

**DEVELOPING CHANNEL STRATEGY TO INCREASE SALES
CASE STUDY: PERANGKAT INDUSTRI (PT JOKULIN INDONESIA MANDIRI)**

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Abstract— This research describes the distribution channel strategy is suitable for Perangkat Industri, which is one area of business of PT Jokulin Indonesia Mandiri. Perangkat Industri is an ecommerce business in the industrial field. As a new player in the industry, Perangkat Industri has several internal and external issues that have an impact on the future of the company. The main problem faced by Perangkat Industri is the distribution channel for marketing products to customers. In solving the problem, there are several alternatives that can be used by Perangkat Industri, which is channel distribution through the distribution channel websites, distributors, and salesperson. Three distribution channels are analyzed based on the existing distribution channels (existing channel) and channels based on customer requirements (ideal channel). From the analysis of the resulting channel strategies, that is to make improvements and take advantage of the existing distribution of channels and based on customer requirements, the distribution channels through the website, distributors, and salesperson. The strategy then becomes a recommendation to the company for use as a reference to develop and survive in competition with competitors of this business.

Keywords: Industry, Ecommerce, Perangkat Industri, Channel Strategy, Distribution Channel

1. Introduction

Internet users in Indonesia continue to increase from year to year. Based on the data presented by APJII (Asosiasi Penyelenggara Jasa Internet Indonesia), the use of internet technology in Indonesia began to grow since 1998. APJII projects the data of internet users in Indonesia until 2015 to reach 139 million internet users. Based on Production in Total Manufacturing for Indonesia by Organization for Economic Co-operation and Development, e-commerce and manufacturing in Indonesia relative showed a significant increase from year to year. This indicates the increasing number of opportunities that can be exploited by employers. Likewise by PT Jokulin Indonesia Mandiri, PT Jokulin Indonesia Mandiri starts to try its luck in the business of e-commerce for the manufacturing sector. But along with greater opportunities, it is also recognized by PT Jokulin Indonesia Mandiri competitors. To increase sales and expand its market, PT Jokulin Indonesia Mandiri requires an analysis of channel strategy so that PT Jokulin Indonesia Mandiri can survive even superior to its competitors.

Perangkat Industri is one type of PT Jokulin Indonesia Mandiri in the field of industry and commerce that offers the wide range of industries, including: measuring devices, servers, network, electronic, telecommunication devices/navigation, work tools, and others The products offered are the best quality products with the world's leading suppliers. Through Perangkat Industri, corporate customers, or individuals, can more easily access the required product. Perangkat Industri has also established cooperation beneficial for suppliers who want to promote their products through this website. PT Jokulin Indonesia Mandiri is a private company with business scope in several sectors such as: export, import, industry, trading, advertising, and multimedia. The business scope of Perangkat Industri itself rather refers to the advertising and manufacturing industry, both export and import. However, until now more likely to imports compared to exports.

In running the new business in the field of e-commerce for the manufacturing sector, Perangkat Industri has its own challenges and problems, especially in the channel marketing strategy to attract customers that are interested in shopping with Perangkat Industri. In addition, competition with both new competitors and who has long had the same business as Perangkat Industri

The main question of this research is “What is the appropriate channel strategy conducted by the Perangkat Industri in order to increase the number of sales?”

In detail, the few questions that could be asked on this research are:

1. What channel strategy that has been done by the Perangkat Industri and what the impact on the company?
2. What channel strategy is being developed at this time?
3. What channel strategy that suitable for Perangkat Industri in order to increase the number of sales?

This research will determine the main problems, which includes these following aspects:

- a. Analysis of current channel strategy of Perangkat Industri
- b. Develop Perangkat Industri’s marketing channel
- c. Suitable marketing channel for Perangkat Industri to survive sustain in the market.

2. Business Issue Exploration

A. Conceptual Framework

Perangkat Industri is a B2B e-commerce company engaged in the manufacturing industry by providing various types of devices for the needs of the industry, faces the basic problem that they do not know how to develop the right channel strategy to compete with ecommerce manufacturing industry had already played in this industry, there must be a strategy that must be clearly defined to resolve the issue. Conceptual frameworks, according to educational researcher Smyth (2004), are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame their questions and find suitable literature. Most academic research uses a conceptual framework at the outset because it helps the researcher to clarify his research question and aims. Conceptual framework of this research is based on Rasa Gudonaviciene and Sonata Alijosiene, 2008 as can be seen in the Figure 1.

