

## Proposed Business Strategy to Increase the Number of Customers for a Conveyor Belt Company

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### ARTICLE INFORMATION

#### Publication Information

#### Research Article

#### HOW TO CITE

Winsya, H. S., & Budi, R. (2021).  
Proposed Business Strategy to Increase  
the Number of Customers for a Conveyor  
Belt Company. *Journal of International  
Conference Proceedings*, 4(3). 436-443.

#### DOI:

<https://doi.org/10.32535/jicp.v4i3.1345>

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Published by JICP



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Received: 12 November 2021

Accepted: 9 December

Published: 22 December 2021

### ABSTRACT

PT. XYZ is a company that provides conveyor belt needs for its clients with an office location in Central Java. PT. XYZ is currently getting a profit that is deemed not high enough for its shareholders even though it has established business relationships with leading companies. Some of the causes that make the low profit are the lack of a number of clients to work with, the limited company resources, and the high cost of packaging goods. This research will focus on the problem of the lack of a number of PT. XYZ's customers. Using the Five (5) Whys method, it was found the root cause analysis of the PT. XYZ is because of the number of industrial areas surrounding company is currently not much. Solutions that can be done in overcoming these problems are to apply market strategies such as market expansion, market development, diversification, or product development. In solving these problems, the SWOT Analysis method and research studies of previous studies are used. The results showed that market expansion was the chosen solution. This research approach can be used by companies that have similar problems.

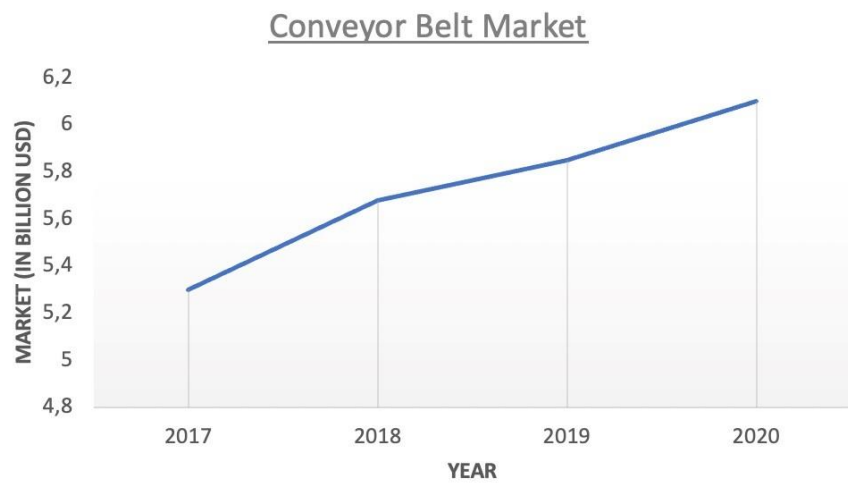
**Keywords:** 5 (Five) Whys, Conveyor Belt, Market Expansion, Research Study, SWOT Analysis

**JEL Classification:** A10, B40, L62, M20

## INTRODUCTION

A conveyor is a mechanical system that has the function of moving goods from one place to another. Meanwhile, a conveyor belt is a tire or belt connected to two or more rotating pulleys that are used to transport and move these goods. With these benefits, conveyor belts are used for many industries such as manufacturing, mining, metallurgy, chemical, food & beverage, aviation, and so on. As quoted from the IMARC Group report, in recent years the global conveyor belt market has continued to increase and reached US\$ 6.1 billion in 2020 (Figure 1.).

**Figure 1.** Conveyor Belt Market from 2017-2020 (IMARC Group, 2021)



The global conveyor belt market continues to increase due to the high demand for fast delivery and production techniques. Using conveyor belts, manufacturers can reduce overall production costs, which is one of the key factors driving the growth of the market. The Asia Pacific has a fairly high growth rate and is estimated to account for the largest share of conveyor belts in 2020 (Expert Market Research, 2021). That is because the Asia Pacific has a strong position in the mining, steel, and food & beverage industry sectors.

