



USAID
FROM THE AMERICAN PEOPLE



SENADA
INDONESIA COMPETITIVENESS PROGRAM

QSEAL MARKET PENETRATION STRATEGY

QSEAL PRODUCT DISTRIBUTION THROUGH ASBEKINDO ASSOCIATION

APRIL 2008 — STTA SETYO BASUKI

THIS PUBLICATION WAS PRODUCED FOR REVIEW BY THE UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT. IT WAS PREPARED BY **DAI**

QSEAL MARKET PENETRATION STRATEGY

QSEAL PRODUCT DISTRIBUTION THROUGH ASBEKINDO
ASSOCIATION

DISCLAIMER

THE AUTHOR'S VIEWS EXPRESSED IN THIS PUBLICATION DO NOT NECESSARILY REFLECT THE VIEWS OF THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT OR THE UNITED STATES GOVERNMENT.

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY.....	3
2. CURRENT SITUATION OF ASBEKINDO.....	4
2.1 OVERVIEW OF ASBEKINDO CURRENT FACILITIES.....	4
2.2 OVERVIEW OF ASBEKINDO SERVICE STATIONS.....	4
3. QSEAL BLUEPRINT DISTRIBUTION THROUGH ASBEKINDO.....	6
3.1 QSEAL DISTRIBUTION THROUGH ASBEKINDO	6
4. MARKET PENETRATION STRATEGY	10
4.1 SEGMENTATION, TARGET, AND POSITIONING.....	10
4.2 PACKAGING	10
4.3 PRICING	10
4.4 DISTRIBUTION	10
4.5 MARKETING	11
5. STOCK CONTROL	11
5.1 STOCK CONTROL	14
5.2 RECEIPT AT ASBEKINDO	14
5.3 STOCK MANAGEMENT AT THE SERVICE STATION	16
5.4 ASBEKINDO WAREHOUSE	17
5.5 ACTIVITIES IN THE WAREHOUSE.....	17
5.6 RECOMMENDATIONS.....	17
6. RECOMMENDATIONS FOR FUTURE ACTION	19
7. APPENDIX	20
SAMPLE OF PARTS ORDER SHEET	
SAMPLE OF INVOICE	
SAMPLE OF PACKING LIST	
SAMPLE OF SHIPPING DOCUMENT	
SAMPLE OF KANBAN	
SAMPLE OF CONTROL BOARD	

1. EXECUTIVE SUMMARY

ASBEKINDO is ready to sell QSEAL product through its service station network. Since the skill gap to control spare parts between service stations is so big, I introduced a simple way to control spare parts. After visiting ASBEKINDO office in Jakarta and some ASBEKINDO's service stations (hopefully these service stations can represent all ASBEKINDO's service stations), I made the conclusions as follows

- **Distribution Stages.**

- 1st stage :**
 - Service station order to produce through ASBEKINDO.
 - Spare parts directly delivered to service station.
 - In the event that producer can not send directly to service station, producer shall send the spare parts to ASBEKINDO. ASBEKINDO will distribute the spare parts to service station.
 - The payment to the producer is made by ASBEKINDO which subsequently collect the payment from service station.
- 2nd stage :**
 - Order from service station will be supplied from ASBEKINDO's stock, to speed up the delivery

- **Penetration.** We make QSEAL position as substitute of genuine parts, second after OEM parts, above among its class, guaranteed and price cheaper than OEM. I introduced and explained how to sell new product step by step, from targeting, positioning, packaging, pricing, strategy, promotion, time table, evaluation and maintenance.
- **Stock Control.** I introduced and explained (a) how to calculate stock efficiently, stock standard, and replacement stock (including how to calculate service rate and month stock); how to order from service station to ASBEKINDO, from ASBEKINDO to producer; and how to control job in warehouse, receiving, binning, stock control, picking and delivery. Introduce Kanban System in stock control.
- **Recommendation.** To utilize the management and mechanic of the service station to influence customer to use the product. End users trust the recommendation of management and mechanic of service station better than from salesman. We can use this condition to increase the value of product and brand.

2. CURRENT SITUATION OF ASBEKINDO

2.1 OVERVIEW OF ASBEKINDO CURRENT FACILITIES

Jakarta ASBEKINDO's building was intended for warehouse and office to market spare parts through ASBEKINDO and its members has been prepared at a stall in Kelapa Gading Parts Center. Computer, telephone, and fax facilities are available. Manpower, for the present time one person is prepared to be the person in charge of the management of future QSEAL spare parts

Bandung ASBEKINDO's building was intended for warehouse and office has been prepared at Gatot Subroto House cum Office Complex. Computer, telephone, and fax facilities are available. Manpower may be prepared when needed.

Overall, I think that ASBEKINDO is ready to take orders from workshops and to forward the orders to the producer, to make payment to the producer and to make collection to service stations. In fact, ASBEKINDO Jakarta and ASBEKINDO Bandung are ready to do physical work, i.e. to receive spare parts from the producer for distribution to service stations, in the event that the producer minds directly sending spare parts to service stations due to the small order volume. It is advisable to start spare parts marketing using ASBEKINDO and QSEAL boxes in the two cities. If it runs well, it is expandable to other cities.

2.2 OVERVIEW OF ASBEKINDO SERVICE STATIONS

We visited ASBEKINDO member service stations — for 4-wheeled or 2-wheeled vehicles. Based on the size of location, equipment, working procedures, and managerial capability, the service stations can be grouped into 3 types:

- Type I (5%) — They work on various classy trademarks, most of them are built-up. 100 % of them use genuine spare parts.
- Type II (25%) — They work on one trademark and are official workshops of Trademark Holding Sole Agent (*Agen Tunggal Pemegang Merek / ATPM*). 100% of them use genuine spare parts.
- Type III (70%) — They work on all local assembling trademarks and old cars. 50% of them use genuine spare parts.

Almost all service stations which we inspected had (a) facilities (including building intended for office, warehouse, and working site and computer, electricity, fax, and telephone); and (b) manpower (mechanics, administration officers, and foremen. Spare parts control is good enough, some are computerized and others are manual (using card index)). There are no problems in order system and spare parts control with service stations for 4-wheeled vehicles, and communication can be done through telephone or fax.

