

EFFECTIVITY OF REWARD & REWARD STRATEGY TO INCREASE MARKET SHARE OF BIOSOLAR TRADING OF PT ABC IN INDONESIA

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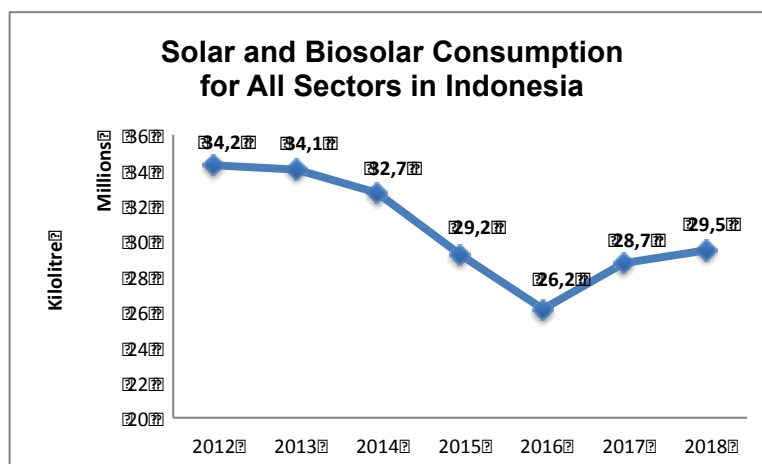
ABSTRACT

Petroleum products are materials derived from crude oil as it is processed in oil refineries. Gasoil, or in Indonesia known as its famous brand "Solar", is one type of petroleum products that is used widely for diesel engine and other machineries. This research will focus on PT Bahan Bakar Industri (PTBBI), a real company in Indonesia, but not a real name, which involves in non-PSO (Non Public Service Obligation) market of "Biosolar", which is a mix between Solar with mandatory biodiesel in the form of Fatty Acid Methyl Ester (FAME), trading business in Indonesia. Biosolar consumption for industrial sector in Indonesia is declining from the year of 2017 to 2019. PTBBI, which has 74.8% of its revenues come from non-PSO fuel trading business, must face reality that its Biosolar sales volume had been decreasing on those years. Furthermore, from year of 2017 to 2019, Biosolar market shares of PTBBI have also declined from 13.3% in 2017 to 12.3% in 2019. This has become a problem for PTBBI because Biosolar consists of 93% from the total sales of PTBBI. Industry rivalry condition of non-PSO Biosolar trading business is high. Other players create many attractive and valuable propositions to customers, such as innovative pricing, good supply guarantee, satisfying after sales service, and strong customer's technical support. This research analyzes non-PSO Biosolar trading business situation to formulate and evaluate a business strategy of PTBBI namely "sales game" to maintain and to regain its market share. Sales game is created to increase sales volume, revenues and profit margin of PTBBI from direct selling, by evaluating its progress from May 2020 until June 2020 shows that it is estimated will increase the market share of PTBBI by 0.25% in the end 2020, from 12.3% to 12.55%.

Keywords: Biosolar trading; non-PSO sector; regain market share; FAME; sales game.

INTRODUCTION

Solar and Biosolar are known in other country as gasoil or high speed diesel, which is used widely for diesel engine such as ships, light vehicles, trucks, heavy equipment and even diesel power plants. Solar and Biosolar consumption in Indonesia for all sectors are 30,633,645 kilolitres on average between 2012 to 2018. Figure 1 shows Solar and Biosolar volume consumption in Indonesia from 2012 to 2018 for all sectors.

