

THE EVALUATION OF DISTRIBUTION CHANNELS IN MANAGING EXCESS INVENTORIES IN PANDEMIC COVID-19

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Abstract: PT. Ghibam Jaseena Mandiri is engaged in food and beverage services as a sub-distributor for one type of beverage product namely Monin from France for the Jabodetabek region (Jakarta, Bogor, Depok, Tangerang, and Bekasi areas) . The company still uses a direct marketing system with direct sales. This product is distributed to hotels, restaurants, cafes, and coffee shops. The implementation of large-scale social restrictions (PSBB) takes over demand which increases demand or excess inventory which can ultimately cause the stock to die. This study analyzes the management and determines the strategy to overcome the buildup of syrup in the warehouse related to the problem of excess inventory.

Keywords: Excess Inventory, Distribution Channel, Dead Stock, Evaluation, Strategy

Introduction

PT. Ghibam Jaseena Mandiri uses a direct marketing system with direct sales. A direct sales system was chosen by the company so that the company reaches and deals directly with customers when introducing a valued product can explain more detail about product information . This product is distributed to hotels, restaurants, cafes, and coffee shops.

The implementation of large-scale social restrictions (PSBB) is applied by the Indonesian government to avoid and anticipate the spread of the corona virus where the target market of PT. Ghibam Jaseena Mandiri such as hotels, restaurants, cafes, coffee shops, Foodhall, Grand Lucky, and Ranch Market. must be closed by the government within an undetermined period. This resulted in a decrease in demand which resulted in an increased inventory.

An increase in inventory in a company causes additional costs in the form of maintenance costs so that the syrup is not damaged and kept in good condition. The warehouse must be maintained in terms of cleanliness, temperature, air circulation, fire safety so that the goods are maintained. The company needs to plan a strategy to manage this excess stock making prospective income for the company, because failure to manage deadstock illustrates the company's inability to find solutions or determine strategies. While the dead stock is an outdated or expired product,

In current technological advancements, PT. Ghibam Jaseena Mandiri can expand the distribution channel and rely on social media, market places, and other business platforms such as shopee, tokopedia, lazada, blibli.com, bukalapak, and JD.id. By utilizing technology amidst pandemic conditions, the value is quite effective in helping companies of problems solving with excess inventory. Advantages of distribution using this system are the wider distribution area with unlimited customer coverage and increasingly recognizable products, so we are interested in examining how to manage excess inventory and determine supportive strategies for stabilizing stock back from previously experiencing excess inventory.

1. Management of excess inventory

Excess of inventory due to poor inventory management results in overstocking, which makes high operational costs in the existing warehouse in company (Rangkuti, 2007). The availability of raw materials that were too large compared to the company's needs would increase the inventory costs such as ordering costs and carrying costs, as well as the possibility of obsolescence and quality that could not be maintained so that all of this can reduce company profits (Yuwono and Riyadi, 2013). Tersine and Toelle (1984) suggest that forecast errors, overzealous purchasing practices, new technological innovations, and reduced demand for spare parts are the reasons for excess and dead inventory. There are two actions in managing excess inventory. First, proposing reactive strategies such as scrapping excess inventory, disposing at discount prices to suppliers and customers. (eg, Tersine & Toelle, 1984; Rosenfield, 1989). Second, focusing on reducing the number of orders and safety stocks exponentially over time for items that are at high risk for obsolescence; or items with knowledge of possible obsolescence. (Song & Zipkin, 1996; Cobbart & van Oudheusden, 1996; Song & Lau, 2004; Prince & Dekker, 2011; van Jaarsveld & Dekker, 2011).