- **Service Stations for 2-wheeled vehicles.** For Type 1, facilities included buildings intended for office; warehouse and working site are in more than 10 stalls; and computer, electricity, fax, and telephone are available. Manpower included mechanics, administration officers, and foremen. Spare parts control is computerized. All trademarks are worked on, 70% of them use genuine spare parts.

For Type 2, facilities included buildings intended for office, warehouse, and working site are available in 5 to 6 stalls. Computer, electricity, fax, and telephone are available. Manpower included staff to work on special trademarks, because they are official ATPM service stations. 100% of them use genuine spare parts. Spare parts control is computerized.

For Type 3, facilities included office cum working site and display is used to store spare parts. Electricity and telephone are available. Manpower works on all trademarks, and 40% of them use genuine spare parts. Have owner cum mechanic. Spare parts control is manual without procedures.

Service stations for 2-wheeled vehicles of all types, even the ones of type 3, despite the fact that there are special employees in charge of managing and looking for spare parts. Spare parts can be purchased through sales representatives visiting service stations on a weekly basis with a discount of 25 to 30 %, or at spare parts shops with the spare parts being delivered to service stations, paid in installments in 1 month. While for urgent demands (stock is not available at service stations), they can get the spare parts at the stores with a discount of 5 to 10 %, paid in cash or installments. Most of service stations of Type 3 use telephone in communicating or in placing orders because they do not have fax.

In general, ASBEKINDO and all Service Stations under its supervision are ready to market QSEAL products through their distribution network. Due to the differences in order system capabilities and in spare parts control, we will introduce a simple management system that can easily be followed by every one, i.e. using "KANBAN SYSTEM". This system is a method used by Toyota in implementing the "Just in Time" principle.

3. QSEAL BLUEPRINT DISTRIBUTION STRATEGY THROUGH ASBEKINDO

3.1 QSEAL DISTRIBUTION THROUGH ASBEKINDO

In respect of QSEAL distribution through ASBEKINDO, it is necessary to consider the following (a) shortening the distribution chain from producers to service stations; (b) providing profit balance between ASBEKINDO and the service station owners and not increasing the burden on the end user; and (c) providing an excellent procurement service for the customers of the service station with regard to the convenience of obtaining spare parts, quickness, accuracy, competitive price, and goods quality.

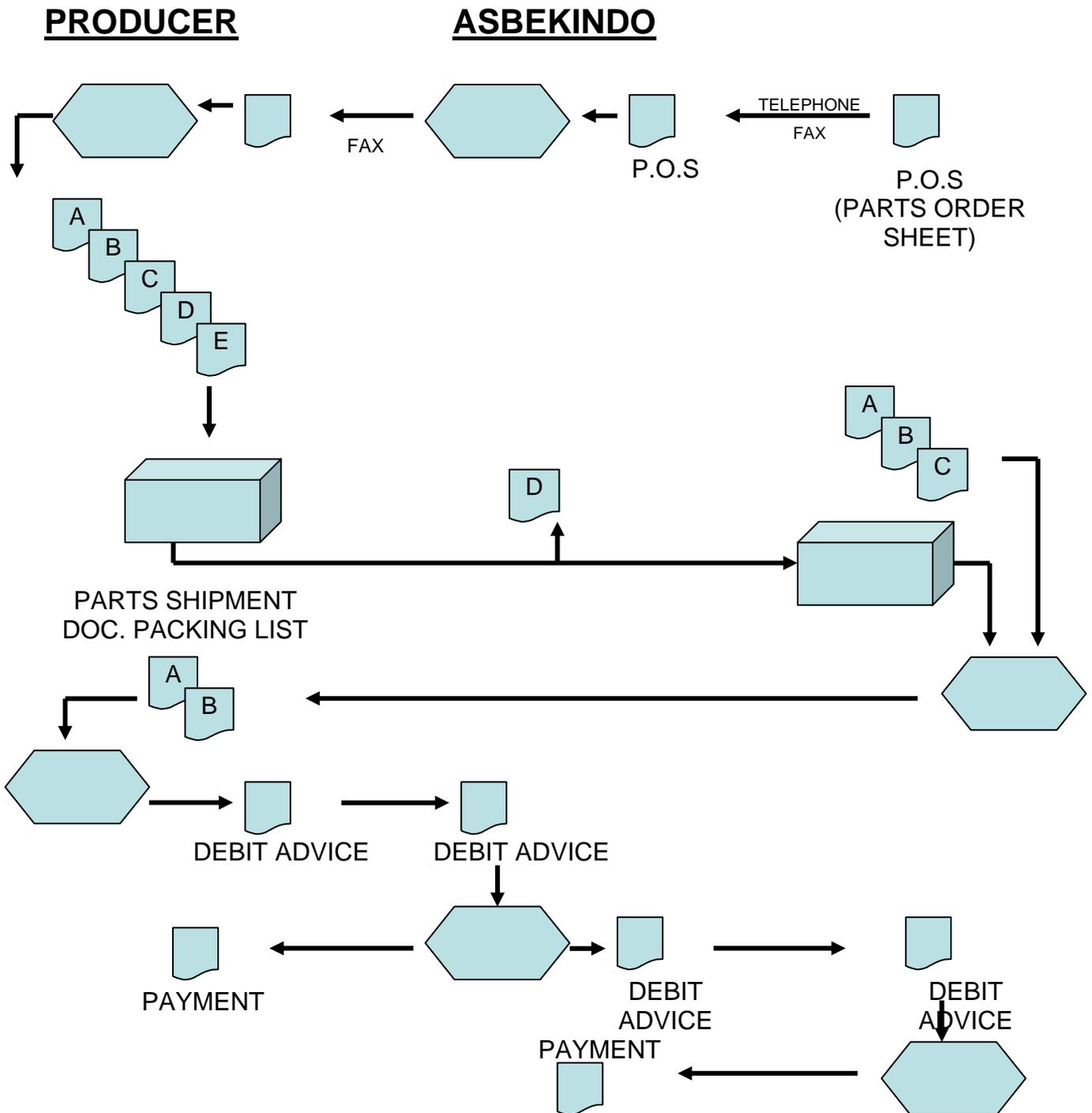
First stage of the distribution strategy should include orders from the service station is sent to ASBEKINDO through telephone, fax, or e-mail. Subsequently, the order is forwarded to the producer by ASBEKINDO through fax or e-mail and the producer directly sends the spare parts to the service station. The payment to the producer is made by ASBEKINDO which subsequently collects the payment from the service station. With regard to the first stage, the service station must learn “Kanban System”. ASBEKINDO Staff shall be involved in determining the initial stocks of the service station which must be analyzed once in every 3 months whether the stock must be increased or reduced in accordance with its sales. In the event that the producer minds directly sending the spare parts to service stations due to small orders, the producer shall send the spare parts to ASBEKINDO and ASBEKINDO will distribute the spare parts to service stations.