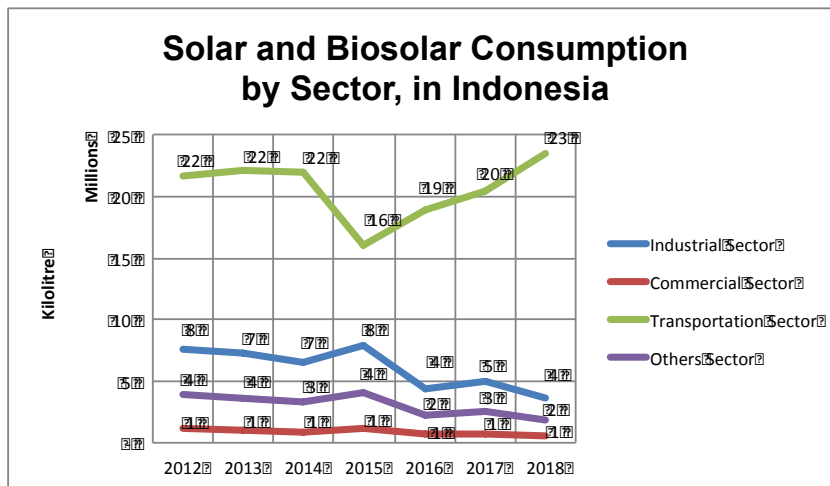


(Source: Directorate General of Oil and Gas)

Fig. 1: Solar and Biosolar Consumption for All Sectors in Indonesia

Overall consumption is dropped from 2012 to 2016, totally about 8 million kilolitres or 23.4% and then increased from 2016 to 2018 totally about 3.3 million kilolitres or 12.6%.

From all of that usage, some of them are used Solar and Biosolar for industrial sector such as production plants, mining industries, forestry industries, and other kind of industries. Other sector that used Solar and Biosolar is transportation sector, such as light vehicles for households, buses, trucks, ships, and other transportations method. While another sector that are used Solar and Biosolar are commercial sector such as office buildings, malls, hotels, and other commercials. Figure 2 shows the used and consumption of Solar and Biosolar per sector in Indonesia.



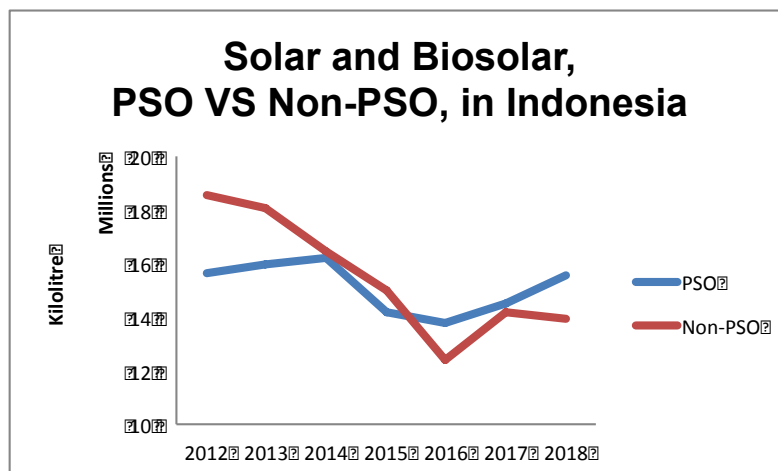
(Source: Directorate General of Oil and Gas)

Fig. 2: Solar and Biosolar Consumption by Sector, in Indonesia

The only sector that is increasing from 2015 is transportation sector, while the others, industrial and commercial sectors, are relatively decreasing from 2015 to 2018.

There are two types of Solar and Biosolar in Indonesia related to government subsidy, it is PSO (Public Sector Obligation) which is sector that get subsidy from Government of Indonesia, and it is non-PSO (non Public Service Obligation) which is sector that does not get subsidy from Government of Indonesia.

PSO sector is a sector that involves public services and households, such as train, ship, light vehicle for household, and many others. While non-PSO sector is mostly related to industrial and commercial usage for a company that purpose is profit oriented. Figure 3 shows comparison between PSO and non-PSO Solar and Biosolar volume in Indonesia.

