



PROMOTION AND DISTRIBUTION STRATEGIES OF SLIPPER- MANUFACTURING ENTERPRISES IN NUEVA ECIIJA

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ABSTRACT

From the middle of the years 2000 through 2010, there is a drastic drop on the number of establishments engaged with footwear-manufacturing in Central Luzon or Region III alone. Several studies have reported reasons for the decrease of the number of players in the footwear industry in the Philippines; however, researches on the decreasing number of establishments engaged specifically with slipper-making in Gapan City, Nueva Ecija and the importance of promotion and distribution mix strategies for the business' sustainable growth and success remain to be accomplished.

This study described profile of the business enterprises, the promotion mix strategy decision through practice of advertising, sales promotion, personal selling, direct marketing, and public relations, and distribution mix strategy decision in terms of placement of orders, processing of orders, channel of distribution, intensity of distribution, and delivery of finished orders used by the thirty (30) enterprises engaged with slipper-making.

Result of the study shows the rampant practice of non-registration of business despite length of years of operation of five (5) to forty-five (45) years. Since the assembly stations and workshops of these establishments are located inside the houses or within the premise of the resident of the owners, business mapping of the local government unit is not commonly conducted in these areas; thus, operating the business without securing proper permits are ongoing.

Personal selling and indirect channel of distribution (active participation of the members of the distribution channel) are common business practices of the business enterprises in terms of promotion mix strategy decision and distribution mix strategy decision, respectively.

There exists a problem on the absence of knowledge on other promotion mix strategies for slipper-making amongst the owners and weakness on the utilization of other distribution mix strategies to access larger market.

Creation of a single market promotion mix strategy decision plan for the slipper-making industry of Gapan City, Nueva Ecija and establishment of an omnichannel solution provides source of actions to help the industry of slipper-making to have sustainable growth and success.

INTRODUCTION

Gapan is a component city in the landlocked province of Nueva Ecija with its city center situated at approximately 15° 19' North, 120° 57' East, in the island of Luzon. (www.philatlas.com). In the report presented in philatlas.com, the Bureau of Local Government Finance of the city, the growth rate on the annual revenue of Gapan for the period 2010 to 2016 has a percentage average of 5.32% recording a Php 481,188,389.06 in 2016 with slipper-making as one of the local income-contributing industries of the city.

The slipper-making industry in Gapan City provides 15,000 people livelihoods from strap-making to delivery of finished products to different parts of the country (Galang, 2010). According to the City Planning and Development Office of the Local Government Unit of Gapan, manufacturing enterprises began in early 1930s with more than one hundred establishments from Barangay Mangino, Pambuan, San Lorenzo, and Sta. Cruz

In the list provided by Department of Trade and Industry of Gapan City for the Shoe City Project, Gapan City has thirty-six (36) registered enterprises at present (Year 2020) engaged with slipper-making from various barangays well-known for the business (Barangays Mangino, Pambuan, San Lorenzo, and Sta. Cruz).

In 2009, the Board of Investments (BOI) presented a report on a 20.9 percent-decrease on the number of establishments engaged with footwear-making industry from 229 establishments in 2005 to 181 in 2009 in Central Luzon or Region III alone. According to the study of the BOI in 2009, most of the owners of the slipper-making establishments are contented with catering to the local market because profit margin is higher, involves lesser paper work, less people to manage and deal with, and absence of pressure on delivery time. The local market relies on direct selling, boutiques, and department stores to sell the finished products.

Region III makes up 17% of the local establishments in the Philippines engaged with slipper-making (www.boi.gov.ph) slippers as the Region's priority or model One Town One Product (OTOP). (www.dti.gov.ph) Priority OTOPs of Region III (Central Luzon) include: Aurora- Sabutan Woven Products; Bataan- Processed Fish; Bulacan- Gowns and Barongs; *Nueva Ecija- Slippers and Sandals*; and, Pampanga- Lanterns. (Source: www.dti.gov.ph)

Hence, with the determination of the government and the micro and small businesses, slipper enterprises in Nueva Ecija need to understand the importance of promotion and distribution strategies for the business sustainable growth and success. Business promoting is an active process which needs to be scrutinized for obtaining the best results expected by the business owners. Utilizing the manpower to the fullest to come up with strategies to promote business is essential to let it flourish.

