

## IMPACT EVALUATION OF SWM/SPS DEALERSHIP SYSTEM BY PT SIS TO PT RMBA

<sup>1</sup>Kuswana Rama Destian, <sup>2</sup>David Sukardi Kodrat\*

Ciputra University Surabaya  
INDONESIA

Email: [kuswanarama@gmail.com](mailto:kuswanarama@gmail.com)

### ABSTRACT

*This research is a qualitative research that will evaluate the outcome of the implementation of SWM/SPS System by PT SIS as the principal to PT RMBA as its network. This research will heavily put interview and internal data as its main resource since the implementation of the system have deep impact on both side. Also the interview will be done to 3 top management people from both companies. As the system implementation have a very big impact on PT RMBA's distribution line, sales and its strategy of doing business, this reseach will have a lot of discussion on that matter.*

**Key Words:** Management System, Distribution Line, Sales, Network cooperation, Sales Strategy

### INTRODUCTION

PT Rama Mandiri Bangkit Abadi (hereinafter called PT RMBA) is a company engaged in motorcycle automotive which was established in 1996. PT RMBA used the name CV Rama Mandiri Motor (hereinafter called CV RMM) which do a business cooperation with Yamaha Motor Indonesia as Sub Dealer of PT Surya Timur Sakti Jatim. In its development, CV RMM cooperated with PT Indomobil Sukses International (Now PT Suzuki Indomobil Sales) as a partner of Suzuki Motor Corporation in Indonesia to sell Suzuki motorcycles by becoming a sub dealer of PT Indomobil Jakarta Motor Gemilang (which was then called PT IJMG) in 2002. It was till 2010 when CV RMM Changed the name to PT RMBA n PT SIS started the implementation of SWM/SPS dealership system.

SWM/SPS (Suzuki World Motorcycle/Suzuki Premium Shops) is a system where resellers are given the opportunity to purchase units directly from the factory without having to go through the Main Dealer (Single Agent). The difference between SWM and SPS is from a minimum number of showrooms owned by resellers, where SWM must have at least 7 showrooms and SPS must have at least 2 showrooms.

According to Kotler (2010: 113), distribution channels are an organization-dependent device that is covered in a process that makes the product or service to be used or consumed by consumers or business users. PT SIS tries to improve the quality of its resellers by including distribution cost difference to unit sales profit and spare parts which are expected to increase promotion activities at the local level.

### CONTEXT

Suzuki World Motorcycle and Suzuki Premium Shop or commonly called SWM / SPS are a dealership system in PT SIS applied to the majority of provinces in Indonesia since 2008. SWM/ SPS system is intended to give more power to resellers to make sales and promotions in the certain region. The main change to this SWM / SPS system is cutting the distribution paths up to 2 steps. Before SWM / SPS system is implemented, PT SIS uses dealership-based dealership system. In addition, to conduct supervision of sales and promotion activities, PT SIS established a new division called Regional Office.

Swartz (1985: 488) Saying that the optimal policy form can be complex, at any given time, the number of orders in one or more of the locations varies with time even if all relevant requests and factor costs are time varying. With the introduction of SWM and SPS systems and territorial constraints on the sales and development of the showroom network being abolished, resellers have the opportunity to compete in other areas within the SWM / SPS applied region or called open area policy.

As explained by Kodrat (2009: 23), there are four uses for which this distribution channel influences.

1. Use value form

It is a benefit created by changes of a product. There are not many changes to the value of the form with the change of Suzuki brand distribution line apart from the reduction of the previous postage through the main warehouse dealer and sub dealer.

2. Time value

It is the availability of products when it is needed. At this point, with shorter distribution channels, the availability of goods in the market will be better because the delivery of goods is done directly to SWM / SPS.

3. Use place value

It is the value of the goods or services depending on placement of the store itself. The process of new Suzuki distribution channel experienced a pretty good change with the cutting of postage from the manufacturer to the customer.

4. Use value of property

It is an activity in the ownership of certain goods or services. In the old distribution process, the products move 4 times from the manufacturer, main dealer, sub dealer, to the customer. The new distribution line only have 3 moving process from manufacturer, SWM / SPS to the customer.

