

## INFLUENCE OF THE FORM OF DISTRIBUTION CHANNEL ON SALES VOLUME AND CUSTOMER SATISFACTION IN PT. AUSTASIA SURABAYA – INDONESIA

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### ABSTRACT

This study measures the effect of distribution channels which have three forms on sales volume and consumer satisfaction. This type of research is quantitative with an explanatory approach. Primary data was collected using a questionnaire and supported by secondary data using documentation. The sample of this research is one hundred and fifty consumers, the data is analyzed using regression analysis with the SPSS application. The research found that the shape of the first distribution channel affects sales volume but does not affect customer satisfaction. The second distribution channel affects sales volume but does not affect consumer satisfaction. The third distribution channel, affecting sales volume and influencing consumer satisfaction, is a novelty from the research conducted. However, companies must pay attention to the shape of the first and second distribution channels to maintain channel stability. For this reason, the company must maintain as well as possible the formation of the third distribution channel, so that it can achieve more effective long-term goals. Wholesalers buy mostly from producers and sell mostly to retailers, industrial consumers, and other wholesalers. As a result, many of the nation's largest and most important wholesalers are largely unknown to final consumers distribution channel.

**Keywords: Distribution channel, sales volume, customer satisfaction**

### I. INTRODUCTION

The structure and integration of distribution channels could take almost any form, but the form it actually takes depends on several issues. The most important factor is the consumers' demand for service output. In order to work with the design of the distribution channel several steps are needed, such as; examining products/services that are sold, end-user segmentation, investigating external and internal constraints and opportunities, and confronting the constraints/objectives (Coughlan et al., 2006) The main product from the sawmilling industry, softwood lumber, is in many cases referred to as a commodity product (Roos, 2002). Competition amongst suppliers of commodity products is primarily based on the suppliers' total offer (i.e. product and service). Each individual company exists in a specific setting, affected by several contingency variables, making every company to some extent unique. The contingency approach proposes that organizational

adaption and survival can be achieved in several ways and that one specific way is not equally effective under all circumstances (Zeithaml et al., 1998).

Competition is a natural thing, many business actors ultimately inevitably have to get out of their comfort zone, today the world of marketing is required to understand what new things are currently happening in the market, one of which is consumer needs and how consumers can have a product or service. services, so a distribution channel is needed. According to Galkin (2015), "distribution channel functioning efficiency in different regions. Author examined parameters and factors which impact on channel's choice and change. Replacement any of them impact on channel efficiency in time period. In such conditions, the various aspects of distribution system for each region should be decided in the operation, logistics, economics and marketing levels.

Rational management is important in goods distribution processes. Logistics tools are effecting on the choice of distribution channel delivery mechanism for different regions. The sales channels choice is one of the key decisions for the company (Gustafsson & Rask, 2015). The importance of distribution channels is analysed both for individual economic operators, i.e. groups and for the aggregate national economy. These types of analyses start with the share of big firms and groups, both on national and international levels (Ray, 2010). This is the case of relationships between different economic operators within value creation chains. This is why earlier concepts of the role and importance of commerce in national economy are losing their importance (Bozarth & Handfield, 2006). Distribution encompasses a system of all activities that are related to the transfer of economic goods between manufacturers and consumers. It includes such a coordinated preparation of manufactured goods according to their type and volume, space and time, so that supply deadlines can be met (order fulfilment) or estimated demand can be efficiently satisfied (Domschke, 1994).

## II. LITERATURE REVIEW

### Distribution channel

The term "distribution channels" can at the moment be replaced by the term "marketing channel". "Marketing channel" as a more complex term has been used in the USA since the 1970s, because the intermediaries include not only those who participate in the physical flow of a product from the manufacturer to the end user, but also those that have a role in the transfer of product ownership, as well as other intermediary institutions that participate in the value distribution from production to consumption (Tipurić, 1993). Distribution or marketing channels are systems of mutually dependent organisations included in the process of making goods or services available for use or consumption. Moreover, a marketing channel is "the external contactual organization that management operates to achieve its distribution objectives" (Rosenbloom, 2004). Similarly, distribution channel is defined by Hill: "Distribution channel – one or more companies or individuals who participate in the flow of goods and services from the manufacturer to the final user or consumer" (Hill, 2010).