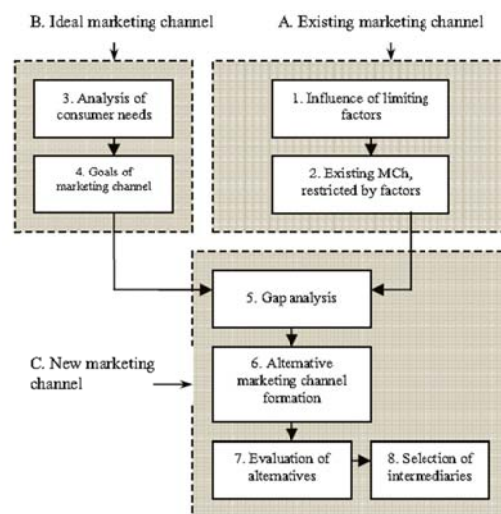


Figure 1. Conceptual Framework

Source: Gudonaviciene, R. and Alijosiene, S. *The Specific Features of Marketing Channel Design* (2008: 77)

With this model we recommend to perform the formation of marketing channel in three stages (Gudonaviciene. R and Alijosiene. S, 2008):

- 1.To describe the existing marketing channel, by assessing the influence of environment and enterprise factors (stage 1 and 2).
- 2.To identify the "ideal" marketing channel, by determining the needs of consumers and the goals of marketing channel (stage 3 and 4).
- 3.To determine the gap between "ideal" and "restricted by factors" marketing channels, to perform the formation of alternative marketing channels, to evaluate and select the intermediaries of marketing channel (stage 5 to 8)

A. *Environment Analysis*

A situational analysis often is called the foundation of a marketing plan. A situational analysis includes a thorough examination of internal and external factors affecting a business. It creates an overview of the organization that will lead to a better understanding of the factors that will influence its future (*Lorette, Demand Media*)

In 5P's of Kotler, Perangkat Industri provides products such as gauge/instrument, electronics/electrical, industrial/manufacturing, server/networking, telecommunication/navigation, and work tools. The prices offered by Perangkat Industri are quite affordable and varied depending on the type of each product. Perangkat Industri sometimes also gives discounts to customers who buy the products in large quantities or several times in Perangkat Industri. Promotion activities by Perangkat Industri are including affiliate program, special offer, and exhibition.

Based on SWOT analysis, strengths of Perangkat Industri is knowledge regarding the development of technology, guaranteed product quality, and have a lot of product variants and brands. Weaknesses is marketing and promotion, haven't had yet own store, limited customer service operating hours, the organization structure is modest, Perangkat Industri is less known by customers. Opportunities, the development of the manufacturing industry in Indonesia, demand for manufacturing industries products is quite a lot, the increasing internet users in Indonesia, the improvement of e-banking users in Indonesia, CAFTA (China-ASEAN Free Trade Agreement) 2010. Threats, tax and customs (import goods), the supplier location far from the Perangkat Industri, lack of customer trust towards local providers for imported goods. PEST analysis of Perangkat Industri shows that political is tax policies, political relation between countries, political stability, and consumer confidence. Economic is economic growth, interest rate and monetary policies, taxation, and inflation rates. Social is trends, education, and entrepreneurial attitude. Technology is industry focus on technology, life cycle of technologies, IT usage, and internet usage.

B. *Competitor Channels*

There are competitors of Perangkat Industri who already launch first in the e-commerce business in the field of manufacturing industry, the competitors are PT Tridinamika Jaya Instrument and PT Subur Sakti Putra.

PT Tridinamika Jaya Instrument is focusing in products of test and measuring instrument. Based on its website, they also do online marketing channels activity through website and social media like facebook and twitter. In addition, they serve customers through email, phone, and facsimile.

PT Subur Sakti Putra provide the products of electronic measurement equipment and control systems (such as: navigation, meteorological, geophysical, climatological, and hydrological) laboratory equipment, telecommunications systems, wireless RF communications systems and satellite ground station equipment. Products sold by PT Subur Sakti Putera are mainly used to support the telecommunications and public safety infrastructures of Indonesia.

