

## Marketing Strategy to Increase Sales for Distributor Liquefied Petroleum Gas Company (Case Study: PT. Lembang Abadi Indah)

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**ABSTRACT:** Liquefied petroleum gas (LPG) demand has increased every year since the government implemented a policy to convert kerosene to gas. It continues to increase in the last 10 (ten) years. from 2011-2021. Increases in LPG consumption signifies that public demand is getting higher, in industrial, commercial and household sectors. However, PT. Lembang Abadi Indah does not benefit from this situation in which the company' sales volume continues to decrease. This research aims to identify the factors influencing this situation and develop the marketing strategy to resolve this issue. This research is a qualitative descriptive which data is obtained through in-depth interview and literature review. Furthermore, the results will be mapped with SWOT analysis, TOWS Matrix. To conquer this unfavorable situation, the company needs to focus on customer relationship, product diversification and business process efficiency.

**KEYWORDS:** B2B, Marketing strategy, Sales.

### INTRODUCTION

Since the government issued a policy conversion of kerosene to gas, the demand of Liquefied Petroleum Gas (LPG) every year continues to rise [1]. Based on the data shown in Indonesia Energy Outlook 2019, LPG consumption in 2018 and 2017 reached 7,5 million Ton and 7,1 million Ton respectively, which means there was an increase for 5,33% in a year.



Figure 1. LPG Consumption in Indonesia

Source: Ministry of Energy and Mineral Resources, 2022

Increases in LPG consumption signifies that public demand is getting higher, in industrial, commercial and household sectors. Furthermore, LPG demand share is still high about 22% from the total energy demand in the commercial sector such as electricity, LPG, diesel, gas, biodiesel and Dimethyl ether (DME). Increases in LPG consumption signifies that public demand is getting higher, in industrial, commercial and household sectors. However, PT. Lembang Abadi Indah does not benefit from this situation in which the company' sales volume continues to decrease.



**Figure 2.** Sales Data of PT. Lembang, 2022

Current situation encountered by PT. Lembang Abadi Indah is caused by both internal and external factors. In terms of internal factors, poor service became one of the factors. Company lost several customers due to time inaccuracy in delivering LPG, company's staff being unfriendly, unable to reach out and fraud. In terms of external factors, unstable prices are one of the causes. As PT. Pertamina Patra Niaga has changed the product price 4 (four) times in the last 2 (two) years for 33.94%. This research aims to identify the factors that influencing the decrease sales of the company and develop strategy to resolve the issues.

## LITERATURE REVIEW

An initial stage of business and customer relationship was first discussed in the 19th century by John Wanamaker. Wanamaker's philosophy was expressed in his view that there should be "generous and proper balance between buyer and seller," which was in direct opposition to those who supported maximum profit for sellers [2]. Instead, he emphasized the importance of close communication between customers, retailers, and suppliers in his business structure for the benefit of all [2]. Wanamaker stated that investment in his business would encourage repeat purchases, mutuality, and reciprocity in the relationships between the store and its customers [3]. Wanamaker and several of his followers understood the need to shift from a transactional to a relational base in their approach. [3]. And clearly recognized how this would affect his company's supply and demand chains for both B2C and B2B customers [4].

Business customers are more driven to form a relationship with a seller. It is more challenging for an individual customer to establish a genuine partnership with the seller. The individual customer can contribute money, positive word of mouth, and loyalty over time [5]. In addition to these features, a business organization can provide things like profit sharing and anticipate receiving a truly personalized service in exchange. As B2B marketing frequently entails relatively large purchases volumes, it is conceivable for the seller to devote a sizable amount of resources to personalize the product and service [6]. In return the customer is eager to assist in establishing a genuine relationship for this personalization.

## RESEARCH METHODOLOGY

This research used a qualitative descriptive method. Qualitative research focuses not on numbers but on words and the information is investigated to see which characteristics are associated with the object being studied [7]. Both primary and secondary data were employed for this research. Primary data were obtained from in-depth interview with shareholder of PT. Lembang Abadi Indah, field staff and customers. Moreover, secondary data were obtained by literature review from various source such as report, journals, and newspaper.