From the point value, the change of the distribution system from the main dealer to SWM / SPS does not adversely affect Suzuki's business as a whole. It brings improvements in the distribution of products. However it the principles loss control of certain area which is caused by the open area policy. The change of the distribution channel and the cut off of PT SIS information line is the basis in the form of regional office and the impact on Suzuki reseller problem of Suzuki reseller.

Problems faced by PT RMBA with the implementation of SWM / SPS System

1. Oversupply

Disconnecting the information path and the establishment of RO caused a change in the negotiation of goods delivery initially based on sales capacity to be based on market projection. With the increasing number of motorcycle sales in Indonesia, motorcycle manufacturers are

projected to increase sales every year. As regional supervisors and police, RO leadership always sets unit purchase targets with the expectation of an appropriate sales increase projected by the manufacturer.

## 2. Price and loss war

Price wars are common in business competition when a product or service is competing in one market or adjacent territory. But there are several factors that actually exacerbate the price war in the market share of Suzuki motorcycles.

### - Brokers

Brokers are people who earn income from commissions that are issued by resellers. In the absence of regional restrictions and over supply that occur on the reseller, the broker has the opportunity to conduct a mini commission auction on every transaction.

### - Salesman Broker

Salesman is a person / party who know the work pattern of resellers and brokers. By relying on the knowledge, it is common for salesman from one reseller to be a broker of another reseller. Salesman knows the profit on each transaction. That is the reason why salesman Broker is more dangerous in creating a price war. Due to the ongoing price war and the factory's emphasis on making sales by shipping items beyond the reseller's capacity, it is often the resellers to sell off just to get the funds quickly.

## 3. Decrease in sales

The backward impact of the above problems is that when the reseller has to stop selling loss practices, the sales that usually come from the broker are gradually lost. So also from salesmen who behave brokers. This has a significant impact on sales decline.

## **RESEARCH METHODS**

### **RESEARCH SCOPE**

The scope of this research is limited to business process conducted by PT RMBA related to business cooperation with PT SIS and also the whole business process of PT SIS in sales and promotion of Suzuki motorcycle in East Java area.

### **DATA TYPE**

#### Qualitative Data

Qualitative data used are historical data of PT SIS development and also interview result with relevant source in this case leadership of PT SIS, PT RMBA and East Java Regional Office.

#### Quantitative Data

Quantitative data used are sales data, inventory goods and finance PT RMBA, Regional Office PT SIS and AISI related to the development of Suzuki reseller motor with the period 2013-2015.

### **DATA SOURCE**

#### Primary data

Primary data uses the interview result of PT SIS Director, East java RO's Leader and Chairman of PT RMBA.

#### Secondary Data

Primary data uses historical data of PT SIS development, internal data of PT RMBA, Regional Office of PT SIS and AISI related to sale, availability of goods, finance and promotion.

### **DATA COLLECTION TECHNIQUE**

#### Documentation

Data were collected by collecting data related to sales, availability, finance and promotion of motorcycles owned by PT RMBA, Regional Offices of PT SIS and AISI.

#### Interview

Interviews were conducted with parties directly related to the policy of PT SIS and how PT RMBA accounted from that.

#### RESEARCH INSTRUMENT

The research instrument is a tool used in data collection to make the research becomes systematic and measurable. In this study, research instruments used are as follows:

##### Interview guide

The interview guide is a series of questions that guide the interview in conducting for a series of events or data that can be used in this study.

##### Interviews Code

Coding in qualitative research is intended to be able to organize and systemize data in full and detailed display so the data can bring topic projection. By then, the researcher will be able to find the meaning of data collected.

Documentation of tools and documentation in the form of recordings

Documentation tools and documentation in the form of recording is a collection of data that can be arranged systematically so that it can appear a conclusion that can be read and analyzed.

