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## Distribution channel strategy analysis at pt. rajawali nusindo Medan branch

Bima Adiguna Nasution<sup>1</sup>, Arisdifa Kurnia Kaban<sup>2</sup>

<sup>1,2</sup> Rajawali Nusindo Medan Branch, Indonesia

Corresponding Author: **Bima Adiguna Nasution**

### Abstract

A good distribution channel will affect customer interest, if customers are satisfied with service and inventory, it will increase sales for the company. In order for sales to continue to increase, it is necessary to have a strategy that is carried out and that strategy must be carried out efficiently and effectively in good distribution distribution because it will have a quick effect on the sales of a company. A company

needs good and adequate distribution channels so that the distribution channels are carried out optimally. PT. Rajawali Nusindo is a company engaged in the distribution of pharmaceutical products. PT. Rajawali Nusindo is also equipped with various good and complete infrastructure and facilities as a form of implementation of the Good Drug Distribution Method (CDOB) program.

**Keywords:** Channels, Distribution, Marketing, Management

### 1. Introduction

Distributing and marketing products evenly is part of increasing a profit. A good distribution channel will affect customer interest, if customers are satisfied with service and inventory, it will increase sales for the company. In order for sales to continue to increase, it is necessary to have a strategy that is carried out and that strategy must be carried out efficiently and effectively in good distribution distribution because it will have a quick effect on the sales of a company. And these goods must arrive in the hands of consumers in good condition.

According to Kotler, distribution channel is an institution or company that works together in distributing goods or services from producers to consumers that are ready to be used for consumption. A company needs good and adequate distribution channels so that the distribution channels are carried out optimally. If the distribution of products can be marketed widely, of course, it can get a lot of consumers, so that it can increase sales to the company.

PT. Rajawali Nusindo is a company engaged in the distribution of pharmaceutical products. As a distribution company, PT. Rajawali Nusindo is also equipped with various good and complete infrastructure and facilities as a form of implementation of the good drug distribution method (CDOB) program, so that every product distributed is guaranteed quality.

PT. Rajawali Nusindo is a subsidiary of PT. Rajawali Nusantara Indonesia which was formed to support the smooth operation of products produced both export and local, such as warehousing of medicines / medical devices, selling sugar, CPO (Crude Palm Oil), tea and so on. in its development, as an independent company, PT. Rajawali Nusindo in marketing its products and has divisions in marketing, namely distribution, marketing and trading.

PT. Rajawali Nusindo has 43 branches throughout Indonesia, in increasing a sales business there are 4 criteria in assessing branch assignments, namely main, intermediate, prime, and pioneer. which has the performance and potential in the respective areas produced by the branch of PT. Rajawali Nusindo. PT. Rajawali Nusindo Medan branch is one of the branches that has business scale indicators > 140 billion / year, so it can be categorized as main branch achievement.

**Table 1.1:** Sales of PT. Rajawali Nusindo

Year	Sales results
2016	79,442,470,181
2017	75,144,136,888
2018	70,350,043,413

*Source:* Accounting and Financial Data of PT. Rajawali Nusindo Medan

Judging from the annual sales data from 2016 to 2018, the number of sales results in 2017 and 2018 has decreased, due to PT. Rajawali Nusindo no longer works with principals such as Goodwill, Phaprosh Inhealth, as well as some customers who do not order products with companies, such as Admeco E-Cat, Smiths Vascular Access (IV), or are unable to compete with other companies in entering the goods needed by companies customer. In addition, some product groups were no longer sold in 2017 and 2018, this was due to low consumer demand so they did not order these products, thus reducing the sales of PT. Rajawali Nusindo per year. If the decline in sales revenue each year continues, there will be a decrease in the assessment of the Medan branch establishment.

The purpose of this research is to find out directly how the distribution strategy carried out by PT. Rajawali Nusindo, knowing the effectiveness of distribution channels in increasing sales results at PT. Rajawali Nusindo.

## 2. Literature Review

### 2.1 Strategy

According to Fandy Tjiptono (2008) strategy is defined as a pattern, response, or organizational response to its environment over time. Every organization must have a strategy, even though the strategy has never been formulated explicitly. This view is applied to managers who are reactive, that is, only passively adjusting to the environment when needed.

In general, Ernie Trisnawati and Kurniawan Saefullah (2005) explain that a strategy has strategic components that are always considered in determining the strategy to be implemented. When these components are different competencies, scope, and distribution of resources.

### 2.2 Distribution

Distribution can simply be interpreted as the activity of a company or producer in facilitating and facilitating the delivery of goods or services from producers to consumers. According to The American Marketing Association in the book *Modern Marketing Management* by Basu Swastha, a channel is a structure of an organizational unit within the company and outside the company consisting of agents, dealers, wholesalers and retailers, through a commodity, product, or service is marketed. Meanwhile, the distribution channel according to Fandy Tjiptono defines as a series of organizational participation that performs all the functions needed to deliver products / services from the seller to the final buyer.

Distribution is very important in the marketing system because an effective and efficient distribution can accelerate the goods to consumers. Every company should be able to perform this distribution function so that it can spur the economy of the community.

### 2.3 Distribution Channel

A company can determine the distribution of its products through wholesalers or distributors, who distribute it to intermediate traders or sub-distributors and pass it on to retailers, then sell to users or consumers. However, companies can directly sell their products to medium-sized traders or sub-distributors as well as retailers and large consumers under certain special circumstances.

The shape of the distribution channel pattern can be divided into.