Channel of distribution – The route along which goods and services travel from producer/manufacturer through marketing intermediaries (such as wholesalers, distributors, and retailers) to the final user. Channels of distribution provide downstream value by bringing finished products to end users. This flow may involve the physical movement of the product or simply the transfer of title to it. Also known as a distribution

channel, a distribution chain, a distribution pipeline, a supply chain, a marketing channel, a market channel, and a trade channel.“ (Ostrow, 2009). A distribution channel consists of interdependent institutions, and the different members perform one or several activities, such as: carrying of inventory, demand generation or physical distribution. A distribution channel consists of the manufacturer and a number of intermediaries. In general, the functions of the intermediaries are to sorting, accumulating, allocating and assorting (Coughlan et al., 2006).

The distribution channel work more or less closely with each other and this is usually referred to as the degree of external integration. The advantages of integrating activities and functions amongst the actors in the distribution channel are perceived to be innumerable, one being increased performance (even though the number of empirical evidence has been questioned by for instance (Fabbe-Costes and Jahre, 2008).



Figure 1. Shows an of channels of distribution

Channel of distribution consist of one or more companies or individuals who participate in the flow of goods, services, information, and finances from the producer to the final user or consumer.” (Coyle, Bardi, & Langley, 2003) These are various routes that products or services use after their production until they are purchased and used by end users.<sup>3</sup> Therefore, marketing channels, i.e. distribution channels are all those organisations that a product has to go through between its production and consumption (Kotler, 2016). Distribution channels in different ways. Nevertheless, the basic division is into direct and indirect channels. In direct channels, producers/manufacturers sell their goods directly to individual consumers, while indirect channels include a trading company as well. An indirect marketing channel can be both short and long. Only one trading company is included in the short channel (usually, it is a retail company). In the long channel, there are two or more intermediaries, wholesale and retail companies (Lambert et al., 2008).

### Sales Volume

Sales volume is a measure that shows the number or amount of goods or services sold. The condition and ability of the seller determines a person's confidence to buy the product being marketed. The market is the target in selling a product, thus the market will also affect the level of sales to be able to increase sales volume. Market conditions that

must be considered are the type of market, buyer groups or market segments, purchasing power, frequency of buyers, and the wants and needs of buyers (Kotler & Keller, 2016). Sales volume is a measure that shows the amount or amount of goods or services sold. Sales volume is very influential on the size of the profit that will be obtained by the company. The increase in profit will affect the volume of product sales, and vice versa if profits do not reach the optimal target, the sales volume will also decrease (Armstrong & Kotler, 2015)

While some researchers believe that sales promotion dimensions have positive effect on sales volume (Ailawadi, 2001; Oyedapo et al, 2012; Odunlami & Ogunsiyi, 2011). Confirm that there is positive significant relationship between sales promotion dimensions and sales volume of the beverage industry. Moreover, (Pauwels et al, 2002) found a link between sales promotion dimensions and product trial which eventually lead to increase in sales volume. Also discovered that sales promotion dimensions have permanent effect on sales volume.

A very important factor in influencing sales volume is the distribution channel which aims to see market opportunities whether it can provide maximum profit. In general, the chain of distribution channels The wider the distribution will result in greater costs, but the wider the distribution channel, the company's products will be increasingly recognized by the wider community and encourage increased sales figures which ultimately have an impact on increasing sales volume (Zeithml & Bitner. 2010).

### **Consumer Satisfaction**

Customer satisfaction is regarded as an invisible asset. It is not only an improvement for the development of the financial institution but also can be used in predicting for the operation quality and development of Ecobank in general. To satisfy the customer and build their loyalty are the basics for an enterprise to be improved and developed (Johnson & Anclers, 2014). Customer satisfaction can be used as a standard to test a service quality. Service standard must start from the demands of customers and end with the satisfaction of customers (Arokiasary, 2013). Customer satisfaction can also be defined as an "evaluation of the perceived discrepancy between prior expectations and the actual performance of the product" (Tse et al, 1988).

