OSCM 2016

Proceedings of the 7th International Conference on Operations and Supply Chain Management (OSCM)

December 18-21, 2016 Phuket Thailand
CONTENTS

Welcome Speech from Dean, Faculty of Engineering, Mahidol University x
Conference Committee xii
Conference Sponsor xv
Keynote Speaker xvi
Program Overview xvii

Session 1 – Rail Transportation

Using Innovative Solutions in Rail Network Planning and Evaluation
Nate Chanchareon 1

The Establishment and Location Analysis of Dry Port: A Case of Southern Thailand
Kraisee Komchornrit and Waressara Weerawat 2

Statistical Analyses of Motivations to Participate in A Rail Focused Extra-Curricular Activity and Its Short Terms Personal Impacts
Anna Fraszczyk, Dmytro Drobisher and Marin Marinov 14

Session 2 – Current Supply Chain Focus

Impact of Climate Change on Supply Chain Network: A Systematic Literature Review
Hendrik Wurtmann and Abhijeet Ghadge 32

Development of a Disaster Relief Logistics Model Minimizing the Range of Delivery Time
Kei Kokaji and Yasutaka Kainuma 40

Cars Evacuation Plan in the Event of Flooding: A Case Study of Urban Hat YaiSongkhla Province
Jirasuk Panitchkul, Sakesun Suthummanon, Wanatchapong Kongkaew and Sirirat Suwatcharachaitiwong 49

Demand and Supply Integration: A Case Study of Marché International De Rungis – France
Juan Marcelo Gomez, Jennyfer Kuanji, Ahmed Kaouachi and Andreas Ioannides 57

A Distance and Population-Based Location for Thailand’s Logistics Hub
Assadej Vanichchinchaiaand and Songwut Apirakkhit 71
<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impacts of ASEAN Open Skies Policy On Air Cargo Industry in Thailand</td>
<td>78</td>
</tr>
<tr>
<td>Araya Sakburanapech</td>
<td></td>
</tr>
<tr>
<td>Understanding Tourist Movement Pattern: Value Chain Approach</td>
<td>86</td>
</tr>
<tr>
<td>Putu Giri Artha Kusuma, Senator Nur Bahagia, Lucia Diawati and Myra P. Gunawan</td>
<td></td>
</tr>
<tr>
<td>Lean Six Sigma Guideline for Made-to-Order Production Industry</td>
<td>98</td>
</tr>
<tr>
<td>Yutthaphon Khayankit and Jirapan Liangrokapart</td>
<td></td>
</tr>
<tr>
<td>The Impact of Culture on Mobile Phone Purchasing: A Comparison between Thai and British Consumers</td>
<td>110</td>
</tr>
<tr>
<td>Monthathip Srikês</td>
<td></td>
</tr>
<tr>
<td><strong>Session 4 – Industry</strong></td>
<td></td>
</tr>
<tr>
<td>Business Process Management Practice for Micro Enterprise in Indonesia</td>
<td>115</td>
</tr>
<tr>
<td>Mahendrawathi Er, Nyoman Pujawan and Umi Chotijah</td>
<td></td>
</tr>
<tr>
<td>Preventive Maintenance Strategies: Literature Review and Directions</td>
<td>127</td>
</tr>
<tr>
<td>Ade Supriatna, Moses L. Singgih, Nani Kurniati and Erwin Widodo</td>
<td></td>
</tr>
<tr>
<td>A Conceptual Model for Supplier Integration and Development in the Thai Automotive Industry</td>
<td>140</td>
</tr>
<tr>
<td>Porpan Vachajitpan and Nichakorn Thongplew</td>
<td></td>
</tr>
<tr>
<td>Building in Quality Through Equipment Maintenance: A New Approach for Managing Production System</td>
<td>152</td>
</tr>
<tr>
<td>Nani Kurniati and Yulia Hening</td>
<td></td>
</tr>
<tr>
<td>Reshaping Business Models for Digital Era in Manufacturing Industries Supply Chains</td>
<td>160</td>
</tr>
<tr>
<td>Jukka Hemilä</td>
<td></td>
</tr>
<tr>
<td>The Estimation of the Cost of Service and Repair of Spare Parts to Support the Warranty Period</td>
<td>169</td>
</tr>
<tr>
<td>Valeriana Lukitosari, Suparno, I Nyoman Pujawan, and Basuki Widodo</td>
<td></td>
</tr>
<tr>
<td>Facility Location Model for Oil and Gas Industry: A Case Study of an Oil and Gas Company in Indonesia</td>
<td>178</td>
</tr>
<tr>
<td>Dody Hartanto and Muhammad Fazlurrahman Arief</td>
<td></td>
</tr>
<tr>
<td>Defect Reduction from Copper in Hole in Printed Circuit Board</td>
<td>188</td>
</tr>
<tr>
<td>Wanwisa Duantrakoonsil and Assadej Vanichchinchai</td>
<td></td>
</tr>
<tr>
<td>The Role of Change Agent in Lean Manufacturing Implementation</td>
<td>196</td>
</tr>
<tr>
<td>Norani Nordin, Risyawati Mohamed Ismail and Rohaizah Saad</td>
<td></td>
</tr>
</tbody>
</table>
Session 5 – Supply Chain Risk and Uncertainty

Risk Mitigation Strategy for Dairy Products in Indonesia
*Dewanti Anggrahini and Putu Dana Karningsih* 205

A Social Network Analysis (SNA) Approach to Manage Supply Chain Information Risks
*Leon Kok Yang Teo, Duy Dang-Pham, and Mathews Nkhoma.* 213

Return and Risk Equivalence among Different Supply Chain Contracts
*Shirsendu Nandi* 225

Risk Management for Local Logistics Service Provider Focusing on Outbound Road Freight Transportation
*Thutchanan Sangwan and Jirapan Liangrokapart* 236

Two Risk Assessment and Evaluation Approaches for Critical Logistical Infrastructures
*Sascha Düerkop and Michael Huth* 248

Supply Chain Risk Management and Stakeholder Analysis in Supply Chain: A Conceptual Model
*Syarifuddin Mabe Parenreng, Nyoman Pujawan and Putu Dana Karningsih* 256

Risks and Trust Identification for SMEs Assessment
*Tawinan Simajaruk and Jirapan Liangrokapart* 260

Impact of Pricing Policies on Profit and Revenue of Consumer Product Supply Chain with Uncertain Costs
*Chatdanai Kaorapapong and Pisal Yenradee* 274

Session 6 – Port and Maritime Logistics

A Simulation Study for Maritime Inventory Routing Problem with Supply and Transportation Disruptions
*Nurhadi Siswanto* 286

The Latest Seven Years of Maritime Policy: Literature Review and Opportunity for Future Research
*Pratomo Setyohadi, Ketut Buda Artana, Djauhar Manfaatand, and Raja Oloan Saut Gurning* 296

Prospects of Nearshoring European Manufacturing Located in China to Russia
*Yulia Panova and Per Hilletofth* 308

Berth Allocation Problem Under Uncertainty: Preliminary Study at Koja Container Terminal
*Adi Budipriyanto, Budisantoso Wirjodirdjo, Nyoman Pujawan and Saut Gurning.* 320
### Session 7 – Transport Management

- **Vehicle Routing Problem for Optimizing Multi Temperature Joint Distribution On Distribution of Perishable Product**  
  *Luki Trihardani*  331
- **Balancing Vehicle Utilization on Capacitated Vehicle Routing Problem with Time Windows Using Simulated Annealing Algorithm**  
  *David T. Liputra, Victor Suhandi and Rifki Ramdani*  344
- **Freight Forwarder's Capacity Booking: A Conceptual Model**  
  *Alain Widjanarka, Budi Santoso Wirjodirdjo, Nyoman Pujawan and Imam Baihaqi*  352
- **Developing Model of Closed Loop Supply Chain Network for Subsidized LPG 3-kgs in East Java-Indonesia**  
  *Amelia Santoso, Joniarto Parung and Dina N. Prayogo*  365
- **The Practice of Business and IT Integration in the Transport Company Using Enterprise Architecture Framework**  
  *Valeriy Kurganov and Aleksey Dorofeev*  377