Indonesia as one of the countries in the Asia Pacific also has high growth in this industrial sector. Based on KONTAN's news, in April 2021, Indonesia's manufacturing performance again achieved its highest record (54.6) (KONTAN, 2021). That was a new record high for two consecutive months. In addition, it was known that business conditions in Indonesia have strengthened in the last six months. And many of these manufacturing industries use and require conveyor belts in the process of working on their products. Thus, the conveyor belt market in Indonesia can also increase and have high growth.

Not so many companies sell conveyor belt products in Indonesia, although it is estimated that the conveyor belt market has high growth. One of the companies that sell conveyor belts in Indonesia is PT. XYZ. PT. XYZ is a company that provides conveyor belt needs for its clients with an office location in Central Java. PT. XYZ offers several conveyor belt products such as synthetic belts, unimodular belts, and so on. Currently, PT. XYZ already has business relationships with leading national companies, most of which are food and beverage producers around Central Java.

PT. XYZ is currently getting a profit that is deemed not high enough for its shareholders even though it has established business relationships with leading companies. Some of

the causes that make the low profit of PT. XYZ is the lack of a number of clients to work with, the limited company resources, and the high cost of packaging goods. The cause of the lack of a number of clients is the location of the company, the limited number of clients, and relatively little demand around the company. The location of the company has a relationship with the success of a company (Alli et al., 1991). Many clients are reluctant to cooperate about the location of the company that is far from the client company. The distance between the company and the client is worried that it will cause difficulties in distributing and installing conveyor belts for clients. In addition, PT. XYZ also feels that visiting a company with a remote location requires a fairly high cost. PT. XYZ will need to provide costs for fees, client site housing, maintenance, and so on.

The second reason is the company's limited resources. This cause is due to the relatively small number of resources, the age of the company which is still relatively new, and the need for additional resources for the company is not so urgent. This affects the high workload of employees and a decrease in the level of employee productivity. The last cause is the high cost of packaging goods that the company spends. The amount of packaging costs is due to the packaging materials being quite expensive, maintaining product quality so as not to be damaged, and sometimes custom packaging from clients. This results in quite high costs, especially for client locations that are far from the company.

The customer is the most important asset for an organization or company (Rahman & Safeena, 2016). Customers have a very important role in the success of a business, especially in the company's financial sector (Benjamin, 2019). The more customers a company has, the higher the profit generated. In the case of PT. XYZ, it is hoped that by increasing the number of clients, the profit obtained will also increase. Meanwhile, the problem of limited resources and high packaging costs can be concluded that it does not have a more significant role and effect than the problem of the number of clients. Thus, this research will focus on the problem of the lack of customers or clients to work with PT. XYZ.

## **LITERATURE REVIEW**

### **Root Cause Analysis (RCA)**

In solving a problem, a person or organization must find out and understand the cause of the problem. This cause is the core of the RCA process (Dalgobind & Anjani, 2008). RCA is a method for solving problems and trying to identify the causal factors of a problem or unexpected event (Wibowo, et al., 2018). There are various methods for determining RCA, such as 5 whys, brainstorming, Ishikawa diagrams, and so on.

### **Five (5) Whys Method**

The 5 whys method is a method used to find the main cause of a particular problem (Ershadi, et al., 2018). This method is simple and powerful in solving a problem by reviewing cause-and-effect relationships (Serrat, 2017). The 5 Whys method approach is to find out what all the problems are and ask "why" and "what is the root of the problem". After a problem is revealed, it is then continued with the "why" question, and after being answered, "Why" will be asked again, and so on until the fifth "why".