2. Management of excess inventory

2.1. Bundling packages

Bundling packages is a way to tie two existing products in one line at a certain price, which is generally cheaper than the previous price. It means selling two products in one package with a lower price aimed at increasing product sales, saving time, ease

of purchase, minimizing promotional costs, and adding value to consumers (Frans M. Royan, 2004; p.58)

2.2. Holding a sale/ discount

The notion of a discount is a price discount given from a seller to a buyer as a tribute to a particular activity of a buyer that is pleasing to the seller (Tjiptono, 2007)

2.3. Utilizing the online system

Ecommerce stands for Electronic Commerce which means a marketing system in electronic media (Rahmati, 2009). E-Commerce includes the distribution, sale, purchase, marketing, and service of a product that is carried out in an electronic system such as the Internet or other forms of computer networks.

2.4. Granted

The definition of a grant is contained in Article 1666 of the Civil Code, which is an agreement, with which a donor gives away an item for free, without being able to withdraw it, for the benefit of someone who receives the delivery of the item.

3. Distribution Channels

Distribution channels consist of a series of institutions that carry out all activities used to channel all activities used to distribute products and their ownership status from procedures to end customers or business users. The activity of distribution channels is the activity of channeling goods from producers to consumers (Stanton, Etzel, and Walker, 1994: 180). A distribution channel is an organizational tool which involved in a process. It is useful for making various products or services, to be used or consumed by consumers and business users. As a tool, the distribution channel includes processes and useful in making products or services which are beneficial to consumers (Kotler, 2012).

4. Management of distribution channels

4.1. Determine the Distribution Channel Strategy

According to Gitosudarmo in Sunyoto (2012: 172) distribution channels can be divided into three; selective distribution channels, intensive distribution channels,

and exclusive distribution channels. Intensive distribution, distributing products, severely limits the number of intermediaries. Selective distribution is distributing products in certain marketing areas by selecting just a few distributors or retailers in an area. Intensive distribution products place goods or services at many retailers or distributors in various places.

4.2. Evaluation of Distribution Channels

The evaluation process describes, obtains, and provides useful information for assessing alternative decisions (Stufflebeam et al). According to Tjiptono & Chandra (2012: 416) evaluation of distribution channels can be done using the criteria :

4.2.1 Distribution Costs

According to Kodrat (2009), the cost structure is the cost of salespeople, the cost of infrastructure, sales costs, financial costs, delivery costs.

4.2.2 Market Coverage

Market coverage is related to coverage which has maximum coverage of outlets in distribution areas such as wholesalers, retailers, and modern markets (Kodrat, 2009: 42).

4.2.3 Customer Service

According to Simamora in Kodrat (2009: 119), there are five services can be provided by marketing channels. They are the size of the purchase, waiting time, the comfort of the place, variety of products, and support.

4.2.4 Communication with markets and control of distribution channel networks

Information in communication includes the activities of competitors, new products from competitors, customer attitudes towards the company, and competitor services. The selection of alternative distribution channels must be in line with the main criteria that the distribution channel concerned must have the will, competence, and great interest to support the delivery of information accurately, relevantly, and on time.

4.3. Distribution Channel Considerations

Consideration refers to the decision in determining the distribution of goods from producers to consumers. According to Tjiptono & Diana (2016: 255) things to consider in choosing a distribution channel :

- 4.3.1. Market considerations include market type, number of potential buyers, market geographical concentration, number, and size of orders.
- 4.3.2. Product considerations include unit value, perishability, and product technical properties.
- 4.3.3. Company considerations include financial resources, experience, and management capabilities, the level of control desired, services provided by the seller, and the environment.
- 4.3.4. Intermediary considerations include the services provided by the seller, the existence of the desired intermediary, and the attitude of the intermediary towards company policy.
- 4.4. Alternative Distribution Channels refer to the choice between two or more possibilities for the distribution of goods. According to Suparyanto and Rosad (2015), there are several alternative levels of distribution channels, i.e:
 - 4.4.1. Level 0, producer - final consumer. Door-to-door sales, telephone marketing or producer-owned shops
 - 4.4.2. Level 1, producers - retailers - end consumers. The producer acts as a party who serves large sales and distributes to retailers and does not serve sales to end consumers.
 - 4.4.3. Level 2, producers - wholesalers - retailers - end consumers. Manufacturers serve large-scale sales to large traders and do not sell their products or services to retailers
 - 4.4.4. Level 3, producers - wholesalers - wholesalers - retailers – end consumers. Manufacturers only sell their products to agents as distributors.