Second stage of the distribution strategy ASBEKINDO keeps a stock. The supply for a service station’s order is derived from ASBEKINDO’s stock. In order to replace the stock, ASBEKINDO obtains the stock from the producer. With regard to the second stage, ASBEKINDO staff must learn stock control and methods for efficiently counting stocks, namely earning a maximum profit with the minimum stocks.

- **Communication system.** Since the facilities and infrastructures owned by the respective parties are not similar, communication by telephone is enough with regard to the first stage. Subsequently, it is necessary to gradually develop the communication system into e-mail use and e-mail is allowed to be used for those who can use e-mail.
- **Time schedule.** Marketing and pricing strategies are prepared in the mid-March 2008. We will get the Kanban System manual and stock control prepared at the end of March 2008.
- **Distribution Plan A** — In the event that the producer does not mind sending the spare parts directly to the Service Station. Process includes:
 1. The Service Station prepares the Part Order Sheet (P.O.S). The Parts Order Sheet is sent by fax or informed via telephone to the office of ASBEKINDO.
 2. Based on the order received from the Service Station, ASBEKINDO sends the order to the Producer after completing the order number column. The P.O.S is sent by fax to the Producer.
 3. Based on the Parts Order Sheet from ASBEKINDO, the Producer prepares the ordered parts and issues an invoice in a set of five copies.
 4. The parts together with three sheets of invoice, packing lists, and shipping documents are sent to the Service Station. In addition to that, one sheet of invoice is sent to ASBEKINDO as a proof that the parts have been sent to the Service Station.

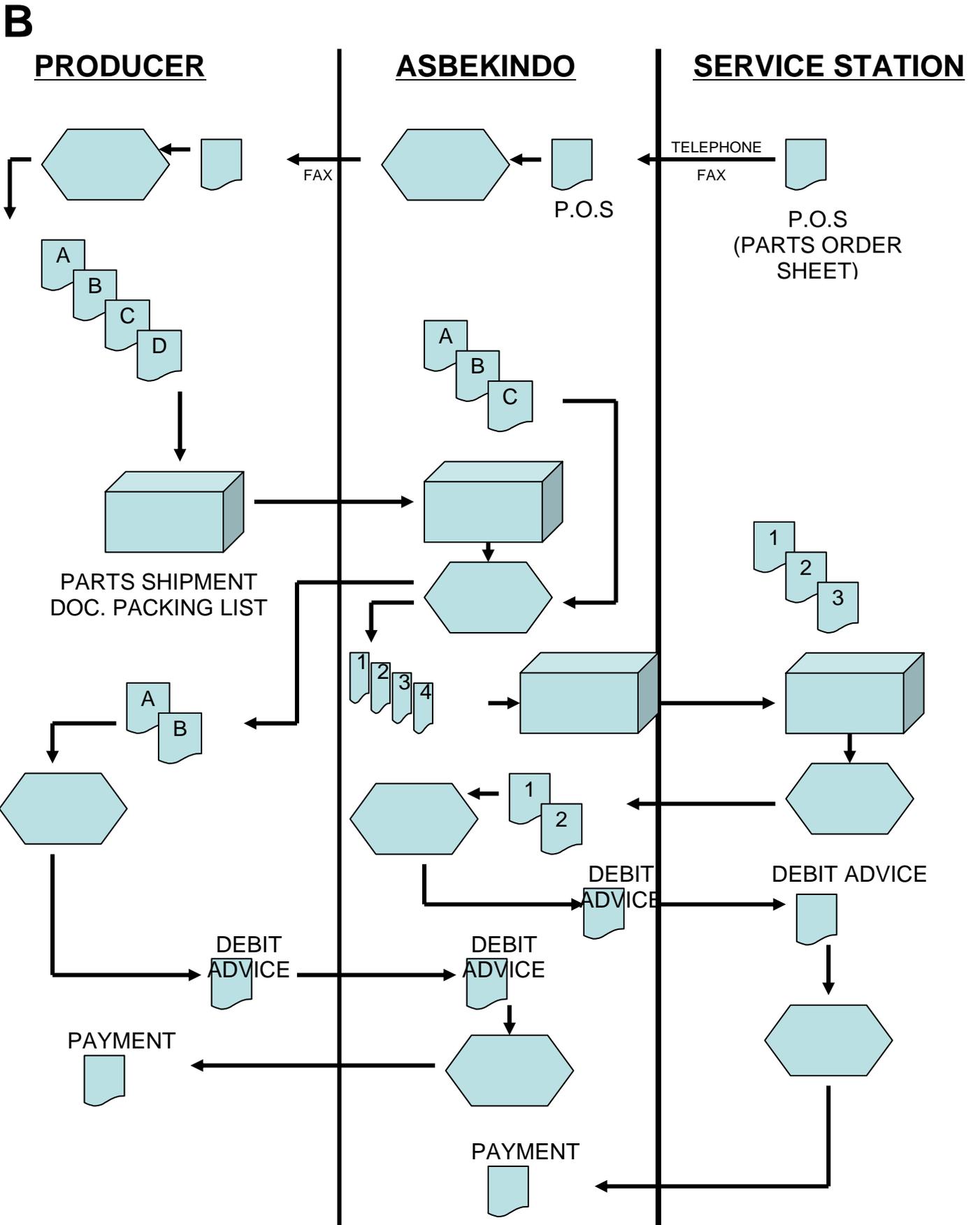
5. After the parts have been checked at the Service Station, 2 invoices are returned to the Producer after being signed.
6. Based on the invoice signed by the Service Station, the Producer provides a debit advice and sends it to ASBEKINDO together with 1 sheet of invoice signed by the Service Station.
7. Based on the debit advice provided by the Producer and after verifying all of the available data, ASBEKINDO makes a payment to the Producer in accordance with the due date and provides the debit advice and sends it to the Service Station together with the invoice signed by the Service Station.
8. Based on the debit advice provided by ASBEKINDO, the Service Station makes a payment to ASBEKINDO in accordance with the due date.