Satisfaction of customers with products and services of a considered as most important factor leading toward competitiveness and success. Customer satisfaction is actually how customer evaluates the ongoing performance Gustafson (2005). According to customer satisfaction is customer's reaction to the state of satisfaction, and customer's judgment of satisfaction level. Customer satisfaction is very im-portant in today's business world as according to Deng et al., (2009) the ability of a service provider to create high degree of satisfaction is crucial for product differentiation and developing strong relationship with customers. Customer satisfaction makes the customers loyal to one financial institution. Previous researchers have found that satisfaction of the customers can help the build long and profitable relationships with their customers.

Customer satisfaction is generally described as the full reaching of one expectations. Customer satisfac-tion is the feeling or attitude of a customer towards a product or service after it has been used (Taylor & Baker, 1994). In other word Customer satisfaction implies that the customer' inclination about their communicated requests or desire have been satisfied. Customer satisfaction is complicated to character-ize on the grounds that typically it is mitigated by desire. Customers will be satisfied and feel

fulfilled if the product or services above requests or desire. Satisfaction is likewise the input that given by the customer about the product or services quality and evaluation of the product and services itself. It is a sure mental affair which demonstrates customer joy of their conduct. Customer satisfaction is an inconsistent component, one certain product or services may satisfy a customer may not satisfied another customer. In this way, keeping in mind the end goal to build the customer loyalty the most extreme, the variables which may impact customer satisfaction must be seen legitimately. As Goodman (2009) identifies, "satisfaction is muddle to characterize". Customer devour conduct will be created again and won't change to another product or services by expanding their satisfaction.

Customer satisfaction is characterized in light of the conduct amid the utilization. This definition is produced using the conduct of customer perspective. It viewed customer satisfaction as a criticism for a specific conduct amid the purchasing conduct. It is trusted that the behavior of the employees who can offer directly or indirectly to the customer can influence customers choice or decision on which account they want to open, More particularly, when a customer can feel about the advantage of a product or services, the customer will pay at the cost and can endure with the rising cost. Wilton (1988) characterizes customer satisfaction as a judgment for the distinction between the nature of the product and services and customer own particular desire. As per this contention, customer will fill fulfilled and satisfied if they get what they so need at the any time need be for the services render to them by the will be satisfied. But if the customer does not get the interest as was explain at the time of creating that account such customer will be disappointed and dissatisfied. Every one of these definitions pave the way to the features of customer satisfaction.

### III. HYPOTHESIS

Hypothesis is one of the essential elements of a scientific research paper. It needs to be to the point, clearly communicating what your research is trying to accomplish. A blurry, drawn-out, or complexly-structured hypothesis can confuse your readers. Or worse, the editor and peer reviewers (Han, 2017). The research hypothesis is central to all research endeavors, whether qualitative or quantitative, exploratory or explanatory. At its most basic, the research hypothesis states what the researcher expects to find – it is the tentative answer to the research question that guides the entire study. Developing testable research hypotheses takes skill, however, along with careful attention to how the proposed research method treats the development and testing of hypotheses," (Creswell, 2015).

Figure 1, is a conceptual framework structured to provide an overview of what is studied or the variables studied briefly, as presented below.