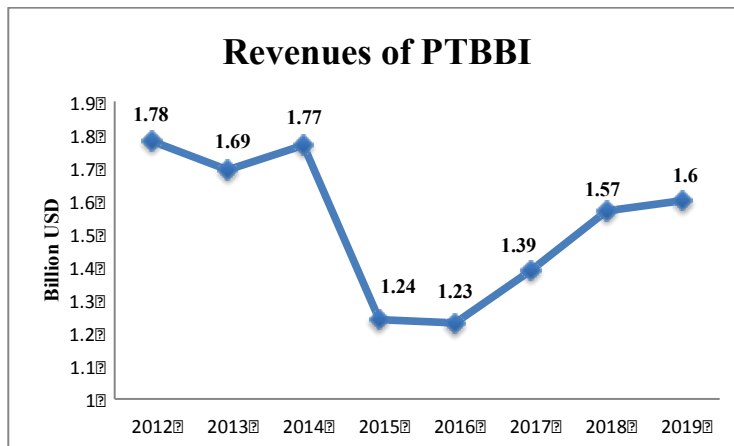


(Source: Badan Pengatur Hilir Migas and

Fig. 3: Solar and Biosolar, PSO VS Non-PSO, in Indonesia

PSO sector has been increased 10.1% from 2015 to 2018 while non-PSO sector has been decreased 7.4% at the same period of year.

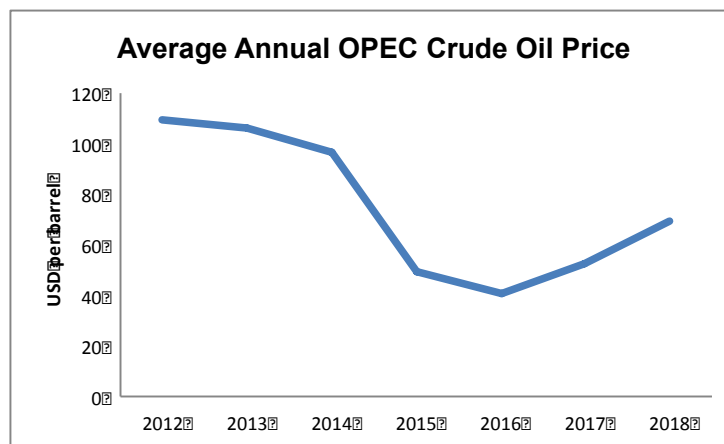
PTBBI, a real company in Indonesia, but not a real name, is a B2B (Business to Business) company type that gets 74.8% of its revenue from non-PSO fuel-trading business, 17% of its revenue from logistic management business, and 8.2% of its revenue from subsidiaries and joint venture. PTBBI revenues from 2012 to 2019 are shown in figure 4.



(Source: Internal Report of PTBBI)

Fig. 4: Revenues of PTBBI from 2012 – 2019

PTBBI non-PSO fuel-trading business revenue related to global oil price as shown in figure 5. It serves many segments of customers such as industry, transportation, power generation, forestry, mining, bunker (ship), construction and many more. In doing its business, PTBBI uses 3 channels to reach its customers; in they are agents with 52.8% of volume in the year of 2019, whole seller (BU-PIUNU, Badan Usaha Pemegang Izin Usaha Niaga Umum) with 24.5% of volume in the same year, and direct sales with 22.7% of volume also in the same year.



(Source: www.statista.com)

Fig. 5: Average Annual OPEC Crude Oil Price

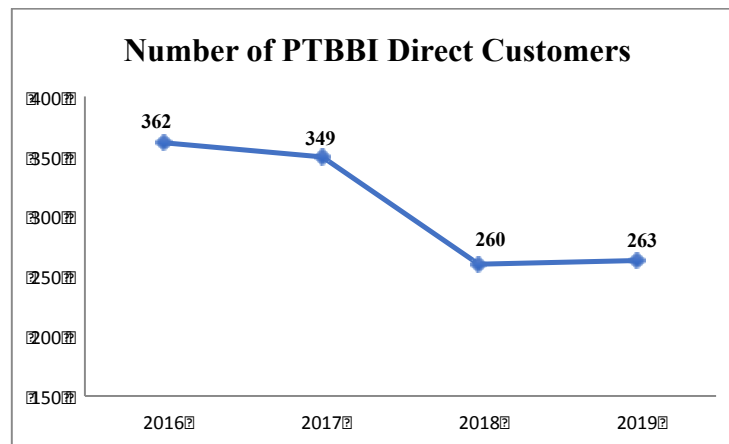
Solar and Biosolar hold the biggest portion in PTBBI non-PSO fuel-trading business, it is about 93% volume of PTBBI sales volume is belonging to Biosolar. Product shares of PTBBI sales volume in 2019 are presented in table 1.

