptop, office computer in form of apps and online dashboard/website) and OBD (on board device) that planted in its vehicle unit. AstraFMS has 4 main feature in fleet management solution consists of Vehicle Management (VM), Driver Management (DM), Operation Management (OM) and Command Centre as central to manage and monitor the fleet management feature in real time and integrated ways.

1.2.2. Business Activity

Based on its activity, TRAC Astra has 3 core activities that keep its business withstand until now. The 3 core activity is:

1. Rent Car Services
2. Fleet Management Solution (Including Disposal activity)
3. Driver services

These activities are keep supporting each other to generate revenue for TRAC Astra alternately. If unit utilization (UIC) in rent car services is low, that means the driver services also low and to ensure the business still profitable, the disposal car unit activity must be high. Otherwise, where the stock of units is low, then the focus changes to increase the utilization in units (UIC) and driver services. Each strategy will be decided by using historical data, sales plan forecast and the analysist of business environment.

Every year, through PT. Serasi Autoraya (SERA), TRAC Astra always make a strategy forecast for the quantity of cars that must be purchased from various car manufacturers. This is related to the stock condition in fleet division, because there is a standard of car age that can be utilized to operate in customers and cannot be utilized anymore or need to be dispose to become disposal income. This is also mean that all business activity is depend on vehicle unit stock availability and how company turn their business strategy according to the stock condition and quantity at that time.

1.2.3. Company Vision & Mission

PT. Serasi Autoraya (TRAC Astra) has the vision is to be a highly innovative and reputable company through sustainable growth, human capital development and product development, along with high commitment to ethics and safety culture, while the mission is to pursue optimum customer satisfaction by providing the best solution in transportation services, pre-owned car sales, and logistics services.

1.2.4. Company Values

Through 33 years of experience, PT. Serasi Autoraya (TRAC Astra) has “SERA SPIRIT” philosophy as a foundation, culture and identity for company to gain sustainable competitive advantage. SERA SPIRIT has 5 core value:

a. Quality

   The best quality and safety standards to meet customer expectations.

b. Customer Service

Bring the best solution through excellent services which bring added value to customers.

c. Cooperation

Build cooperation and mutual respect between business units of SERA to make contribution and achieve best performance.

d. Leadership

SERA develop leadership in their employee that prioritize integrity, work ethic, and corporate business ethic to become role model for its surrounding.

e. Integrity

Uphold integrity, work ethic.

1.2.5. TRAC Affco (Affiliate Company)

As transportation services provider, TRAC Astra has a lot of corporate customers from various industries. In order to increase their sales, TRAC Astra grouped their corporate customers based on the customer's industrial segment or business type category and assigned their account manager team for each customer segment. There is government segment, private sector segment, multinational segment and Affco (Affiliate Company) segment. As a subsidiaries of Astra International, TRAC Astra form a special division to handling transportation services for all affiliate company under Astra International. This division is TRAC Affco which now has 61 account from 235 affiliate company with 7 different business segments.

Based on chart below there is a number of CMD (Customer Master Data) or companies for each 7 business segments in TRAC Affco including Astra International (Holding) itself that already become existing key accounts.

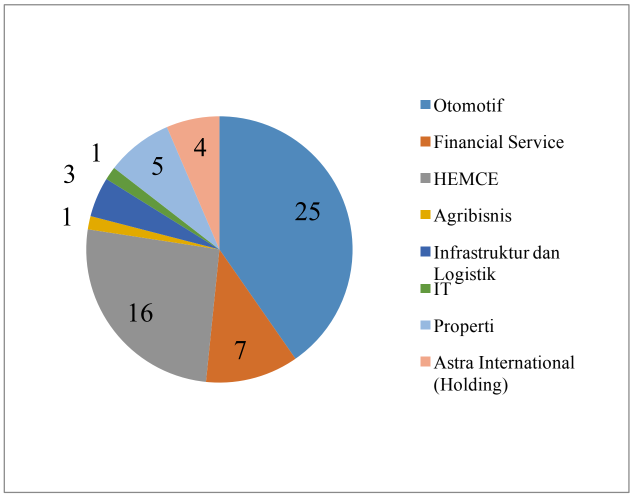

Figure 1.1 The Pie Chart of Existing Key Accounts Numbers For Each Sector

For TRAC Affco, this position become an advantage as transportation provider compared to other competitor because TRAC Affco has priority position in determination of transportation provider vendor among the affiliate company of Astra International holding or which in other word, TRAC Affco has a value chain relationship. This also mean the relationship create mutual gain for each other company.