Marketing offer (products and services) includes different aspects of producing, pricing, promoting, and selling, and placing the right products to the target market. Promotion is a key element in the marketing mix to put across the values and benefits of products and services as brand to the customers. Well-designed distribution and promotional strategies ensure long-term success, bring in more customers, ensure profitability for businesses, and build strong marketing brand.

Promotion, likewise, helps in increasing customer traffic. The more promotion the product, the more knowledge the customers have about the company, hence, increasing the interests on the marketing offers.

Distribution consists of a system of activities related with the transfer of goods and services between manufacturers and end consumers. Promotion and distribution strategies are interrelated. Promotion is the communication tool of a product or service to send to potential buyers the values and benefits they can get out of purchasing and consuming the marketing offer (products and services). Distribution is the element in the marketing mix which makes the product and services available to the buyer at the right time in the right place in most convenient way. Products and services (and their brands) communicated to the potential buyers need also be available to them for purchase at the right time, in the right place, in most convenient way.

This paper as stated, determined to present how the promotional and distribution strategies uses in surviving the OTOP in the Nueva Ecija; whereas, realization process of a marketing strategy of a company lies not only in achieving specific production goals and a proper communication with recipients during realization of the promotion phase. It is constant and very important factor is to provide finished products to customers.

This study identified the various promotion and distribution strategies adopted by the slipper enterprises in Nueva Ecija for selling their products and particularly brought out the most effective technique in promoting and distributing slippers that influence customers shopping decision.

Gapan City, branded as *Tsinelas Capital of the North*, prides itself with locally and hand-made *tsinelas* by local artisans. However, challenges such as diminishing number of registered local slipper manufacturing business enterprises of Gapan City, Nueva Ecija further add to the inherent flaw of the industry by pushing the local industry towards the degenerative path. Because of this, the researcher conducted the study and aimed to describe the slipper-manufacturing enterprises of Gapan City, Nueva Ecija through their promotion and distribution mix strategies which would aid the researcher in recommending actions that would strengthen the slipper-making industry of Nueva Ecija.

RESEARCH LOCALE

Branded as the "*Tsinelas Capital of the North*", Gapan City, Nueva Ecija is where the study is conducted. Considered as an important part of the *Rice Granary of the Philippines*, the City has an annual revenue for the period 2010 to 2016 of Php 481,188,389.06 with a percentage average of 5.32% with slipper-making as one of the local income-contributing industries of the city. (CPDO-LGU of Gapan City)

Included in the study are registered and unregistered slipper manufacturing enterprises in Gapan City, Nueva Ecija. List is provided by the Regional Office Region III of the Department of Trade and Industry (DTI) and the DTI- Gapan City, Nueva Ecija. The list

is from the Shoe City Project of DTI Gapan City. Enterprises are situated in Barangay Mangino, Pambuan, San Lorenzo, San Vicente and Sta. Cruz. The researcher chose the locale based on the prevalence of issues that concerns the research paper.

RESEARCH METHODS

The researcher used descriptive research as method for gathering data in presenting the description of the promotion and distribution mix strategies of slipper-making enterprises in Gapan City, Nueva Ecija.

Descriptive research is concerned with structures, practices, conditions, differences, similarities, or even relationships that exist, opinions, processes, and trends evidently used in presenting facts about nature and the status of everything (Creswell, et.al., 2007). Likewise, it is a systematic scientific inquiry which seeks to build a holistic, largely narrative, description to inform the researcher's understanding of a social or cultural phenomenon.