## FINDINGS AND ANALYSIS

Findings and analysis are based on in-depth interview with shareholder of the company, field staff and three loyal customers. Author has mapped it into SWOT matrix to understand the company's internal strength and weakness and the external environment opportunities and threats. The SWOT matrix is regarded as a conceptual framework for system analysis that enables the examination



of variables and comparisons, barriers, dangers, weak spots, opportunities, and demands in addition to the strong and weak points of the developed plan [8].

Strength	Weakness
<ol style="list-style-type: none"> <li>1. Deliver an excellent services</li> <li>2. Building a good relationship with customer that lasted for decade</li> <li>3. Able to give discounts and adjust payment scheme for customers</li> <li>4. Strategically located near industrial area of Cicalengka and Majalaya</li> <li>5. LPG cylinder lending program to attract new customers</li> <li>6. NPSO LPG cylinder, particularly Bright Gas, is safer than PSO LPG</li> <li>7. LPG is used in all sectors, household, industrial, and commercial</li> </ol>	<ol style="list-style-type: none"> <li>1. Located in flood zone in Rancaekek</li> <li>2. Low number of vehicles</li> <li>3. Conventional technology</li> <li>4. Low number of sales representatives</li> <li>5. Does not sell complementary products of LPG</li> <li>6. Long decision making process at management level hinder sales rep on selling to customer</li> <li>7. Does not set sales target for staff</li> <li>8. Poor training on sales representatives</li> </ol>
Opportunity	Threat
<ol style="list-style-type: none"> <li>1. Badan Pusat Statistik (BPS) reported the household LPG usage ratio in 2021 is 83.36%.</li> <li>2. LPG contains propane and butane is much cleaner than electric stove</li> <li>3. Energy consumption particularly in LPG continues to increase in the last 10 years.</li> <li>4. LPG is a public good which is essential for daily life.</li> <li>5. Difficulty for a new entrant to have enough resources to compete.</li> </ol>	<ol style="list-style-type: none"> <li>1. The price of LPG per kilogram in PSO LPG 3 KG is cheaper</li> <li>2. The price of NPSO LPG has increased gradually</li> <li>3. There is a larger LPG distributor company in terms of asset and market</li> <li>4. High price sensitivity of customers</li> <li>5. Price regulation on LPG determined by Pertamina</li> <li>6. Competitor product, Blue Gaz, claims to be safer since it uses drat system</li> </ol>

Figure 3. SWOT Matrix of PT. Lembang

**A. Strength**

PT. Lembang Abadi Indah has operated for 24 years. Throughout those years, the company has built customer loyalty by providing excellent services. Company aims to ease the customers in doing their business by creating programs such as adjusting payment schemes, lending LPG cylinders, and giving discounts.

**B. Weakness**

The company has had its ups and downs since it began in 1998. In 2017, the company nearly collapsed, however it managed to survive until now. Since then, it can be said that the company is restarting from the beginning. Therefore the company starts on a low number of vehicles and low number of sales representatives. It also operates in family culture and kinship, thus it does not implement strict rules and regulations. For instance, the company does not set sales targets for staff. The company's focus is to retain its customers.

**C. Opportunities**

For the last 10 years, LPG consumption in Indonesia continues to increase. It has become a daily need in people's life to use LPG, whether for household activities or business purposes. Also, the electric stove in Indonesia has not been in massive usage. This condition is a huge opportunity for LPG business.

**D. Threats**

At present time, LPG business faces a lot of external threats. First, its prices continue to increase due to the inflated price of crude palm oil (CPO), the raw materials of LPG. Furthermore, the availability of a cheaper substitute product, PSO LPG, is



worsening the condition. LPG customers are price sensitive which means a change in price will make them shift their consumption. At this point, LPG distributor as PT. Lembang Abadi Indah can not do much in terms of pricing and consumers' demand.