### Session 8 – Green Supply Chain

- **Using the Quantitative and Qualitative Methods for the Modelling of the Green Supply Chain**  
  *Blanka Tundys*  392
- **Perception and Adaptation of Sugar Industry Toward Green Logistics in Eastern Area, Thailand**  
  *Oranicha Buthphorm*  415
- **Carbon Pricing System for Vehicles Used in Freight Transport**  
  *Sattra Vuthy, Ronnachai Tiyarattanachai and Jaruwit Prabnasak*  429
- **Toward Green Library Building Based on Energy Conservation**  
  *Putu Karningsih, Udisubakti Ciptomulyono, Arrifah Sari and Bima Sofhananda*  441

### Session 9 – Simulation Modelling

- **A Simulation Model for Facility Allocation of New Built Outpatient Department**  
  *Soriya Hoeur and Duangpun Kritchanchai*  452
- **Duration of Collaboration from A Market Perspective: An Agent-Based Modeling Approach**  
  *Niniet I. Arvitrida, Antuela A. Tako, Duncan Robertson and Stewart Robinson*  468
- **Research on Selecting Logistics Network Considered with Omni-Channel**  
  *Aya Komure, Kazuho Yoshimoto and Shunichi Ohmori*  481
Drug Inventory Modelling for Internal Supply Chain in the Hospital  
_Prita Meilanitasari, Iwan Vanany and Erwin Widodo_ 490

A Literature Review on Different Models and Solution Approaches on Order Picking Problem  
_Shirsendu Nandi and Patanjal Kumar_ 502

**Session 10 – Sustainability Logistics & Supply Chain**

Sustainability Indicators for Third Party Logistics Providers  
_Yurawan Nitisaroj and Jirapan Liangrokapart_ 515

Pursuing Sustainability Via Reverse Logistics: The Symbiosis Effect Between the Local Authorities and Householders  
_Emy Ezura A Jalil_ 525

Integrating Life Cycle and Value Stream Mapping to Enhance Total Sustainability  
_Sri Hartini, Udisubakti Ciptomulyono and Maria Anityasari_ 539

Cost of Quality, ISO 9001 and its Impact on Corporate Performance: A Literature Review  
_Muhammad Rosiawan, Moses L. Singgih and Erwin Widodo_ 554

The Role of Stakeholder Engagement in External Assurance of Sustainability Reporting  
_Yahaya Yusuf, Emmanuel Olasanmoye, Louise Mc Ardle, Wendy Auchterlounie and Masha Menhat_ 565

Designing a Sustainable and Resilient Supply Chain: An Empirical Case Study  
_Behnam Fahimnia and Armin Jabbarzadeh_ 566

**Session 11 – Healthcare Supply Chain**

An Exploratory Study of Healthcare Supply Chain  
_Duangpun Kritchanchai and Sineenart Kritchanchai_ 567

Identification of Key Factors for Healthcare Group Purchasing Development: A Literature Review  
_Bundid Kungwanarongkun and Jirapan Liangrokapart_ 582

Factors Affecting IT Projects Success: Case of Healthcare Flows  
_Smaïl Benzidia, Omar Bentahar, Meriam Karaa and Blandine Ageron_ 596

Towards A Process Reference Model for Healthcare Supply Chain  
_Wirachchaya Chanpuypetch and Duangpun Kritchanchai_ 608

A Conceptual Framework of Internal Flexibility in Healthcare Service Operations: Role of Advanced Medical Technologies and Operations Improvement Practices  
_Pradeep Kumar, Shibashish Chakraborty and Sasadhar Bera_ 621
Process Analysis for Blood Supply Chain Using Event Log
Iwan Vanany, Anny Maryani, Prita Meilanitasari, Erma Suryani and Bilqis Amaliah 628

Block Appointment Scheduling at a Specialty Clinic: A Case Study
Rajesh Piplani 636

Building sustainable service supply in primary care unit
Phallapa Petison 637

**Session 12 – Apparel Supply Chains and Corporate Social Responsibility**

Supply Chains and Products: A Marketing Production-Perspective
George Hadjinicola 638

Value Co-Creation in Services Flow for the Competitiveness of Supply Chain: Conceptual Framework
Umer Mukhtar, Sarwar M. Azhar and Tashfeen M. Azhar 645

The Future of Customer Value-Multi-Industry Insights of Value Determinants in Service Networks
Jyri Vilko, Nina Helander and Marko Seppänen 646

Implementation of Social Compliance of the Apparel Industry: A Challenging Road Ahead
Suraiyah Akbar and Kamrul Ahsan 657

Imbalancing Between Demand and Supply of Manpower for Textile Industry in Thailand
Walailak Atthirawong, Ronnachai Sirovetnukul, Kanogkan Leerojanaprapa, Wariya Panprung and Tanawat Ruangteprat 680

Creating Market Responsiveness through Cross-Functional Integration
Ana Beatriz Murillo Oviedo, Marcio Lopes Pimenta and Per Hilletofth 691

**Session 13 – Food Supply and Distribution**

Network Constraints of Reallocating Seafood Freight from Road to Sea Transport
Per Engelseth, Irina V. Karlsen, Shulin Huang and Arild Hoff 703

Food Security is None of Your Business? Food Supply Chain Management in Support of Sustainable Food System
Ari Paloviita 715

Design for Mass Customization in Food Industry: Literature Review and Research Agenda
Endang Retnowedowati, Moses Laksono Singgih and I Ketut Gunarta 726
Contracts in Supply Chain of Fishery Product Considering Traceability and Regulatory Compliance  
*Winda Narulidea, Oki Anita Candra Dewi and Luki Trihardani* 738

Model Development of Supply Chain Network for Fresh Agricultural Products in East Java by Considering the Levels of Product Quality  
*Joniarto Parung, Amelia Santoso and Dina N. Prayogo* 752

Integrated Analysis of Short Food Supply Chain Solution In Order To Design a Suitable Logistics Solution  
*Alexis Nsamzinshuti and Alassane BallèNdjaye* 764

### Session 14 – Logistics Management

Supplier Selection Model Considering Truckload Shipping  
*Purnawan Adi Wicaksono, Bambang Purwanggono, I Nyoman Pujawan, and Erwin Widodo* 781

The Impact of Customer Orientation of Service Employees on Customer Satisfaction, Commitment and Retention in Logistics Service Providers  
*Imam Baihaqi and Berto Mulia Wibawa* 792

Delivery Planning of Last Mile Logistics Considering Absence Probability on Each Term  
*Yuki Shigeta, Kazuho Yoshimoto and Shunichi Ohmori* 799

The Estimating Transportation Time for Item Picking in Warehouse Considered with Item Characteristics and External Factors  
*Taisuke Kasuga, Kazuho Yoshimoto and Shunichi Ohmori* 811

The Mix-Method Pallet Loading Problem With a Variety of Box Sizes Under Weight and Height Limitation: A Case Study of Indoor and Outdoor Lighting Products  
*Phatcharee Toghaw Thongrattana and Kajornvat Deonphen* 822

Vehicle Routing Problem with Pickup and Delivery by Considering Time Window, Last-In First-Out, Loading, and Maximum Route Duration Constraints  
*Suprayogi and Andriansyah Andriansyah* 830

A Time-Dependent Vehicle Routing Algorithms for Medical Supplies Distribution Under Emergency  
*Tsai-Yun Liao, Ta-Yin Hu and Yu-Wen Wu* 840

