

# Overstock Management and Creating Direct Selling Standard Operation Procedure (SOP) to Increase Sales

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**Abstract**— This research discusses about marketing strategies that being run by trainer through business coaching activity to reduce the amount of overstock of Asta Kriya (one of MSME in Indonesia) from the past, increase sales to the MSME and help them to prevent the same overstock in the future. Moreover, to increase Asta Kriya effectiveness in selling their products, trainer also provide them with Direct Selling Standard Operating Procedure as their marketing future direction. To find the constraints experienced by Asta Kriya, trainer conducts direct observation, discussion, and in depth interview with the owner. Data that being collected will be used as a basis in providing strategy to solve MSME's problems.

**Index Terms**— Business Coaching, Customer relationships, Deadstock, Direct Marketing, Direct Selling, Inventory Management, Overstock.

## 1 INTRODUCTION

It is undeniable that Micro, Small and Medium Enterprises (MSMEs) have a large dominance as actors in the economy in Indonesia. MSMEs have a proportion of 99.99% of the total business actors in Indonesia or as many as 56.54 million units (Bank Indonesia, 2015). According to data accessed from Bank Indonesia (2017), MSMEs have a labor absorption rate of around 97% of all national labor and have a contribution to gross domestic product (GDP) of around 57%. Citing data from the Ministry of Cooperatives and SMEs (2017), the contribution of MSMEs to Gross Domestic Product (GDP) reached 57 percent consisting of micro businesses 30.3 percent, small businesses 12.8 percent, and medium businesses 14.5 percent. While the contribution of cooperatives to GDP reaches around 23.12 percent (Metro News, 2017). Thus, it can be concluded that the role of MSMEs is very important in creating jobs and encouraging national economic growth.

Micro, Small and Medium Enterprises have been able to prove their existence in the economy in Indonesia. When the storm of the monetary crisis hit Indonesia in 1998, small and medium scale businesses were relatively able to survive compared to large companies. This is because the majority of small-scale businesses are not too dependent on large capital or external loans in foreign currencies. Therefore, when there are exchange rate fluctuations, large-scale companies that generally deal with foreign currencies are the ones that have the most potential to experience crisis impacts (Bank Indonesia, 2015).

The success of Micro, Small and Medium Enterprises is not only important to improve national and regional economic progress, but also to strengthen Indonesia's position in facing the ASEAN Free Market. According to the Secretary General of ASEAN Cooperation at the Indonesian Ministry of Foreign Affairs, Ashariyadi (2016), the success of MSMEs which are the largest and most dominant business groups in the economy will greatly affect the achievement of the success of the

ASEAN Economic Community (MEA). However, according to the Ministry of Industry of the Republic of Indonesia (2016), access to the Indonesian MSME sector to the supply chain of global production is minimal, where the contribution of MSMEs in Indonesia to the global supply chain is only 0.8 percent.

Asta Kriya is one of the MSMEs in Indonesia which produce Indonesian souvenirs and handicrafts. Asta Kriya was established in May 2000 and has an offline store address at Rempoa Raya Street, South Tangerang. Even though it has an offline store, the purchase Asta Kriya products must go through the pre-order process first, because the products available on the offline store are not always available in the amount that desired by consumers. Asta Kriya has a turnover worth approximately Rp 1.4 billion annually and they runs its business by partnering with several craftsmen from various cities such as Bali, Jogja, Solo, Bandung, Sumedang, Ciamis, Jepara, and Mojokerto. The products offered by Asta Kriya reach more than 200 types with Indonesian culture styles.

Asta Kriya has a major problem in the field of raw material control caused by the ineffective marketing activities of MSMEs. Asta Kriya targeted their consumers in Business to Business (B2B) model, that they targeted large companies that will regularly make special events that require large quantities of souvenirs to be given to guests and speakers on the show. However, there are issues of cancellation and reduction in the number of orders unilaterally from the consumer which results in overstocking the product which has the potential to turn into deadstock. Moreover, Asta Kriya also requires appropriate raw material purchase planning to ensure that the raw materials that will be used are correct according to the products that will be ordered by consumers in the future, considering the number of consumer orders often has large quantities because they come from companies.

In offering and selling its products to prospective customers, Asta Kriya regularly visits companies that are targeted to

be their future consumers. Through this visit, it is expected that Asta Kriya will be able to expand its number of customer to obtain a significant sales increase. However, it is very unfortunate that direct selling activities carried out by Asta Kriya employees have not produced a significant results.

Based on problems that faced by Asta Kriya, this business coaching research aims to implement the right inventory management strategies so that it will reduce Asta Kriya overstock inventory from the past and also to prevent future overstock to be appearing again. In addition, the trainer will make an Standard Operating Procedure as a marketing reference and guidelines in implementing and achieving their targets by effective direct selling.

## 2 FRAMEWORK

### 2.1 MSME Internal Analysis

- Asta Kriya Profile
- Asta Kriya Organization Structure
- Asta Kriya Business Process

The description of MSME business processes is important for understanding their operations comprehensively so that trainer will be able to determine MSME's future strategies.