In this study, descriptive research worked out under a combination of survey questionnaire (consists of checklist, Likert scale and open-ended questionnaires) observations, interviews, and document reviews to describe the current promotion and distribution mix strategy decision of the owners of the business enterprises. Detailed data is gathered through open ended questions asked from the owners of the enterprises that provide direct quotations.

Summary of Findings

1. Profile of the Slipper Manufacturing Enterprises based on:

1.1. Number of Years of Operation

The average length of years of operation of the business enterprises is sixteen (16) years and in operation for about five (5) to forty-five (45) years. No enterprise is included in the study which operates less than five years, registered and unregistered.

1.2. Business Registration

From a total of thirty (30) slipper-manufacturing business enterprises, only fourteen (14) owners registered the business with the Department of Trade and Industry (DTI) but not with the LGU's Business Process and Licensing Office (BPLO). The remaining sixteen (16) enterprises are operating without business license nor permit from DTI, BPLO, and other government agencies regulating and monitoring business operations of this backyard industry and despite of non-registration, these unregistered business enterprises engaged with slipper-making are in operation and earning income.

1.3. Form of Business Organization and Ownership

All business enterprises are in sole proprietorship form of business ownership.

1.4. Membership in Organization

The registered nor the unregistered business enterprises have no active membership in any organization nor cooperative. However, one business enterprise is a member of the City of Gapan Footwear Multipurpose Cooperative, the membership in the cooperative is not an active one.

1.5. Number of Employee/s or Worker/s

Each slipper manufacturing enterprise has an average number of four to five employees working as *mangagawa* and *intradista* and are usually sourced out from family members, relatives, and referrals residing within Gapan City.

1.6. Source/s of Capital

Source of capital majority comes from the owner's personal savings, and others from borrowed funds from relatives, from a bank, and from lending institutions. Based on the interview of the respondents, business capital from personal savings is enough to maintain business operation without plans of expansion.

1.7. Customers/ Buyers and Location

Wholesalers and retailers from Baclaran and Divisoria are active members of the channel of distribution, but all interviewed owners do not engage the business to satisfy single purchase from end users or individual buyers.

2. Promotion Mix Strategy of Slipper Manufacturing Enterprises

Promotion strategies of all slipper-manufacturing enterprises are described in terms of the promotion mix (advertising, sales promotion, personal selling, direct marketing, and public relations) decision.

2.1. Advertising

The use of available medium in the advertising mix such as television advertising, radio advertising, print advertising, outdoor advertising, and virtual advertising is not part of the advertising mix strategy decision of all enterprises. According to all interviewed respondents, they do not need such promotion activities for the enterprises because they view these tools costly for small backyard business and the business is earning enough to sustain its operation without the utilization of advertising mix strategies.

2.2. Sales Promotion

Included in sales promotion extended by the enterprises to the customers are discounts to wholesalers or retailers who buy slippers in bulk, free samples of slippers with various designs, cash refund, and return of items as shown in table 8. However, in this case, the respondents have no provision on the estimate of the total expenditure for sales promotion; thus, actual record of the account is not presented and included in the study. Sales promotion is extended by the manufacturers to customers every order placed and purchased made.

2.3. Personal Selling

All enterprises conduct face-to-face sales transaction to persuade potential customers to buy. In this study, all enterprises conduct personal selling to offer the slippers to potential buyers as shown in table 9, even though no training is given to the persons hired to conduct personal selling. Personal selling is done once by eleven enterprises in its entire operation but conducting such promotion practice annually for the remaining enterprises. However, owners do not record expenditures for doing personal selling.

2.4. Direct Marketing

The researcher asked the slipper manufacturers on their knowledge on other available tools for promotion of the slippers to the market, the respondents have limited to no knowledge on available and suited promotion mix strategy for the business specifically direct marketing. This is evident on the absence of any direct marketing activities of the business enterprises to promote slippers to customers.