### Session 15 – Information Technology and Supply Chain Management

Industry 4.0: What Does It Mean to Supply Chain Management?  
*Benny Tjahjono and Carmen Esplugues* 852
Enterprise Resource Planning System Implementation: An End-User Perspective
_Ewout Reitsma, David Wewering and Per Hilletofth_

Can Improved Transparency Reduce Supply Chain Risks in Cloud Computing?
_Olusola Akinrolabu and Steve New_

A review of the Efficiencies of Big Data Analytics in Supply Chain
_Janya Chanchaichujit, Albert Tan, Wuigee Tan and Sandhya Cheramparampil Surendran_

ICT Use in Higher Education: Satisfaction with MOODLE as A Learning Management System
_Aleksander Aristovnik, Nina Tomazevic, Lan Umek and Damjana Kerzic_

Computerized Maintenance Management System: Literature Review
_Donladit Mueangman_

Influence of Cognitive Aspect and Affective Aspects on The Usability Performance of E-Commerce
_Heru Prastawa, Udisubakti Ciptomulyono, Moses Laksono Singgih and Markus Hartono_

Session16 – Optimization and Operation Research

Optimization of Cambering Process by Determination of Process Parameter to Improve of Parabolic Leaf Spring
_Evelyn DwiLavinia, Ig. Jaka Mulyana, and Ivan Gunawan_

Optimizing Mean and Variance Simultaneously in Multiple Response Optimization Problems
_Sasadhar Bera and Indrajit Mukherjee_

Application of Optimization Modeling to Derive an Engineering Characteristic in QFD
_Dian Retno Sari Dewi and Elisa Yuanita_

Decision on Optimal Display Space Following Demand Fluctuation
_Kazuki Ishichi, Kazuho Yoshimoto and Shunichi Ohmori_

The Adopting of Markov Analysis to Forecast the Operations Competitive Advantages of Mobile Phone Service Providers: The Case of Jordan
_Yazan Khalid Abed-Allah Migdadi_

Capacity Reservation and Utilization for A Manufacturer with Uncertain Capacity and Demand
_Youssef Boulaksil_
Critical Operations Capabilities in A High Cost Environment: A Focus Group Study

Cinzia Sansone, Per Hilletofth and David Eriksson

989
<table>
<thead>
<tr>
<th>Time</th>
<th>Room A</th>
<th>Room B</th>
<th>Room C</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:00 – 10:50</td>
<td>&quot;Developments and Directions in Supply Chain Management&quot;</td>
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</tr>
<tr>
<td>12:00 – 13:00</td>
<td>Paper 4: A Case Study of the Enterprise System of the University of Oxford (United Kingdom)</td>
<td>Paper 5: Literature Review and Directions</td>
<td>Paper 5: Literature Review and Directions</td>
</tr>
<tr>
<td>13:00 – 14:00</td>
<td>Paper 6: Literature Review and Directions</td>
<td>Paper 7: Literature Review and Directions</td>
<td>Paper 8: Preventive Maintenance Strategies</td>
</tr>
</tbody>
</table>

**Keynotes**

**Session Chair:** Dr. Siradol Siridhara, Mahidol University, Thailand

**Session Chair:** Prof. Dr. Pangyan Sutthiwong, Vice-Governor of Phuket Province

**Session Chair:** Prof. Dr. Yodchanan Wongsawat, Vice-Dean for Graduate Studies and International Relations of the Faculty of Engineering, Mahidol University

**Session Chair:** Prof. Dr. Yoichiro Kishimoto, Director of the Oxford Advanced Management and Leadership Programme at Said Business School, University of Oxford (United Kingdom)

**Session Chair:** Prof. Dr. Baoshong Zhang, Director of the Oxford Advanced Management and Leadership Programme at Said Business School, University of Oxford (United Kingdom)
### OSCM 2016 – PROGRAM OVERVIEW

**December 20th, 2016 (Tue)**

<table>
<thead>
<tr>
<th>Room A</th>
<th>Room B</th>
<th>Room C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Session 9 – Simulation Modelling</strong>&lt;br&gt;<strong>Session Chair:</strong> Shunichi Ohmori&lt;br&gt;&lt;br&gt;<strong>Paper 69:</strong> A Simulation Model for Facility Allocation of New Built Outpatient Department&lt;br&gt;Moriya Hoeur and Duangpun Kritchanchai</td>
<td><strong>Session 10 – Sustainability Logistics &amp; Supply Chain</strong>&lt;br&gt;<strong>Session Chair:</strong> Emy Ezura A Jaili&lt;br&gt;&lt;br&gt;<strong>Paper 178:</strong> Sustainability Indicators for Third Party Logistics Providers&lt;br&gt;Yurawan Nitirat and Jirapan Liangkrapart</td>
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</tr>
<tr>
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</tr>
<tr>
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</tr>
<tr>
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</tr>
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</tr>
</tbody>
</table>

**Room A1**

**Session 11 – Healthcare Supply Chain**<br><strong>Session Chair:** Dr. Duangpun Kritchanchai, Director of Healthcare Supply Chain Excellence Centre, Mahidol University, Thailand | **Session Chair:** Dr. Per Engelseth, Molde University College, Norway |

**Room A2**

**Session 12 – Apparel Supply Chains and Corporate Social Responsibility**<br><strong>Session Chair:** Dr. Kamrul Ahsan and Prof. Shams Rahman, School of IT & Logistics, RMIT University, Australia |

**Room B**

**Session 13 – Food Supply and Distribution**<br><strong>Session Chair:** Dr. Per Engelseth, Molde University College, Norway |

**Room C**

**Session 14 – Logistics Management**<br><strong>Session Chair:** Tuangyot Supeekit |

**Paper 117:** Supply Chains and Products: A Marketing Production-Perspective<br>George Hadijincola

**Paper 22:** Network Constraints of Reallocating Seafood Freight from Road to Sea Transport<br>Per Engelseth, Inna V. Karlsen, Shulin Huang and Arild Hoff

**Paper 42:** Supplier Selection Model Considering Truckload Shipping<br>Purnawan AdiWicaksono, Bambang Purwanggono, I Nyoman Pujawan, and Erwin Widodo
### Paper 31: 
**Title:** Identification of Key Factors for Healthcare Group Purchasing Development: A Literature Review  
**Authors:** Bashidong Peng and Hadi Adabi  
**Categories:** Healthcare, Operations, Supply Chain

### Paper 32: 
**Title:** Towards a Process Reference Model for Healthcare Service Operations: Role of Performance Indicators  
**Authors:** Armita Karimi, Mohammadreza Kazemi, and Ali Sanayei  
**Categories:** Operations, Healthcare, Supply Chain

### Paper 33: 
**Title:** A Conceptual Framework of Hospital Supply Chain Management with Double Customer Value Dimension  
**Authors:** Bertrand Dougalka, Mohsen Rezaei, and Omid Mehdizadeh  
**Categories:** Operations, Supply Chain, Healthcare

### Paper 34: 
**Title:** The Impact of Customer Orientation on Organizational Performance  
**Authors:** Saeed Safari, Saeed Safari, and Masoud Razavi  
**Categories:** Operations, Supply Chain, Customer Satisfaction

### Paper 35: 
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### Paper 52: 
**Title:** The Impact of Customer Orientation on Organizational Performance  
**Authors:** Saeed Safari, Saeed Safari, and Masoud Razavi  
**Categories:** Operations, Supply Chain, Customer Satisfaction

