THE EFFECT OF CHANGES IN PRODUCT DISTRIBUTION AND PROMOTION IN INCREASING SALES WITH SALESMAN PERFORMANCE AS A MODERATING VARIABLE (A STUDY AT PT. LOREAL MODERN MARKET AREA - EAST JAKARTA-BOGOR)

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ABSTRACT
To attract consumers to make purchases, a company must implement a marketing strategy that is suitable to the market condition. PT L’Oreal is an international beauty brand that has loyal customers in more than 130 countries in the world. In Indonesia, L’Oréal has been present since 1979. Based on data from L’Oreal sales realization in 2017, total sales in the Jabodetabek modern trade area market was not achieved or minus 2% of the target. To increase sales and achieve targets in the following years, restructuring was carried out in the flow of sales distribution activities as well as various promotions, but it did not help much in increasing sales/achieving targets. This research is a cross sectional study aimed to examine the effect of changes in product distribution and promotion in increasing sales with salesman performance as a moderating variable in PT L’Oreal’s modern market area of East Jakarta - Bogor. The population in this study was 50 employees of PT. L'Oreal Modern Market Area - East Jakarta - Bogor and the sampling was done by census technique. Data collection was carried out through questionnaires. The data that has been obtained is then analyzed using the path analysis method. Data were analyzed using STATA software version 13.

KeyWords
Sales, Distribution, Promotion, Salesman Performance, Conceptual Model
INTRODUCTION

To attract consumers to make purchases, a company must implement a marketing strategy that is suitable to the market conditions. The success of a marketing strategy is influenced by several factors namely product, price, promotion, and distribution.

PT L’Oreal is an international beauty brand with loyal customers in more than 130 countries. In Indonesia, L’Oréal has been present since 1979 and is currently managed through two entities, PT L’Oréal Indoneisa, which handles marketing and distribution activities, and PT Yasulor Indonesia, which concentrates in manufacturing. One of the company spearheads in conducting sales is to use a distribution sales team. Lately, there have been a lot of problems in carrying out the distribution sales activities which leads to less significant roles of the salesmen to increase sales at PT L’Oréal.

Based on data from L’Oreal sales realization in 2017, total sales in the Jabodetabek modern market area was not achieved or minus 2% of the target. One of the causes is the unequal distribution of goods to stores that should have been confirmed and carried out by the distribution sales team. The decline in sales also affected the potential areas of Jabodetabek, especially the East Jakarta-Bogor area, as found in L’Oreal Company Report data for 2017 that the sales target was also not achieved.

To increase sales and achieve targets in the following year, Loreal restructured the flow of sales distribution activities. Changes made such as; the division of areas changed from an erratic area to focus on one area; randomly arranged visit schedules are changed to be arranged according to the nearest area; also maximize transaction processing and order negotiations. Various promotions have also been carried out by Loreal in 2017 including discounts, purchase of prizes, special events, etc., but it also did not help much in increasing sales or achieving targets.

Based on the backgrounds above, this conceptual paper was made. This paper aims to examine the effect of changes in product distribution and promotion in increasing sales with the performance of salesmen as moderating variables in PT L’Oreal’s modern market area of East Jakarta - Bogor. This paper consists of Introduction, Literature Review, Hypotheses Development and Research Methodology.

LITERATURE REVIEW

Assauri (2004: 5) argues that sales are human activities that direct to fulfill and satisfy needs and desires through the process of exchange. According to Philip Kotler (2000: 8), sales is a managerial social process where individuals and groups get what they need and want, create, offer and exchange products of value with others. As for several factors that can affect sales activities according to BasuSwastha (1998: 51), including: (1) conditions and the ability of the seller; (2) market conditions; (3) capital; and (4) company organizational conditions.

Goods and services do not flow from producers to consumers automatically, but rather move through distribution channels (Assauri, 2006). According to Assauri (2000:6), distribution channels are institutions that market products in the form of goods and services from producers to consumers. Swasta and Irawan (2000: 295) divide the distribution channel of consumer goods into:

a. Producers to consumers
b. Manufacturers to retailers then to consumers
c. Manufacturers to wholesalers and to retailers then to consumers
d. Manufacturers to agents and retailers then to consumers
e. Manufacturers and agents to wholesalers then to retailers and consumers

Distribution is a channel that is used by producers to deliver products to consumers. Distribution indicators according to Philip Kotler (2009) are marketing channels, sales people (sales distribution), marketing coverage/number of outlets, location/accessibility, and product inventory/completeness.