2.5. Public Relations

Six (6) registered business enterprises participated in One Town, One Product (OTOP) and trade fairs did not record expenses spent in the said activity and participated into these OTOP-sponsored public relations activities only once in the entire business operation. Enterprises have no active participation in radio shows, television shows nor are not featured on vlogs or blogs, news articles and online streaming as part of public relation activities.

3. Distribution Mix Strategy of Slipper Manufacturing Enterprises

Distribution mix strategy of slipper manufacturing enterprises are described in this study in the following distribution mix decision: placement of orders, processing of orders, channel of distribution, intensity of distribution, and delivery of finished goods.

3.1. Placement of Orders

Placement of orders are only done through telephone call and cellphone call.

3.2. Processing of Orders

Processing of orders to finish slippers takes five to ten days to accomplish and finish one hundred to one hundred twenty pairs of slippers per transaction.

3.3. Channel of Distribution

Manufacturers rely on indirect channel of distribution. In indirect channel of distribution, there exists active presence of wholesaler and retailer as channel members. They are the customers and buyers of the slipper-manufacturing enterprises in Gapan City, Nueva Ecija.

3.4. Intensity of Distribution

Selective distribution approach to sell slippers is the approach utilized by the enterprises for the intensity of distribution. The manufacturers sell slippers to few customers, in this case to few numbers of wholesalers and retailers, to offer the product to the end customer or end user.

3.5. Delivery of Finished Goods

Fourteen owners hire common carriers such as public utility vehicles (PUVs) are to deliver ordered slippers to the buyers. Six of the twenty-one respondents avail service of contract carriers or paid transportation intermediaries to transport and deliver the finished product. One of the twenty-one respondents, however, use his or her owned private carrier (owns trucking). For the 19 enterprises, freight cost is shouldered by the enterprise which manufactured and delivered the slippers, however, two owners let the customers pay for the freight cost. Decision on selection of carrier and mode of transport are left on the side of the slipper manufacturer; thus, bears the risk of damage with a frequency rate of fourteen out of twenty-one. Risks of damage is also placed on the shoulders of customer and chosen carrier with one rate each as shown on table 21.

Based on the interview, the owners described the current distribution mix strategy implemented and practiced by the enterprises lets them manage the business with ease.

4. Effects of Promotion and Distribution Strategies on the Business Enterprise

Current personal selling approach has the most effect on the sales volume (3.78 Most effective) and profit (3.34 Effective) of the business even though no trainings have been provided to the hired people to do the face-to-face selling. However, complete record on incurred expenses for this promotion mix is not maintained; thus, owners have no knowledge on the amount intended for personal selling.

Current sales promotion strategy of the enterprise such as giving discounts, allowances and credit option to wholesaler and retailer scored 2.83 and ranked third with an effective verbal interpretation on sales volume of the business enterprise.

Current distribution strategy of the enterprise is effective on increasing the number of new customers and increasing sales volume of the enterprise; however, builds no loyalty amongst customers as proved by the statement presented on table 22.

5. Problems Encountered by the Business Enterprise

The identified major problems of the slipper manufacturers in relation with product distribution is delay due to shortage of raw materials used for making slippers, shortage on the number of workers to finish orders, and power interruption.

Based on the result of the interview, for problems on delay due to shortage of raw materials, shortage on the number of available workers, and power interruption, the manufacturers requested customers for extension on the delivery of placed orders of pair of slippers and suggested to the researcher that they would want to ask for sources or providers of raw materials needed to make slippers

within the city or nearby cities and provinces. Suggested solution from the respondents is to have an available source of power such as generator set available for them for a fee to continue production despite of power outage to meet deadline of product delivery.

Identified challenges on product promotion is the limited to no knowledge of the business owners on promotion strategies extended to slipper manufacturers in Nueva Ecija and limited knowledge on other promotion mix strategies fit for slipper manufacturing enterprises.

The owners usually follow the promotion mix strategy decision of other manufacturers. Common to their knowledge (and practice) is offering discounts and credit options to the buyers.