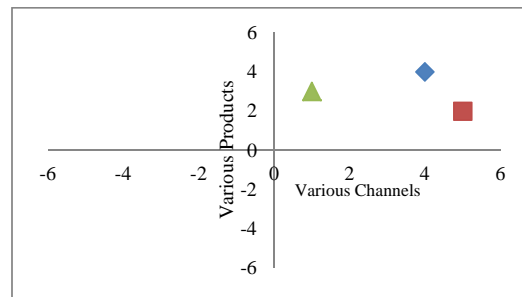


Figure 2. Positioning Map of Perangkat Industri

Figure 2.21 shows the position of Perangkat Industri (red colour) and its competitors, graphics made with this position and the horizontal lines of vertical lines. Horizontal line represents variations of channels owned by each company, the right end point showed the more channel, otherwise the left end point showed the fewer channels. The vertical line represents the number of variations of products owned by the company, the top spot if the variety of products provided by the company has the most variety and the bottom point if the product provided by the company has the fewest variations of products. The current state of the positioning map can be seen that the channel is owned Perangkat Industri less than the competitors, but for variety of products offered positions Perangkat Industri is PT Subur Sakti Putra (green colour) above, this is due to focus only on telecommunications products PT Tridinamika Jaya Instrument (blue colour) alone.

C. Distribution Channels

The marketer uses *distribution channels* to display, sell, or deliver the physical product or service(s) to the buyer or user. These channels may be direct via internet, mail, or mobile phone or telephone, or indirect with distributors, wholesalers, retailers, and agents as intermediaries (Kotler & Keller, 2012: 33). Based on Perangkat Industri sales reports, Perangkat Industri to the present has made the process of buying and selling with PT Aerotek Indonesia. Purchases conducted gradually starting from December 2012 to April 2013 as many as 41 kinds of products. The purchase process conducted direct sales are carried out directly by the Chief Executive Officer (CEO) of the Perangkat Industri who also works at PT Aerotek Indonesia.

Perangkat Industri has a web page at perangkatindustri.com, where customers who want to get the product provided by the Perangkat Industri can make reservations in advance on the website without having to go to the Perangkat Industri office. However, the website is not running as expected due to the current Perangkat Industri customers who purchase the product in Perangkat Industri which the company's CEO Perangkat Industri works there. Perangkat Industri has worked with several distributors but to date has not made the process of buying and selling by the distributors.

According to internal sales report, the number of products sold from December 2012 to April 2013 as many as 41 products. The whole products are purchased by PT Aerotek Indonesia. Based on market share calculations, Perangkat Industri market share for each of the data gained is 7.14%, 12:39%, and 0.004%. Currently number of customers Perangkat Industri is only one that is PT Aerotek Indonesia. Due to the company's payroll system and expenditure of revenues comes from the three business units of PT Jokulin Indonesia Mandiri, Perangkat Industri financial statement data that can be given to the net profit generated from the sale of the product alone has not reduced the company's payroll and other expenditures. According to internal data, net profit from Perangkat Industri itself is approximately 20% - 30% of the sales, and Perangkat Industri want to increase the net income on the range 25% - 35%.

3. Business Solution

A. Research Findings

Primary data was collected in the form of questionnaires. This research used questionnaires and observations to obtain data and information on issues related to manufacturing industry e-

commerce issues in particular. This information consists of general information, including the type of industry and the industry demographics, and then specific information regarding the selection of channels such as online and offline; channel distribution; product variety; ease in reaching to the location (accessibility); delivery service; and quality products. In this research, the number of respondents that used is 60 respondents.

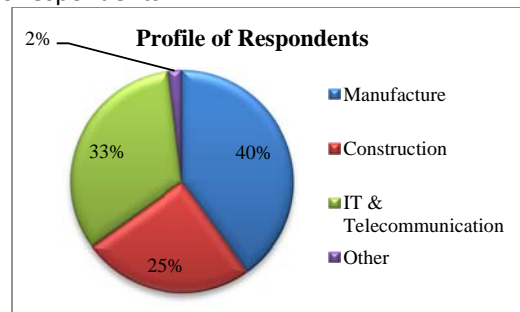


Figure 3. Profiles of Respondents (Company Industries)

The questionnaire was given to companies that consist of the business fields as shown in the Figure 3, the composition of the respondents consist of companies engaged in the fields of manufacturing (40%), construction (25%), and IT & telecommunications (33%).

