

Chapter 1

INTRODUCTION

1.1. Background

Nowadays many of Small Medium Enterprise (SME) is growing fast (Dawson et al., 1994), as it can be seen that the number of new business opened is increasing. Opening new business is not as easy as people thought. In addition running and develop the existing business are also difficult as well. Both opening and running the existing business, are required the businessman to know about their target markets, their competitors, and other knowledge which is related to the market research activity. The market, competition, and technology are changes rapidly. Therefore the best way to keep the performance of the existing business consistent is to keep it consistently profitable and consistently on the top of its market. That is where market research comes in. "Market research helps knowing what customer wants now and how their wants are changing. Besides, it also helps the owner fine-tune their business, improving service here, upgrading the signage there, putting a new twist on advertising, all in response to what existing (and potential) customers want" (Doman et al., 2002).

One type of business is called retailer business. Retailer is a business or person that sells tangible or intangible product directly to

the end user. As opposed to a wholesaler, a person or a firm that buys large quantity of goods from various producers or vendors, storage them, and resells to the retailers. Different with distributor, an entity that buys noncompeting products or product lines, warehouses them, and resells them to retailers or direct to the end users or customers (Maratou et al., 2005). Most distributors provide strong manpower and cash support to the supplier or manufacturer's promotional efforts. They usually also provide a range of services (such as product information, estimates, technical supports, after-sales services, credit) to their customers (Kumar, 2011).

Taman Sari Indah (TSI) is one of bicycle distributor in Jogjakarta. Many bicycle brands are provided by TSI. Not only selling bicycle but also selling many other things such as (baby stroller, baby walker, tricycle, until bicycle spare part) are provided by TSI. As a bicycle distributor, one of serious problems which usually faces is the problem of dead stock. Dead stock has impacts on the cash flow, which result in for example insufficient payment to the vendor. In this case, the dead stock happened because of the slow moving bicycles that have not been sold yet while new bicycles are launched already. The owner wants to promote the slow moving bicycles to the reseller in order to reduce the dead stock. Though, the dead stock products causes the insufficient cash flow, therefore the owner wants to improve the cash flow by reducing the dead

stock. However, the owner wants to do the promotion whenever the new product has been launched so as to avoid the dead stock increasing. The owner never promotes the dead stock product before, so the owner does not have any idea about the suitable promotion strategy for slow moving bicycle.

As it was mentioned in the previous paragraph, the distributor has responsibility to make decisions about promotions to resellers. "Besides, promotion impact for a retailer is quite different from promotion impact for a manufacturer" (Hay, 2006). Promotion is a part of market research knowledge. By this condition, knowledge of market research is really needed to be used practically. Market research opens the point of view from one to another suspect. By using market research knowledge, the distributor and reseller are connected each other. The distributor can observe what the reseller wants, what the reseller behaviors are, so that the owner knows the suitable way to promote the bicycle to reseller. Therefore the slow moving bicycles can be sold to the resellers so that reduce the dead stock and improve the cash flow.

1.2. Problem Formulation

Based on the background above, the problem formulation in this thesis is how to formulate the promotion strategy for the slow moving bicycle to resellers, so that the dead stock can be reduced.

1.3. Objectives

The objective in this research is to formulate the promotion strategy for slow moving bicycle in order to reduce the dead stock.

1.4. Scopes of Research

Scopes of this case study are as follow:

- a. The object of the case study is UD Taman Sari Indah Yogyakarta bicycle distributor,
- b. The solutions resulted is valid for period January - July 2013 since the inventory data is taken from period December 2012.

1.5. Research Methodology

The methodology used in this research consists of fourteen steps, namely:

- **Step 1 : Preliminary Study**

The preliminary study includes an interview activity with the owner of UD Taman Sari Indah Yogyakarta bicycle distributor. By having an interview with the owner, it is known the current condition in the observe area in order to get the detail problem and the weaknesses of the system.

- **Step 2 : Focus Group Discussion**

This step is to identify the aspects that form the problems within the company and to determine the issues to be discussed in more detail in this study. Focus group discussion is done in order to receive many opinions and suggestions related to the

problem which are come from the owner, marketing staff, and retailers. The purpose of this step is to gain many opinions and suggestions related to the problem in order to arrange the questionnaire. The next step is to formulate the specific problem so that research can be done.

- Step 3 : Problem Formulation

The problem formulation is purposed to formulate the problem from the result of focus group discussion. By knowing the result from the previous step, many problems appear from different subjects. Those will be connected each other and the key findings will appears.

- Step 4 : Field Study

Field study is conducted to observe the issues that have been determined in the previous stage. The observation on the field study will gather the data from the TSI, such as: dead stock bicycle and personal information of bicycle reseller.

- Step 5 : Literature Review

Literature review is used to find the state-of-the-art from the previous thesis. The result of this literature study is as comparison between the previous thesis and the following thesis.

- Step 6 : Worksheet Analyzing

The worksheet analyzing is one step of Market Research methodology. The worksheet analyzing supports the hypothesis that pointed to the problem observed.

- Step 7 : Hypothesis Summary

From the previous steps, the hypothesis result will be appeared. The validity of the hypothesis will be observed deeply in this step. This step gives the appropriate hypothesis that related to the problem observed.

- Step 8 : Questionnaire Formulation

This step is purposed to formulate the appropriate questionnaire that will be given to the bicycle reseller. On this step, the type of questionnaire and elements of questionnaire should be chosen properly so that the questionnaire will give the appropriate data that supports the problem observed.

- Step 9 : Questionnaire Distribution

This is the step where the questionnaires were distributed to the 70 bicycle reseller which is the site of the population. Bicycle resellers are separated in several areas in Jogjakarta and Central Java. The questionnaires were distributed together on their delivery time. The

resellers filled the questionnaires with one of TSI's marketing person as assistance followed.

- Step 10 : Questionnaire Collection

The questionnaire collecting is the step where the questionnaires were collected from the 70 bicycle resellers which are the site of the population. The questionnaires were collected as soon as they have already filled all of the questions.

- Step 11 : Data Interpretation

This is the step where the questionnaires were interpreted to the statistical data. The data interpretation is supposed to reach a certain number population so that can be represented in to statistical data. Data interpretation makes the reader easier to understand the data by looking at the statistical data.

- Step 12 : Data Generation

The data generation is purposed to generate the questionnaires to the certain classification. The questionnaires were generated into four categories such as: trends, similarities, contradictions, and odd groupings.

- Step 13 : Formulating the Promotion Strategy

At this stage, the results of the questionnaires are really needed to be analyzed. The result of data will be formulated and will be selected to the suitable promotion strategy that reveal from the questionnaire. This step gives the truth for the assumptions which sometimes will replace the old assumption become the new one.

- Step 14 : Conclusion and Recommendation

At this stage, conclusion is made based on the discussion to answer the problem, and to provide suggestions for improvement and to recommend several suggestions for the company further development.

1.6. Flowchart of Research Methodology