##### Observation Guide

Direct sensing of events occurring in business conduct over a period of time that can be used in research

#### DATA ANALYSIS TECHNIQUE

Data analysis techniques used in this study were conducted through several processes, namely:

1. Analyze supply issues by formulating negotiations based on supply chain management theory.
2. Analyze the issue of price wars with prices based on competition and reseller profits.
3. Analyze the problem of sales decline with the increasing number of orders and increase the sale of land.
4. Formulate and select alternative problem solving.
5. Conclusions and troubleshooting suggestions.

#### RESEARCH FRAMEWORK

This research is conducted by analyzing the context of problems arising from the implementation of SWM / SPS system and to verify the problems that arise. The context of the problem analyzed in this study is the explanation of the main dealers system and the SWM/ SPS dealership system. To understand the impact, it is necessary to understand what exactly the changes are that occur when the implementation of the new system, especially on the distribution of goods. In addition, in the application of SWM / SPS system, there is a change in the organizational structure of PT SIS that occurs within a short time and also in the form of regional organizations called regional offices. This change will also affect the Suzuki motorcycle business as a whole.

After understanding the context of the problem, to proves the problem felt by PT RMBA with the implementation of SWM/ SPS system. It was proven by the instruments of research which are documentation, interview and observation. A clear picture and verification of problems arising from the application of SWM/ SPS system can be used as the basis for analysis of the findings of alternative solutions that can be taken by PT RMBA. Decision-making on the taken alternatives is done by looking at the proportion of advantages and disadvantages of each alternative.

There are three problems in the context of the existing problems of oversupply, price war, and sales decline. The problems are then analyzed in accordance with the analysis related to the problem.

The problem of over supply in SWM/ SPS is a problem that arises because the policy of purchasing order in which the deciding party is not the seller. Analysis and problem solving through a negotiation process based on supply chain management theory is needed for this problem. Based on the theory, it can be done by the reseller negotiations to PT SIS as a manufacturer to conduct a review to the distribution system of motorcycle units. It is necessary to conduct price policy according to competition among resellers and profits that can be gain from every sale. And on the problem of sales decline, the analysis of the number of orders and land selling need to see aspects that have not been done by PT RMBA.

The results of the analysis of the problems that are based on the existing theories can be used as the basis for determining the problem-solving alternatives. These alternatives are then carried out the assessment of the advantages and disadvantages and assessed which alternative is most positive impact on the development of PT RMBA as a reseller of Suzuki motorcycles.

### **ALTERNATIVE SOLUTIONS**

From the problems faced by PT RMBA with the implementation of SWM/ SPS system, there are 3 problems:

1. Oversupply
2. Price War
3. Decrease in Sales

Based on those three issues, it is necessary to formulate alternative solutions that can answer the three problems. Each problem has an analysis in a different way. On the problem of oversupply, it needs an analysis using negotiation with supply chain management. In the price war issue, it is necessary to conduct a pricing analysis based on competition and profit calculation, and on the problem of sales decline, it is necessary to analyze the expansion for sale and addition of order quantity.

### **SUPPLY CHAIN AMANGEMENT NEGOTIATIONS**

There are two alternative problem solving that PT RMBA can do to solve the over supply problem by using Negotiation on supply chain management. The first way is SWM / SPS collaboration and the second is territory control.

#### **SWM / SPS collaboration**

SWM / SPS collaboration is a dealership system whereby SWM / SPS in an area, for example East Java, together arrange for promotional items and sales policies before proposed or negotiated with PT SIS through regional office. This merging pattern can be done by meeting regularly every month to determine what policies will be taken related to the sale of promotions and the purchasing order. The results of the meeting are then submitted to the regional office and PT SIS and represented by the leadership of the SWM/ SPS which is appointed by the results of collaborative meetings. By uniting a voice in an area, the SWM/ SPS has a higher bargaining power when negotiating.

#### **Mastery of Territory**

The dealership scheme of the main dealer system is unlikely to be returned due to the location of SWM/ SPS mutually overlapping in all regions. But SWM / SPS function can be equated with main dealer by giving control of a region to one SWM/ SPS. By becoming a regional ruler, PT RMBA can gain more bargaining power because sales and promotional activities in that area are only done by PT RMBA.