Through this advantage, the key account management in TRAC Affco must be optimized so that the potential sectors among the group of Astra International holding can be managed and developed effectively. However, in the group of company Astra International, there is no limitation or regulation in determination of transportation provider that need to be used. In the same time, this condition opens an opportunity for TRAC Affco competitor to get in with their lower price to offered. Based on TRAC Affco sales people experience in the field, according to the customer's point of view, any transportation solution for operational needs would be appropriate as long as the price is suitable with their company budget. Because TRAC Affco has a standard in safety and quality that need to be prioritize, the price become not competitive as competitor offered while the service such as monthly/daily transportation service and driver service that delivered remain the same.

Astra International has 7 line of business that represent 235 affiliate company that become a target market of TRAC Affco. The 7 line of business consist of Automotive, Financial Service, HEMCE (Heavy Equipment, Mining, Construction & Energy), Agribusiness, Infrastructure & Logistic, Information Technology, and Property. Each of sector has a large group of company with its subsidiaries that potentially to develop in the future. The potential proved by the data in Table 1.1 that already collected by TRAC Affco through external source (customer visits that recap through google form internal system) and internal source (from customer relation division).

Table 1.1 Recap of TRAC Affco Existing and Potential Market

No	Business Line	Company	UIC TRAC (JAKARTA)	UIC TRAC (NATIONAL)	Total UIC	Total Asset	Competitor	CMD	Not in CMD
1	Automotive	70	177	11	188	1493	153	20	50
2	Financial Services	25	229	525	754	164	518	7	19
3	HEMCE (Heavy Equipment, Mining, Construction & Energy)	57	141	564	705	795	1702	14	50
4	Agribusiness	47	8	2	10	591	109	1	46
5	Infrastructure & Logistic	26	733	124	857	47	86	14	12
6	Information Technology	3	10	41	51	103	8	1	2
7	Property	7	8	2	10	0	0	5	2
	TOTAL	**235**	**1306**	**1269**	**2575**	**3193**	**2576**	**66**	**177**

Nowadays, most of customers need efficiently allocate their budget for transportation fleet to support their operational needs because from all 7 line of business sector in company group of Astra International not all in good financial condition. By comprehend and adapt to customers with the efficiency condition, TRAC Affco must find a better strategy through their key account management to keep gain competitive advantage without lower their price or in other word deliver better service through key account management with a premium price of TRAC Astra as customer know all this time.

1.3. Business Issue

According to customer visits result, the affiliate companies that are the customers of TRAC AFFCO currently are doing an efficiency on operational budget that lead them to prioritizing price over quality in choosing a transportation provider. Moreover, Astra Group as a holding didn't has any limitation or regulation in determination of transportation provider that need to be used. This situation is become a challenge for TRAC AFFCO and they should come up with a strategy to overcome this challenge in order to increase their revenue.

Based on last 6 month AFFCO Branch Profit and Loss performance report, despite of the advantage of being in the same group with its customers, the utilization of vehicle unit (UIC) is significantly decrease as shown in the chart in figure 1.2. This condition occurs because several key account with the largest quantity of vehicle units has end their vehicle contract with TRAC Affco nationally. Some the contracts are not continued because of the project that related to the vehicle utilization is already finished but most of the time the reasons are the competitor's price is cheaper so the customers choose to switch vendors and the key account management strategy failed to overcome this issue.

From that root cause, it is difficult for TRAC Affco to enhance their UIC if there is no improvement in key account management practice. Because, after a contract in the key account already end, there should be an another project opportunity from existing key account to continue the relationship if the key account management practice run well.

The chart figure 1.2 and table 1.2 below showing the quantity of units that utilized in TRAC Affco customers/key accounts from June 2019 to December 2019.