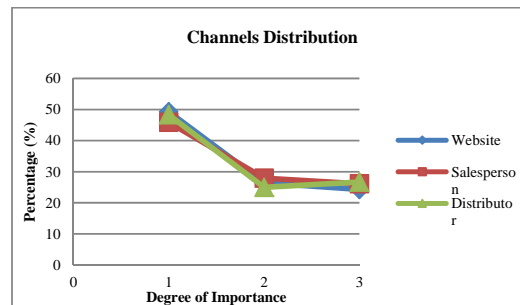


Figure 1. Channels Distribution

1 : Agree 2 : Neutral 3 : Disagree

Figure 4 shows that customers prefer to choose distribution channels through the website, then distributor, last salesperson. However, the percentage difference between the three distribution channels showed no significant difference. More and more customers are choosing distribution channels through distributors for disagree category and followed by the salesperson and the website. Although the differences are indicated by each distribution channel is not so significant, but from the above graph it can be concluded that more customers are choosing distribution channels through the website than through salesmen and distributors.

B. Evaluating Channel Alternatives

Most channel design decisions are only slight modifications of the channel structure in response to changing markets, expanding geographic coverage, new customer requirements, or new products. Selection of the appropriate modification in channel structure may be fairly straightforward; in fact, the range of choices may be quite limited. Figure 5 shows the approach that takes into account all the elements of channel design as well as important customer requirements. The focus of their approach is to create an "ideal" channel system that fully addresses customer needs; once this system is specified, it is compared with the "feasible" channel system created on the basis of management objectives and constraints. The critical element is to compare both systems on the basis of customer service performance, structure and costs (Hutt and Speh, 2007: 307-308).

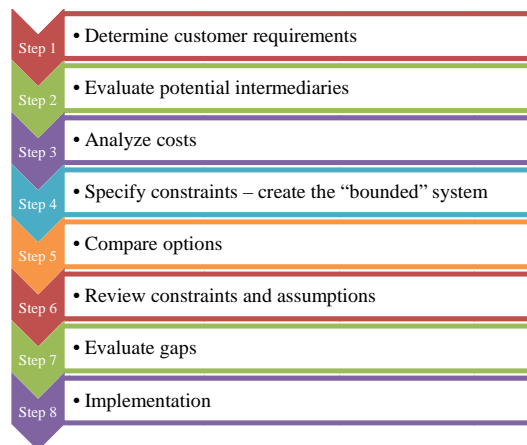


Figure 5. Procedure for Evaluating Channel Alternatives

Source: Michael D. Hutt and Thomas W. Speh, "Business Marketing Management: B2B," *Managing Business Marketing Channels* (2007: 307)

Step 1 - Based on questionnaire data as described above can be concluded there was no significant difference between online and offline commerce options. Customers prefer to do shopping through websites, distributors and salesmen. Product variety and product quality is also a concern customers and influence customers to make purchases of products provided by the company. Accessibility is not much of a customer's attention when customers are satisfied with the variety of products, quality products, and services that satisfy customers. These services may include on-time delivery service as one example.

Step 2 - Each distribution channel which is website, salesperson, and distributor have its advantages and disadvantages, by knowing the respective advantages and disadvantages of each distribution channel was expected to be made into consideration and was benchmark to create or make a better distribution channels.

Step 3 - According to customer requirements questionnaire data on the distribution channel, product variety, product quality, accessibility, and delivery service, Perangkat Industri should be able to meet the needs of the customer by improvement in distribution channels and better service to customers. Supplier support needed to meet customer requirements is always the availability of stock so that when customers place an order can be processed quicker so that customers required products can be rapidly accepted by the customer.

Step 4 - Someday when the Perangkat Industri channel has been more developed and has a lot more customers may occurs several possibilities such as limited ideas of management that will be an obstacle to the future. To prevent it necessary plans and objectives of the company in the long term, so that the company can continue to develop in accordance with the objectives and plans have been made.

Step 5 - Channels that exist in the Perangkat Industri yet based customer desires, but in the current the review has been carried out against customer requirements, so if based on the definition above it is an ideal system. After a review of the customer, the company also needs to conduct a review of the ideal and feasible system

Step 6 - To evaluate the assumptions and constraints faced by the Perangkat Industri conducted by experts will be done in the short term. This is done so that the Perangkat Industri can know what efforts should be done in order to keep the business running and growing.