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**Categories:** Operations, Supply Chain, Customer Satisfaction
<table>
<thead>
<tr>
<th>Paper 170: A review of the Efficiencies of Big Data Analytics in Supply Chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Janya Chanchaichujit, Albert Tan, Wuigee Tan and Sandhya Cheramparampil Surentran</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper 171: Decision on Optimal Display Space Following Demand Fluctuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazuki Ishichi, Kazuho Yoshimoto and Shunichi Ohmori</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper 130: ICT Use in Higher Education: Satisfaction with MOODLE as A Learning Management System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aleksander Aristovnik, Nina Tomazevic, Lan Umek and Damjana Kerić</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper 131: The Adopting of Markov Analysis to Forecast the Operations Competitive Advantages of Mobile Phone Service Providers: The Case of Jordan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yazen Khalid Abed-Allah Migdadi</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper 148: Computerized Maintenance Management System: Literature Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donladit Mueangman</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper 156: Capacity Reservation and Utilization for A Manufacturer with Uncertain Capacity and Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youssef Boulaksil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper 50: Influence of Cognitive Aspect and Affective Aspects on The Usability Performance of E-Commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heru Prastawa, Udisubakti Ciptomulyono, Moses Laksono Singih and Markus Hartono</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper 91: Critical Operations Capabilities in A High Cost Environment: A Focus Group Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cinzia Sansone, Per Hilletofth and David Eriksson</td>
</tr>
</tbody>
</table>

15:30 – 15:45 Coffee Break

15:45 – 17:30 SCHOLAR DEVELOPMENT PROGRAM

Part I: Critical Aspects of Successful Academics

Part II: Research and Publishing

17:45 – 20:30 Gala Dinner & Awards

- 18:30 – 18:45 Closing Remarks by Assist. Prof. Dr. Yodchanan Wongswat, Vice Dean for Graduate Studies and International Relations of the Faculty of Engineering, Mahidol University
- 18:45 – 19:00 Best Paper Awards Announcement by Prof. Dr. Nyoman Puja Wan, OSCM General Co-Chair, Institut Teknologi Sepuluh Nopember (ITS), Indonesia

December 21st, 2016 (Wed)

End
MODEL DEVELOPMENT OF SUPPLY CHAIN NETWORK FOR FRESH AGRICULTURAL PRODUCTS IN EAST JAVA BY CONSIDERING THE LEVELS OF PRODUCT QUALITY

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ABSTRACT
East Java is one of the contributing provinces, the largest in Indonesia, for fresh agricultural products, such as fruits and vegetables. Fresh agricultural products are category of perishable product. Perishable products will decrease the level of quality and value of products in line with increasing time. In order for fresh agricultural products produced by farmers can be consumed by consumers in the right quantity, right quality, right place, right time and right price, it is necessary to design a supply chain network model for fresh agricultural products by taking into account the level of product quality. This paper discussed the model development of supply chain network for fresh agricultural products in East Java by considering the level of product quality. Supply chain of fresh agricultural products consists of farmers, wholesalers, distributors and retailers. Supply chain network optimization model has an objective of maximizing the total supply chain profits. A numerical example is presented as the application of supply chain network optimization model for fresh agricultural products. The optimal result of supply chain network can be a recommendation to the East Java provincial government in the regulation of the distribution system of fresh agricultural products.

Keywords: supply chain network design, fresh agricultural products, the level of product quality

1. INTRODUCTION
Logistics is part of a supply chain that is associated with the movement and storage of goods at the same time with regard to the flow of money and information. Based on this insight, it is known that the logistics are much related to the ease of supply of goods in the region. It also indicates that, logistics plays a key role in the growth of industry and the economy of a region. A key role is also occur because logistics is a major cost component for businesses and intertwined with many other economic activities.

The key success factors in a holistic logistics management become an important requirement which directly or indirectly have an impact on economic growth in the region. Indicators of success of logistics management in general can be viewed from the aspect of
availability, flexibility and cost efficiency. The indicators related to the availability of goods and services at the right time and place while still having the flexibility amount and timing of the distribution in a region of the logical price. However, these three indicators of the success of the logistics often becomes irrelevant for fresh agricultural products due to the following factors: a. availability of goods is influenced by the short time gap between the time supply of the product by the producers to the time of consumption; b. Total supply is inconsistent because of the influence of the season; c. Prices fluctuate according to the season and d. Local government policy towards fresh agricultural products.

Fresh agricultural products are products that should be consumed immediately to prevent damage without the need for advanced preservation process, because the logistics system including distribution and transportation are the factors that need to holistically design to increase the range of the location of demand for agricultural products fresh while increasing the benefits for consumers and producers. Fresh agricultural products can be categorized into groups of vegetables and fruits.

In general, fresh agricultural products produced in East Java province, including the largest in the country. The products come from centers of different manufacturers, such as fruits of Batu, Pasuruan, Probolinggo and Blitar while the vegetables come from producers in Batu Sentra, Lumajang, and Bondowoso. That means handling of fresh agricultural products need special attention. Special attention is that its impact can be felt by the actors in the supply chain is the improvement of logistics systems able to provide mutual benefit to the parties involved in the supply chain of fresh agricultural products. Based on the above background can be expected, there are several factors that affect the availability of fresh agricultural products in East Java. That means the main issues addressed in this study is to design a supply chain network model for fresh agricultural products that can improve the welfare of society and the economy of the region.

The remainder of this paper is organized as follows. Section 2 will discuss the literature review related to supply chain network of fresh agriculture product as perishable products. Section 3 presents problem statements to be solved. In section 4 we develop the optimization model for supply chain network design for fresh agriculture products by considering the product quality level. A numerical example is provided in Section 5, to illustrate the application of the models, and discuss the results. In Section 6, we present our concluding remarks.

2. LITERATURE REVIEW

Some research has been done by Parung associated with the discovery models to improve the contribution of the perpetrators of the supply chain (supply chain) and increase added value as a consequence of cooperation in the supply chain. Various studies have been published in the journal Parung International and national journals as well as in international and national seminars. The topics supply chain including how to create added value within a supply chain (Bititci et al., 2004), how to manage synergies in a supply chain to increase the value (Bititci et al., 2007), to assess the role of intellectual capital in a business cooperation to improve value (Parung, 2008), then design the measurement model to determine the contribution of supply chain actors and factors affecting the sustainability of cooperation in the supply chain (Parung and Bititci, 2006). Furthermore Parung to study future trends in supply chain (Parung, 2013) which shows that the logistics and supply chain food supply chain is the main trend of the present and the future that it becomes a priority concern for humans until 2050. This is supported by data from the FAO said, that the world requires a 70% increase in global food production to the needs of a growing population of 2.4 billion. But at the same time a lot of the land has been converted into housing and infrastructure facilities.
Currently the world population reached 6.7 billion people. This population is expected to grow 30% to reach a total population 9 billion in 2050. But it is regrettable that 15% of the world population still difficulties in meeting their basic needs despite the global production amount are still insufficient. Factors that cause food products are not well distributed logistics system that is not well ordered. Studies conducted Parung in 2013 need to be developed specifically to understand fresh agricultural products.

Ahumada and Villabols have studied a major contribution in the areas of production and distribution planning for agricultural products. They focus primarily on models which had been successfully implemented. Models are classified in according to relevant features, such as optimization approach used, the type of plants modeled and planning scope. Through their analysis of the state of current research, they diagnose some future needs for modeling the supply chain of agricultural products. (Ahumada and Villalobos, 2009)

Research conducted by Yu and Nagurney focus on the quality of perishable products between production and consumption locations that pose unique challenges for supply chain management. In particular, they developed a network-based agriculture supply chain model in oligopolistic competition with a concentration in fresh agricultural products, such as vegetables and fruits. Every company involved in the agriculture supply chain activities such as the production, processing, storage, distribution, and even the disposal of food products, will attempt to determine the optimal amount of product flow along the supply chain, to maximize the total profit (Yu and Nagurney, 2013). Borodin et al. has mastered the latest advances and developments in the application of operations research methodology to deal with the uncertainty that occurs in the agricultural supply chain management issues. (Borodin et al., 2016). In addition, An and Ouyang have developed a bi-level robust optimization model, where a food company to maximize profits and minimize post-harvest losses by deploying processing yields / storage facility and determine the purchase price, while a group of spatially distributed farmers' non-cooperative determine the time of harvest, shipping, storage, and market-decisions under yield uncertainty and market equilibrium (An and Ouyang, 2016).