A



Distribution Plan B — In the event that the producer minds sending the spare parts directly to the Service Station. Process includes:

1. The Service Station prepares the Parts Order Sheet (P.O.S).
The Parts Order Sheet is sent by fax or informed via telephone to the office of ASBEKINDO.
2. Based on the order received from the Service Station, ASBEKINDO sends the order to the Producer after completing the order number column. The P.O.S is sent by fax to the Producer.
3. Based on the Parts Order Sheet from ASBEKINDO, the Producer prepares the ordered parts and issues an invoice in a set of four copies.
4. The parts together with 3 sheets of invoice, packing lists, and shipping documents are sent to ASBEKINDO.
5. After the parts have been checked in ASBEKINDO, 2 invoices are sent to the Producer after being signed.
6. The spare parts received by ASBEKINDO are distributed to the Service Station by taking into account the order number included in the invoice issued by the Producer. ASBEKINDO prepares 4 invoices in accordance with the parts sent to each Service Station.
7. The parts together with 3 sheets of invoice, packing lists, and shipping documents are sent to the Service Station.
8. After the parts have been received and checked at the Service Station, 2 invoices are returned to ASBEKINDO after being signed.
9. Based on the invoice signed by ASBEKINDO (see item 5 above), the Producer provides debit advice and sends it to ASBEKINDO together with 1 sheet of invoice signed by ASBEKINDO.
10. Based on the debit advice provided by the Producer and after verifying all of the available data, ASBEKINDO makes a payment to the Producer in accordance with the due date and provides the debit advice and sends it to the Service Station together with the copy of the invoice signed by the Service Station (see item 8 above).
11. After verifying all of the available data and based on the debit advice provided by ASBEKINDO, the Service Station makes a payment to ASBEKINDO in accordance with the due date.



4. PRODUCT MARKET PENETRATION STRATEGY

4.1 SEGMENTATION, TARGET, AND POSITIONING

The target segment is vehicle owners who have their vehicles serviced in Independence Service Stations, targeting customers coming to the stations owned by ASBEKINDO members, service stations of Type 3 for four-wheeled vehicles and service stations of type 1 & 3 for two-wheeled vehicles. QSEAL products are positioned as genuine part substitution product with the quality below OEM standards, but above the imitation product of the same type, are the products with a guaranteed quality; though guaranteed, they are still affordable to the owners of 4-wheeled and 2-wheeled vehicles.

4.2 PACKAGING

To differentiate the products directly sold by the producer to spare part stores, special package needs to be given for the products marketed by ASBEKINDO. Whether this package is to be labeled with ASBEKINDO brand or it still uses the producer's brand and only labeled as being marketed by ASBEKINDO depends on the result of negotiation between the producer and ASBEKINDO. The package should be made interesting and different from the others so that it can be easily recognized by the buyer. Package is a Flanker Brand, which is a newly introduced brand for the existing product category.

4.3 PRICING

Product price is the value of the offered product and since the price, value, and use of product are closely interrelated, product price shall also become a part of the supply, package, and brand of the product. The price is usually determined based on the goal that is going to be achieved.

- **Market penetration.** The expectation that the market share can be high could be met if (a) the consumer is very sensitive toward the price; (b) production and distribution cost will decrease if the sales (production) increases; and / or (c) the competitor cannot compete in a very low price.
- **Profit target.** The selling price is the sum of the buying price and the expected profit.
- **Price skimming.** Determining the high price in order to maximize the return of initial funds and gradually decreasing it when competitors start appearing.
- **Prestige price.** Determining the higher price than the competitor's in order to sell the product image quality of a brand.

Considering that ASBEKINDO needs the funds to operate this marketing program, and service station owners have currently enjoyed the benefits of marketing products already existing in market, then I recommend using model 2. Then the determined price is periodically monitored. The payment shall be made using the method they have been using namely by credit. Whether or not the price can be acceptable to consumers can be monitored after the product starts to be marketed in accordance with the data we obtain from the market in the following forms: selling movement; competitor's price; information from potential customer and salesman; market share; marketing and distribution cost, inventory Product in service stations, whether there are many products still piling up on the rack and not sold out.

4.4 DISTRIBUTION

After the price and product are determined, then the prepared distribution channel starts working. ASBEKINDO in Jakarta serves as the “gate” connected with the producer and acting as distributor organizing the orders from service stations, making payments to the producer and collection to service stations. Therefore, it needs adequate facilities in the form of computers and software, and manpower to do the administration tasks. Besides, it also needs the Salesmen acting as the field men.

Meanwhile in cities, the branch offices of ASBEKINDO shall act as Sub-Depot receiving orders from service stations in each city, and delivering the orders to ASBEKINDO Office in Jakarta. For producers that cannot directly deliver to service station because the order is too small, the branch office of ASBEKINDO shall be in charge of receiving the products from the producer or ASBEKINDO in Jakarta and distributing them to the ordering service stations.

Besides doing administration tasks, the branch offices of ASBEKINDO should also monitor and perform marketing activities in their respective regions. Therefore, in the branch offices or Jakarta, manpower, adequate facilities and infrastructures are needed to do the penetration to service stations owned by ASBEKINDO members that have not placed any orders or recognized QSEAL Products. The Salesmen in ASBEKINDO Jakarta or its branch offices should visit service stations and offer the QSEAL products, directly supplied from stock of either ASBEKINDO Jakarta or a branch office. ASBEKINDO needs to stock though the quantity is limited. The branch offices of ASBEKINDO and ASBEKINDO Jakarta should communicate by using e-mail.

4.5 MARKETING

- **Penetration strategy.** Initial Stock in every service station should be determined not too much so that the products do not pile up in service station warehouses and not to create any image of “unmarketable goods”. It would be sufficient for a small service station, with a maximum of 3 stalls, to keep 3 – 5 pieces of each item. With the demand from the consumers, the products will seem marketable. However, the salesmen should actively monitor their stock so that the service stations would never have empty stock. After knowing that their sales are increasing periodically, stock quantity can be increased.
- **Promotion.** To accelerate sales, several promotion activities should be conducted. The essence of promotion is communication. To make the communication effective, the following aspects must be considered: (a) what it is being delivered, (b) to whom it is delivered, (c) who delivers it, (d) how to deliver it and (e) when it is delivered. Promotion is the activity to communicate a product’s advantage and to influence customers to buy the product.