With this result, the researcher asked on solutions to this situation. For the manufacturers, they usually do not view this as major problem since the current practice on promotion strategy increases production of finished pair of slippers and yield income enough to sustain operation.

6. Proposed Action Plan for Slipper Manufacturing Enterprises in Gapan City, Nueva Ecija

The proposed action plan by the researcher for the promotion and distribution mix strategy decision are:

6.1. Promotion Mix Strategy Decision

Formation of a Technical Working Group (TWG) whose members are from Provincial Government Unit (PGU) of Nueva Ecija, LGU of Gapan City, DTI-OTOP, DTI Business Management Clinic (BMC), and slipper manufacturers is proposed to conduct a market research for the slipper-manufacturing industry of Gapan City, Nueva Ecija, to hold trainings and workshop for slipper-manufacturing business owners in all business aspects especially on Marketing Management, and, to develop single market Promotion Mix Strategy Decision plan for the slipper-making industry of Gapan City with the title campaign “*Lakad Pilipino, Lokal Suportado*” or “*Use Local, Walk Global*” to strengthen Gapan City’s branding as *Tsinelas* Capital of the North.

6.2. Distribution Mix Strategy Decision

An omnichannel solution called STEP-IN (Solution for *Tsinelas* EntrePinoy In Nueva Ecija) is recommended for creation and adoption by the researcher. This is a unified solution for manufacturers, suppliers of raw materials, members of the distribution channel, and buyers which is a unique omnichannel infrastructure aims to build coherent, aligned experience across multiple platforms. An integration of marketplace and unifies vendor panels to route online orders to OTOP.Ph. providing comfort and convenience to customers, improving business profitability through online visibility and presence of slipper manufacturing enterprises, and progress report tracking of the business by the different government agencies concerned with MSMEs.

Conclusion

Based on the presented findings, the following conclusions are drawn:

1. Establishment of solely owned business engaged with slipper-making which requires a small amount of capitalization is easy to form, so non-registration of business of the owners of slipper-manufacturing enterprises is a rampant practice in the industry for many years. Unregistered businesses are in operation for 5 to 45 years without securing business license and without being caught by the responsible agencies (BIR, BPLO, and DTI) because assembly stations or workshops of the business enterprise is generally located in residential areas in barangays of Mangino, Pambuan, San Lorenzo, San Vicente, and Sta. Cruz as part of the house of the owner of the business.
2. Promotion mix strategy decision strategy of enterprises focuses on transactional tell-and-sell scheme or the sales orientation of marketing management philosophy. This approach aims to convert goods (slippers) to cash and generate sales. Promotion mix strategy decision of the enterprises (personal selling and sales promotion) is a bandwagon effect amongst owners or a psychological phenomenon whereby people do something primarily simply because everyone else is doing it. Business enterprises motivates or “pushes” wholesalers and retailers to buy more from them by extending incentives to these channel members.