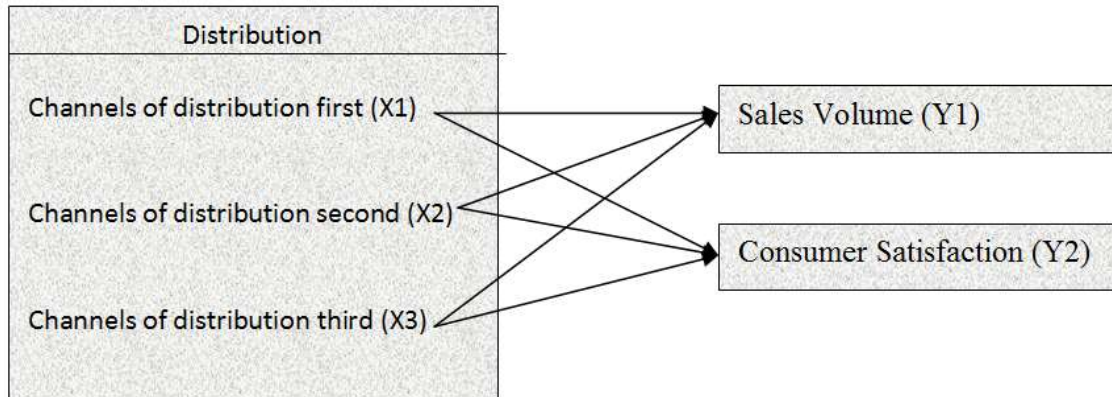


Figure 2. Research concept framework

A captivating hypothesis is not too intricate. This blog will take you through the process so that, by the end of it, you have a better idea of how to convey your research paper's intent in just one sentence. Based on the background description presented and the theoretical studies that have been presented, the following hypotheses can be made.

H 1a : Channels of distribution first (X1) has a significant effect on sales value (Y1)

H 1b : Channels of distribution second (X2) has a significant effect on sales value (Y1)

H 1c : Channels of distribution third (X3) has a significant effect on sales value (Y1)

H 2a : Channels of distribution first (X1) has a significant effect on consumer satisfaction (Y2)

H 2b : Channels of distribution second (X2) has a significant effect on consumer satisfaction (Y2)

H 2c : Channels of distribution third (X3) has a significant effect on consumer satisfaction (Y2)

H 3 : One of the channels of distribution has a strong influence on sales value and or consumer satisfaction

#### IV. METHODOLOGY

A scientific work will give satisfactory results if the research uses an appropriate method and technique so that the data obtained meets the factual, objective and relevant requirements. If viewed from the problems that have been described, to answer the research objectives, the type used in this research is quantitative research (Norman & Hull, 2008). According to Creswell (2015) "Explanatory design is typically used to explain and interpret quantitative results by collecting and analyzing follow-up qualitative data. It can be especially useful when unexpected results arise from a quantitative study. In this case, the qualitative data collection that follows can be used to examine these surprising results in more detail.

Then it was also stated that ; this strategy may or may not have a specific theoretical perspective. The straightforward nature of this design is one of its main strengths. It is easy to implement because the steps fall into clear, separate stages. In addition, this design feature makes it easy to describe and to report. The main weakness of this design is the length of time involved in data collection. with the two separate phases. This is especially a drawback if the two phases are given equal priority Creswell, 2015).

The number of samples taken was 150 people, for the sampling technique using Probability Sampling (Random Sample), namely random sampling. This means that all members of the population are assumed to have the same opportunity to be selected as the research sample through simple random sampling (Simple Random Sampling), which provides equal opportunity for each member of the population to become the research sample. Primary data was collected using a questionnaire or questionnaire and also supported by secondary data taken from documentation. According to Razak (2015), Data analysis that is able to answer the hypotheses that have been mentioned is using regression analysis assisted by the SPSS application.

## V. RESEARCH RESULTS

PT AUSTASIA is a marketing division company owned by PT Greenfields Indonesia, whose job is to carry out the marketing of all the company's products. The products marketed are all processed cow's milk products with fresh and dry categories from fresh products, namely pasteurized milk, yogurt, cheese, whip cream, with various flavors, while for the dry category there is a UHT product, namely ready-to-drink milk in tetra pack packaging. The procedure for selecting distribution channels by PT AUSTASIA in order to establish cooperative relations with several distribution companies to select partners as distributors, PT AUSTASIA Through a survey that has been done on several intermediary companies and consider ; a) the product to be distributed; b) business background of the intermediary company; c) The financial condition of the intermediary candidate; d) Number of customers owned by intermediaries; and e) Territories or post-markets controlled by intermediaries.

