

CHAPTER I

INTRODUCTION

1.1. Background

In a time when purchasing power is weak and competition is stiff, many companies feel it is hard to grow when companies are lucky to simply survive. So, how can a company continue to grow despite the crisis? But on the other sides many companies are emerge and already compete in the market. They believed that Indonesia market is very big related to the number of population. The change of consumer behavior, product life cycle is progressive short and also the technology information is going faster, it is an affect to the competition in order to grab the market.

In formulating of company strategy, marketing mix is an important thing in supporting company objective, through quality of product, effectiveness in promotion activity, the pricing strategy in order to get out from the price war, and setting up the distribution channel as a alternative ways to distribute a product or services to the customer. So, is it only marketing mix to make company can continue to grow? Seminars, experts and marketing gurus tell us that the key word is creativity in marketing mix. Through creativity in marketing mix, so many companies have not only managed to survive, but also to grow and increase their number of customers.

Creativity in marketing mix helps this business to better recognize who their customers really are, and pushes them to meet not only customer needs but also customer desires. Often they manage to create service methods and techniques that customers themselves never imagined. One outlet for creativity is the ability of some companies to focus strategically on being able to provide the best for the customers. Unfortunately, this strategy is not as easy as it sounds. Maintaining loyal customers is a major challenge in this era of stiff competition. Novel gimmicks offered by competitors will pose threats in way never before imagined by marketers. Some companies have even dropped price sharply, creating a domino effect among competitors. Price wars are inevitable, creating a killing field for those that are unable to compete (Andi M. Sadat, 2007)

Some of the best creativity in this era is managing direct selling outlet through new distribution network to end customer and exploring internet marketing in order to give better in service, more reliable, flexible, easy to find, and easy to buy. Direct selling is a channel of retail distribution is which through personal explanation and demonstration by direct sellers, orders for goods and services are obtained in face to face contact with consumers and away from normal retail business premises and normally in the homes of consumers. According to Direct Selling Association (2005), although direct selling companies/organizations (DSOs) may use a wide range of marketing methods, the key difference between direct selling and direct marketing is that, in direct selling, orders are primarily obtained in face to face manner, the products sold by DSOs cover a wide range of personal and household goods. With the exception of fresh foods, large items of furniture and white goods, the range is similar to that sold through department stores. Where today's major retail store groups demand substantial advertising commitments by their suppliers, as a condition for distribution and shelf space, direct selling provides opportunities for new businesses, particularly in niche markets.

The impact of IT and the internet on DSOs that direct selling is all about large numbers of part time direct sellers placing large numbers of relatively small orders on DSOs. In recent years, advances in IT, credit card systems and small order fulfillment have improved the efficiency of DSOs and service to their customers. While the internet has proved to be a major challenge for mail order businesses, the effect on DSOs has, for the following reasons, been wholly positive. Many marketers have been shifting their marketing budgets to the web over the past few years. Marketing online allows company to target specific audiences and easily track return on investment, commonly referred to as ROI. Unlike traditional marketing methods, results of Internet marketing campaigns are almost immediate. This allows company to better evaluate what elements of their campaign are producing results and which are not. When buying online media, a company must be willing to shift their marketing budget to the online methods that produce a positive return (Direct Selling Association, 2005)

In millennium era, there are some phenomenon's that is already and will be happened in Indonesia and will bring a positive effect to the retail industry as a follows:

1. The wave of foreign retail company because Indonesia is a big potential market for a retail market, and then monetary crisis is give a chance for foreign retail company come in with feeble of Rupiah exchange rate, they are very easy to expand the business and buying local retail company in Indonesia.
2. The growth of satellite cities in surrounding of big cities in Indonesia
3. The growth of information technology and usage of mobile phone, home PC and internet access is very high and cheap

The anticipation has to do by local retailer is how to capture an existing opportunity through a good strategy, infrastructure, using resources at the right time, i.e. local retailer has to evaluate the information technology medium and POS system. Technology has already adopted a requirement of the new format of retail industry, especially for e-retailing technology. On the other side, it's very common for Retail Company releasing a new concept of store operation