Table 1: Product Share of PTBBI Sales Volume in 2019

Product	Volume in 2019 (kilolitre)	Portion (%)
Solar and Biosolar	1,923,617	93.0%
Fuel Oil	120,784	5.8%
Kerosene	1,377	0.1%
Premium	3,767	0.2%
Pertamax	17,435	0.8%
Pertadex	1,039	0.1%
Total	2,068,018	100.0%

(Source: Internal Report of Marketing Strategic Division PTBBI)

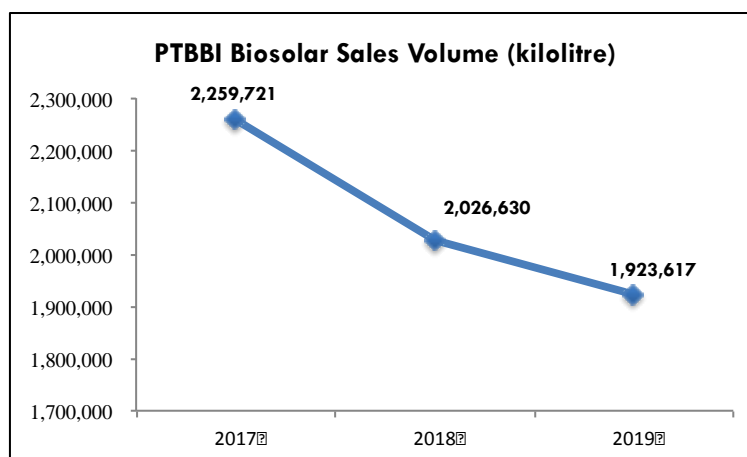
PTBBI non-PSO Biosolar-trading business will give better profit margin to the company if it was delivered by direct sales. Compared to the other two channels; agents and whole seller, direct sales gives the highest profit margin, it is 4.25% in 2019, while agents gives 3.56% and whole seller gives 2.67% in the same year. The problem is PTBBI direct customers are decreasing from year to year. Figure 6 shows decreasing number of PTBBI direct customers.



(Source: Internal Report of Marketing Strategic Division PTBBI)

Fig. 6: Number of PTBBI Direct Customers

PTBBI non-PSO Biosolar-trading sales volume from 2017 to 2019 is shown in figure 7. In 2017, PTBBI the volume is 2.26 million kiloliter and dropped 10.32% in 2018 into 2.03 million kiloliter and drop again in 2019 into 1.92 million kiloliter or 5.08% versus 2018.



(Source: Internal Report of Marketing Strategic Division PTBBI)

Fig. 7: PTBBI non-PSO Biosolar-trading Sales Volume from 2017 to 2019

Market share of PTBBI non-PSO Biosolar-trading business is also decreasing from 2017 to 2019; it was 13.3% in 2017, 12.4% in 2018, and 12.3% in 2019.

Non-PSO fuel-trading business holds the biggest portion of PTBBI revenue; it is 74.8% of PTBBI revenue. Biosolar product is holding the biggest portion of non-PSO fuel trading business sales volume; it is 93%. From 2017 to 2019, sales volume and market share of Biosolar PTBBI is decreasing.

To maintain and increase market share and sales volume of PTBBI non-PSO Biosolar-trading business and to win the competition, PTBBI need to find a business strategy. In the same time, it is also important to keep profit margin as high as possible as second priority, after market share. One of the strategies that are formulated is sales game.

LITERATURE REVIEW

PTBBI is facing unusual competition due to saturated non-PSO Solar and Biosolar market. The market is shrinking while not less than 139 players are compete to gain market share, industry rivalry is high and push all the players to produce better value proposition to win customers' heart.

