

## **Sales Financial Problems in the Retail Company in Indonesia Market**

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### **Abstract**

This research is expected to produce an insight for the actors of the pest-control market that cause a decline in categories and increase in other categories. With the current economic conditions, where the problems that can be seen are what causes the decline in the Pest-Control category, and the decline in the Pest-Control category is it caused by increases in other categories? The research method in this paper is empirical methods and case studies. The closing of outlets and the decline in profits of retail companies has recently become a hot topic in Indonesia. One of the biggest losses was the Hypermart group even though Hypermart itself is the largest private retail company in Indonesia with 117 stores throughout Indonesia. With this decline, it is tantamount to reflecting the decline in the retail industry throughout Indonesia. This decrease was caused by a decline in sales of several categories in the retail world such as pest control, household, electronic, etc.. However, if one of the deepest decreases is seen in the pest-control category, nationally it can be said to decline by 18% (Nielsen Research Study 2017). This decline became a question material, especially when companies selling pest-control products made massive price cuts. The expected corporate strategy succeeded in failing because of this phenomenon. Analysis was carried out by various groups and said there was a decline in people's purchasing power and the existence of a new platform, namely the online platform. However, this analysis has not been proven to be as true as percent because there are still many arguments related to this phenomenon.

**Keyword:** *Retail, Pest Control, Consumer, Sales*

## **1. Research Background**

The change in the technical era in 2017 was felt by everyone and became news, talk material, debate for economic observers, entrepreneurs, and the government itself. This technical change has transformed the retail world into a digital world. This is evidenced by the existence of a variety of new digital-based trading platforms to leave the old way of trading. This change is said to make the company or retail businessmen experience losses due to a decrease in sales due to customers preferring to conduct transactions through non-traditional online platforms as usual (Rogers, Lembke, and Benardino; 2013). If you look at shops that have become the pride of cellphone, clothing, and other retail items such as in Mangga Dua, Tanah Abang, to well-known stores such as Matahari group and Hypermart group, they all feel a significant decline in sales, forcing them to close their shop or do cost-saving.

This phenomenon for economic analysts assumed that it is caused by a digital changes, with the presence of online or digital platforms, customers are easier to make transactions compared to physical stores (Bernon, Cullen, and Gorst; 2016). However, when viewed by statistical data by BPS in 2017, the increase in sales by online platforms and the decline in retail sales in physical stores did not match up because of a decrease in sales deeper than the increase in digital sales (Netemeyer, and Maxham ;2007). So that the decline in sales occurs because there are other factors (Miller, Reardon, and McCorkle;1999).

From the large retail industry and there are various categories, not all categories experience a decline in sales such as the food and milk categories (Bernon, Rossi, and Cullen; 2011). Whereas for the non-food category, especially the Pest Control category, sales declined significantly compared to the previous year. In fact, with uncertain rain and dry weather, (Mendès, and Cardoso;2006) it is a great opportunity for pest-control businesses to benefit because in situations like these animals such as mosquitoes, cockroaches and other insects are more numerous than in previous months (Wang. Liu, andWei 2012).

## **2. Research Method**

### **2.1 Consumer Behavior**

Consumer theory is used to explain and predict products that will be chosen by consumers (households) at the level of income, ( Hinfelaar, and Kasper; 2001)) the price of the item, the price of substitute goods, and tastes. This theory is also used to obtain the demand curve. The approaches used in analyzing the determination of consumer choices are two principles, namely: Ranking principle: consumers rank the available alternatives. And choose well and bad (Murillo-Zamorano, and Vega-Cervera; 2001). This principle can be used in two conditions, namely (Wu, et all; 2016):(i) Completeness: In recent years, consumers have preferred to shop for pest-control items from other house hold products.(ii) Transitivity / Productivity: If someone chooses pest-control products rather than using other house hold products, and prefers the food category rather than choosing to buy food products, consumers will certainly choose to buy food products rather than buying pest-control products.Choice Principles: From all available options, consumers will.Choose the highest order / rank. For example, as a student, I would use on-line transportation more often than a private vehicle because there would be a lot of enjoyment using on-line transportation (Maxham, . Netemeyer, and Lichtenstein; 2008)