- Direct Channel: Producer direct to consumers
- Indirect Channel
  - a. Manufacturers to retailers then to consumers
  - b. Producers to large / medium traders then to retailers then to consumers
  - c. Producers to wholesalers, then to intermediate traders, then to retailers then to consumers.

Distribution channels are needed by every company, because producers produce products by providing formality for consumers after they reach their hands, while the channeling agency forms or provides use of time, place, and ownership of the product. Thus, every producer in producing products to meet consumer needs should be able to adjust to the time when and where the product is needed and by whom the product is needed.

Distribution channels are needed because there are differences that cause gaps between production and consumption or producers and consumers. These gaps can be in the form of differences in geographic location, time or other things.

## 3. Discussion

The strategy carried out by PT. Rajawali Nusindo Medan Branch is an indirect distribution channel. The Company uses intermediaries and agents to distribute goods / services to consumers.

Differential marketing strategy is the strategy carried out by PT. Rajawali Nusindo Medan branch as a drug distributor in its marketing activities. There are three markets, namely.

- a. Producer Market, where the buying market reprocesses it with a doctor's prescription and then distributes it to consumers. For example, a pharmacy.
- b. The Government Market, where the buying markets are financed by the government through the APBN or APBD. For example, the Government Hospital.
- c. Seller Market where the buying market directly sells to consumers. For example, a drugstore.

### 3.1 The effectiveness of distribution channels in increasing sales results at PT. Rajawali Nusindo Medan Branch.

The effectiveness of distribution channels can be seen from the evaluation of distribution channels for market coverage, cost, and control. By looking at the third side, it can describe a sales result that has a good effect.

#### a. Analysis of the market coverage

*Coverage area* is one of the things that determines a company has a number of outlets in the distribution of products and affects the sales results to increase or not. In terms of coverage the market is a network that can be controlled by a company in distributing its products to various regions, an increase in the number of customers is seen from how many partners are in an area, coverage the market is one form of the success of a company in achieving sales results high, if the company can control market share in various regions, the sales and grad of the company will increase and are classified as the main branch. In 2016 to 2018 PT. Rajawali Nusindo

Medan Branch has a total of 1,241 customers. With so many customers, the company must be able to set targets in

achieving high sales results so that the grad does not decrease.

**Table 3.1:** Classification Branch of PT. Rajawali Nusindo

No.	Branch	Long	New
1	Main	Total sales > IDR 40 billion	Total routine market > IDR 40 billion
2	Madya	Total sales > IDR 20 billion up to IDR 40 billion	The total routine market is > IDR 25 billion to IDR 40 billion
3	Prime	Total sales > IDR 10 billion up to IDR 20 billion	The total routine market is > IDR 10 billion to IDR 25 billion
4	Pioneer	Total sales > IDR 10 billion	total routine market up to IDR 10 billion

**Source:** Decree of the Board of Directors of RN

In the above classification, in the distribution of pharmaceutical products, PT. Rajawali Nusindo Medan Branch has an amount > IDR 40 billion / year. This achievement was PT. Rajawali Nusindo Medan Branch is the main branch classification. If sales decline every year in the future, it can be ascertained that the classification of the branch of PT. Rajawali Nusindo Medan Branch will decline, could be intermediate, prime, or pioneer, because the sales do not reach the predetermined target. However, if the sales proceeds of PT. Rajawali Nusindo Medan Branch continues to experience increases or more than the predetermined average, so PT. Rajawali Nusindo Medan Branch is still categorized as the main branch grad.

When viewed from the sales results of PT. Rajawali Nusindo Medan Branch which has a branch classification grad, this shows that PT. Rajawali Nusindo Medan Branch still has the opportunity to maintain the grad as the main branch with high turnover results.

#### **b. Cost Analysis**

Cost analysis is to consider the costs involved in determining the selected distribution path. In terms of cost, cost savings are minimized by companies in distributing their products to various retailers such as hospitals, health offices, pharmacies, drug stores and so on. PT. Rajawali Nusindo Medan Branch by having a fleet or transportation to distribute to various customers such as shipping goods.

#### **c. Control Analysis**

*Channel control* is how far the company wants to have influence on customers in marketing activities (especially in promotion and distribution activities). In other words, how far the company wants to get market share in the market.

If the company's achievement continues to decline, the company's future is not guaranteed or it will go bankrupt. Determination of the most appropriate target for the achievement of sales results which is one of the things that can be done by the company as a target which will be visited in distributing its products, with that target achievement can be accomplished by and can improve service to customers.

#### **4. Conclusion**

**Some of the conclusions that can be conveyed are as follows**

1. The distribution channel strategy used by PT. Rajawali Nusindo is an intensive distribution strategy, PT. Rajawali Nusindo sells and distributes its goods to various outlets in any area, especially in the Medan branch, to approach retailers in distributing its products. The type of distribution channel used by PT. Rajawali Nusindo Medan Branch is an indirect distribution channel, PT. Rajawali Nusindo Medan Branch is a distributor agent in distributing its products to various resellers (hospitals, health offices, pharmacies, drug stores, etc.) and can be resold to the end consumer.

2. The effectiveness of distribution channels at PT. Rajawali Nusindo Medan Branch can be seen from the side of market coverage, cost, and control has not been optimal in increasing sales results. In terms of market coverage, the company's sales have decreased. In terms of cost, the need for an operational team in distributing products to customers so that customers do not run to competing companies, and can improve the company's performance in completing the administrative process after the letter enters the company. From the control side, there is a lack of evaluation of the distribution of goods carried out by the operational team in achieving company targets.

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