FACTORS THAT AFFECT THE SALES PERFORMANCE OF PT SKP
(A CASE STUDY OF SALES FORCE OF MOORLIFE INDONESIA IN JABODETABEK)

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ABSTRACT

This study discusses the factors that affect the performance of sales in the direct selling business in PT Srirara Kanaka Pratama (PT SKP). Direct selling is part of a growing sector of small and medium businesses, especially in creating alternative jobs. The purpose of this study was to identify and analyze the main factors that affect the performance of sales in PT SKP in Jabodetabek area and formulate its managerial implications. This study used a descriptive analysis to look at the characteristics of the respondent and a multiple linear regression analysis to identify factors that affect the sales performance in PT SKP. The number of respondents in this study is 60 active members. The study results showed that the factors affecting the sales performance in PT SKP are incentives and rewards from sold products. For the managerial implementation in order to improve the sales performance of its members, PT SKP will provide more interesting incentives or bonuses and increase the number of members who receive bonuses as well as the amount of bonuses by creating programs and activities supporting such a condition. It will also create more attractive products of higher selling power as a reward to increase the motivation of members in order to increase sales.

Keywords: direct selling, sales performance, multiple linear regression, PT SKP

ABSTRAK

Studi ini membahas faktor-faktor yang memengaruhi kinerja penjualan pada bisnis direct selling di PT Srirara Kanaka Pratama (PT SKP). Bisnis direct selling merupakan bagian dari pertumbuhan sektor usaha kecil dan menengah terutama dalam menciptakan lapangan kerja alternatif. Tujuan dari penelitian ini adalah mengidentifikasi dan menganalisis faktor-faktor utama yang memengaruhi kinerja penjualan pada PT SKP di wilayah Jabodetabek dan merumuskan implikasi manajerialnya. Dalam menganalisis data pada penelitian ini digunakan analisis deskriptif untuk melihat karakteristik responden, kemudian dilakukan analisis regresi linier berganda untuk mengidentifikasi faktor-faktor yang berpengaruh terhadap kinerja penjualan di PT SKP. Jumlah responden yang diambil sebanyak 60 anggota aktif. Hasil penelitian menunjukkan bahwa faktor-faktor yang memengaruhi kinerja penjualan di PT SKP adalah insentif dan perolehan hadiah produk. Untuk implementasi manajerial yang diambil perusahaan PT SKP dalam rangka meningkatkan kinerja penjualan para anggotanya yaitu bahwa PT SKP akan memberikan insentif atau bonus yang lebih menarik lagi serta berupaya meningkatkan jumlah anggota yang menerima bonus serta meningkatkan jumlah bonus yang diterima anggota dengan menciptakan program-program dan kegiatan yang mendukung terciptanya hal tersebut dan menciptakan kreasi produk-produk yang lebih menarik dengan daya jual yang lebih tinggi sebagai hadiah untuk meningkatkan motivasi para anggota agar meningkatkan penjualannya.

Kata kunci: direct selling, kinerja penjualan, regresi linier berganda, PT SKP

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INTRODUCTION

In the global business marked by the growing phenomenon of direct trade to customers, the role of direct selling business to accommodate this phenomenon is very important as it is a very big business. According to the World Federation of Direct Selling Association or WFDSA (2014), the total sales of direct selling companies including those of WDFSA in 2013 reached more than US $ 178 billion, with over 96 million independent distributors (salespeople) working in this business in the whole world. Direct selling business does not require high initial capital. The needs for a place of business and product supply are already prepared by the company. Moreover, there is a management team that is ready to help all the administrative work of the distributors (Firyanti and Oktafani, 2011).