### **SWOT Analysis**

SWOT analysis is a tool used in strategic planning in an organization or company (Gurel, 2017). This method is an important tool that helps and supports a decision-making process (Yuksel and Dagdeviren, 2007). The purpose of this method is to find out information about the internal and external environment which will later be used in the

formulation of organizational strategy (Bonnici and Galea, 2015). SWOT analysis can also be used to find opportunities in the market (Gamble, et al., 2015, as cited in Inasovilizuari & Fontana, 2021). In addition, the analysis of internal factors and external factors of the organization is the most important thing in the future of an organization (Oreski, 2012).

The results of the analysis of strengths and weaknesses are an analysis of internal factors or the microenvironment. While the results of the analysis of opportunities and threats is an analysis of external factors or macro-environment. Organizations can determine strategies based on their strengths, eliminate weaknesses, and take advantage of their capabilities or use options in a role against threats (Oreski, 2012).

## **RESEARCH METHOD**

The Five (5) Whys method is useful when company problems involve human factors or interactions (Ahmedani, 2020). In addition, this method is simple and powerful in solving a problem by reviewing cause-and-effect relationships (Serrat, 2017). For these reasons, the 5 Whys method will be used as an approach in finding root cause analysis of the main problems of PT. XYZ. The following is the use of the 5 Whys method in the search for root cause analysis.

**Table 1.** 5 Whys Method

| Why Number          | Questions                                    |
|---------------------|--|
| 1 <sup>st</sup> Why | The company's clients only a few?            |
| 2 <sup>nd</sup> Why | Difficult to find clients to work with?      |
| 3 <sup>rd</sup> Why | The number of available clients is not much? |
| 4 <sup>th</sup> Why | The number of clients is limited?            |
| 5 <sup>th</sup> Why | There a few companies in the area?           |

Based on Table 1, the answer to the fifth why, "Why are there so few companies in the area?", is because of the number of industrial areas in the area of PT. XYZ is currently not much. Based on these answers, it was found that the root cause analysis from PT. XYZ is because of the number of industrial areas in the area of PT. XYZ is currently not much. This problem also causes the demand for the conveyor belt market in the area to be low. To strengthen the decision on the best solution, a SWOT analysis will be carried out on PT. XYZ. The following are the results of the SWOT analysis for PT. XYZ,

**Figure 2.** PT. XYZ SWOT Analysis



### Strengths

PT. XYZ is one of the referral agents from the AmmeraalBeltech company in Indonesia. PT. XYZ cooperates with several leading national companies, most of which are food and beverage manufacturers and textile product manufacturers. The company also has several special product segments which AmmeraalBeltech has entrusted to the company. By becoming AmmeraalBeltech's referral agent, PT. XYZ has advantages in the products it offers. PT. XYZ offers supply conveyor belts that are of very good quality and are reliable.

### Weaknesses

PT. XYZ, which is located in Central Java, focuses its market on the surrounding area. Meanwhile, based on data from the Ministry of Industry of the Republic of Indonesia, out of 115 industrial areas in Indonesia, only 7 areas are located in Central Java. At least the number of industrial estates in the area of PT. XYZ has an impact on the limited number of companies that can become clients of PT. XYZ. In addition, PT. XYZ only offers six (6) conveyor belt variants for its clients. Meanwhile, the products made by AmmeraalBeltech have more variants than PT. XYZ. The small number of variants is a weakness that is owned by PT. XYZ because might cause delays in the collaboration process with the client.

### Opportunities

Currently PT. XYZ does not yet have a branch company and only focuses on the head office in Central Java. By utilizing the strengths and overcoming the weaknesses owned by PT. XYZ, the company can expand in other cities that have more industrial areas. PT. XYZ can also add several variants of conveyor belts that AmmeraalBeltech already has. In addition, due to the large number of industries that use conveyor belts, there will also be many companies that need conveyor belts.