There are several types of promotion; however in principle, they can be divided into, (a) advertising, all commercial broadcasting regarding the product or the company by paying the media; (b) sales promotion, which is a short-term incentive to raise the sales; (c) publicity, the broadcasting information regarding the company or the product without any payment to be made. It consists of article and news in printed media and audio; and (d) personal Selling, the direct presentation to potential consumers.

Sales Promotion may be conducted in the following ways: (a) consumer promotion, direct promotion to the consumer for example by giving promotional prizes such as glasses, clocks and radio; (b) trade promotion, aside from discount, incentive is given to service stations achieving the target in the form of increased discount, television, and rice cooker; and (c) promotion, giving incentive to the sales force in order to sell much more, such as money, tour, and so on.

I recommend ASBEKINDO to conduct the promotion in the following way; First of all, it should conduct personal selling to all members of ASBEKINDO in the form of members' gathering. Then it describes the advantages of QSEAL products and other benefits that would be obtained by marketing the products through ASBEKINDO, and after that the trade promotion and sales promotion shall be conducted, either by adaptation to the existing budget or by making use of the aid from the producer, if any. A marketing activity schedule also needs to be made so that the marketing team performance can be monitored and can gain a maximum success. The time-table shall determine several activities that will be conducted until the adequate sales in service station are achieved.

- **Evaluation.** Evaluation is badly needed to find out the result of hard work of the marketing team in marketing this product. The indicators of success are as follows: (a) increasing sales volume; (b) small number of consumers' complaints; (c) easy selling process; (d) small number of products returned; (e) uninterrupted payments from service stations; and (d) increasing profit.

Increasing sales volume shows that the new product is accepted in the market. Complaints related to quality, package, and service product. Continuous complaints filed in relation to the quality would be extremely harmful to the business continuation. Easy selling in process, the products can enter the service stations while it is usually very difficult since the stores do not want to sell new products because of consumers' uncertainty in buying the products.

The minimum return is the indicator whether the product is accepted well. The producer does not accept the return because of production defects, or damage from keeping the products too long in distributor warehouses or store racks. Good payments from service stations, small overdue receivable would mean that the distributor does not want to lose the product in market. By delaying the payment, they are afraid that the order is not supplied.

- **Maintaining new products in the market.** After succeeding in the market, a new product must still be maintained in the market in terms of sales volume, brand image, or the benefit for the consumer, the applicable method, and the distribution system must be improved, market segment reselected, the service improved, and communication with the customer increased. Increasing the service in distributor channel, maintaining the product in order to prevent empty stock on the racks. Continuous promotion and doing product diversification, dividing segment into more than one.

The recent market situation has already changed, namely that the customers have taken control. The customers determine the product and service they require which shall be fulfilled by the producer. The number of products in market not only increases the number of competitor, but also creates variation in competition. The company expecting to win this competition should have (a) operational advantage (meaning the company shall provide the best quality, price, and easy access to the product.); (b) excellent product (only selling high quality products); and (c) closeness with customer. (recognizing the people who are being served and finding out the types of product and service they require.)

Marketing Management refers to the analysis activity of planning, implementing, and controlling the actions that can affect the market. Marketing activities consist of several concepts. The prominent ones are marketing and sales concepts. Marketing concept is obtaining the profit through the fulfillment of customer satisfaction. Sales concept is obtaining the profit through the promotion that can affect the sales. The essence of the two concepts above is that the customer satisfaction based on the fulfillment of customer need and demand is conducted effectively and efficiently.

Based on the foregoing thoughts, we provide the following recommendations to ASBEKINDO:

1. To win the market, ASBEKINDO must be managed professionally and must prioritize the customer satisfaction program.
2. The price of the marketed products must always be monitored by considering the advantages for ASBEKINDO, service stations, and customers' interest. This is especially important as the customers provide the assessment of need for the product on sale by considering (a) value and price of the product; (b) product quality; (c) product use and (d) product ability and reliability.
3. Terms of Payment (TOP) for service stations or the producer to ASBEKINDO need to be examined. If possible, the TOP can be negotiated with the producer namely in the first 3 months for 60 days, then 45 days, and subsequently 30 days in order to allow service stations to sell its initial stock.
4. The performance of ASBEKINDO's branch offices must be controlled each month by maintaining. Market share, sales, profit, account receivables, customer satisfaction program.
5. It is necessary to make use of the opinion leaders, the influential and vocal service station owners by giving extra services so that if the owner is satisfied, the owner will discuss and influence other new customers.
6. Preparing the salesmen and concurrent field men who are reliable for training to be able and competent in (a) providing services on time (reliability); (b) willingness to help and provide quick services and care (responsive); (c) mastering the product knowledge, the capability to win the trust and politeness (assurance); (d) giving sincere attention and services (empathy); (e) having the appearance or other physical aspects observed by the customers (tangible).

5. STOCK CONTROL

5.1 STOCK CONTROL

Stock Control is a part of the logistic system which regulates the total stock. The number of items available must be efficient, so that customers can obtain the item immediately without having to impose any costs on the owner, namely by providing the stock in the appropriate quantity and item selection.

- **Stock.** In determining the quantity to be stocked, the standard quantity of these items must first be determined based on sales history and incoming orders. Initial stocks for new items will be determined based on the number of service stations to be directly supplied by ASBEKINDO multiplied by the number of items to be distributed to the aforementioned service stations, and added with safety stock. In order to determine the number of STOCK STANDARD (STOCK STD), the following data will be required:

- Lead Time (L/T). The time period required from the time the spare parts are ordered up to the time when such parts are ready for sale, expressed in months.
- Frequency Order (O/C). The number of orders placed in one month.
- Safety Stock (S/S). In order to anticipate fluctuations in demand and delayed lead time, expressed in months.
- Monthly Average Demand (MAD). The average monthly demand in the last 3 months.