#### **PRICING BASED ON COMPETITION AND PROFIT CALCULATION**

There are two problem solving alternatives that PT RMBA can do to set prices based on competition and profit calculation. The first is an external price fixing with a price equalization agreement with SWM / SPS throughout East Java and internally by setting a broker fee for each sale made by PT RMBA.

##### **External Price Pricing**

External price pricing by engaging in price equations is an agreement with other SWM / SPS by setting Surabaya area's profit as profit standard. With this price equation, SWM / SPS can focus more on competition to other brands rather than the competition between SWM / SPS itself.

##### **Internal pricing**

Internal pricing by setting the broker fee is a way that can be done by PT RMBA to face price competition that occurred. By doing a fix fee that can be given to the broker and provide a container for the brokers on the move, then they are indirectly in control and maintained. This method can also help PT RMBA increase sales if the brokers form a strong network in the area of PT RMBA. This provision is adjusted nominally in accordance with the value of the merit of a sale and the value is made into a provision that cannot be changed.

#### **SALES EXPANTIONS AND INCREASE THE PURCHASING ORDERS**

The first is the addition of sales by doing business to business sales with sales agencies and sales in a business to customer by establishing or opening a new showroom.

##### **Business to Business (B2B)**

Business to Business sales can be in the form of agency sales performed by PT RMBA to other organizations such as banks, schools or factories. This sale is usually initiated by the announcement of an organization to the surrounding motorcycle salesman about the large purchases that the organization will make. Then the sellers / dealers will send their offer in the hope that the organization will make their purchase on one of the sellers. Unlike sales through leasing, agency sales are sales where Suzuki Honda and Yamaha have the same bargaining power because the main factor is the margin given by the factory that ranges from 9-10%. PT RMBA can increase its sales by forming a new division that is tasked specifically to search for organizations that will make purchases of motorcycles in large quantities.

##### **Business to Customer (B2C)**

B2C sales can be done in many ways one of them is by the addition of new exhibition space inside and outside the selling area of PT RMBA is still in the selling area SWM / SPS East Java. This step will certainly increase sales because with the addition of showrooms then PT RMBA will directly get sales from the area where the showroom was established.

#### **CONCLUSION**

The research conducted in this thesis entitled "Impact Evaluation of SWM/SPS Dealership System by PT SIS to PT RMBA. This study is intended to better understand problems of the system implementation and provide solutions to the problem. Researcher finds various problems related to the implementation of SWM / SPS dealership system by PT SIS to PT RMBA. The problems are:

1. Oversupply

This problem caused PT RMBA to overdrive that occurred after the implementation of SWM / SPS dealership system where the number of goods in the year 2013-2014, not in accordance with the situation in the SWM / SPS.

2. Price and loss war

Price war occurs because of competition between SWM/ SPS caused by the opening of the territory. In addition, the regional office does not set a pricing policy that binds SWM/ SPS. However, this competition not only applies to the same product but also

applies to the exact same product as the competition between SWM/ SPS in selling FU 150 Satria.

3. Decrease in sales

The decline in sales that occurred on Suzuki motorcycles is the instability of PT SIS organization after the implementation of SWM / SPS system. Of course this factor cannot be controlled directly by PT RMBA. However, this sales decline can be overcome by increasing the sale land and increasing the number of orders.

The solutions - solutions to face problems faced by PT. RMBA with the application of SWM / SPS system by PT.SIS among others are:

1. There are 2 alternative problem solving that PT RMBA can do to solve the over supply problem by using Negotiation on supply chain management. The first way is SWM / SPS collaboration and the second is territory control.
2. There are two alternative problem solving that can be done by PT RMBA to set price based on competition and profit calculation. The first is an external price fixing with a price equalization agreement with SWM / SPS throughout East Java and internally by setting a broker fee for each sale made by PT RMBA.
3. There are two alternatives that PT RMBA can make to increase sales with the expansion of the selling area and the addition of the number of orders. The first is the addition of sales by doing business to business sales with sales agencies and sales in a business to customer by establishing or opening a new showroom.

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