To align all the factors in SWOT Analysis, developing TOWS Matrix will help the company to create strategy which management may not think about. The elements of the TOWS matrix are Strength - Opportunities, Strength - Threat, Weakness - Opportunities and Weakness - Threats. Each elements are explained as below:

#### **A. Strength – Opportunities**

Loyalty programs will drive customer retention, which help the company to generate revenue, increase referrals, and achieve the company's goal. This program will be appealing to new customers as well as loyal customers. Throughout the years of operating, the company has managed to have loyal customers who have been loyal for decades. This customer has not received any special offerings or gifts, this may be the time to implement those programs.

#### **B. Strength – Threats**

In business today, collaboration has become a key company asset. Many of PT. Lembang customers, particularly outlet owners who sell PSO and NPSO LPG, have requested the company to supply both products. To fulfill customers' wants, PT. Lembang Abadi Indah may consider to find alliances, a PSO LPG agent who are capable and agree to work together. Also, the company has to offer competitive price and ensure a timely delivery to increase customer satisfaction and attract new customers. The characteristics of LPG customers is high price sensitivity. Customers can shift their consumption easily since their switching cost is low. PT. Lembang does not have absolute authority in terms of pricing of NPSO LPG, however the company can decide its discount regulation. The company has implemented a discount promotion, however terms and conditions are not defined clearly. Other than discount prices, the company must ensure it delivers good services both to new customers and loyal customers.

#### **C. Weakness – Opportunity**

Company can focus on training sales representatives to increase their ability to reach and serve customers. Companies can utilize their own sales representative for training others. As the company runs on family culture and kinship, the training method can be an informal discussion led by the most achieved sales representatives and operational manager.

#### **D. Weakness – Threats**

Company may consider selling complementary products of LPG while pursuing cost-effective storage. Company can sell complementary products such as regulators and tubes, as few customers asked for it. To minimize the inventory, company implements a pre order system. First, company makes a partnership with an LPG spare parts store. If customers order, the field staff has to make an order to the store the day before and pick up the order directly from the store. It also applies to customers in which they have to order a day before, for it to be delivered in front of their door the next day. In addition, company need to focus on differentiating through excellent services and building strong relationship with customers. A value proposition company can offer is excellent customer service and good relationship with customers. Sales representatives can communicate it through verbal communication with a potential customer that the company has served for 24 years with customers who have been loyal for more than 10 years. Company can also show the information on the field staff uniform. Moreover, company has to implement a minimum price limit policy to increase sales representatives flexibility in negotiating with customers. To be able to negotiate more flexible, sales representatives claim they need a policy on minimum price limit or maximum discount for customers. In that way, the sales representatives do not have to do long confirmation process to management.

## **CONCLUSION**

PT. Lembang Abadi Indah's decline in sales from 2018 to 2022 was caused by both internal and external factors. Internal factors such as poor service and company staff being unfriendly impacted customer satisfaction and led to a loss of customers. External factors such as unstable prices of LPG 12 KG determined by PT. Pertamina Patra Niaga, have also contributed to the decline in sales. The continuous increase in the price of LPG 12 KG has created an imbalance between supply and demand, resulting in lower sales volumes. The higher price also opened the opportunity for fraud, causing a broken market price for NPSO LPG 12 KG. PT. Lembang Abadi Indah has to take several steps to stay competitive in the industry by maintaining customer relationship, product diversification, and business process efficiency.



The decline in sales experienced by PT. Lembang Abadi Indah is undeniably caused by the price increases policy of LPG. Unfortunately, this is an external factor which the company can not control. Company can only focus on strengthening its capabilities to stay competitive in the market by maintaining customer relationships, product diversification and business process efficiency. In terms of maintaining customer relationships, company may consider using customer relationship management (CRM) technology. CRM tools allow the company to store customers and potential customers contact information, identify sales possibilities, record sales history and record service issues. This technology will help the company to drive business growth.

Company may also consider diversifying products. Armed with the information from customers which asked whether several products are also sold, the company has to synthesize all the data, such as market demand and sales projection, on the diversified products.

In addition, company has to assess whether it has run a cost-effective business using a business process management (BPM) approach. This study will provide limitations and barriers faced by the company in doing its business process. It will also help the company to reduce cost and improve quality.

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