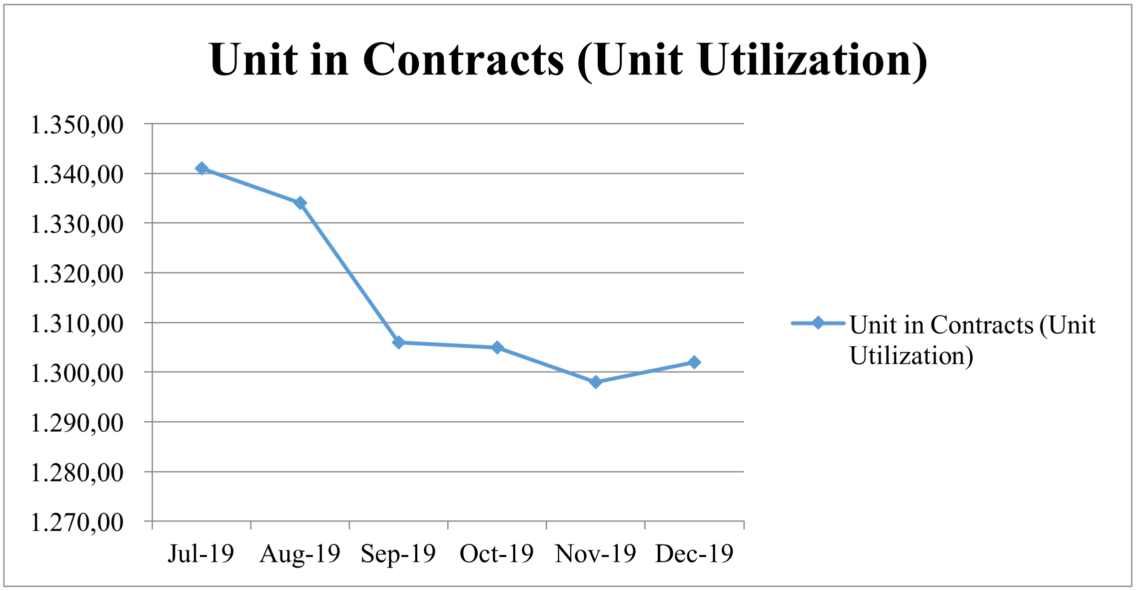

Figure 1.2 Unit in Contract (UIC) TRAC Affco Last 6 Month

The UIC in July 2019 still in 1.341 unit but due to major and minor changes in several sector, the UIC keep decreasing which in August 2019 become 1.334 unit, in September 1.306 unit, in October 2019 become 1.305 unit, in November 2019 become 1.298 unit and in December 2019 slightly increase into 1.302 unit but still far from the highest point that occur in July 2019.

Table 1.2 TRAC Affco Units in Contract (UIC)

Month	Unit in Contracts (Unit Utilization)
Jul-19	1,341.00
Aug-19	1,334.00
Sep-19	1,306.00
Oct-19	1,305.00
Nov-19	1,298.00
Dec-19	1,302.00

The most significant customer with more vehicle units back to TRAC Astra is from financial service sector. One of the key account in financial sector is Permata Bank, because the Astra International release the ownership of bank Permata to Bangkok Bank in 2019, this major change impacts the UIC (unit in contract) of TRAC Affco in Permata Bank not continued.

From 391 units around Indonesia, there is 70 units that in end contract period. This resulted a loss in revenue around Rp.4.800.000.000, -/year. Even though there is a large number unit that return from customer to TRAC Affco, there is also new assignment for additional UIC in another customer simultaneously but the additional UIC not much or bigger than the decrease, so it's not significantly contribute or no UIC growth at all.

At the end, the low UIC impact to low operational activity and low revenue at the same time because the unit utilization decrease. The chart figure 1.3 and table 1.3 below showing the revenue of TRAC Affco fluctuate in the last 6 Months.