Respondents of this study consisted of two groups (table 1) channels of distribution and consumer/customer. There were 15 male and 10 female, 11 aged 20-30 years, 15 more than 40 years old, 7 high school education, 3 diploma graduates and 15 bachelor degree respondents for channels of distribution. There were 74 male and 51 female, 67 aged 20-30 years, 58 more than 58 years old, 54 high school education, 9 diploma graduates and 72 bachelor degree respondents consumer/customer,

Table 1. Distribution responden

	Gender	Age	Education
1. Channels of distribution	male 15	20 -30	SMA 7
	female 10	> 30	Diploma 3
	Total	25	Bachelor 15
2. Consumer/customer	male 74	20 -30	SMA 54
	female 51	> 30	Diploma 9
	Total	125	Bachelor 72

Source: research data, 2023

In table 2, the Durbin Watson variable value is 2.724 for the variables studied, namely Brand Equity which consists of Channels of distribution first (X1), channels of distribution second (X2) and channels of distribution third (X3), sales value (Y1) and consumer satisfaction (Y2) then "it can be concluded that there is no autocorrelation in this study". The comparator uses a significance value of 5%, with a sample size of 50(n), and a variable number of 4 (k=4), so in the Durbinwatson table a du value of 1.730 will be obtained. Because the DW value is greater than the upper limit (du) 1.730 and less than  $4 - 1.73$  (2.724), it can be concluded that there is no autocorrelation in this study. Then for the R Square value of 0.375 it proves that the influence of 37.5% from Channels of distribution first (X1), channels of distribution second (X2) and channels of distribution third (X3) has on sales value (Y1) and consumer satisfaction (Y2) )

Table 2. Autocorrelation analysis results  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.627 <sup>a</sup>	.396	.335	.66816	2.412

a. Predictors: (Constant), X1, X2, X3

b. Dependent Variable: Y1, Y2

\*\* Signifikan 5%

In table 3, the B value is 0.281 with a Beta value of 0.177 and a tcount value of 1.767 at a significant  $0.217 >$  of a p value of 0.05 meaning that there is no effect of 17.7%% of the channels of distribution first (X1) on sales value (Y1 ), this proves that "H1a is rejected". Then the B value is 0.228 with a Beta value of 0.239 and a tcount value of 1.380 at a significant  $0.274 >$  from a p value of 0.05 meaning that there is no effect of 23.9% of the channels of distribution second (X2) also has no effect on sales value (Y1), thus that "H1b is rejected". Furthermore, it was obtained a B value of 0.671 with a Beta value of 0.610 and a tcount value of 4.250 at a significant  $0.00 <$  from a p value of 0.05 meaning that there was an influence of 61.9% from channels of distribution third (X3) on sales value (Y1), with thus that "H1c accepted".

The B value is 0.128 with a Beta value of 0.102 and a tcount value of 1.210 at a significant  $0.267 >$  from a p value of 0.05 meaning that there is no effect of 10.2%% of channels of distribution first (X1) on consumer satisfaction (Y2), this proves that "H2a is rejected". Then the B value is 0.282 with a Beta value of 0.120 and a tcount value of 1.441 at a significant  $0.271 >$  from a p value of 0.05 meaning that there is no effect of 12% of channels of distribution second (X2) on consumer satisfaction (Y2), thus that "H2b is rejected". Furthermore, it was obtained a B value of 0.471 with a Beta value of 0.262 and a tcount value of 2.679 at a significant  $0.012 <$  from a p value of 0.05 meaning that there was an effect of only 26.2% of channels of distribution third (X3) on consumer satisfaction (Y2), thus that "H2c received". Furthermore, this study found that the channel of distribution third (X3) has the greatest influence on sales value (Y1) with B 0.671 with a Beta value of 0.610 and a tcount value of 4.250 at a significant  $0.00 <$  from a p value of 0.05, meaning that the influence is 61.9% answered "H3 is proven".