### Threats

The increase in competitors can threaten the condition of the company PT. XYZ. If this happens, PT. XYZ will experience more difficulty finding clients to work with. The worst

condition is the client of PT. XYZ is currently moving to a new competitor, especially if the competitor offers better benefits than PT. XYZ. Under current conditions, many companies have closed their companies either permanently or temporarily. This has a huge impact on PT. XYZ, especially on the demand for products offered by the company.

## **RESULTS**

The result of the company problem's root cause analysis using the 5 Whys method is the lack of a number of industrial areas in the PT. XYZ. In solving these problems, it is necessary to determine and choose the best solution. To strengthen the decision on the best solution, a SWOT analysis will be carried out on PT. XYZ. SWOT analysis is one of the decision support tools used to analyze the internal and organizational environment (Zivkovic, et al., 2015).

Solutions that can be done by PT. XYZ in overcoming the problem of lack of a number of clients is to implement market strategies such as market expansion, market development, diversification, or product development. Market expansion is a strategy used to increase primary demand and increase the number of customers (Bang & Joshi, 2008). In addition, market expansion produces a positive correlation with sales revenue and profit (Bang & Joshi, 2010). The overall findings of the study reveal a strong correlation coefficient between company performance and market expansion strategy with a significance above 95% (Tangus & Omar, 2017).

Based on the results of the previous SWOT analysis, one of the opportunities that can be done by PT. XYZ is market expansion. By utilizing the strengths of PT. XYZ, a trusted and good product, the company does not need to doubt the quality of the products offered. Products also have high demand because conveyor belts are used in various industries, especially industries related to the transportation and transfer of goods such as chemical, mechanical, automotive, and so on (Daniyan, et al., 2014). In addition, PT. XYZ also has a weakness, namely the lack of clients because the company is located in a province that does not have many industrial areas.

Using research studies and SWOT analysis results, the market expansion is a suitable solution for PT. XYZ. Market expansion can be used to increase the number of customers which is a problem for PT. XYZ and overcome the lack of industrial estates in the area of PT. XYZ that is the root cause of the company's problems. Market expansion is also a solution that is following the strengths, opportunities, and weaknesses obtained from the results of the SWOT analysis. Therefore, the solution that will be chosen by PT. XYZ to overcome the company's problems is to do the market expansion.

## **DISCUSSION**

Market expansion is a strategy used by PT. XYZ in increasing the number of customers. After choosing the strategy, the company needs to determine the location selection for the company branch. Company location selection is needed in the search for new locations (Gothwal & Saha, 2015). PT. XYZ needs to choose the right location in conducting market expansion because the location is one of the most important factors in the direct and significant success of a business (Justis & Judd, 2003; Indarti, Nurul, 2004). In addition to playing an important role in the company's profit and cost, location selection also has an important role in the company's competitive positioning (Yaslioglu and Onder, 2016). Because the company's location is now in Central Java, the company can choose a location in another province that is suitable and suitable for PT. XYZ.

## CONCLUSION

PT. XYZ is currently getting a profit that is deemed not high enough for its shareholders. The company faces several problems that are felt to result in a lack of company profits. Using research studies, it is found that the problem to be discussed is the lack of a number of customers or clients to work with PT. XYZ. The root cause analysis of the problem was determined using the 5 Whys method and the result was a lack of industrial estates in the PT. XYZ.

Using SWOT analysis and research studies, market expansion was chosen as a solution to the problems of PT. XYZ. Market expansion can be used to increase the number of customers which is a problem for PT. XYZ and overcome the lack of industrial estates in the area of PT. XYZ that is the root cause of the company's problems. Market expansion is also a solution that is following the strengths, opportunities, and weaknesses obtained from the results of the SWOT analysis. Next PT. XYZ needs to find the best location to be used as a new branch of PT. XYZ.

## ACKNOWLEDGMENT

The authors would like to thank all of the PT. XYZ shareholders who support authors to finish this research.

## DECLARATION OF CONFLICTING INTERESTS

The authors declare that authors have no conflict of interest.

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