Step 7 - Actually, there is no significant difference between the existing channel with ideal channel, with the existing channel should be owned by the company, the company can sell the products that it provides to customers with simple, but in fact to date the company cannot sell products that made available to many customers, it is caused by companies that do not know how to utilize and maximize the marketing channel. In addition to the required customer marketing channel, the results of the questionnaire data are distributed to customers also showed that many customers want a

variety of products provided by the company, a good quality of the products supplied, easy accessibility for customers to get their products needed, and on time delivery service.

With reference to the internal data and questionnaires are then selected distribution channel is direct and indirect channels, namely through the website, distributor and salesperson as channels that are required by the customer. Because the existing channel and ideal channel did not differ significantly, it should be good for the company to undertake the development of existing distribution channels by making adjustments to customer requirements, such as product variety, quality, accessibility, delivery service, and others, so it is expected to further increase the number of Perangkat Industri customers.

Step 8 - Combine online and offline channels, which are website, distributors, and salesperson. By performing a combination of the three channels of the activity is expected to increase the number of sales, market share, and profit as the company's goals and research. It also is expected to prevent or tackle things that become obstacles to the development of Perangkat Industri business.

Business solutions analysis conducted based on the environmental analysis of Perangkat Industri both internal and external, and also based upon existing data such as internal company data and questionnaire. Business solutions strategy resulted in the company's attitude in responding to current industry competition. Competitive business strategy that fits with the vision and mission of the Perangkat Industri is a strategy for combining a sustainable competitive advantage and unique selling points to support the strategy. The author recommends a solution to solve the root problem of Perangkat Industri and business to increase the number of sales. These recommendations are doing a combination of distribution channels directly and indirectly through the website, distributors, and salesperson. For each of these distribution channels need ways to develop distribution channels. The illustration of business solutions analysis in this research can be seen in Figure 6.

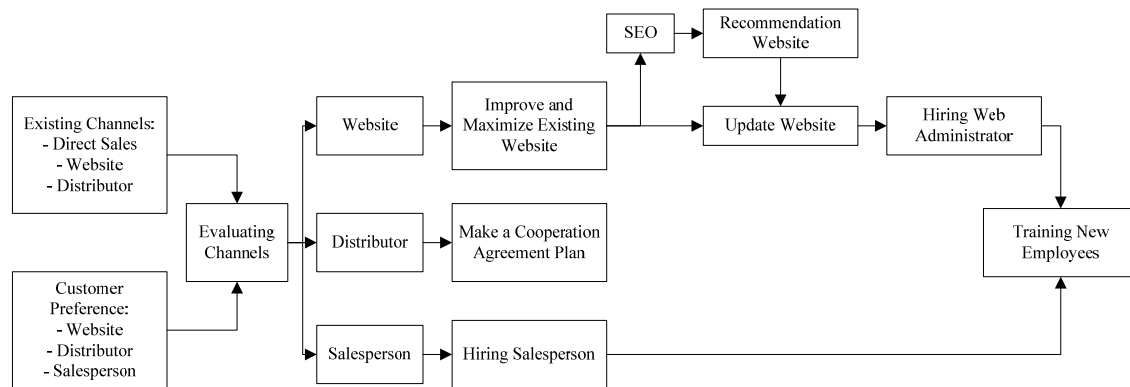


Figure 6. Illustration of Business Solution

Figure 6 shows step by step in getting business solutions and attempts what is recommended in this research. The first step is to analyze and compare existing channels and channels based on customer needs earned from the questionnaire. The second step is the evaluation of each channel and determines what suitable channel for Perangkat Industri is. Then recommend what measures should be carried out on each of these channels. Such efforts are as follows:

- Website

Make improvements on the website by using search engine optimization (SEO), i.e. by adding content that can attract customers to visit the Perangkat Industri website from search engines such as Google. The contents are events and article or news.

- Distributor

Distribution channels through distributors need to be done more seriously, needs to be done and cooperation agreements are clear to each party which Perangkat Industri and its distributors themselves feel equally benefit and no one feels aggrieved with the cooperation of the living.