Ahmad Bambang¹, said that in usual situation, mechanism that is used to increase employee productivity is reward and punishment, while in unusual situation, mechanism that is used to increase employee productivity is reward and reward. Yes right, reward and reward. It means that employee get reward for doing business as usual and will get more rewards for achieving certain target on top of business as usual, or “raise the bar” as Ahmad Bambang explained.

Most of sales force of PTBBI are young people under 35 years old. Jay Gilbert², said that managing performance is the most frequent engagement driver. Across all six companies that participated in his study, one of the top five drivers was the performance management process. Performance management also appeared as the number one overall driver during millennial interviews. This takeaway relates directly to existing research on millennials’ need for feedback discussed earlier in the article. Existing research communicates that the timing (without delay), frequency (often), and way in which feedback is delivered (clear and specific) impacts millennials. The importance of this organizational process is essential in managing engagement.

RESEARCH METHODS

The methodology that was conducted in this research is qualitative analysis method within internal function of PTBBI that are related directly to Biosolar trading business. The primary data is collected from sales force team and sales managers in marketing directorate through questionnaire and focus group discussion.

Primary data such as strength, weakness, threat and opportunity of PTBBI was collected from PTBBI sales representatives through questionnaire; it was also collected from sales managers of PTBBI through focus group discussion. The primary data also explains the internal and external condition of PTBBI’s business. Meanwhile, secondary data such as market share, competitor analysis and financial condition of PTBBI are obtained from internal report of PTBBI.

The data then analyzed to mapping internal and external business condition of non-PSO Biosolar trading of PTBBI. In the same time, the data was used to mapping SWOT (strength, weakness, opportunity, and threat) that PTBBI has and face in their business.

All of these analyses then are formulated to create business formulation for PTBBI to maintain and regain its market share. TOWS matrix is used to help the formulation of business strategy.

From the TOWS matrix it is also shown that the weakness of PTBBI is low motivation of sales forces, because there is no different treatment from the company between performed sales forces and unperformed ones. While in the opportunity, we can see that 26.6% of non-PSO Biosolar market share is still available to gain. From this weakness and opportunity, and from Ahmad Bambang theory and Jay Gilbert finding, we can conclude a strategy to generate motivation of PTBBI sales forces and to increase volume and profit margin of PTBBI from direct selling by creating sales game.

RESULT AND DISCUSSION

To maintain and increase market share and sales volume of PTBBI non-PSO Biosolar-trading business and to win the competition, PTBBI need to find a business strategy. In the same time, it is also important to keep profit margin as high as possible as second priority, after market share.

Internal analysis of the business situation has been done by using VRIO and value chain analysis. The method is by questioning sales force of PTBBI using questionnaire. VRIO analysis shows that sales force of PTBBI think that they have above average return in sales force respond and handling complaint to customers. While value chain analysis shows that sales force of PTBBI think that they are aggressive to do closing deal with customers.

External analysis of the business situation has been done using PESTEL frame work and Porter’s Five Forces analysis. The analysis shows that a firm number of market share is available to regain but the level of competition is high; customer’s loyalty is low, competitors’ price are relatively lower than company’s price, and customers are very capable and have high probability to move to competitors.

Sales area managers of PTBBI were invited to a focus group discussion, to discuss about what is PTBBI strength, weakness, opportunity, and threat in non-PSO Biosolar-trading business in Indonesia. The results are PTBBI have a very strong brand and have young and energetic sales force team, but the weakness are low motivation of sales team due to less precise performance approaching method and lack of support and attention from human capital division to sales achievement and personal carrier development of sales team. Opportunity to regain market share is widely open, while aggressive competitors is become a main threat for PTBBI.