3. PROBLEM STATEMENT

Supply chain network for fresh agriculture products consist of several entities, i.e.: all of farmers, wholesalers, distributors and retailers. The wholesalers will contact farmers to negotiate the price and the number of crops that will be purchased for any time period. Fresh agriculture product which harvested by each farmer is a product with the highest quality level (the first quality level). Farmers will harvest a certain number of products according to the order quantity resulting from the negotiations with the wholesalers, which do not exceed the maximum amount of product that can be harvested by each farmer, so no crop is left at the farm level in each time period.

After negotiating the price and order quantity to be purchased, the wholesalers do the retrieval yields in some farmer locations using a vehicle owned. Each farmer will be visited by a maximum of one vehicle from several vehicles owned by the wholesaler. Each vehicle is used as efficiently as to some farmer locations and brought back to the wholesaler location to be inspected, cleaned and packed according to the capacity of the wholesaler in each time period.

Furthermore the wholesaler will make deliveries of fresh agricultural products to several distributors according to the price and the order quantity for each product quality level. Unsold products will be stored and decreased the level of product quality at the next time period. Decreased levels of product quality will be followed by a decrease in the sales value of the product. At each time period, the retailer will be supplied by a maximum of single distributor.
Retailers will go to the distributor to purchase products for selling in traditional markets. While demand for fresh agricultural products at the retailer level unfulfilled will be considered as lost sales. At the level of wholesalers, distributors and retailers, there are a limitation of warehouse storage capacity for products that have not been distributed to the next downstream level. The distribution mechanism in a supply chain network for fresh agriculture products is shown in Figure 1.

![Supply chain network for fresh agriculture products](image)

**Figure 1.** Supply chain network for fresh agriculture products

### 4. MODEL DEVELOPMENT

The model development of supply chain network for fresh agriculture products in East Java is based on the mechanism of the yields distribution system of farmers through wholesalers, distributors and retailers, as described in the above problem statements. The notation of mathematical model consists of the indices, model parameters, decision variables, objective function and the constraints that need to be considered in the supply chain network model for fresh agricultural products.

**Indexes:**
- $F$: sets of farmers
- $W$: sets of wholesalers
- $D$: sets of distributors
- $R$: sets of retailers
- $V$: sets of wholesaler’s vehicles
- $T$: sets of time period
- $Q$: sets of product quality levels

**Model Parameters:**

- $DM_{r,t}$: Product demands at retailer $r$ in time period $t$
- $P_{r,q,t}$: Selling price of products with the quality level $q$ at retailer $r$ in the time period $t$.
- $q = 1$: for the best of product quality levels
- $CL_{r,t}$: Lost sales cost at retail $r$ in the time period $t$
- $CO_{f,w}$: Ordering cost from wholesaler $w$ to farmer $f$
- $CO_{d,w}$: Ordering cost from distributor $d$ to wholesaler $w$
- $FC_{f}$: Fixed costs occurred at farmer $f$ for harvesting in a time period
$CP_f$: Variable cost at farmer $f$ for harvesting in a time period

$CP_{wq}$: The inspection, sorting, cleaning and packaging costs per ton for each level of product quality $q$ at wholesaler $w$

$CP_{wq}$: The inspection and re-packaging costs per ton for each level of product quality $q$ at distributor $d$

$CH_{rq}$: Carrying inventory cost for each level of product quality $q$ at retailer $r$

$CH_{dq}$: Carrying inventory cost for each level of product quality $q$ at distributor $d$

$CH_{wq}$: Carrying inventory cost for each level of product quality $q$ at wholesaler $w$

$FC_{wv}$: Fixed transportation cost of using vehicle $v$ that owned by wholesaler $w$

$CT_{fwv}$: Transportation cost from wholesaler $w$ to farmer $f$ by using vehicle $v$

$CT_{wvd}$: Transportation cost from wholesaler $w$ to distributor $d$ by using vehicle $v$

$CT_{dr}$: Transportation cost from retailer $r$ to distributor $d$

$I_{orq}$: Initial inventory of product quality level $q$ at retailer $r$

$I_{oadq}$: Initial inventory of product quality level $q$ at distributor $d$

$I_{owq}$: Initial inventory of product quality level $q$ at wholesaler $w$

$KG_r$: Warehouse storage capacity at retailer $r$

$KG_d$: Warehouse storage capacity at distributor $d$

$KG_w$: Warehouse storage capacity at wholesaler $w$

$KP_{dq}$: Re-packaging capacity for each product quality level $q$ at distributor $d$

$KP_{wq}$: Inspection, sorting, and packaging capacity for each product quality level $q$ at wholesaler $w$

$KP_{ft}$: Harvesting capacity of farmer $f$ in time period $t$

$KP_{wv}$: Capacity of vehicle $v$ that owned by wholesaler $w$

**Decision variables:**

$SD_{rqt}$: Number of satisfied demands for product quality level $q$ at retailer $r$ in time period $t$

$SD_{rt}$: Number of satisfied demands at retailer $r$ in time period $t$

$L_{ri}$: Number of lost sales units at retailer $r$ in time period $t$

$I_{rqt}$: Inventory level of product quality level $q$ at retailer $r$ in time period $t$

$I_{dat}$: Inventory level of product quality level $q$ at distributor $d$ in time period $t$

$I_{wat}$: Inventory level of product quality level $q$ at wholesaler $w$ in time period $t$

$Z_{drt}$: Binary decision variables, equal to 1 if retailer $r$ supplied by distributor $d$ in the time period $t$

$Z_{wdt}$: Binary decision variables, equal to 1 if distributor $d$ supplied by the wholesaler $w$ in the time period $t$

$Z_{wdot}$: Binary decision variables, equal to 1 if distributor $d$ supplied by the wholesaler $w$ by using vehicle $v$ in the time period $t$

$Z_{wvt}$: Binary decision variables, equal to 1 if vehicle $v$ that owned by wholesaler $w$ is used for delivering products to distributors in time period $t$

$Y_{wvt}$: Binary decision variables, equal to 1 if vehicle $v$ that owned by wholesaler $w$ is used for taking products from farmers in time period $t$

$Z_{wfv}$: Binary decision variables, equal to 1 if wholesaler $w$ supplied by farmer $f$ and taken products by using vehicle $v$ in time period $t$
Supply chain network optimization model for fresh agriculture product has the objective function of maximizing the total supply chain profit ($TPSC$) where total supply chain profit is the difference between total sales revenue ($TRSC$) of all of product quality levels and total supply chain costs ($TCSC$).

$$Max \quad TPSC = TRSC - TCSC$$  \quad (1)

Total sales revenue of the overall product quality levels is the total sales value of satisfied demand from each quality level of fresh agricultural products

$$TRSC = \sum_r \sum_q \sum_c P_{rqt} SD_{rqt}$$  \quad (2)

Total supply chain costs consist of the total costs across the agriculture supply chain members, starting from the farmers ($TCF$), wholesalers ($TCW$), large market ($TCD$) to traditional markets ($TCR$)

$$TCSC = TCF + TCW + TCD + TCR$$  \quad (3)

Total farmers costs consist of total fixed costs if farmers harvest in a period and the total variable cost which depending on the number of agriculture products harvested by farmers during the entire planning horizon.