### **2.2 Hypothesis**

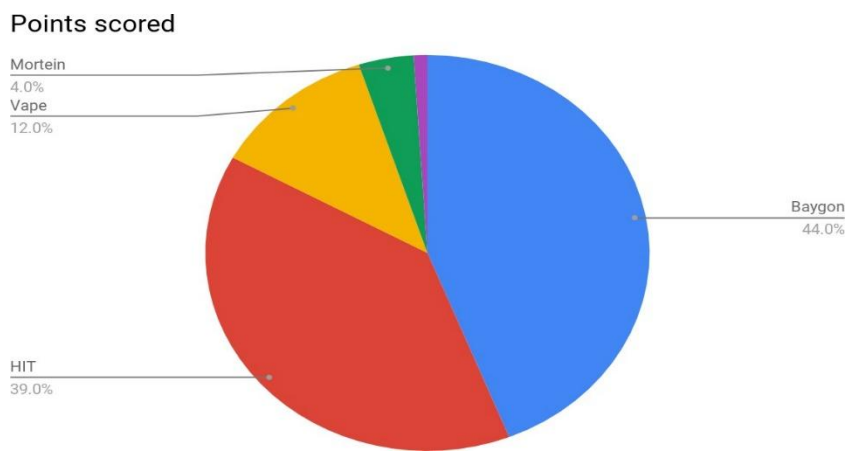
The hypothesis of this research is that in the condition of society, the current decline in sales of pest-control products is caused by the shift in consumer preferences that previously bought and used pest-control products in their current conditions. They tend to use their

money for other purposes and ranking the needs of pest-control products. downhill.

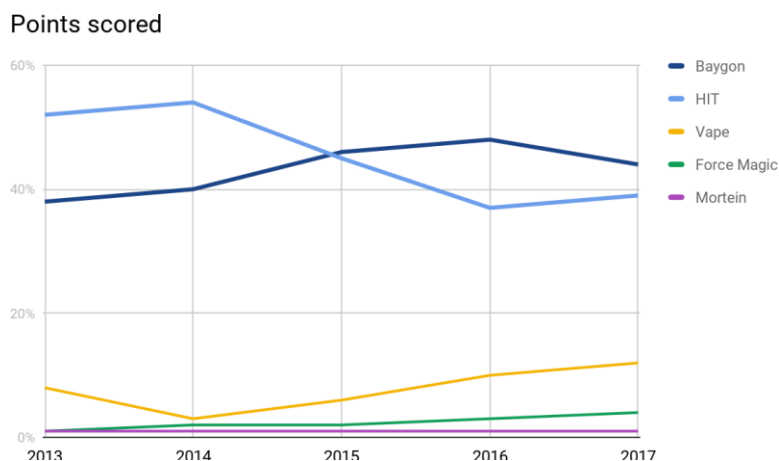
### 3. Result and Discussion

#### 4.1 Internal Analysis of the Pest-Control Market

Indonesia is a country with a tropical climate and tends to change every year. This environmental situation is one of the reasons why Indonesia is a highly-developed Pest-Control market in the World. This is also indicated by global brands that enter the Pest-Control market in Indonesia. These brands are Baygon, HIT, Vape, Mortein, and Force Magic. If in terms of market share, the spread of the market can be seen as follows:



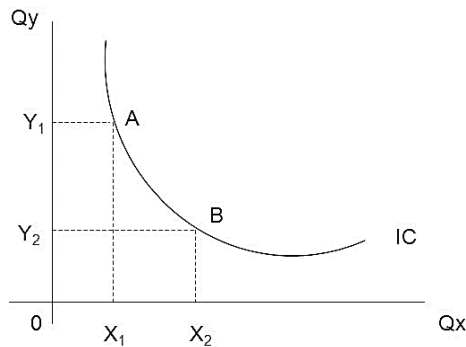
It can be seen that Baygon is the market leader in Pest-Control market but what is not obtained from the graph is. How can Baygon be the market leader? To become a Market Leader, we must be able to get to know consumers first. Therefore, we will use the theory of consumer behavior in this case. Previously, we saw a market share history from the Pest-Control category in Indonesia.