Example:

STOCK STD = MAD (O/C + L/T + S/S)
MAD = 40 pcs (MAD = 40)
Lead time = 2 weeks (L/T = 1/2)
Frequency order = 4 X 1 month (O/C = 1/4)
1-week delay with a fluctuation of 1/4 (S/S = 1/4 + 1/4 = 1/2)
STOCK STD = 40 (1/2 + 1/4 + 1/2) = 50

In the event of sales and spare parts for stock must be replaced, the following formula shall apply:

- Order = STOCK STD – (O/H + O/O) + B/O
 - O/H = On Hand. The stock currently available in the warehouse.
 - O/O = On Order. Orders delivered to producers but which spare parts have not been received yet.
 - B/O = Back Order. From service stations which cannot be supplied yet by ASBEKINDO.
- **Service Rates.** In order to measure whether or not a stock is efficient, the following parameters can be used. Service Rate. Indicates the capability of fulfilling incoming orders based on the item and the quantity. There are 3 types of service rates:

- Horizontal Service Rate. Indicates the percentage of whether or not the item(s) ordered by a service station is recognized in ASBEKINDO's inventory system.

$$\text{Horizontal SR} = \frac{\text{Total line items on the ordered items inventory}}{\text{Total line items ordered}} \times 100 \%$$

- Vertical service ate. Measures the availability level of stock items in proportion to the received orders.

$$\text{Vertical SR} = \frac{\text{Total line items supplied}}{\text{Total line items on the ordered items inventory}} \times 100 \%$$

- Total service rate. Measures the level of supply of the received orders

$$\begin{aligned} \text{Total SR} &= \frac{\text{Total line items supplied}}{\text{Total line items ordered}} \times 100\% \\ &= \text{Vertical SR} \times \text{Horizontal SR} \end{aligned}$$

- Stock month. Indicates the total stock divided by the average sales in the last 3 months. A good stock has a high service rate (above 90). However, a low stock month (below 1), or in other words, is able to supply almost all demands of the service stations with a small, yet efficient, number of stocks.

$$\text{Stock Month} = \frac{\text{Total Stock (O/H + O/O)}}{\text{Average monthly sales}}$$

- **Order process.** Prior to processing an order to a producer, it is necessary to discuss the following matters with the producer
 - Method of order. What data are needed by the producer and ASBEKINDO's in the Order Sheet Form.
 - Time of order. On what days and how many times a week.
 - Lead Time. The length of time required by the producer, from the when the order is received up to the time when the parts arrive at ASBEKINDO.
 - Delivery System. Delivered in a carton box, a wooden case, and so forth, and the maximum weight allowed for delivery. The producer's delivery days shall be adjusted to the time convenient to ASBEKINDO (if there are many suppliers). Means of delivery
 - Claim procedures. File a claim in case of trouble and what matters can be filed for a claim.
- **Orders from service stations to ASBEKINDO.** Service station places the order through telephone, fax, or email to ASBEKINDO by using the form approved by both parties (as an example, I herewith attach the Order Sheet Form below). This Order Sheet Form is to be completed by the service station, by specifying the name of the service station, its location, its customer code, date and reference order number, parts number and the quantity required as well as the signature of the authorized service station officer. This Order Sheet Form shall then be delivered to ASBEKINDO, by reading it aloud over the telephone, sending it by fax or email. The original copy shall be kept in the Service Station for archives.
- **Orders from ASBEKINDO to producers.** Orders received from the Service Station shall be completed with ASBEKINDO order number and the processing date in ASBEKINDO. Orders shall be faxed or sent by email to the producer. The original copies are filed in ASBEKINDO. For its own purpose, ASBEKINDO also sends the completed Order Sheet Form sent via fax or email to the producer.
- **Supply of parts from producers to service stations.** Based on orders received from ASBEKINDO, the producer shall prepare the spare parts and deliver them to the service station. The parts shall be delivered along with the packing list, shipping document and 3 copies of invoice. 1 copy of the invoice shall be delivered to ASBEKINDO as a notification that the spare parts have been delivered to the service station.
- **Receipt at the service station.** The parts received shall then be checked with existing documents. The number of cases received shall be checked with shipping documents, and the contents shall be checked with the packing list received. If all of them match, the invoice will be

checked. If the information specified in the invoice match, the invoice will be signed, one copy shall be filed at the Service Station, and the other two invoices shall be delivered to the producer,

In the event that the information specified in the shipping document, the packing list or the invoices received disagree with the spare parts delivered by the producer, the service station shall immediately file a claim delivered to producer and also to ASBEKINDO as a copy. The producer and ASBEKINDO shall follow-up this claim and settle it thoroughly, until the service station can receive its rightful spare parts according to the Order Sheet Form it has completed. The parts received shall then be stored in a specified location.

5.2 RECEIPT AT ASBEKINDO

Receipt at ASBEKINDO can be divided into 2 groups — (Group I) for service stations whose parts are delivered through ASBEKINDO because the producer objects to delivering directly to the service station; (Group II) for ASBEKINDO's stock. Upon receiving a case, check the case's quantity and number specified on the waybill, check the condition of the case, and verify its accompanying documents. The case is then opened and its contents are then checked with the packing list, and the total item, parts number, and quantity are checked. For cases whose contents do not have any problem, then for: Group I contents are then returned to the carton box to be delivered to the service station. The service station ordering the item can be identified in the order number specified on the producer's invoice. Group II parts are stored in ASBEKINDO's warehouse.

Delivery and transfer of goods from ASBEKINDO:

- **Group I.** For Jakarta region, goods may be delivered directly to the service station through the assigned forwarders or by using the service of *ojek* (paid motorbike ride) drivers. Delivery of parts shall be accompanied with 3 invoices, where after the parts have been received in good condition, the invoices shall be signed forthwith; 2 invoices shall be directly returned to ASBEKINDO by the forwarder or *ojek* driver to be used in preparing the debit advice and the delivery bill.
- **Group II.** For regions outside Jakarta, parts shall be delivered to ASBEKINDO's branch offices in various regions to be checked and distributed to the ordering service station. In order to facilitate the distribution of each carton box, the name of the destination service station shall be written on the box, and the carton box shall then be gathered into one case or several cases according to the value of the order.

Spare parts shall be delivered to ASBEKINDO's branch, along with parts shipping document, packing list, and invoices from ASBEKINDO (3 copies). After the spare parts have been received in good condition according to the document received, 2 copies of the invoice shall be delivered afterwards to ASBEKINDO's head office for the preparation of debit advice. ASBEKINDO's branch shall prepare 4 copies of invoice, and send 3 copies to the service station along with the spare parts. After the spare parts have been received in good condition, the service station shall sign the invoices, where 2 copies shall be directly returned to ASBEKINDO's branch by the forwarder or the *ojek* driver in order to be used in preparing the debit advice in the delivery charge. This administrative work is necessary because billing statements are prepared only after \pm 1 month for the fear of forgetfulness or missing files at the service station.