- B2B Segmentation Analysis

B2B analysis is aims to classify MSME customers and read the behavior of each type of their customer group to predicts their future action on MSME products orders.

- Marketing Mix 7P

There are seven marketing mix analyzes or what are often referred to as marketing mix, which include product, price, place, promotion, people, physical evidence, and process. The success of companies in the field of marketing must be supported by success in at least having the right products, reasonable prices, good distribution channels and effective promotion.

### 2.2 MSME External Analysis

- Business Model Canvas

BMC consists of nine important elements, including key partners, key activities, value propositions, customer relationships, customer segments, key resources, channels, cost structures, and revenue streams. BMC analysis is very important for knowing business potential and establishing strategies in the future.

- Swot Analysis

SWOT is an analytical method used to evaluate the strengths, weaknesses, opportunities, and barriers of MSME/companies both internally and externally to formulate their future strategic planning.

- Tows Strategy

Based on the results of the SWOT analysis above, a TOWS matrix is used to analyze the relationship between the four components of strengths, weaknesses, opportunities, and barriers for the MSME to obtain the right strategy in advancing the company's future position.

### 2.3 MSME GAP Analysis

After going through a series of interviews, observations, and discussions with the owners and employees of Asta Kriya, trainer conducted a gap analysis that aims to compare the actual conditions and ideal conditions at Asta Kriya. From the results of the gap analysis, it can be concluded that there are several common problems that occur in Asta Kriya, namely:

- 1) The amount of deadstock in the warehouse is high and causes management costs to increase.
- 2) Asta Kriya cannot predict customer orders in the future and is difficult to fulfill sudden orders.
- 3) Direct Selling by Company visits are not effective.
- 4) Not maximizing the marketing media to increase sales (website, facebook, instagram).
- 5) Asta Kriya is not maximal in maintaining good relations and communication with consumers, because routine communication is only done through WhatsApp.

## 3 METHODOLOGY

In this whole research and business coaching activity, the founder and also as the owner of Asta Kriya will be the main subject of the research. He is directly responsible for the overall activities at Asta Kriya, so that he is credible to be chosen as this research information resource. Prior to the implementation of business coaching, a framework was formed which was used as a guideline in conducting business coaching on Asta Kriya.

The framework includes direct observation, discussion, and interviews with owners and several employees of MSMEs, so that trainer can choose some data that would be needed in the business coaching process to be analyzed. After these data are being analyzed, problems will be identified that occur or potentially occur at Asta Kriya.

The next step is to make several problem solving proposals for each of the problems that occur. Confirmation to the owner will be made regarding problem solving, to find the best possible solutions of the problem will according to the conditions of Asta Kriya.

The last stage is the implementation of the proposed business coaching strategies that has been chosen to solve MSME problems. If there is a revision in the implementation of business coaching in the middle of the process, the solutions will soon to be revised and confirmed again to the owner so that it can be implemented again.

In this business coaching activity, several data collection techniques were carried out at Asta Kriya to gain an understanding of the conditions and situations of MSMEs. The first data was obtained through intense interviews and discussions with the leadership of Asta Kriya, along with several of its employees, especially in the field of marketing and warehouse management. Interviews and discussions with MSME owners are carried out to explore the problems that exist in MSMEs in the marketing and operational fields. In addition, interviews and discussions with warehouse administrators were conducted to analyze the causes of sales stagnation, accumulation of raw materials in the form of finished and semi-finished goods, and other things that hampered the progress of busi-

ness.

Direct observations were also made on all operational activities at Asta Kriya, ranging from monitoring the production, marketing, warehouse checking, service to customers in offline stores, and the process of delivering products to consumers. In addition to interviews and observations, analysis of secondary data was also obtained by researchers from their owners and employees through owner's approval.

## 4 FINDINGS

### 4.1 Strengths, Weaknesses, Opportunities, dan Threats (SWOT) Analysis

Based on SWOT analysis, trainer found that the deadstock amount in the warehouse is high and causes management costs to increase. This happens because overstock not being sells immediately and in the right ways.

### 4.2 Strengths, Weaknesses, Opportunities, dan Threats (SWOT) and Marketing Mix Analysis

Based on SWOT and Marketing Mix analysis, trainer found that Asta Kriya cannot predict customer orders in the future and is difficult to fulfill sudden orders. this happens because asta kriya do not have a foundation or prediction regarding customer orders based on customer purchase records in the past. In the field of direct marketing, MSME direct selling visits are not effective, this happens because asta kriya does not have SOP Direct selling company visits as a foundation and direction for employees of the marketing and sales division. Moreover, Asta Kriya has not maximizing their marketing media to increase their sales (website, facebook, instagram). The reason is because they do not have marketing planning to publish an attractive design into their social media in order to sell their products.

### 4.3 Business Model Canvas (BMC)

Asta Kriya has not been maximal in maintaining good relations and communication with consumers, because their routine communication is only done through WhatsApp, since they have not maximizing the use of direct communication media.