It can be seen; Baygon is not a market leader in 2013 - 2014. Baygon lost to HIT when viewed from market share. Then why can Baygon be the market leader? In the consumer theory that has been elaborated above, there are 2 principles. In 2013, HIT set a cheaper price and HIT innovation was far more creative than Baygon. If seen from an economic principle, it

would look like this: The principle of ranking, according to consumers, consumers will choose HIT compared to Baygon; Vape compared to Force Magic. The Choices Principle, Consumers will immediately choose HIT compared to Baygon.

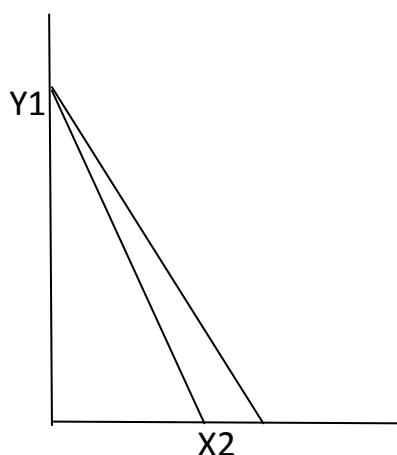
So what is the basis of consumers in choosing the brand? According to Nielsen's research, Market Pest Control is a market that very price sensitive so that a slight price change will change demand so that it can be stated for Pest-control products as Elastins. In theory and research, this is also used by Baygon Marketing in developing strategies into winning Market shares in the Indonesian Pest Control Market. If we connect in the principle of consumer behavior, how will it relate to the indifference curve, then it will be seen in this curve?



Point A curve above, shows the level of satisfaction of pest-control consumers in the use of the Baygon brand and Point B is the HIT brand. It can be seen as the price of cheap goods that will make high demand and great satisfaction. Point B is basically a Baygon Point in 2013 where Baygon was not a market leader and Baygon did not think of price issues so at that time the price of Baygon was higher than HIT. With Baygon prices higher than HIT, consumers prefer HIT over Baygon.

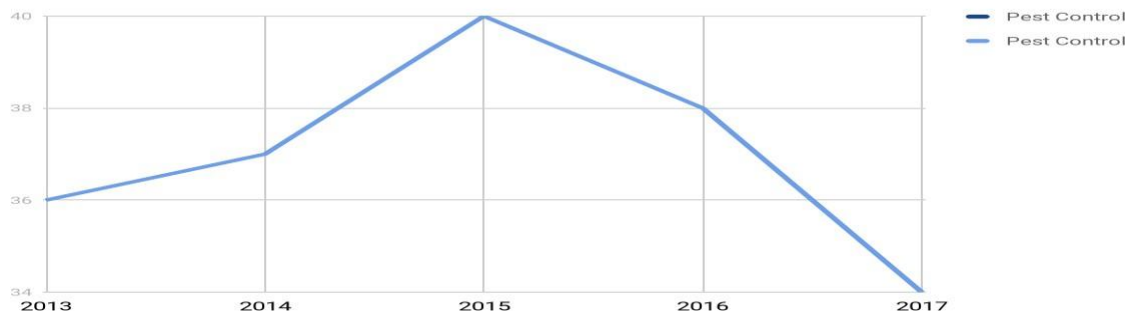
With this curve, the sales and marketing of FCMG (Fast Moving Consumer Goods) companies can determine the prices for their products in order to win market share. However, if their market not price sensitive or not elastic, the price change will not significantly attract consumers. It can be further analyzed into the value factor of the product, brand awareness such as increasing the frequency of advertisements or with humanitarian and environmental campaigns.