In carrying out activities a distributor not only does retail sales, but also recruits new distributors (Albaum, Paterson, 2011). Business direct selling emphasizes on building a network to expand its distributing organization. The larger the network built, the greater the revenue potential of a distributor. The strength of this business relies on the network power, so business with this concept can touch more people and grow in a relatively short time (Amabile et al. 1996). Direct selling is one method of organizing and compensating salespeople by making compensation programs/plans in which sales people may receive compensation in two ways. First, sales people may receive compensation from the sale of goods and services to consumers done by themselves. Secondly, they will get compensation from the sales by people they have recruited or sponsored, and compensation from the sale by the group or network recruited or sponsored by those recruited (Pramutoko and Baju, 2011). Direct selling has been growing rapidly in almost all parts of the world since it was first introduced in 1930 by the company Nutrilte in America. It is a global business that can be an alternative business for potential entrepreneurs, in addition to the conventional business or store retailing, through outlets (shops, supermarkets, malls, etc.) (Susilowati, 2008; WFDSA, 2014). It gives business opportunities to people who are looking for alternative resources to make a living, and is open to anyone regardless of educational background, work experience, gender, etc., as long as they are adults (17 years old and above) and have the will to work and take this business opportunity (Isnawadji and Endang, 2007).

Indonesia is a potential market for a direct selling company considering the potential of huge population. This opportunity is looked at by several multinational direct selling companies, generally coming from the United States, of both general direct selling (single-level market), such as Avon, Sara Lee, Tupperware, etc. and direct selling-multilevel marketing like Amway, Herbal Life, and others. In Indonesia, the Direct Selling Association of Indonesia has been formed (APLI) and it houses direct selling and multi-level marketing companies (Bastaman, 2001). Based on the data from the Direct Selling Association of Indonesia (APLI), in 2011, about 66 companies are members of the Direct Selling Association of Indonesia (APLI) (Bastaman, 2001).

According WFDSA (1999), direct selling business is very important because it is part of the growth of small and medium business sector. It is a very large capacity that gives revenue opportunities to millions of people around the world, who want an alternative career, flexible working hours to operate a successful small business with very little investment. According to Cholid (2005) the most interesting thing of the company's system using the direct selling is that in introducing products and product benefits, the company does not use advertising through the media of television, radio, and newspapers, and almost all sales activities and promotion are carried out by individual selling (personal selling). The performance assessment is part of the business strategy, and the balanced scorecard is a method that can measure the future performance in determining the key to business success, Fabio De Felice and Antonella Petrillo (2013).

Such a large market potential has a positive impact on the business growth of PT Srirara Kanaka Pratama, a newly established direct selling company. PT. SKP uses the direct selling system as the main marketing strategy. It exits as a distributor of housewares products made of plastic known as Moorlife, oxygenized drinking water Cleo and cooking equipment Biochef. Within the first 11 months of sales, PT SKP was able to achieve the national average total sales of 4 billion rupiah per month with the total sales force of more than 21,000 members. In Jabodetabek, PT SKP could reach the average sales of more than 2 billion rupiah per month with a total membership of more than 12 thousand members, which can be seen in Table 1.

Table 1. The development of sales and members of PT SKP in Jabodetabek

Description	March	April	Mei	June	July	August	Sept.	Oct.	Nov.	Des.
Sales (BillionRp.)	1,1	1,3	2,5	3,8	2,0	1,67	2,3	2,1	2, 3	2,6
Member (person):										
Total EP	1,990	2,628	4,012	6,209	6,979	7,623	8,352	8,991	9,408	10,192
EP	1,234	1,612	2,488	3,719	4,157	4,710	5,308	5,835	6,144	6,770
EP Head	612	830	1,230	1.987	2,252	2,328	2,450	2,536	2,630	2,765
EP Leader	133	182	276	467	530	545	554	580	594	617
EP Master	11	14	18	36	40	40	40	40	40	40
Active	635	822	1.470	1.863	948	762	912	970	869	1,056
Active %	31.9	31.3	36.6	30.0	13.6	10.0	10.9	7.6	9.2	10.4
Order per member (million rupiah)	1.8	1.6	1.7	2.1	2.4	2.2	2.6	2.2	2.6	2.5

Source: PT SKP, 2014

Note: EP = Entrepreneur (member)