5.3 STOCK MANAGEMENT AT THE SERVICE STATION

Stock management shall be implemented with Kanban System.

- First of all, we determine the standard stock for each service station, based on the history of incoming cars and spare parts replacements which have been recorded.
- After determining the quantity of each item, the Kanban is then hanged at the storage location of the items, according to their quantities (for example, if there are 4 stocks for item A, we will need 4 pieces of Kanban).
- If one item is taken for use at the service station, we will take the Kanban at the storage location, according to the quantity we use. This Kanban is then placed into a specially prepared box or hanged on the control board.
- When it is ordering time, we will order according to the number of Kanban in the special box or on the control board.
- After the order has been placed, these Kanbans are moved to another box or the Control Board, which will be labeled as O/O (On Order).
- After our ordered parts arrive, we store those parts in the assigned location along with their Kanbans. For items not yet received or lacking in quantity, we remove their Kanbans to the control board or to another box, labeled with B/O (Back Order).
- Based on these special boxes and the control board, we will know the status of the items ordered. On certain occasions, ASBEKINDO officers may assist in analyzing whether or not the stocks prepared by the service station are already adequate. Kanban is a small card containing information on the name and number of the parts, their location and quantity, which is laminated with plastic. Its size is about half a credit card.

5.4 ASBEKINDO WAREHOUSE

Warehouse facility basic parameters are as followed:

- The size of the warehouse depends on the quantity of stocks to be stored. The warehouse requires planning so that in addition to being able to store the value of the current stock, it must also be able to accommodate an increase in the stock value for the next 5 years.
- The warehouse must be easily accessed, particularly for goods transporting vehicles.
- Must be protected from the effects of weather and must have adequate security.
- Must have electrical and communication infrastructures and sufficient lighting.
- Must have sufficient ventilation.
- Must have a spacious reception and checking area.

5.5 ACTIVITIES IN THE WAREHOUSE

- **Receipt of goods.** Upon receiving cases/carton boxes, the quantity and number of each case must be checked with its accompanying document. The receipt must specify the condition of the case/carton box upon reception. If the case/carton box is received in a damaged, wet, or any other bad condition, an official report must be drawn up and signed by the sender and the receiver. This report will then be used in filing a claim.
- **Checking goods received.** Open the case/carton box, starting from the case/carton box in bad condition. Open its content and assemble it according to the numbers of its parts. Check the

number of spare parts and their quantity, with their accompanying document. Store goods in the specified location.

- **Storage of goods.** The storing and organizing of stocks in such a way to prevent goods from being damaged, and also in order that the storage and retrieval process of goods may be easily and quickly done.
 - Location Planning. The parts must be placed according to the available location. Their organization must be done in such a way to prevent damage during storage or retrieval. Retrieval can be done quickly, easily, and the location can be easily searched.
 - Location numbering. The numbering must include letters and numbers, which contain the identity of rack group, rack number, shelf number, and drawer or box number. For example: B 02 – 103. Means the third drawer of the first shelf in B 02 rack. Store goods in the location neatly and tidily. If not all goods can be accommodated, store the remaining goods in a prepared reserve location.
- **Supervision on storage.** Placement of goods with a high volume of sales should be placed near the entrance. Fix the order periodically. For location maintenance, pay attention to locations which can no longer accommodate the quantity of parts stored and their sales volume.
- **Retrieval of Goods.** The retrieval, checking, and delivery of goods from the warehouse. Collecting goods from the location. In a transaction, use only the approved document for collection, for example packing list or invoice copy. Collect parts from the location according to the number and quantity of spare parts specified in the abovementioned document.
- **Delivery of goods.** Deliver goods after being checked with the information specified in the invoice. Goods may be handed directly to visiting customers, delivered, or sent via a forwarder.

6. RECOMMENDATIONS FOR FUTURE ACTION

ASBEKINDO must be able to utilize the management and mechanics of the service station which can influence customers to use a product, so as to improve the value of such product. End users trust in the recommendations of the management or mechanics of the mechanic service station better than the salesmen of the producer or the spare part shop. End users will feel more secure when using spare parts recommended by the management or mechanics of the service station. The owner of the service station will be glad to sell the product if the profit earned is sufficient, while the management or mechanics of the service station will be more motivated in offering the product if they receive an incentive.

In order to generate income for ASBEKINDO, the margin of the owner of the service station and the incentive for the management or mechanics of the service station, it will be necessary to include funds in the selling price. It is likely that the selling price at ASBEKINDO is higher than that at the Parts Shop. However, it will not become a problem if the packing is different, because the high level of trust in the recommendation of the management and mechanics of the service station results in a unity of product, packing and brand of QSEAL offered, and its value will also increase.

With a different packing, customers will never have the desire to compare the contents of the packing purchased from the Parts Shop with those sold in ASBEKINDO. In order to accelerate delivery, facilitate control and security for distribution, in Phase II, the spare parts ordered by the service station are directly supplied from ASBEKINDO warehouse. Phase II shall commence after the sales volume of QSEAL products increases and ASBEKINDO generates adequate income from the profits earned during Phase I. In negotiating the purchasing price with the producers of ASBEKINDO outlets which are more than 800 in number, bargaining power may be utilized to settle the best price.

The producer's Terms of Payment (TOP) shall be requested for 60 days for the first 3 months, and then 45 days and finally 30 days, while the TOP from ASBEKINDO to service stations can range from 45 days and gradually decreases to 30 days. The difference in TOP enables ASBEKINDO to utilize payments received from service stations to pay the producer. ASBEKINDO's salesmen must personally know the owners, managers and mechanics of the service stations under their respective responsibilities, and must always evaluate the achievement of each service station, as well as constantly provide guidance and approaches for the service station on a continuous basis.