### 4.3 TOWS Matrix

Based on the TOWS Matrix from SWOT analysis, it can be concluded that Asta Kriya has several advantages and also opportunities that can be utilized by MSMEs to overcome existing weaknesses and threats. Judging from the results of the TOWS analysis, the strategy taken is to manage overstock through sales via email to all customers. What's more, the trainer will analyze the possibility of ordering customer products based on time records and the amount of orders in the past to anticipate sudden bookings and make early offers to customers.

Moreover, trainer will analyze the products ordering possibility of customer based on time records and the amount of orders in the past to anticipate of sudden orders in the future

and to make early offers to customers.

In improving the direct selling systematics, trainer will make a Standard Operating Procedure for direct selling that will provide direction and targets for marketing and sales divisions.

## 5 CONCLUSION

Based on the analysis of Asta Kriya's condition and the result of business coaching activities, it is concluded that the main problems that can be helped to improved, includes:

- 1) The large amount of inventory overstock and deadstock on Asta Kriya.
- 2) The possibility of inventory overstock and deadstock in warehouses in the future because there is no action to anticipate sudden ordering of products.
- 3) There is no SOP to provide direction and increase the direct selling effectiveness of Asta Kriya to the target customers.

In conclusion, trainer applies several strategies in the field of marketing to overcome inventory problems and increase sales by direct selling's company visits.

### 5.1 Deadstock Sales

In implementing marketing strategies to manage inventory and increase sales, the trainer implemented curative solutions to sell deadstock items immediately through email blasts with special themes that will attract consumer interest. The special design for marketing the products to be sold has been made by the trainer to be sent simultaneously to all Asta Kriya registered customer emails.

In addition to e-mails that offer direct sales of various kinds of products, other content are also published is related to the celebration of national holidays. Based on the results of the implementation of product promotion and sales via email blast, the results of products sales that being promoted via email are as follow:

Sold Product	157
Increase in Cash	Rp 140.470.000

Fig. 1. Overall Sales Amount From Promoted Deadstock Products

However, the information about sales above does not only cover deadstock products, but also includes new orders for the same type of product as the deadstock. Therefore, the result of only deadstock sales via email are as follows:

Sold Product	43
Increase in Cash	Rp 41.090.000

Fig. 2. Sales Amount From Only Promoted Deadstock Products That Left Before

Through the table above, it can be seen that the deadstock products promoted via e-mail experience a reduction after

direct marketing to customer e-mails. The amount sold was 43 products or about 27.3% of sales with cash in the amount of Rp 41.090.000.

## 5.2 Customer Retention Program

On the second implementation, trainer want to implement a retention program for customers of Asta Kriya and in order to manage warehouse inventory, a foundation was established for Asta Kriya to make sales offers via telephone. The aim is to maintain their existing customers to remain loyal and able to process customer orders early so it will prevent deadstock in the future. The foundation of the offer will be arranged based on the best customer company category of Asta Kriya.

The success of this strategy can be measured based on their sales significant increase in the following month after July 2018 due to the ability of MSMEs to offer and promote their products to the company after having a foundation in recording customers' monthly purchases in the last three years. The following is a summary of the increase in the total sales of Asta Kriya after the application of the product offering foundation:

No	Months	Total Sales
1	May	Rp 97.100.000
2	June	Rp 35.940.000
3	July	Rp 67.640.000
4	August	Rp 111.315.000
5	September	Rp 142.836.000
6	October	Rp 99.740.000
7	November	Rp 120.840.000

**Fig. 3. Overall Sales Increase After Retention Program**

furthermore, the following is the increase in sales of Asta Kriya only based on special offers to companies that had registered in Asta Kriya's retention program, namely as follows:

No	Months	Total Sales
1	August	Rp 50.050.000
2	September	Rp 98.040.000
3	October	Rp 89.950.000
4	November	Rp 80.505.000

**Fig. 4. Sales Increase Only From Specific Company That Registered In Asta Kriya's Retention Program**

It can be concluded that the retention program managed to retain existing customers, increase sales and increase cash inflows.

## 5.2 Standard operating Procedure

On the third implementation, in order to support the core activities of the marketing and sales division, a Standard Operating Procedure (SOP) was formed which was able to provide systematic and standardization direction for

marketers in direct selling activities. The success of business coaching related to the Standard Operating Procedure will be measured based on the purchase of the new visited company, the high level of communication between the new buyer company and the MSME after the visit, and the results of detailed and systematic visit reports from the marketing and sales division.

## 5.3 Follow-up

The next step that researchers recommend to Asta Kriya as a follow-up in the future is:

1. It is expected that in the future Asta Kriya can have a better overstock management, where MSMEs can act quickly on deadstock that accumulates through sales on social media, direct sales, or through exhibitions.

2. It is expected that Asta Kriya will continue to develop an analysis of the offering base for customers to minimize the potential for deadstock to return, improve the ability to fulfill customer orders faster, minimize sudden orders, and maintain customer loyalty.

3. Keep using SOPs on company visits regularly along with reports on visits and follow-up reports.

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