TOWS matrix of business strategy formulation shows a promising strategy to create “sales game” in PTBBI, also refers to Ahmad Bambang theory of reward and reward strategy. The purpose of the sales game is to increase revenue from direct sales by giving rewards to sales force team that can close deal to a direct customers by achieving points. The points can be exchange to a reward without drawing process and the points that are gathered by sales force are showed in a leaderboard as cummulative points and create rank. Customers criteria that can produce points for sales force team is managed but not too strict due to this is the first level of the game, which aims more to build attraction to direct selling consider direct sales is giving the highest profit margin to the

¹ Ahmad Bambang in D’Gil! Marketing: Think Like There is No Box! (2017: 169)

² Jay Gilbert in The Millennials: A New Generation of Employees, A New Set of Engagement Policies (Ivey Business Journal: 2011)

company. This is the application of reward and reward strategy to increase productivity of PTBBI’s sales force and to keep high engagement of sales force people to the performance system by monitoring the sales game leaderboard.

The simulation then made to estimate how will the sales game will increase the market share of non-PSO Biosolar trading of PTBBI. There are 3 simulations that are created, they are low, moderate, and high impact of level one sales game to the market share for the first eight months of the program, shown in table 2.

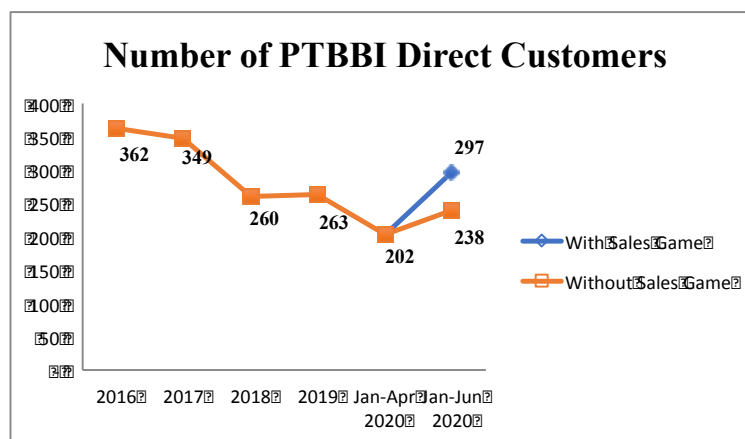
Table 2: Impact of Level One Sales Game

Type of Impact	Parameter that Involved	First 8-Months Impact
Low Impact (-30% Vol. of Moderate Impact)	Revenue	IDR 54,600,000,000
	Volume (litre)	9,100,000
	Profit Margin	IDR 6,720,000,000 +0.06% Market Share
Moderate Impact	Revenue	IDR 78,000,000,000
	Volume (litre)	13,000,000
	Profit Margin	IDR 9,600,000,000 +0.08% Market Share
High Impact (+30% Vol. of Moderate Impact)	Revenue	IDR 101,400,000,000
	Volume (litre)	16,900,000
	Profit Margin	IDR 12,480,000,000 +0.11% Market Share

(Source: Author)

The moderate impact of sales game is estimated to generate 13,000 kilolitres sales volume and increase the market share 0.08%, It was estimated from medium participation of sales representative to the sales game. High impact of sales game is estimated 30% increase of the sales volume compared to the moderate impact, while low impact of sales game is estimated 30% decrease of the sales volume compared to the moderate impact.

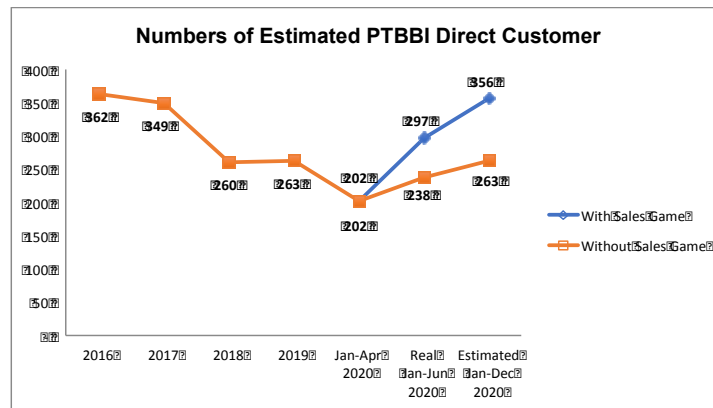
The sales game was launched at May 1st, 2020 with an existing direct customers were 202 customers. Two months later after the game launched, PTBBI direct customers increase 59 customers with an extra volume 4,137 kilolitres, added revenues of 19.55 billion Rupiah and an extra profit margin 3.99 billion Rupiah or equal to 19.87% from the revenue. The reward of the game is cost PTBBI 170.40 million Rupiah, or 4.39% from the profit margin generated or 0.87% from the revenues generated. The increase of PTBBI direct customers in the first level of the game for the first two months is shown in figure 8.