Method

This research used a qualitative approach. Sugiyono (2011: 9) Qualitative research methods are methods based on the philosophy of postpositivism, while to examine natural objects, where researchers are as key instruments, data collection techniques are carried out by triangulation (combined). Data analysis is inductive or qualitative, and the results of the study emphasize meaning rather than generalization. The data source

used in this research is primary data from observations and interviews, while secondary data are from library studies. Qualitative data and research data obtained through primary data such as company sales data reports.

First, collecting data technique are using observation techniques such as making an observation and identification of research objects through a visit to PT. Ghibam Jaseena Mandiri, while the second data collection are using interview techniques with all members in the organizational structure of PT. Ghibam Jaseena Mandiri. Third collecting data is using literature studies by citing theoretical references from experts. Given the better and more representative data, information and facts obtained, the resulting description will be closer to reality (Dabbs, 1992)

Result and Discuss

PT. Ghibam Jaseena Mandiri sales data from 2015 to 2020 with a direct marketing system and direct sales used the door to door method.

Sales data and excess inventories before pandemic in January 2015-June 2020



Table 1.

Source : Company date sale and excess inventories January 2015-June 2020

From Table 1, the highest sales figures were in 2016 with 70.664 bottles. In 2017, 2018, and 2019 were stable with an average sales of over 61.000 bottles. Most of the inventory inventories were in 2020 with 2.794 bottles with sales of 15.806 bottles. From the data analysis of excess inventory can be obtained the following data:

A. Errors in forecasting

Companies are required to make forecasting based on an analysis of the impact of pandemic on all business sectors. From the sales data, it can be seen that there has been a very drastic change in sales figures starting from March to May. Especially for April and May there are no products sold. It means the inventory in the warehousing has not moved at all. While maintenance costs must continue to run. Forecasting is a very big influence on the sales system in the long run

A. Recording the amount of inventory that is not right

The company has not carefully recorded syrup variants that are high in demand, low in demand, and syrup that are nearing their expiry time. Inventory records affect the flow of goods in warehousing in order to find out which product is more important to be distributed for distribution according to the date of entry of the goods. If not, the company has created new problems by letting excess inventory continue to accumulate because of failure in recording the amount of inventory.

A. Too many sets of safety stock (buffer stock)

Starting from inaccurate forecasting, companies make a very large inventory without thinking about the continued situation of the product distribution flow. In January and February, total sales were in normal numbers with an average purchase of 5100-5400 bottles. In March the decline was very drastic with a purchase rate of 2688 bottles. Continued April - May with zero sales. lack of planning new strategies and analyzing markets.

1. Management of excess inventory

1.1. Giveaway

Giveaway can be done using the services of people with a high level of popularity and has a positive image on social media such as Instagram, Facebook, YouTube. PT GJM can do this to reduce excess inventory. Although it does not obtain physical benefits in the form of income. But the company's marketing network is getting wider. The giveaway is held with provisions such as sharing with friends, making some hashtags in the form of a company name

along with the product or hashtag the name of the product with positive words that make consumers curious about the profile of the product.

1.2. Donate

Besides the noblest strategy by reducing excess inventory. It can also be a promotional strategy and enhance the company's image in social terms. PT. Ghibam Jaseena Mandiri can collaborate with the government in the distribution of groceries in which the company contributes to donate syrup for free with regional elections based on the results of data and recommendations from regions that are eligible to receive this product.

1.3. Switch to E-Commerce

PT. Ghibam Jaseena Mandiri distributing direct sales syrup with a direct marketing system must change its distribution channels so that excess inventory movements are faster because it is not possible to see the development of increasingly sophisticated technology and changes in consumer shopping tastes that want to be fast and practical. Shows the landscape of Indonesian E-commerce from a consumer perspective in 2018.