$$TCF = \sum_f \sum_t FC_{ft} Z_{ft} + \sum_f \sum_t CP_{ft} Q_{ft}$$  \quad (4)

Total costs at the wholesalers consist of the total ordering cost to the farmers, the total transportation fixed costs and the total transportation variable cost from the wholesalers to the farmers, the total cost of inspection, cleaning products and packaging for each level of product quality, total holding inventory cost for all of product quality levels.

$$TCW = \sum_f \sum_w \sum_t CO_{fw} Z_{fw} + \sum_f \sum_w \sum_q \sum_v \sum_t CT_{fwv} Z_{fwv} + \sum_w \sum_v \sum_t FC_{wv} Y_{wvt} + \sum_w \sum_q \sum_t CP_{wq} \sum_f \sum_v Q_{fwqv} + \sum_w \sum_q \sum_t CH_{wq} I_{wq}$$  \quad (5)
Total costs at the distributors consist of the total ordering cost to the wholesalers, the total transportation fixed costs and the total transportation variable cost from wholesalers to the distributors, the total cost of weighting and re-packaging for each level of product quality, total holding inventory cost for all of product quality levels.

\[
TCD = \sum_{w} \sum_{d} \sum_{t} CO_{wd} Z_{wtd} + \sum_{w} \sum_{d} \sum_{a} \sum_{q} \sum_{v} \sum_{t} CT_{wdv} Z_{wdvt} + \sum_{w} \sum_{d} \sum_{a} \sum_{q} \sum_{t} FC_{wv} Z_{wvt} + \sum_{a} \sum_{q} \sum_{t} CP_{da} + \sum_{w} \sum_{v} \sum_{t} Q_{wvdt} + \sum_{d} \sum_{a} \sum_{t} CH_{da} I_{dat}.
\]  

(6)

Total costs at the retailers’ level consist of the total transportation costs from retailers to distributors, the total holding inventory costs of all product quality levels and total lost sales costs.

\[
TCR = \sum_{d} \sum_{r} \sum_{t} CT_{drt} Z_{drt} + \sum_{r} \sum_{q} \sum_{t} CH_{rqt} I_{rqt} + \sum_{r} \sum_{t} CL_{rqt} I_{rqt}.
\]

(7)

**Farmer stage:**

Total number of harvest products of each farmer at any time period will be sold out by wholesalers so there are no excess crops stored by farmers as an inventory for the next period. The amount of products harvested by each farmer does not exceed the harvesting capacity at each time period. There are a minimum number of harvested products at each farmer which depend the harvest capacity at any time period.

\[
\sum_{w} \sum_{q} Q_{fwwt} = Q_{ft} \quad \forall f, t
\]

(8)

\[
Q_{ft} \leq KP_{ft} Z_{ft} \quad \forall f, t
\]

(9)

\[
Q_{ft} \geq 0.5 KP_{ft} KZ_{ft} \quad \forall f, t
\]

(10)

**Wholesaler stage:**

Maximum single vehicle will be used to transport products harvested from every farmer and every vehicle can be used for transporting the harvest purchased from some farmers in the capacity of the vehicle used by the wholesaler. Each wholesaler can be supplied by more than one farmer at each time period. Products purchased by wholesalers from each farmer is a product of the highest quality level, and will decrease the level of product quality if it is not sold and stored as inventory for the next period. All products purchased from farmers will be packed in accordance with the capacity limits at every wholesaler and excess unsold products will be stored in a warehouse with a certain storage capacity.

\[
\sum_{q} Q_{fwqut} \leq KV_{wv} Z_{fwvt} \quad \forall f, w, v, t
\]

(11)

\[
\sum_{q} Z_{fwvt} \leq 1 \quad \forall f, w, t
\]

(12)

\[
\sum_{q} \sum_{v} Q_{fwqut} \leq M Z_{fwt} \quad \forall f, w, t
\]

(13)

\[
\sum_{f} \sum_{q} Q_{fwqut} \leq KP_{wq} \quad \forall w, q, t
\]

(14)

\[
Q_{fwqut} = 0 \quad \forall f, w, v, t \text{ & } q > 1
\]

(15)

\[
Q_{fw1t} = Q_{fwvt} \quad \forall f, w, v, t
\]

(16)

\[
Q_{wvft} \leq KV_{wv} Z_{wft} \quad \forall w, f, v, t
\]

(17)

\[
\sum_{f} Q_{wvft} = X_{wvt} \quad \forall w, v, t
\]

(18)

\[
x_{wvt} \leq KV_{wv} Y_{wvt} \quad \forall w, v, t
\]

(19)
\[ I_{wqt} \leq I_{wqt-1} + \sum_{w} \sum_{d} Q_{fwq_{wqt}} - \sum_{w} Q_{wdq_{wqt}} \quad \forall w, q, t > 1 \]  
\[ I_{wq_{1}} \leq I_{0wq} + \sum_{w} \sum_{d} Q_{fwq_{wq_{1}}} - \sum_{d} \sum_{w} Q_{wdq_{wq_{t}}} \quad \forall w, q \]  
\[ I_{wq_{t}} = I_{w(q-1)(t-1)} \quad \forall w, q > 1, t > 1 \]  
\[ \sum_{q} I_{wq_{t}} \leq KG_{w} \quad \forall w, t \]  

**Distributor stage:**

The products have been packaged by the wholesaler according to each level of product quality will be shipped to distributors in accordance with the ordered quantities of each distributor. Delivery of products to each distributor uses only one vehicle from the wholesaler. Each vehicle is used to make deliveries to several distributors in limitation of the vehicle capacity. Each distributor can be supplied by more than one wholesaler. Products received by each distributor will be the weighing and repackaging in accordance with the packing capacity for each product quality level. The same case in wholesaler, any unsold products will be stored as inventories for the next period and will decrease the level of product quality. The amount of stored products does not exceed the capacity of the storage warehouse at each distributor.

\[ \sum_{q} Q_{wdq_{t}} \leq KV_{w}Z_{wdt} \quad \forall w, d, v, t \]  
\[ \sum_{v} Z_{wdt} \leq 1 \quad \forall w, d, t \]  
\[ \sum_{d} Q_{wdq_{t}} = Q_{wdq_{t}} \quad \forall w, d, v, t \]  
\[ \sum_{d} \sum_{q} Q_{wdq_{t}} \leq KV_{w}Z_{wq} \quad \forall w, v, t \]  
\[ \sum_{q} \sum_{d} Q_{wdq_{t}} \leq M Z_{wdt} \quad \forall w, d, t \]  
\[ \sum_{w} \sum_{d} Q_{wdq_{t}} \leq KP_{dq} \quad \forall d, q, t \]  
\[ \sum_{d} Q_{wdq_{t}} = U_{wq} \quad \forall w, v, t \]  
\[ U_{wq} \leq KV_{w}Z_{wq} \quad \forall w, v, t \]  
\[ I_{dq_{t}} \leq I_{dq_{t-1}} + \sum_{w} \sum_{v} Q_{wdq_{t}} - \sum_{w} Q_{drq_{t}} \quad \forall d, q, t > 1 \]  
\[ I_{dq_{1}} \leq I_{0dq} + \sum_{w} \sum_{v} Q_{wdq_{dq_{1}}} - \sum_{w} Q_{drq_{d}} \quad \forall d, q \]  
\[ I_{dq_{t}} = I_{d(q-1)(t-1)} \quad \forall d, q > 1, t > 1 \]  
\[ \sum_{q} I_{dq_{t}} \leq KG_{d} \quad \forall d, t \]  

**Retailer stage:**

Product demands in the retailer met from various levels of product quality and shortages that occur are treat as lost sales. Each retailer will purchase products at a distributor and every retailer is only supplied by one distributor in each time period. Purchased products from distributors are used to meet a certain minimum number of total demands that occur at the retailer in any period of time. Overstocks from various levels of product quality are stored as inventory for the next time period, without exceeding the capacity of the storage warehouse at each retailer.