(Source: Internal Report of Marketing Strategic Division PTBBI)

Fig. 8: Numbers of PTBBI Direct Customers

By the end of December 2020, the sales game is estimated to increase 93 number of customers to become about 356 direct customers as shown in figure 9 with an extra revenue of 179.61 billion Rupiah with extra volume of 39,655 kilolitres or equal to increase 0.25% of PTBBI non-PSO Biosolar market share, from 12.3% in 2019 to 12.55% in 2020. It will also increase profit margin 22.1 billion Rupiah or 12.3% of total revenue. This impact is considered as high impact to PTBBI to run and apply the sales game in the company.



(Source: Author)

Fig. 9: Numbers of Estimated PTBBI Direct Customers by The End of December 2020

The second level of the game is to prioritize sales representative to aim bigger customers in their prospect. This can be applied by giving more points to sales representative that can do closing deal with bigger volume customers. More points mean more valuable rewards and more opportunity to lead in the leaderboard for the sales force team. For PTBBI, there will be opportunity to gain more market share and profit margin.

The ultimate level of the game is prioritized to generate more profit margins for bigger volume customer. Once again, this can be achieved by giving more points to sales representative that can do closing deal to big customers with certain number of margins. This ultimate level could also support development of existing key account of direct customers to make renegotiation after a certain period to get higher profit margin for PTBBI.

Sales game is effective to increase market share of PTBBI non-PSO Biosolar trading business and have high impact to the company's market share. The amount of estimated market share to regain is 0.25%. The theory of reward and reward of Ahmad Bambang prove that it can increase sales force motivation to achieve target and doing business innovatively in unusual situation, not only business as usual.

LIMITATION

The sales game is just begin for almost 2 months and further evaluation is needed. The market that being talked about is non-PSO Biosolar market in Indonesia and for domestic market only.

CONCLUSION AND RECOMMENDATION

The sales game is a strategy that PTBBI applied to increase its market share and also its profit margin. The game was created under PTBBI business situation and refers to Ahmad Bambang theory of Reward and Reward Strategy in his book, *D'gil! Marketing: Think Like There is No Box* (2017:169).

By the end of December 2020, the sales game is estimated to increase 93 number of customers to become about 356 direct customers with an extra revenue of 179.61 billion Rupiah with extra volume of 39,655 kilolitres or equal to increase 0.25% of PTBBI non-PSO Biosolar market share, from 12.3% in 2019 to 12.55% in 2020. It will also increase profit margin 22.1 billion Rupiah or 12.3% of total revenue. This impact is considered as high impact to PTBBI to run and apply the sales game in the company.

The increase of 0.25% market share of PTBBI is coming from its competitors. The sales game strategy also works as a winback mechanism that catching competitors' customers and bringing it to PTBBI. This strategy is very effective to increase sales volume, revenue and profit margin of PTBBI and also increase market share of PTBBI and beat its competitors.

Level one of sales game to increase revenue and market share from direct sales shows high impact to PTBBI non-PSO Biosolar market share increase for the first two months. It proved that reward and reward strategy gave promising productivity to PTBBI sales force team and impact directly to sales volume achievement of PTBBI.

The key point of the sales game lies in its reward and leaderboard as employee motivation and engagement. Top management is needed as a sponsor to encourage the team to join and compete in the sales game. The game should be able to capture new direct customers by making a very clear rule about customer criteria that can create points.

Level two and level three of the game should be run simultaneously after the level one reached its period. Level two and level three of the game much focus on creating more volume, means more market share, and more profit margin to PTBBI. Those next levels of sales game need to develop further in the next studies of this paper.

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