3. Placing orders through telephone and cellphone calls are two common, comfortable, and economical ways for the channel members to communicate with the owners of the slipper-making enterprises; however, this may reduce the enterprises potential to be reached by customers via ease of access and communication through online platforms. The enterprise employs indirect channel of distribution involving active participation of the wholesalers, retailers, and salespeople as members in the distribution channel because the business only distributes and sells slippers selectively, which provides owners ease of managing the distribution channel of the business; The manufacturers deliver the slippers using common carriers such as public utility vehicles because these are transportation intermediaries that are always available for hire; Distribution mix strategy of the enterprises is the approach practiced by the business because the income generated from the implementation of the promotion and distribution strategies is enough to sustain business operation. It can be deduced that owners have no plans on business expansion to capacitate larger sales volume and units of production because of the owners selling mindset - the necessity to immediately convert finished products to cash- in contrast with entrepreneurial mindset.
4. Personal selling approach which involves face-to-face sales transaction is practiced by all interviewed 30 enterprises for this approach is common to their knowledge and a common practice of all owners in the industry. Personal selling is practiced by the owners to create instant manufacturer-customer connection. This transaction stimulates buyer interest on the product line of the slipper-makers and instantly builds trust on the maker and seller of the slippers. Slipper manufacturers focuses the current distribution strategy of the enterprise is effective on selective distribution denoting a focus on transactional business approach or converting the finished product to cash rather than on relationship marketing approach or building and maintaining long-term profitable customer relationship.
5. Delay on delivery of slippers to the customers are caused by shortage of raw materials, shortage on the number of available workers, and power interruption. All factors identified by the manufacturers are uncontrollable variables that affect the product distribution. Identified challenges on product promotion is limited to no knowledge of the business owners on promotion mix strategies extended to slipper manufacturers in Nueva Ecija and limited knowledge on other promotion mix strategies fit for slipper manufacturing enterprises. The owners usually follow the promotion mix strategy decision of other manufacturers. Common to their knowledge (and practice) is offering discounts and credit options to the buyers which also brings positive effect on sales volume and business profit.

Recommendation

Based on the findings of the study, recommendations are as follows:

1. Local Barangay Units, BPLO of LGU of Gapan City, DTI-RFU III, DTI Gapan City, and BIR Cabanatuan City should form technical working group (TWG) for the conduct of business (tax) mapping in residential areas in Barangay Mangino, Pambuan, San Lorenzo, and Sta. Cruz, for the conduct of root-cause analysis for such behavior of owners regarding non-registration of business, and for the formation and implementation of one-stop-shop-business registration caravan on wheels where all slipper manufacturers are encouraged to register their businesses. DTI, DICT, and TESDA should create TWG for the formation of database of all local artisans making locally-made slippers in Gapan City and establishment of *Tsinelas* Academy to strengthen and continue local craftsmanship on slipper-making and the creation of Business Management Clinic (BMC) composes of Mangement, Marketing, and Accounting experts from the academic community and industry practitioners as doctors to perform consultation, diagnosis and prognosis (or mentorship) to the registered business enterprises;
2. PGU of Nueva Ecija, LGU of Gapan City, DTI-OTOP-BMC of RFU III, and owners of registered slipper manufacturing enterprises should create Promotion Mix Strategy Plan for the single-market campaign for the slipper-making industry of Gapan City, Nueva Ecija entitled "*Lakad Pilipino, Lokal Suportado*" for the slipper-making industry of Gapan City to strengthen *Tsinelas Capital of the North* branding;
3. PGU of Nueva Ecija, LGU of Gapan City, DTI-OTOP hub of nearby cities and provinces, malls, DOST, DICT, City Engineering Office, CDA, concerned cooperatives, financial institutions, private and public HEIs should form TWG for the creation of STEP-IN or Solution for *Tsinelas EntrePinoy* in Nueva Ecija.
4. Owners of slipper manufacturing enterprises should actively utilize the existing shared service facility (SFF) in the City to avoid

delivery delays of slippers to buyers due power interruption and active use of STEP-IN for the database of local artisans making locally made slippers and database for local suppliers of raw materials for slipper-making within or near the City;

5. The study should be presented by the researcher to the Provincial Government Unit of Nueva Ecija, LGU of Gapan City, and Department of Trade and Industry RFU III of the to address problems and constraints concerning slipper-making industry in Gapan City, Nueva Ecija; and,
6. Other studies on value chain analysis on slipper-making business, human resource development and management aspect of slipper-making enterprises, marketing management aspect of the slipper-manufacturing industry of Gapan City, a study which includes suppliers, wholesalers and retailers as respondents, values and attitude of business owners, succession plan of family-owned slipper manufacturing business, and study on the implementation of the omnichannel solution for the slipper enterprises should be conducted by the researcher of this study or future researchers to create deeper understanding on the slipper-manufacturing industry of Gapan City, Nueva Ecija.

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