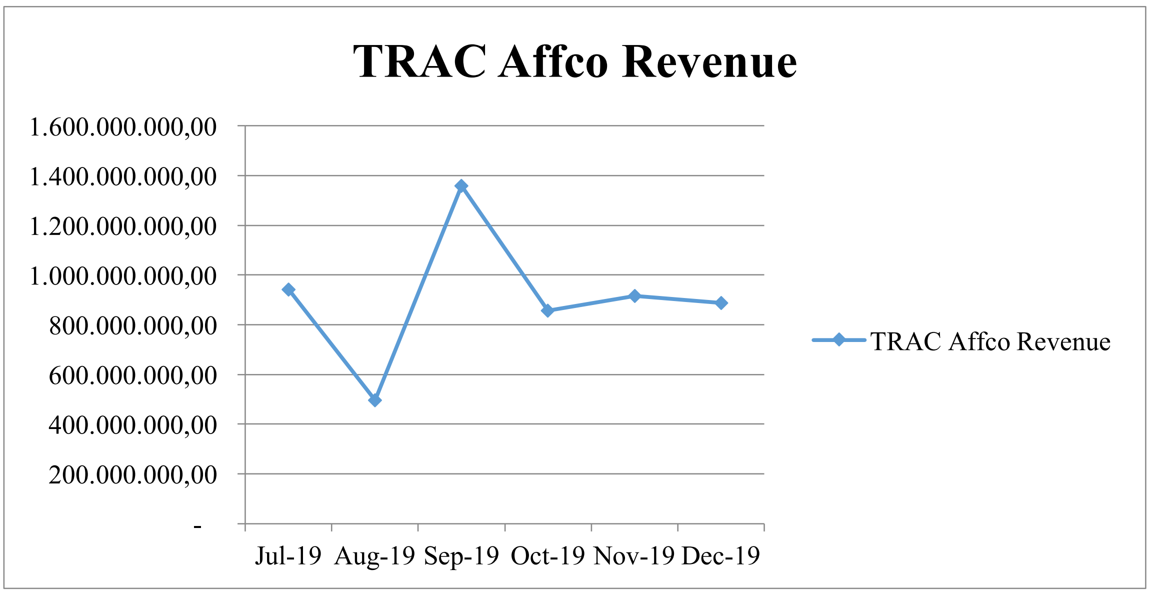

Figure 1.3 TRAC Affco Revenue in Last 6 Month

On September 2019 there is significant increase which TRAC Affco has dispose many vehicle units at that time, while the operational activity from unit utilization and new contract not make significant contribution as disposal activity done. This is proving that TRAC Affco not have so much left of used car stocks that ready to dispose in October 2019 to December 2019 in 3 consecutive months, which impact on the revenue become decrease at level around IDR 13,797 Mio in December 2019.

Table 1.3 TRAC Affco Revenue

Month	TRAC Affco Operating Revenue (Vehicle and Driver Rent)	Contribution in Disposal Revenue
Jul-19	15,303 Mio	1,371 Mio
Aug-19	14,884 Mio	877 Mio
Sep-19	16,292 Mio	1,511 Mio
Oct-19	14,764 Mio	1,259 Mio
Nov-19	17,240 Mio	1,344 Mio
Dec-19	13,797 Mio	815 Mio

TRAC Affco experience a decrease in Unit in Contracts (UIC) and there is a problem that leads to this issue. The problem of this final project that become main study of this research is:

1. As a transportation fleet provider for Astra International group of company, TRAC Affco is lost in price competitiveness compared to its competitor due to safety and quality standards set by management that needed to be followed which cause the prices cannot be lowered.
2. Key account management strategy of TRAC Affco was not conducted effectively in order to justify the higher price than the competitors.

1.4. Research Question

The objective of this final project is to answer below question:

1. How the customer journey from the key accounts and which touch point that can increase customer satisfaction so the key account can justify the higher price of TRAC Affco?
2. How to develop the right key account management practices in TRAC Affco based on customer journey of the key account?

1.5. Research Objective

Based on the business issue above, the objective of this final project are:

1. To mapping the TRAC Affco's customer journey and determine the touchpoints that can be utilized to increase the customer satisfaction and justify the higher price.
2. To design and develop the key account management practice of TRAC Affco in the middle of rent car business price competition.

1.6. Scope and Limitation of the Research

1. This Research focus on key account management in TRAC Affco that have about 61 customers/key account with total of 1.300 units in Contract for 2019-2020.
2. The data of profit and loss, Unit in Contracts, and Individual Performance are based on TRAC Affco internal business data only.
3. The research will be conducted mainly in Jakarta, because all TRAC Affco key accounts with bigger size of revenue majority in Jakarta compared to other cities.
4. This research will be conducted by qualitative research method of service blueprint to analyze the customers journey.
5. To make an improvement, the internal and external analysis is utilized to apply the resource, capabilities and competencies against the environment (internal and external)
6. The condition of business during the research is related to Covid-19 that impact to the decrease of UIC.

1.7. Systematical Writing

The final project will consist of four chapters which correlated to one another. The chapter consists of:

1. Chapter 1: Introduction

   The chapter will explain about the background of the research, company profile, problem statement and limitation of research as a reference for business problem analysis in this final project.

2. Chapter 2: Business Issue Exploration

   The chapter will explain about conceptual framework, theoretical background, analysis of business situation, conclusion of business analysis.

3. Chapter 3: Business Solution

   The chapter consists of: business solution analysis and proposed strategy to solve the company problem.

4. Chapter 4: Conclusion and Implementation Plan

   The chapter explain the conclusion and implementation plan about what key account management that could be proposed to solve the problem on the research.