- Salesperson

To perform direct sales Perangkat Industri needs special employees who work on the job (salesperson), so expect the salesperson can more focus to sales of products provided by Perangkat Industri and can further enhance the sales of products. Before the salesperson gets onto the field, they need to do training on knowledge products that will they offer, how to present products that customers can better know and understand the products sold well in order to attract more customers to purchase a product provided by Perangkat Industri. A whole series of solutions regarding the roots of the problem as described in the paragraph above is in order to get a clear direction for the company and to be able to increase the number of sales, for Perangkat Industri and also can maintain it in the long term.

4. Conclusion and Implementation

Perangkat Industri is the e-commerce company in the field of industry that provides industrial devices such as measuring devices, servers, network, electronic, telecommunication devices/navigation, work tools, and others. Although Perangkat Industri is still new in this business world, Perangkat Industri has strong internal resources such as the knowledge of the development of industrial technology and knowledge of the technology itself can support the future development of this business in the future. Perangkat Industri problems are their lack of understanding of how to market a product, a suitable distribution channel system, and how to utilize distribution channels that have been owned. To answer the research questions can be seen below.

- The channel strategy that has been done by Perangkat Industri is direct sales, through the CEO of Perangkat Industri. Impacts to Perangkat Industri is the customer until now only one, which is PT Aerotek Indonesia.
- The current channel strategy of Perangkat Industri are direct sales (through the CEO of Perangkat Industri), website, and distributors, but Perangkat Industri does not fully understand how market their products through those channels.
- Based on the existing channels and the ideal channels (based on customer requirements), the channels which can solve the Perangkat Industri and increase the number of sales, are website, distributor, and salesperson (direct sales), so that Perangkat Industri has to improve the channels that they have.

Based on business solutions strategy in chapter three, the author needs adjusted implementation plans with Perangkat Industri condition. It consists of many activities and programs that can perform to improve and develop the company based on strategies that have been described in business solutions chapter. In this research, the implementation plan is divided into two parts: short-term planning and long-term planning. Short-term planning is used for one year, while long-term planning is used for two to three years ahead to create a company able to compete and survive. Short-term implementation and long-term implementation can be seen in Figure 7 and Figure 8.

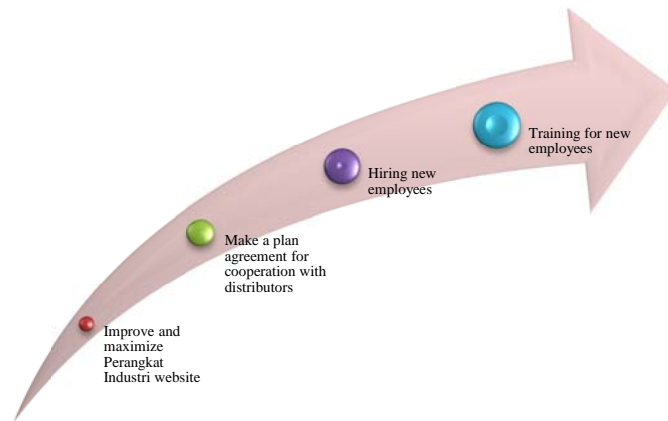


Figure 7 Short-term Implementation Plans

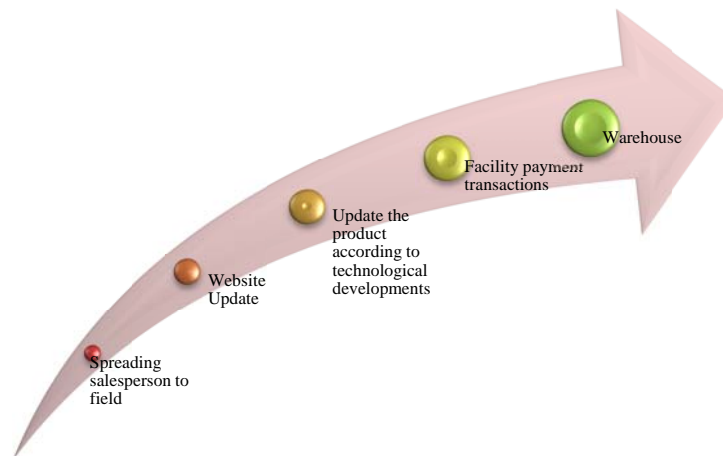


Figure 8. Long-term Implementation Plans

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