1.2. Problem Identification

From consumer behavior, the company can learn of how people buy, what they buy, where they buy, when they buy, and why they buy. It is a process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires (Kotler, Ang, Leong, & Tan, 2006)

The growth of foreign retail industry in Indonesia is very fast. They have one stop shopping concept and various other support facilities to consumers, already became serious threat for local retail and also traditional store in Indonesia. Furnimart, in this case as a one of distribution channel from Olympic Furniture Group with home furniture chain store concept, see this condition as a threat and challenge in maintain and grab market specially furniture knockdown retail industry in Indonesia. Furnimart as a convenience store without one stop shopping concept has to compete with modern retail store that we can say as a giant in retail industry

That's way Furnimart has to give a benefit to every consumer and it is an important thing to influence them to come and buy a product in the store. The problems are "How Furnimart can improve sales revenue at any given store". Furnimart realizes with below average sales performance will give negative effect to company performance in this case are profitability and operational cost. So, how can it operational excellence in store Furnimart in accordance with direct selling outlet concept and also marketing strategy and information technology utilization.

1.3. Objective of the Study

Considering Furnimart's business characteristic related to improve sales performance and compete with the other retail company both local and foreign company, this paper attempts to:

1. Develop successful marketing strategies for the purpose to increase sales of a company's specific product line through a formulated marketing approach using Furnimart as the study case.
2. Develop and analyze operational strategy of store Furnimart in order to give the best service, improve consumer traffic and sales revenue and also make positive affects at store image or awareness
3. Investigate Furnimart as a modern home furniture chain store is the best solution of distribution channel and be combined with marketing strategy and information technology in order to reach unlimited customer.

1.4. Method of the Study

This business plan is written using a problem solving analysis in which the problem solving is concentrated on actual activity that encountered by Furnimart, and support the analysis by all related and relevant data and information gathered. All data and information are then analyzed and concluded.

Data and information of this business plan consist of primary and secondary data. The primary data will be obtained from interviews and consultation with internal parties directly involved, i.e. the management of Furnimart, as well as other parties: store manager and regional officer. Meanwhile, secondary data will be

obtained from several available sources of reference and literatures such as textbooks, newspaper, some articles from magazines, and from the internet that relevant to this topic.

1.5. Outline of the Business Plan

This business plan is presented in five chapters, each chapter having its own analyzing care as follows:

CHAPTER I – INTRODUCTION

The introductory chapter gives a general picture of business environment, the problem of company in facing competitive era, some strategy of Olympic Furniture in this case is strategy of the Furnimart in developing and maintaining customer / new customer through direct selling outlet and optimally information technology, the objective of the study, method of the study used and the outline of this business plan.

CHAPTER II – THEORETICAL BACKGROUND

This chapter presents the theoretical aspect of formulated marketing which comprises the basic elements necessary to develop the proposed marketing strategy model suitable for the case of Furnimart and SWOT analysis. It is expected that these theories will help towards the solution of the problem faced by the Furnimart, i.e. determining the correct marketing mix strategy in order to compete in the market, strategy of direct selling outlet of the Furnimart, how to manage store of Furnimart more effective and become well known in the market, and also use technology as promotional tools to reach the market.

CHAPTER III – FURNIMART BRIEF PROFILE

The discussion presented is a general picture and history of the company, i.e. Furnimart as a part of Olympic Group and focus on direct selling outlet.

CHAPTER IV – FURNIMART RETAIL STRATEGIC DEVELOPMENT

This chapter describes the analysis of market development, including illustrates development of marketing strategy for Furnimart, distribution centre

development, and the analysis of cost and benefit. This analysis and solution are then linked to the theory that already discussed in the chapter II.

CHAPTER V – CONCLUSIONS AND RECOMMENDATIONS

The various inputs on determining the best direct selling and marketing strategy as an alternative in solving the problem and continue to grow, are presented in the form of recommendation for improving the Furnimart.