\[ D_{rt} = SD_{rt} + L_{rt} \quad \forall r, t \]  
\[ SD_{rt} \geq SL_{r}D_{rt} \quad \forall r, t \]  
\[ SD_{rt} = \sum_{q} SD_{rq_{t}} \quad \forall r, t \]  
\[ I_{rq_{t}} \leq I_{rq_{t-1}} + \sum_{d} Q_{drq_{rt}} - SD_{rq_{t}} \quad \forall r, q, t > 1 \]  
\[ I_{rq_{1}} \leq I_{0rq} + \sum_{d} Q_{drq_{r1}} - SD_{r1} \quad \forall r, q \]  
\[ I_{rq_{t}} = I_{r(q-1)(t-1)} \quad \forall r, q > 1, t > 1 \]  
\[ \sum_{q} Q_{drq_{t}} \leq M Z_{drt} \quad \forall d, r, t \]  
\[ \sum_{d} Z_{drt} \leq 1 \quad \forall r, t \]  
\[ \sum_{q} I_{rq_{t}} \leq KG_{r} \quad \forall r, t \]
5. RESULTS AND DISCUSSION

The result of model development of supply chain network model for fresh agricultural products in East Java applied to numerical illustration for product cayenne those involving five farmers, two wholesalers, four distributors and 12 traditional markets as retailers. Tables 1 until Table 16 are the data for cayenne supply chain network design in East Java.

### Table 1. Product demand at each retailer for each time period (ton/day)

<table>
<thead>
<tr>
<th>RETAILER</th>
<th>DAY 1</th>
<th>DAY 2</th>
<th>DAY 3</th>
<th>DAY 4</th>
<th>DAY 5</th>
<th>DAY 6</th>
<th>DAY 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETAILER 1</td>
<td>78</td>
<td>50</td>
<td>84</td>
<td>77</td>
<td>75</td>
<td>73</td>
<td>82</td>
</tr>
<tr>
<td>RETAILER 2</td>
<td>117</td>
<td>113</td>
<td>81</td>
<td>82</td>
<td>107</td>
<td>103</td>
<td>114</td>
</tr>
<tr>
<td>RETAILER 3</td>
<td>40</td>
<td>49</td>
<td>49</td>
<td>42</td>
<td>38</td>
<td>41</td>
<td>50</td>
</tr>
<tr>
<td>RETAILER 4</td>
<td>76</td>
<td>85</td>
<td>89</td>
<td>79</td>
<td>89</td>
<td>90</td>
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</tr>
<tr>
<td>RETAILER 5</td>
<td>90</td>
<td>65</td>
<td>88</td>
<td>85</td>
<td>86</td>
<td>87</td>
<td>95</td>
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<tr>
<td>RETAILER 6</td>
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<td>116</td>
<td>92</td>
<td>112</td>
<td>113</td>
<td>117</td>
<td>105</td>
</tr>
<tr>
<td>RETAILER 7</td>
<td>69</td>
<td>66</td>
<td>65</td>
<td>50</td>
<td>56</td>
<td>72</td>
<td>85</td>
</tr>
<tr>
<td>RETAILER 8</td>
<td>57</td>
<td>52</td>
<td>49</td>
<td>67</td>
<td>58</td>
<td>70</td>
<td>90</td>
</tr>
<tr>
<td>RETAILER 9</td>
<td>34</td>
<td>47</td>
<td>38</td>
<td>47</td>
<td>44</td>
<td>21</td>
<td>40</td>
</tr>
<tr>
<td>RETAILER 10</td>
<td>113</td>
<td>138</td>
<td>105</td>
<td>102</td>
<td>136</td>
<td>133</td>
<td>138</td>
</tr>
<tr>
<td>RETAILER 11</td>
<td>96</td>
<td>113</td>
<td>100</td>
<td>114</td>
<td>94</td>
<td>116</td>
<td>121</td>
</tr>
<tr>
<td>RETAILER 12</td>
<td>104</td>
<td>110</td>
<td>51</td>
<td>108</td>
<td>104</td>
<td>93</td>
<td>120</td>
</tr>
</tbody>
</table>

### Table 2. Fixed and variable costs while farmers planting over a time period

<table>
<thead>
<tr>
<th>FARMER</th>
<th>Fixed cost (Rp.)</th>
<th>Variable cost (Rp./ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FARMER 1</td>
<td>1,500,000</td>
<td>30,000</td>
</tr>
<tr>
<td>FARMER 2</td>
<td>1,800,000</td>
<td>25,000</td>
</tr>
<tr>
<td>FARMER 3</td>
<td>2,000,000</td>
<td>28,000</td>
</tr>
<tr>
<td>FARMER 4</td>
<td>2,200,000</td>
<td>32,000</td>
</tr>
<tr>
<td>FARMER 5</td>
<td>2,500,000</td>
<td>24,000</td>
</tr>
</tbody>
</table>

### Table 3. Cost of inspection, sorting and packing per ton for each level of product quality at each wholesaler (Rp./ton)

<table>
<thead>
<tr>
<th>WHOLESALER</th>
<th>QUALITY 1</th>
<th>QUALITY 2</th>
<th>QUALITY 3</th>
<th>QUALITY 4</th>
<th>QUALITY 5</th>
<th>QUALITY 6</th>
<th>QUALITY 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHOLESALER 1</td>
<td>200</td>
<td>195</td>
<td>190</td>
<td>170</td>
<td>155</td>
<td>150</td>
<td>135</td>
</tr>
<tr>
<td>WHOLESALER 2</td>
<td>250</td>
<td>240</td>
<td>230</td>
<td>225</td>
<td>215</td>
<td>200</td>
<td>190</td>
</tr>
</tbody>
</table>
Table 4. Cost of inspection and re-packing per ton for each level of product quality at each distributor (Rp./ton)

<table>
<thead>
<tr>
<th>DISTRIBUTOR</th>
<th>QUALITY 1</th>
<th>QUALITY 2</th>
<th>QUALITY 3</th>
<th>QUALITY 4</th>
<th>QUALITY 5</th>
<th>QUALITY 6</th>
<th>QUALITY 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIST 1</td>
<td>450</td>
<td>440</td>
<td>420</td>
<td>400</td>
<td>390</td>
<td>370</td>
<td>350</td>
</tr>
<tr>
<td>DIST 2</td>
<td>500</td>
<td>480</td>
<td>470</td>
<td>460</td>
<td>430</td>
<td>410</td>
<td>390</td>
</tr>
<tr>
<td>DIST 3</td>
<td>400</td>
<td>370</td>
<td>340</td>
<td>320</td>
<td>290</td>
<td>270</td>
<td>260</td>
</tr>
<tr>
<td>DIST 4</td>
<td>350</td>
<td>340</td>
<td>320</td>
<td>300</td>
<td>290</td>
<td>280</td>
<td>260</td>
</tr>
</tbody>
</table>

Table 5. Capacity of warehouse storage at each wholesaler and distributor (tons)

<table>
<thead>
<tr>
<th>WHOLESALER</th>
<th>WAREHOUSE CAPACITY</th>
<th>DISTRIBUTOR</th>
<th>WAREHOUSE CAPACITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHOLESALER 1</td>
<td>250</td>
<td>DIST 1</td>
<td>150</td>
</tr>
<tr>
<td>WHOLESALER 2</td>
<td>200</td>
<td>DIST 2</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DIST 3</td>
<td>125</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DIST 4</td>
<td>150</td>
</tr>
</tbody>
</table>

Based on the optimal solution of the supply chain networks model for cayenne product in East Java obtained the total logistics costs that occur at each supply chain member and the maximum total supply chain profits as shown in Table 6. It appears that the greatest percentage of the total cost occur at farmer stage as producers in the supply chain network. The next ranking is the main logistics activity of wholesalers with transportation to farmers and distributors and performing the processes of inspection, sorting and packing.