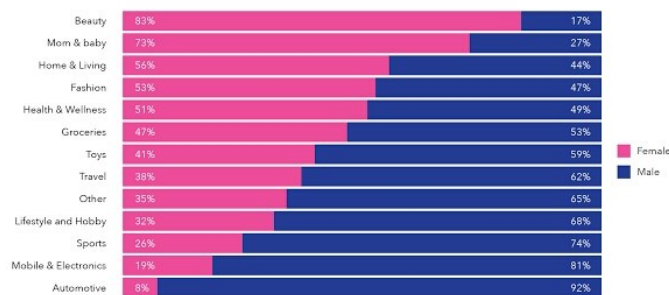


Figure 29: Most popular categories Indonesians shop for online depending on gender; e-commerceIQ E-Marketplace Indonesia Survey

Table 2.

Source: The landscape of Indonesian E-commerce from a consumer.

Groceries occupies the sixth position with the highest percentage of users, 47% female and 53% male. Proving that selling power for grocery products has high demand and has the potential to continue to grow if the services offered by the company do not

disappoint. Of course, purchasing using e-commerce is more interesting because consumers can see the price of the product even cheaper than the price in the store. Distributors can provide lower prices because many costs are pressed like there are no expenses for transportation and shipping. By implementing the following strategy:

A. Discounts and Promo

Humans as social beings always want efficient things by getting products at low prices, large quantities, and good quality. On this basis, the company can implement a discount or promo strategy to minimize inventory that is experiencing slow-moving, save the product from deadstock, and provide satisfaction to consumers and products that can be more widely well known.

B. Bundling Package System

Combining two or more products in one package becomes a very interesting strategy. The idea of a bundling package emerged from the world of telecommunications presenting a CDMA cellphone in 1995. The bundling package strategy offers the purchase of a CDMA cell phone that has obtained applications in the form of Facebook, Twitter and other social networks at low prices. The strategy succeeded with brilliant achievements and was followed by many business people. PT. Ghibam Jaseena Mandiri can implement this strategy by combining bestseller products with products that are slow-moving.

C. Empowerment of Human Resources

In business, a company's mission is to gather as many customers as possible. According to the results of research on the e-commerce landscape, it can prove that consumers' tastes have moved away from what used to be offline, and are now more inclined to use online. Of course PT. Ghibam Jaseena Mandiri prepares competent and active resources in following market developments. PT. Ghibam Jaseena Mandiri can recruit new employees or conduct training for all employees which of course this is done with regular scheduling. Training related to important things in e-commerce, namely Service to customer, Creating interesting ideas in product marketing and account management.

KMDS PROFILE (The sole distributor of Monin syrup in Indonesia)

- PT KURNIAMITRA DUTA SENTOSA Tbk (PT KMDS Tbk)

PT KMDS Tbk is a company engaged in the food and beverage industry which was established in 2000 located in the No. 8 Techno Complex. 16 Alam Sutera, Tangerang. Before pursuing the world of the food and beverage industry, Mr. Hengky Wijaya, founder of PT KMDS Tbk, in early 2000, PT KMDS Tbk was appointed as the official exclusive importer and distributor of beverage mix products, in the form of coffee, tea, chocolate, vanilla, etc. originating from America. Then, in 2007, PT KMDS Tbk was trusted as the sole distributor of Monin syrup products from France in Indonesia.

Conclusion

PT. Ghibam Jaseena Mandiri carries out a distribution strategy using a door to door direct marketing system with direct sales. The company still adapts to the online sales system and lack of resources who are experts in the field of managing online sales.

It is recommended that PT. Ghibam Jaseena Mandiri expands its distribution channels through e-commerce. Following the tastes of shopping consumers who want fast and practical. Implement discount or promo strategies and bundling packages in managing excess inventory or use giveaway and giving away strategies. Giveaway and giving are gifts, the company will not benefit physically but this can enhance the company's image and is a very valuable value or a positive start in product introduction and distribution. Conduct training for all company employees on managing e-commerce and customer service by scheduling regularly.

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