Promotional activities are carried out in line with the overall marketing plan and are planned to be well directed and controlled, also expected to play a good role in increasing sales and market share. According to Philip Kotler (2005: 264) the promotion mix consists of 5 main tools namely; advertising, sales promotion, personal selling, publicity, and direct marketing. Sales promotion is a form of direct persuasion through the use of various incentives that can be arranged to stimulate product purchases immediately and or increase the amount that customers will buy. Sales promotion is a means to encourage consumers to make purchases of a product or service (Kotler et al, 2007). Hall (1992) suggests that types of sales promotions consist of coupons, deals, premiums, contests, sweepstakes, samples, trading stamps, point of purchase displays, and discounted rebates.

Distribution sales is closely related to territory sales as a very vital part in determining the success or failure of sales, therefore we need a planned strategy in placing distribution sales or sales teams within an area so that it can truly succeed in controlling the market and the region (William J Stanton, 2001). Errors in placing the sales distribution or sales team and the division of work area will have an impact on the swelling cost per sales and the effectiveness of the sales work of the day, which ultimately has an
impact on the distribution and sale of the marketed products. According to Sally E. Lorimer (2000:139), sales territory is a certain geographical area entrusted to a sales distribution by considering the number of customers in each geographical area. In designing the sales territory, it is necessary to consider the potential of the area, the sales workload, distance traveled, geographical conditions, and how to monitor and control the territory (Stanton, 2001).

Salespeople is a group of sales force to support a company's activities (Barker, 1999). Salesman is an individual who represents a company to customers by carrying out one or more activities ranging from finding customers, communicating, selling, serving, collecting information and building relationships with customers (Kotler and Gary, 2008). The indicators of salesmen are: (1) selling products exceeding sales targets; (2) experienced sales growth; (3) achievement of sales targets; (4) selling products quickly; and (5) building good relationships with consumers.

Baldauf (2001) defines salesperson performance as a form of evaluation of salesperson's contributions to achieving organizational goals. The performance of salespeople is one of the important aspects in evaluating overall organizational performance. According to Sujan, Weitz, and Kumar in Kumar, Andrew Petersen, and Rapp et al (2014) sales force performance is formed by five indicators namely; the ability to generate high income, the ability to sell products with high profit margins, the ability to sell above sales targets, the ability to sell new products quickly, and the ability to build relationships with customer/consumer.

Sales force performance is evaluated using factors that are controlled by the sales force itself which is based on the behavior and the results they obtained. Kenneth et al. (1990) provides an instrument for measuring the performance of a company's sales force based on objective and subjective performance measurements. Objectively, sales performance measurement is more focused on sales volume and market share. Meanwhile, the subjective measurements focus more on:

a. customer satisfaction,
b. the ability to listen to customers,
c. the ability to make sales presentations,
d. effectively handling customer needs and desires,
e. the creation of mutual respect in every sales activity,
f. product knowledge,
g. sell to prospective customers,
h. sell important products, and
i. maintain the portion of the market it has.

To obtain sales results, the sales force is involved in various kinds of job responsibilities and activities. Sales force activities related to behavioral performance such as understanding products, building effective relationships, making effective presentations and retaining customers, able to enhance the performance results as a consequence of the effort and expertise possessed. Sales force performance can be measured through the ability to gain a high market share for the company, increase the number of product sales, and the ability to sell products with high profit margins (Barker, 1999). Sujan et al. (1994) explains that the performance of salespeople can be measured through indicators such as the ability of salespeople to contribute to the company in achieving market share, selling new company products quickly and the ability to achieve sales targets.