Table 1 shows the development of sales, the number of members and the number of active members in PT SKP for Jabodetabek area. Further, from the data it can be seen that of the total members, the number of active members is still low and tends to be unstable from March with the active members of 31,9% rising to 36,6% in May, but falling significantly in October and beginning to rise again afterwards. In terms of the calculation of a direct selling business in which sales results from the number of active members is multiplied by the average order, then the chance of PT SKP to improve sales performance is still large by increasing one or both of them. The total active members and average order per member can be an indicator of sales force performance in PT SKP, which can be influenced by various factors such as the provision of incentives, guarantee of satisfaction with the product, product rewards and training. If PT SKP can develop some or one of these factors, it can increase sales triggered by the increase in the number of active members or average order per member. In addition, if PT SKP can determine and evaluate what major factors affect sales performance, this will certainly make PT SKP more focused on formulating a strategy and an action plan related to the improvement and development of the factors that can improve the performance of sales force (Grant et al. 2001). Therefore, it is a challenge for PT SKP to identify which factors could improve sales performance, so it can be said that the performance of the sales force has a role and contribution to the resulted sales and business development PT SKP.

As said by Mulatsih (2011), one of the strategies that can be used by a company for its success is the quality of human resources. In this case the sales force is one of the company's human resources that has an important role in achieving corporate goals. Basically the sales performance is a consequence of the implemented certain strategic role by salespeople with certain attitude, behavior and working culture like work intelligence or aggressiveness (Spiro et al. 1990). According to Baldauf et al. (2001) sales performance includes two concepts, namely (1) the behavior displayed by the sales force, (2) the results obtained by the sales force. The performance of the sales force is a level at which salespeople can perform tasks or work well, responsibly and effectively (Challagalla et al. 1996).

With this background, the author is interested in doing this research to analyze the factors that are likely to affect the sales performance in PT SKP at all levels of members in Jabodetabek region. Then, this study formulates implemented action plans and improvement based on the main factors that affect the sales performance of PT. SKP.

METHODS

This study uses primary data and secondary data of both qualitative and quantitative types. The primary data were collected through questionnaires and interviews with the respondents (entrepreneurs, heads, leaders and masters) or active members of 60 people, which is considered sufficiently representative picture of the product sales of PT. SKP in Jabodetabek area and already meets the normal statistical distribution (minimum sample of 30 members) (Walpole, 1997). The secondary data were obtained from the literature related to this research, including books, journals,

dissertations, theses, various Internet sites and other library materials that are relevant to this study.

The method of collecting samples used in this study is judgment sampling, which is a sampling technique that uses the expertise of researchers in determining a suitable sample and is a suitable technique to draw a sample from a particular population (Neuman, 2000). Data and information obtained are analyzed descriptively to look at the characteristics of the respondent. A quantitative method is also used to analyze the factors affecting the sales performance of PT. SKP in Jabodetabek using multiple linear regression. Data testing includes normality, multicollinearity and homoskedastisitas test. Autocorrelation test is not performed in this study because of the assumption that it is rarely violated in the cross section data type (Masruroh, 2014). Data processing is then done using Microsoft Excel 2010 and Minitab software 16.0. The research framework is presented in Figure 1.

Estimation Equation Model

Based on the previous studies of the relevant theories, the model of the multiple linear function according to Sugiarto and Harijono (2000) is as follows:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 D_{4i} + \varepsilon_{ij}$$

Explanation:

Y_i	:	sales performance
X_1	:	incentive (money)
X_2	:	satisfaction guarantee
X_3	:	product rewards
X_4	:	training, Dummy: 1: yes, 0: no
β_1	:	intercept
β_1	:	estimated regression coefficient (i =1, 2, 3,4,)
ε_{ij}	:	error

Research Hypothesis

Given this equation model of this study, then the research hypothesis is as follows:

1. H0 : No significant effect of variable X on variable Y

   H1 : A significant effect of variable X on variable Y

2. H0 : No effect of independent variables (X1, X2, X3, X4) together on dependent vatiable (Y)

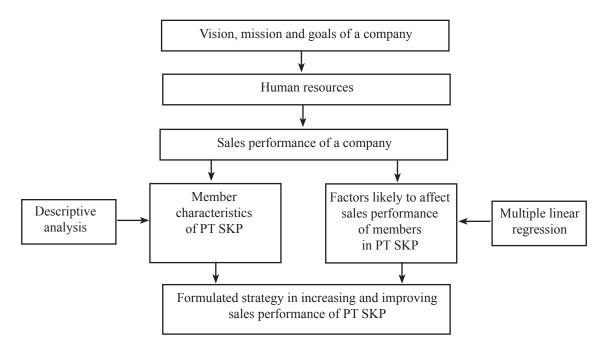   H1 : There is effect of independent variables (X1, X2, X3, X4) together on dependent vatiable (Y)

Figure 1. Conceptual framework

RESULTS

From the results of the data analysis, it was found that the independent variables that significantly affected the sales performance in PT were incentive (X1) and product rewards (X3). These independent variables significantly affected the sales performance of PT SKP because of the smaller P-value below the significant value of alpha 0,05. Meanwhile, the satisfaction guarantee (X2) and training (X4) did not significantly affect the sales performance in PT SKP because the P-value had a value greater than that of alpha 0,05, as shown in Table 2.

Table 2. Results of multiple linear regression analysis of the factors affecting the sales performance in PT SKP

Variables	Coefficients	Thit	P-value	VIF
Constants	-0, 448	-0,09	0,930	
Incentive (X1)	2,3592	2,83	0,006	7,657
Satisfaction guarantee (X2)	0,380	0,16	0,874	1,936
Product rewards (X3)	5,1677	15,79	0,000	8,522
Training (X4)	2,378	0,45	0,652	1,042
R-square	98,1 %			
R-square (adj)	98 %			
F hit	720,86	P-value	0,000	

Note: testing is done on the significant level of 5%

Table 2 shows that all independent variables have VIF smaller than 10, so there is no problem of multicollinearity between the variables. The R-square value of 98,1% from the results of multiple linear regression shows the coefficient of determination, which means that the independent variables used in the model can explain the diversity in the sales performance of 98,1% and the remaining 2,9% is explained by other independent variables not included in the model. The model has the R-square (adj) of 98%. R-square (adj) is the value adjusted so that the picture is closer to the assessment quality of the population model or closer to the real model. P-value on the F test was 0,000, smaller than the desired real level of 0,05. It shows that the independent variables in the model can significantly affect sales performance (Arief, 1993). In addition, to determine whether there are independent variables in the model that significantly affect sales performance, the F value can be looked at. The F value of the model is 13,05, which is greater than the significant level of alpha 0,05. This means that the model used was appropriate

and there was a minimum of one independent variable in the model that affected the sales performance.

To determine the normality assumption test, the graph Kolmogorov-Smirnov can be seen; if the result identified is that the residual is about the normal line and the P-value is greater than alpha, then the assumption of normality can be achieved (Mattjik, 2002). In addition, the normality can also be seen from the residuals in the histograms. Residual is said to be in normal distribution if the histogram resembles a bell facing upwards.

In Figure 2, it can be seen that the results of the two normality tests based on the analysis show that the two images meet the normality assumptions, whether using the normality test on Kolmogorov-Smirnov graph showing that the residual points stand around the normal line and the p-value of greater than 0,05 or using a bell histogram that is facing up, meaning that the residual model is normally distributed. This means that the residual model that affects the sales performance is normally distributed.

To test the assumption of heteroskedasticity problem, then it could be seen from heteroskedasticity symptoms that can be determined by a scatter diagram of the prediction variables Y (Fits) and residual variable (Gujarati, 1997).

Figure 3 shows that there are no symptoms of heteroskedasticity because the plots spread evenly on top and below the axis 0 without forming a specific pattern. Thus from the diagram it can be concluded that there are no symptoms of heteroskedasticity. It indicates that the variation of every residual element is the same (constant).

