



Distribution Channel and Prices as Critical Factors for Sales Volume Improvement

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Abstract: This study aims to examine the effect of Distribution Channel and Price on Sales Volume Improvement. This study uses explanatory quantitative research on 20 star hotel in Jakarta with 80 respondents processed using the SEM-PLS approach. The results of the study indicate that Distribution Channel directly influences Sales Volume Improvement Star Hotel in Jakarta and Price directly influence Sales Volume Improvement Star Hotel in Jakarta.

Keywords: Distribution Channel, Price, Sales Volume Improvement

INTRODUCTION

All business sectors during the COVID-19 pandemic are experiencing a crisis that is quite worrying, especially businesses in the tourism sector. According to Sutriso Iwantono (2021) in online news setp stated that the average hotel occupancy has decreased over the last 5 years from around 70% to 56%, plus the addition of PPKM which makes the hotel industry have to operate with an occupancy rate of only 25%. Then, according to Sutrino Iwantoro (2021), in economics business, it is stated that around 125 to 150 hotels & restaurants are closed every month due to being affected by the pandemic. This requires companies to be able to increase their competitive advantage competitively by understanding the increasingly complex needs and wants of consumers. The ability to improve the innovation side is an important benchmark to be able to maintain existence during the current pandemic.

Improving the distribution channel strategy is one of the media that companies can use to distribute their products and services so that they can be used by consumers. Distribution channels are very important because they function to increase the flow of goods from producers to consumers efficiently. If a company has a bad distribution channel, it will have a negative impact on sales volume growth resulting in not achieving sales targets.

Every company is required to review and analyze in depth when determining the type and method of distribution channel that is most relevant to the product or service produced to

pay attention to the functions of the distribution channel such as the information function and promotion function for the company.

The selection and determination of distribution channels requires a relevant and calculated basis of assessment in order to avoid the impact on wasted costs, investment failures and lost opportunities in an effort to expand market share. In an effort to reduce errors in the distribution process, it is important to analyze each of the interrelated instruments. According to Tjiptono, (2008:185) the distribution channel variable uses several indicators consisting of: a. Adequacy of amount, b. Service intensity and c. Completeness of product items.

The quantity adequacy aspect refers to the number of products or services available at each point of the distribution channel which includes agents, wholesalers and retailers. The company as a producer needs to ensure that the entire supplier network and the areas that become its distribution reach have a number of products that are able to meet consumer demand. This is very important to note, because the availability of products in the market shows the company's commitment to ensuring price stability and the company's presence in providing the product itself.

In addition to the distribution channel factor, the selling price factor also affects the sales volume of hotel rooms in the city of Bandung. The higher selling price causes buyers to switch to alternative products that are considered cheaper, so that it will cause a decrease in the sales volume of the rooms at hotels in the city of Bandung. This is in accordance with the opinion of Rasyaf (1993), which states that if the price of a room at a hotel increases, buyers will look for substitute goods that are considered cheaper. Supported by Kaderi (2013), states that the price of the room at the hotel is strongly influenced by the quality of service provided. Mariatun (2017) in his research states that there is a simultaneous significant influence between distribution channels and price on sales volume. Then, Rustang (2013) in his research explains that there is a significant influence between distribution channels and prices on sales volume. However, Kristianto's research (2013) states that there is no influence between price and sales volume of fried noodles at the Indomaret minimarket in the Madiun area.

LITERATURE REVIEW

Distribution Channels

A distribution channel is a set of interdependent organizations that are involved in the process of making a product or service ready for use or consumption (Kotler, 2016:147). Then supported by the statement by Chandra (2005:221) that the distribution channel is a series of organizational participants who perform all the functions needed to deliver the product from the seller to the final buyer. Furthermore, Tjiptono (2008: 187) states that distribution channels are routes or a series of intermediaries, both managed by marketers and independent ones, in delivering goods from producers to consumers. According to Djaslim Saladin (2004:153), explains that the distribution channel is a series of organizations or institutions that are interdependent and involved in the process to make a product or service usable or consumed. Based on this understanding, the distribution channel is a series of activities that include intermediaries who take part in the transfer of goods from producers to consumers.