CONCEPTUAL MODEL

The general objective of this paper is to create a conceptual model for the factors that influence sales at PT L'Oreal Modern Market Area, East Jakarta-Bogor. These general objectives are then broken down into specific objectives. Some of these specific objectives include: (1) the effect of changes in product distribution and promotion on sales; (2) the performance of the seller/salesman conducted in order to increase sales; and (3) the influence when changes in product distribution and promotion of sales are made. Based on some of these specific objectives and the literature review that has been done, the conceptual model that can be generated in this study is as in the following figure.
HYPOTHESIS DEVELOPMENT

1. Relationship of Changes in Product Distribution to Sales
   A research by Yudith (2006) at PT. Expand BerlianMulia shows that selling-in distribution has a positive and significant influence on marketing performance. Another study by Adistya (2016) regarding the selling in distribution model in improving sales performance concluded that communication factors became the dominant factor in increasing sales performance in effective and efficient selling-in distribution. Meanwhile, research by Silviana (2013) shows that distribution channels have a direct influence of 6.95% on product repurchases decisions. Therefore, it can be concluded that:
   H1: Changes in Product Distribution affect Sales

2. Relationship of Promotion to Sales
   Research conducted by Silviana (2013) shows that promotion has a direct influence of 14.82% and an indirect effect of 4.11% in the decision to repurchase products in the form of Wall’s ice cream. Another study by Satrio (2015) showed that promotion had a positive and significant effect on consumer decisions in buying products in the form of a car. Based on this data it can be concluded that:
   H2: Promotion affects Sales

3. Relationship of Changes in Product Distribution and Sales Force Performance on Sales
   Goods and services do not flow from producers to consumers automatically, instead moving through distribution channels (Assauri, 2006). In an effort to smooth the flow of goods and services from producers to consumers, one important element that must be considered is choosing the right distribution channel (Assauri, 2006). Research conducted by Mokalu (2015) in CV. MinahasaMantap Perkasa shows that distribution partially influences sales volume. This is in line with Prasetya’s research (2016) which concluded that distribution channels significantly influence purchasing decisions.
   Sales force is a group of sales force to support company activities (Barker, 1999). Sales force performance is evaluated using factors that are controlled by the sales force itself, which is based on the behavior of the sales force and the results obtained by the sales force. Kenneth et al. (1990) provides an instrument for measuring the performance of a company's sales force based on objec-
ative and subjective performance measurements. Objectively, sales performance measurement is more focused on sales volume and market share. Based on this information, it can be concluded that:

H$_2$: Changes in Product Distribution and Sales Force Performance affect Sales

4. Relationship between Salesman Performance and Promotion to Sales

According to Phillip Kotler (2005: 264), the promotion mix consists of 5 main tools namely, advertising, sales promotion, personal selling, publicity, and direct marketing. Firmansyah (2015) states that the marketing mix strategy (product, price, promotion, and distribution) has significant influence on product purchasing decisions. Other research by Prasetya (2016) also shows that advertising, as part of promotion, has a significant influence on purchasing decisions.

According to Kenneth et al. (1990) one of the subjective measurements of the performance of salespeople focuses on things like; customer satisfaction, the ability to listen to customers, the ability to make sales presentations, sell important products, and so on. Based on these data, it can be concluded that:

H$_4$: Promotion and Salesman Performance influences Sales

METHODOLOGY

This research is a descriptive quantitative study with cross sectional design. The population in this study was 50 employees of PT L’Oreal Modern Market Area - East Jakarta - Bogor. The sample in this study was taken based on census techniques, obtaining a sample size of 50 people.

Data collection methods are carried out through questionnaires. The questionnaire has passed the validation test and reliability test. The data that has been obtained is then analyzed using the path analysis method. Path analysis is an applied form of regression analysis (Frankel and Wallen, 1992 in NidjoSandjojo, 2011:11-12) and it is used to test the likelihood of a causal relationship between three or more variables. Data were analyzed using STATA software version 13.

CONCLUSION

This paper has discussed the background of the problems at PT L’Oreal Modern Market Area - East Jakarta - Bogor; literature review regarding sales, distribution, promotion, salesperson performance, and relationships between them; conceptual model; hypotheses development, and methodology. The methodology uses quantitative method. The implementation of this research will provide information about the relationships between variables that exist in the conceptual model.

REFERENCES