### Budget Curve



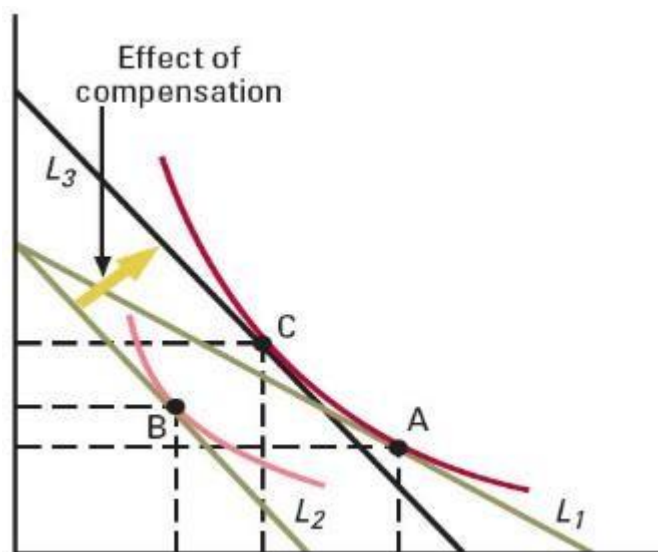
When viewed in the Budget Curve, the nature of the budget in Market Pest Control is different from other categories. Why? When there are cheaper price changes, it will not add more budget for purchasing pest-control products, but the budget will be smaller. Why? Because basically pest control is a product that is avoided by the community because the active ingredients tend to be dangerous. The public will buy Pest-Control products if and only needed. The price decline will not make a request to add but will win consumers from other brands instead of adding consumers who do not use pest control to buy pest-control products.

Points scored



In the Graph, it can be seen that the demand for Pest Control is at the peak of 2015 when there was an issue of zika virus in the community. However, in 2016 and 2017 when there was no issue of the zika virus again, demand declined. This proves that the demand for pest-control products is seasonal and is not a product used by everyday people.

### Price Compensation



If Pest-Control Products are items that are price sensitive and require low prices in order to gain market share, capital and a large budget will be needed in conducting

promotions (Nielsen; 2017). Because the current competition for pest-control products has become a price war and is in an unhealthy condition because basically the price is currently set below the margin price. So the company sells at a loss price (Nielsen; 2017). So how do you get healthy? Companies must increase the price of their products. However, if you increase product prices, the company will lose consumers and market share because their satisfaction decreases. How to handle it? One way to overcome price changes is to give gifts to certain products. When viewed as a graph. If the price is initially sold at point B, then the price rises and change to point C. To make satisfaction at point c is to give a gift such as cross category or with its own product.

#### 4.2 Categories of Pest Control compared to other products.

Economists have analyzed several times that there is a decline in people's purchasing power; this can be argued with the graph below. It can be seen clearly that there is an increase in household consumption in the second quarter of 2017, and if you look at historical data, consumption will increase in the third quarter and 4th quarter of 2017. This proves the decline in sales is not due to the ability of the community to buy.



Source: IPSOS

Based on the IPSOS Marketing survey results, you can see the current shopping trends. At this time, retail customers only set aside 8% for pest-control products and in the most buy top category, pest-control products are not included in the category of most demand by consumers. This results in some temporary results such as a decrease in sales in Pest Control not because of a decrease in purchasing power or inflation, while an increase in household consumption tends to increase until the end of the year. The temporary results are pest-control products, which tend to be ranked carried over in the theory of consumer consumption (ranking principle) making people not going to buy pest control if not needed.

If seen in the graph of consumer spending, it can be seen that the public now has a downward trend towards consumption and a rising trend for savings. This proves the initial hypothesis that when there is an increase in income, the tendency of people to consume or spend less is because they have allocated it to other places or other categories. In this case, it can be seen that the money is allocated to savings.

From the data above, it can be seen that there is a decline in the processing and trade industry sectors. Where it includes retail companies and pest-control categories, it can be

concluded that there are changes in the transition from retail to other sectors.

#### 4. Conclusion

Based on the results of the analysis of the decline in retail, especially pest control, it was not caused by a decrease in income and inflation during 2017, on the contrary, the income and purchasing power tended to increase in 2017. After analysis, the decline in retail and pest-control categories was caused by shifting people's preferences with the theory of consumer behavior, it can be seen that the pest-control category has decreased ranking in their shopping list. Inflation and public purchasing power, in 2017 where there was a phenomenon of a decline in retail sales in Indonesia if it was associated with inflation in Indonesia where Indonesia's inflation level could be said to be stable and not as high as in previous years and supported by increasing public purchasing power as evidenced by the increase in Indonesia's gross national income, this gives a temporary hypothesis that people are able and have the resources to spend more so basically retail sales fall not because of a decrease in purchasing power and inflation.

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Nielsen, Market Share Research 2017

Nielsen, Consumer Insight 2017

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