7. APPENDIX

1. SAMPLE OF PARTS ORDER SHEET
2. SAMPLE OF INVOICE
3. SAMPLE OF PACKING LIST
4. SAMPLE OF SHIPPING DOCUMENT
5. SAMPLE OF KANBAN

SAMPLE OF PARTS ORDER SHEET

Cust Name / Address			Cust. Code : Cust. Number : Date :		
Item No.	Parts No.	Q'ty	Item No.	Parts No.	Q'ty
Remarks ; ASBEKINDO ref. number _____ Date _____					

SAMPLE OF INVOICE

PT _____

(Producer)

Customer Name		Customer Code		Customer Ref	Inv. No	Remarks	
Cust. Address		ASBEKINDO No.			Inv. Date		
Item No.	Parts No.	Parts Name	Quantity		Unit Price	Disc.	Total
			Ordered	Issued			

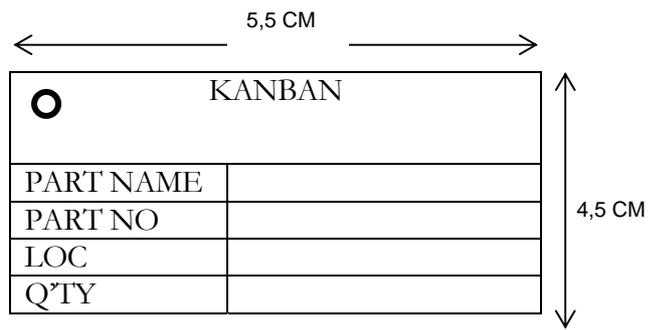
SAMPLE OF PACKING LIST

CUST NO.	CASE NO.	GROSS	MEASUREMENT	PACK. DATE
PARTS NO.	PARTS NAME	PICKED QUANTITY	ORDERED NO.	INVOICE
TOTAL ITEM :				
TOTAL QUANTITY :				

SAMPLE OF SHIPPING DOCUMENT

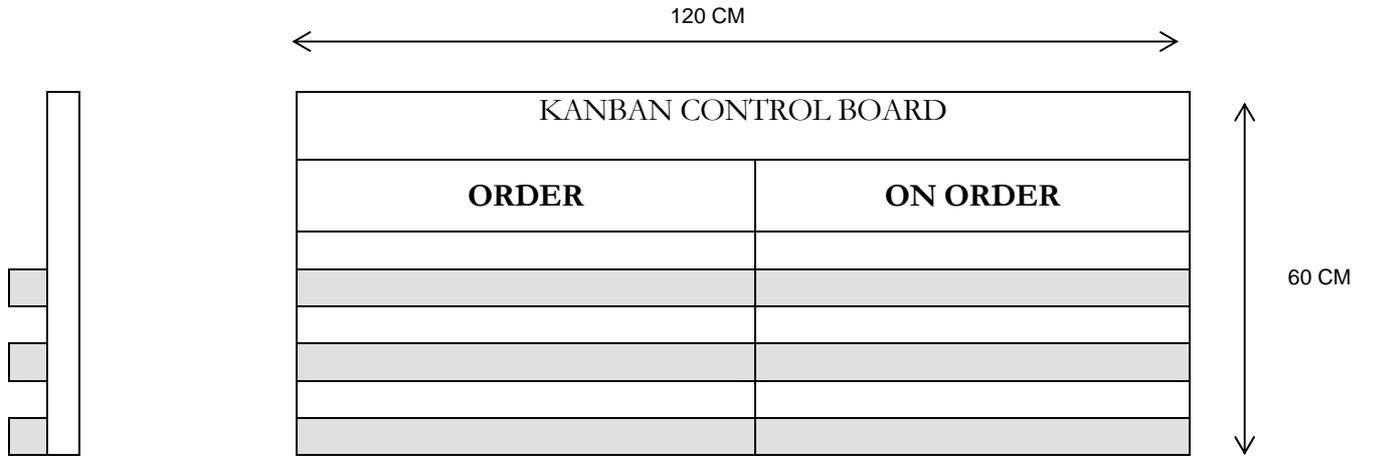
TO :		SHIPMENT DATE	REF NO.
ORDERED NO : ASBEKINDO NO : CUSTOMER NO :		DESCRIPTION OF GOODS	INV. NO
		TOTAL CASE : GROSS WEIGHT : MEASUREMENT :	
REMARKS			
SERVICE STATION		EKSPEDISI	
TGL TERIMA : DITERIMA OLEH :		TGL TERIMA : DITERIMA OLEH :	
CAP		NAMA PERUSAHAAN	

SAMPLE OF KANBAN

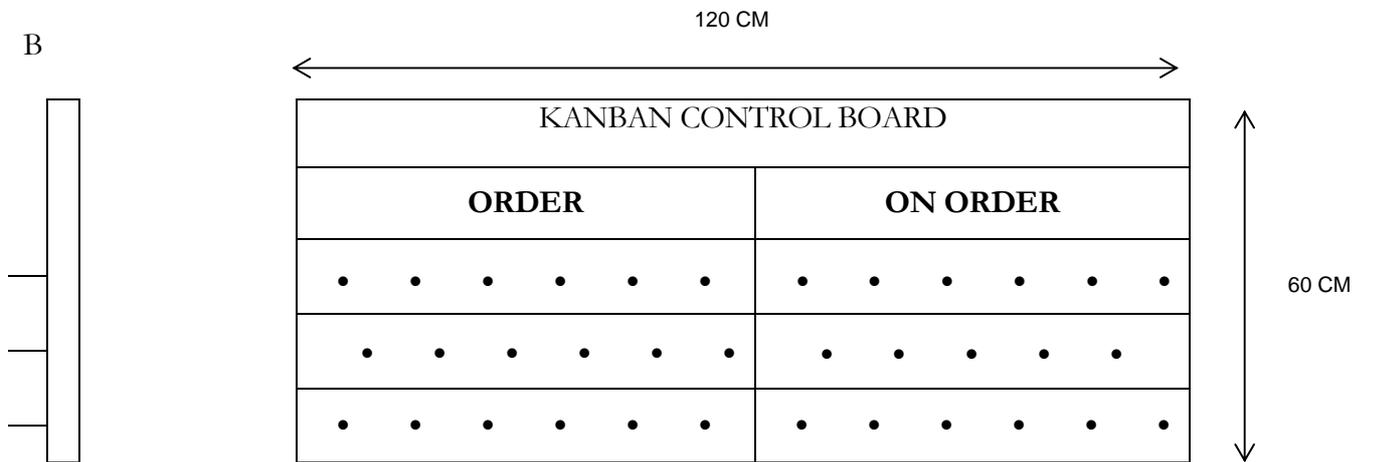


SAMPLE OF CONTROL BOARD

A



B



SENADA – Indonesia Competitiveness Program

BRI II Tower, 8th Fl, Suite 805

Jl. Jendral Sudirman No. 44 – 46

Jakarta 10210

www.senada.or.id