Price

According to Molan (2002:118), price is the exchange rate of a product or service. In other words, price is the amount a buyer is willing to pay for an item or service and is the value that a seller demands for the goods offered for sale. Lamb (2001:268) states that the price is something that is given in exchange for getting an item or service. Prices are considered as the exchange of money for goods and services and the sacrifice of time for waiting to obtain goods or services.

Price is the key to revenue, which in turn is the key to profit for an organization. Revenue is the price charged to customers multiplied by the number of units sold. Revenue is something that is paid for each company's activities in the form of production, finance, sales, distribution and so on. The remaining value (if any) is profit. Managers usually strive to charge a price that will yield a reasonable profit. To make a profit, managers must choose a price that is neither too high nor too low. A price equal to the perceived value for the target consumer. If a price is set too high in the minds of consumers, the perceived value will be less than the cost, and sales opportunities will be lost.

Sales Volume

According to Swastha and Irawan (2003: 242-249), selling is the science and art of personal influence carried out by the seller to invite others to be willing to buy the goods or services he offers. Then, Kotler (2016:17) states that the most widely adopted concept of selling is for unsought goods, namely goods that buyers usually don't think of buying, such as insurance, encyclopedias, and burial grounds. Furthermore, Sigit (2003: 59) explains that selling is the core target among other activities, because negotiations are carried out, agreement on prices and handover of goods or services as well as payments. Sales is the end point of the entire series of producer activities. According to Soemarso (2002: 226), sales are the total value created by buyers for an item or service either directly or through a credit scheme. Sales is an interaction between individuals who meet face to face aimed at creating, improving, controlling or maintaining an exchange relationship so that it is profitable for other parties (Swastha, 2010).

Sales volume is the total amount generated from the sale of goods. The greater the number of sales generated by the company, the greater the possibility of profit that will be generated by the company. Therefore, sales volume is one of the important things that must be evaluated for the possibility of the company so as not to lose. So profitable sales volume should be the main goal of the company and not for the sake of sales volume itself. While the understanding of sales volume according to Basu Swastha (2008;197) is an in-depth study of net sales from the company's income statement (operational report). According to Mulyadi (2001:239) defines sales volume as a measure that shows the number or magnitude of the number of goods or services sold.

Theoretical Framework

Fatihah and Ali (2016) explain in their research that there is an influence between distribution channels on the sales volume of zee milk at PT Catur Sentossa Anugerah Bandung. Then the research of Ardiansyah and Soegoto (2018) states that there is a significant influence between distribution channels and sales volume. Likewise, research conducted by Ramadhan and Afandi (2017) states that distribution channels have a significant influence on sales volume. In addition, research by Jainuddin and Ernawati (2020) explains that distribution channels affect the sales volume of BE MART Bima branch. Supported by the statement of Swastha and Irawan (2003: 302) that the distribution channel is very influential in increasing sales volume, if the selected distribution channel is inefficient and ineffective then the sales volume will be unstable.

Sari (2016) in his research explains that sales volume can easily increase if the company has a good pricing strategy. Then Swastha and Irawan (2003:243) argue that price is very influential in increasing sales volume, where the nature of market demand is not only influenced by price determination but also affects the volume of income that can be sold..