Table 6. Distribution of the total cost and total supply chain profits

<table>
<thead>
<tr>
<th>Factors</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total sales revenues</td>
<td>Rp. 725,647,800</td>
<td></td>
</tr>
<tr>
<td>Total Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cost at farmers</td>
<td>Rp. 243,069,000</td>
<td>43%</td>
</tr>
<tr>
<td>Total cost at wholesalers</td>
<td>Rp. 189,781,300</td>
<td>34%</td>
</tr>
<tr>
<td>Total cost at distributors</td>
<td>Rp. 101,508,500</td>
<td>18%</td>
</tr>
<tr>
<td>Total cost at retailers</td>
<td>Rp. 27,330,040</td>
<td>5%</td>
</tr>
<tr>
<td>Total Supply Chain Costs</td>
<td>Rp. 561,688,800</td>
<td>100%</td>
</tr>
<tr>
<td>Total supply chain profits</td>
<td>Rp. 163,958,960</td>
<td></td>
</tr>
</tbody>
</table>

Optimal decision for the number of satisfied demands at each retailer for each time period are shown in Table 7.

Table 7. Total satisfied demands at each retailer in each time period (tons)

<table>
<thead>
<tr>
<th>RETAILER</th>
<th>DAY 1</th>
<th>DAY 2</th>
<th>DAY 3</th>
<th>DAY 4</th>
<th>DAY 5</th>
<th>DAY 6</th>
<th>DAY 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETAILER 1</td>
<td>78</td>
<td>50</td>
<td>84</td>
<td>77</td>
<td>75</td>
<td>73</td>
<td>58</td>
</tr>
<tr>
<td>RETAILER 2</td>
<td>117</td>
<td>113</td>
<td>81</td>
<td>82</td>
<td>107</td>
<td>103</td>
<td>80</td>
</tr>
<tr>
<td>RETAILER 3</td>
<td>40</td>
<td>49</td>
<td>49</td>
<td>42</td>
<td>38</td>
<td>29</td>
<td>35</td>
</tr>
</tbody>
</table>
The number of products taken from farmers and delivered to the distributor by the respective wholesalers at each time period is shown in Table 8 and Table 9.

**Table 8.** Number of products shipped from wholesalers to distributors using a certain vehicle in each time period

<table>
<thead>
<tr>
<th>WHOLESALER</th>
<th>VEHICLE TO DISTRIBUTOR</th>
<th>DAY 1</th>
<th>DAY 2</th>
<th>DAY 3</th>
<th>DAY 4</th>
<th>DAY 5</th>
<th>DAY 6</th>
<th>DAY 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHOLESALER 1</td>
<td>VEHICLE 1</td>
<td>290</td>
<td>299</td>
<td>294</td>
<td>276</td>
<td>164</td>
<td>283</td>
<td>205</td>
</tr>
<tr>
<td></td>
<td>VEHICLE 2</td>
<td>198</td>
<td>181</td>
<td>198</td>
<td>289</td>
<td>329</td>
<td>227</td>
<td>395</td>
</tr>
<tr>
<td>WHOLESALER 2</td>
<td>VEHICLE 1</td>
<td>0</td>
<td>163</td>
<td>0</td>
<td>0</td>
<td>192</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>VEHICLE 2</td>
<td>364</td>
<td>361</td>
<td>399</td>
<td>400</td>
<td>280</td>
<td>380</td>
<td>220</td>
</tr>
</tbody>
</table>

**Table 9.** Number of products taken by wholesalers to each farmer using a certain vehicle in each time period

<table>
<thead>
<tr>
<th>WHOLESALER</th>
<th>VEHICLE TO FARMER</th>
<th>DAY 1</th>
<th>DAY 2</th>
<th>DAY 3</th>
<th>DAY 4</th>
<th>DAY 5</th>
<th>DAY 6</th>
<th>DAY 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHOLESALER 1</td>
<td>VEHICLE 1</td>
<td>200</td>
<td>190</td>
<td>185</td>
<td>270</td>
<td>235</td>
<td>300</td>
<td>225</td>
</tr>
<tr>
<td></td>
<td>VEHICLE 2</td>
<td>263</td>
<td>290</td>
<td>307</td>
<td>295</td>
<td>258</td>
<td>210</td>
<td>375</td>
</tr>
<tr>
<td>WHOLESALER 2</td>
<td>VEHICLE 1</td>
<td>0</td>
<td>189</td>
<td>130</td>
<td>145</td>
<td>192</td>
<td>115</td>
<td>185</td>
</tr>
<tr>
<td></td>
<td>VEHICLE 2</td>
<td>349</td>
<td>335</td>
<td>269</td>
<td>255</td>
<td>0</td>
<td>265</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>VEHICLE 3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>280</td>
<td>0</td>
<td>35</td>
</tr>
</tbody>
</table>

The optimal decisions for the number of products harvested by each farmer in each time period are shown in Table 10.

**Table 10.** Number of products harvested by each farmer in each time period

<table>
<thead>
<tr>
<th>FARMER</th>
<th>DAY 1</th>
<th>DAY 2</th>
<th>DAY 3</th>
<th>DAY 4</th>
<th>DAY 5</th>
<th>DAY 6</th>
<th>DAY 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>FARMER 1</td>
<td>349</td>
<td>335</td>
<td>307</td>
<td>295</td>
<td>280</td>
<td>265</td>
<td>240</td>
</tr>
<tr>
<td>FARMER 2</td>
<td>0</td>
<td>0</td>
<td>130</td>
<td>110</td>
<td>90</td>
<td>70</td>
<td>65</td>
</tr>
<tr>
<td>FARMER 3</td>
<td>263</td>
<td>290</td>
<td>269</td>
<td>255</td>
<td>235</td>
<td>210</td>
<td>195</td>
</tr>
<tr>
<td>FARMER 4</td>
<td>0</td>
<td>189</td>
<td>0</td>
<td>145</td>
<td>205</td>
<td>195</td>
<td>185</td>
</tr>
<tr>
<td>FARMER 5</td>
<td>200</td>
<td>190</td>
<td>185</td>
<td>160</td>
<td>155</td>
<td>150</td>
<td>135</td>
</tr>
</tbody>
</table>

The optimal solution of the model supply chain network that has been developed for fresh agricultural products by taking into account the level of quality of the product can be used as a
recommendation for allocation decisions crops from each farmer to wholesaler and the distribution decision of products through distributors and retailers such that customers can obtain products with the level of product availability and good product quality with competitive price.

6. CONCLUSION

The optimal decision for the determination of the amount of products harvested by farmers and purchased by wholesalers as well as the number of products distributed through distributors to each retailer to take into account the decrease in the level of product quality over time can be obtained through supply chain network model for fresh agricultural products, that have been developed in this research. The optimization model has the objective of maximizing the total supply chain profits. The result of optimal decision could be used as a reference for policy makers related to the distribution system of fresh agricultural products in East Java, to ensure the availability of products, with superior product quality level and at a competitive price.

Further research can be done by developing the supply chain network for fresh agricultural products by taking into account the uncertainty in the number of crops at the farmers’ level and the demand uncertainty at the retailers’ level. In addition, the development of stochastic optimization could be applied to obtain a powerful solution for the problem of the distribution systems of fresh agricultural products by taking into account those uncertainty factors.

ACKNOWLEDGMENT

This research was supported by the Indonesian Directorate General of Higher Education. Their support for the realization of this research is gratefully appreciated.

REFERENCES