Managerial Implication

Based on the resulted regression analysis, PT SKP can consider implementing strategies to improve sales performance gradually. The first step that can be done is an improvement, an increase in incentives or bonuses for the members so that they are more motivated to get a greater incentive by increasing their sales. Increasing the amount of bonus and offering additional short-term incentives programs will certainly give a positive effect on the increase in the sales performance of the members or sales force. In accordance with the view of Roman (2002), the sales force as generate profit generators needs attention to communicate between product and

consumer. The next step is to improve the quality of product rewards received by members, provide more variety of product rewards including more attractive new products as rewards, and create a series of products that can be collected as rewards making it interesting to have more than one and sales increase because the members will be encouraged to have more than one of these products. PT SKP should also evaluate the conditions to get the product rewards, make them more interesting to achieve. The company is also expected be able to see the opportunities of the large number of members and their characteristics and quickly take the opportunity to create product innovation and programs based on such opportunities. The center of a strategy formulation is how a company can take advantage of the existing opportunities to win the competition (Biemans and Brand, 1995).
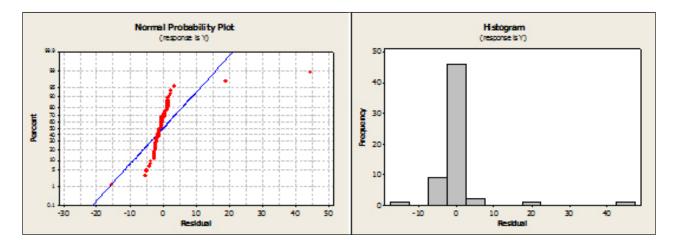

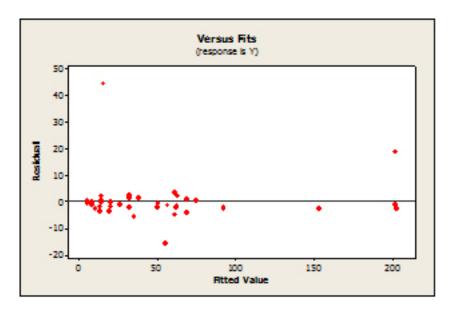Figure 2. Kolmogorov-Smirnov graph and residual histogram

Figure 3. Graph versus fits

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The factors that significantly affect the sales performance of PT SKP based on the multiple linear regression model at the significant level of 5% are incentives and product rewards. The factors of satisfaction guarantee and training do not significantly affect the sales performance of PT SKP. To improve its sales performance, PT SKP can focus on things that could affect the two main factors, namely incentives and product rewards. Evaluation, improvement and development are necessary for the type and amount of incentives and rewards to make them more attractive

Recommendations

To improve and develop the business of PT SKP by improve its sales performance, the company must be creative and innovative in creating interesting incentive programs for its members apart from the routine programs already available and the calculation and the amount of incentives should be evaluated to make it more attractive and increase the loyalty of members. Then in terms of the product rewards achieved, the company should create more interesting new product rewards, unique in styles, colors and sizes and made in more beautiful packaging for the members to win. Companies can also improve training of the members so that their confidence, skills and abilities in sales will be better, which in turn can influence on the performance and achievements of their sales. In companies engaged in direct selling, an attempt to create a reliable, smart, hard-working and customer-oriented member is highly prioritized in an effort to develop a network of distributors to increase sales volume (Komala and Sari D, 2014). The skills that need to be possessed by the members of PT SKP include communication skills in presentation, negotiation abilities, selling skills and knowledge of the product (Ginter et al. 2014). In the direct selling business, the focus is on the ability of salesmanship, which has a close relationship with confidence in offering products and a person's creativity in attracting customers and prospective downline (Purnamasari and Yenny, 2014).

For further similar research, it is necessary to examine other factors that affect sales performance such as leadership, product pricing, and so on. In addition, a further research can use other analytical methods to identify factors that affect the sales performance in direct selling businesses and to broaden the scope of research.

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