RESEARCH METHODOLOGY

This study uses a quantitative method with an explanatory approach. The population in this study is the employees of star hotel in Jakarta. The number of samples is 80 respondents

from 20 star hotel in Jakarta, where the sample is obtained based on the rule of thumb from the statistical analysis used. The data collection technique in this study was a questionnaire using a Likert scale. Data were analyzed using Structural Equation Modeling (SEM) with Partial Least Square (PLS) approach. The hypotheses in this study are:

Table 1. Research Hypotesis

No.	Direct Hypothesis
H1	Distribution Channel has a direct influence on Sales Volume
H2	Price has a direct influence on Sales Volume

RESULT AND DISCUSSION

Validity and Reliability

Table 2. Outer Model Evaluation

Variables	Sub-Variabes	Cross Loading	Composite Reliability (CR)	Average Variance Extracted (AVE)	Critical Value
Distribution Channel	Direct Marketing Channel	0.645	0.876	0.968	1.0000
	One Level Marketing Channel	0.645	0.812	0.969	1.0000
	Two Level Marketing Channel	0.667	0.823	0.954	1.0000
	Three Level Marketing Channel	0.683	0.833	0.963	1.0000
	Various Level Marketing Channel	0.655	0.890	0.931	1.0000
Price	Economic Situations	0.682	0.843	0.954	1.0000
	Supply and Demand	0.670	0.831	0.913	1.0000
	Demand Elasticity	0.645	0.866	0.967	1.0000
	Competitive	0.645	0.876	0.968	1.0000
	Cost	0.645	0.812	0.969	1.0000
	Manager's Goal	0.665	0.889	0.944	1.0000
	Regulatory Control	0.690	0.832	0.932	1.0000
Sales Volume	Sales Ability	0.697	0.885	0.921	1.0000
	Market conditions	0.642	0.828	0.942	1.0000
	Capital	0.696	0.830	0.944	1.0000
	Organization's Conditions	0.678	0.834	0.989	1.0000
	Other Factors	0.665	0.867	0.914	1.0000

From table 2 above, it can be seen that the data that has been processed using the Wrap-PLS application indicates convergent validity in the study, showing that each variable has a loading factor value above 0.5 which means that the questionnaire instrument used in this study is valid and represents the condition of the distributions channel, price and sales volume. Then, from the table above, it can be seen that the AVE value is greater than 0.5, which means that this research questionnaire has met discriminant validity. In addition, the variables from the table above have met the composite reliability, where the value is more than 0.70, which means that the research is feasible to continue in the hypothesis testing process.

Hypotheses Testing

Table 3. Direct Impact

Hypothesis	Impact	Path Coefficients	t-test	Result
H1	Distribution channel ->>sales volume	0.779	9.332	Significant
H2	price ->>sales volume	0.891	10.443	Significant

Referring to table 3 above, it can be seen that the t-test value in hypothesis 1 is greater than t-table 1.99, which means that there is a significant influence between distribution channels on sales volume. Then, the results of the t-test on hypothesis 2 are also greater than t-table 1.99, which means that there is a significant effect between price and sales volume.

Discussion

H1: The Effect of Distribution Channels on Sales Volume

Distribution channels has a direct influence on sales volume, which means that when distribution channels are good, then the sales will be improved all the time. This study supports the results of research by Fatihah and Ali (2016); Ardiansyah and Soegoto (2018); Ramadhan and Afandi (2017); Jainuddin and Ernawati (2020); Swastha and Irawan (2003:302) that there is a significant influence between distribution channels and sales volume.

H2: The Effect of Price on Sales Volume

From the results of the calculation and hypothesis testing above, it can be seen that Price has a direct effect on Sales Volume in this study, which means that the price as expected as customer need, then the sales will be improved all the time. This study supports the results of research by Sari (2016); Swastha and Irawan (2003:302) explained that price can increase sales volume.

CONCLUSIONS AND SUGGESTIONS

Conclusions

The results showed that the rise and fall of sales volume in the organization was influenced by distribution channels and price. Based on result study, it can be seen that distribution channels has a partial effect on sales volume, which means that when distribution channels are good, then the sales will be improved all the time. Then, price has an effect on sales volume, which means that the price as expected as customer need, then the sales will be improved all the time.

Suggestions

The limitation of this study is that the research only focuses on distribution channels and price as a factor that affects sales volume. In fact, the factors that affect sales volume are not only distribution channels and price, but there is advertising, word of mouth, brand image, and so on.

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