Table 3. Analysis and hypothesis testing

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.990	.259		3.821	.001		
	X1	.281	.159	.177	1.767	.217	.856	1.876
	X2	.228	.165	.239	1.380	.274	.863	1.858
	X3	.671	.158	.619	4.250	.000	.894	1.939

a. Dependent Variable: Y1

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.599	.215		2.791	.012		
	X1	.128	.106	.102	1.210	.267	.816	1.649
	X2	.182	.127	.120	1.441	.271	.826	1.658
	X3	.471	.176	.262	2.679	.012	.859	1.794

a. Dependent Variable: Y1

\*\* Signifikan 5%

The results of this study are unique findings and can be said to be an interesting novelty that the third model distribution channel, as presented in Figure 3, has a significant and the greatest influence on sales volume.



Figure 3. Shows an of channels of distribution the most dominant influence on sales volume

Based on the research results that have been obtained, it is important for the company to maintain and if necessary guarantee that selling through wholesalers that have been built can be maintained as well as possible. This research supports the thoughts conveyed by (Domschke, 1994; Zeithaml et al, 1998; Bozarth & Handfield, 2006; Lambert, et al, 2008; Armstrong & Kotler. 2015; Galkin, 2015; Kotler & Keller, 2016).

Why are wholesalers important to sellers? For example, why would a producer use wholesalers rather than selling directly to retailers or consumers? Simply put, wholesalers add value by performing one or more of the following channel functions:

- a) Selling and promoting: Wholesalers' sales forces help manufacturers reach many small customers at a low cost. The wholesaler has more contacts and is often more trusted by the buyer than the distant manufacturer.

- b) Buying and assortment building: Wholesalers can select items and build assortments needed by their customers, thereby saving much work.
- c) Bulk breaking: Wholesalers save their customers money by buying in carload lots and breaking bulk (breaking large lots into small quantities).
- d) Warehousing: Wholesalers hold inventories, thereby reducing the inventory costs and risks of suppliers and customers.
- e) Transportation: Wholesalers can provide quicker delivery to buyers because they are closer to buyers than are producers.
- f) Financing: Wholesalers finance their customers by giving credit, and they finance their suppliers by ordering early and paying bills on time.
- g) Risk bearing: Wholesalers absorb risk by taking title and bearing the cost of theft, damage, spoilage, and obsolescence.
- h) Market information: Wholesalers give information to suppliers and customers about competitors, new products, and price developments.
- i) Management services and advice: Wholesalers often help retailers train their salesclerks, improve store layouts and displays, and set up accounting and inventory control systems.

Wholesalers must segment and define their target markets and differentiate and position themselves effectively, they cannot serve everyone. They can choose a target group by size of customer (large retailers only), type of customer (convenience stores only), the need for service (customers who need credit), or other factors. Within the target group, they can identify the more profitable customers, design stronger offers, and build better relationships with them. They can propose automatic reordering systems, establish management-training and advisory systems, or even sponsor a voluntary chain. They can discourage less-profitable customers by requiring larger orders or adding service charges to smaller ones. Wholesalers buy mostly from producers and sell mostly to retailers, industrial consumers, and other wholesalers. As a result, many of the nation's largest and most important wholesalers are largely unknown to final consumers.

## VI. CONCLUSION

This research proves that channels of distribution first and Channels of distribution second has a not significant effect on sales value, but channels of distribution third a significant effect on sales value. Later discovered in research channels of distribution first and channels of distribution second has a not significant effect on consumer satisfaction, but channels of distribution third has a significant effect on consumer satisfaction. One of the channels of distribution "third" has a strong influence on sales value and or consumer satisfaction.

The company needs to maintain and improve channels of distribution third, bicause wholesalers must decide on product and service assortments, prices, promotion, and place. Wholesalers add customer value though the products and services they offer. They are often under great pressure to carry a full line and stock enough for immediate delivery. But this practice can damage profits. Wholesalers today are cutting down on the number of lines they carry, choosing to carry only the more-profitable ones. They are also rethinking which services count most in building strong customer relationships and which should be dropped or paid for by the customer. The key is to find the mix of services most valued by their target customers.

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