WHO IS GUILTY? INVESTIGATING THE CAUSE OF DAMAGED PRODUCTS IN SMALL-LOCAL RETAILER

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ABSTRACT

The aim of this study is to find out who is responsible and which activities are often become the main problem of the damage products in local-retailer by following the distribution, supply chain, and value chain process. The motivation of this research comes up with the issue that the damaged product often occurs, especially in retail companies that sell products directly to the end users. The phenomenon of damaged products is interesting to study because when damaged goods failed to be sold, then it will be a loss for the company. Using semi-structural interview techniques for information gathering, followed by conducted in-depth interviews related to the issue, this study shows that the warehouse or retail staff who placing, delivering and displaying goods, are prone as the actors of the damaged product.

Keywords: damaged products, distribution, supply chain, value chain

INTRODUCTION

Small firms are forced to compete with larger firms in local markets that have become integral parts of broader, global markets (Etemad, 2004). There is the recognition that greater opportunities may exist overseas than in the domestic market (Crick & Spence, 2005). In comparison to the large firm, there are bigger and more complex challenges faced by the small firm. Small firms are not smaller versions of big business (Shuman & Seeger 1986) and are quite different from big firms (Julien 1993). Consequently, the problems that held by small firm firms are different from those of large firms. Thus, business is a challengeable world that always issuing its own challenge for the actors (Yoga & Hendrawan, 2019).

Retail industry, for instance, is growing fast from the last two decades in Indonesia, especially by the emerge of big firm national-scale chain retailers. The emergence of national-scale retail businesses has resulted a tight competition among retailers. Interestingly, in some urban or rural area, there must be an original retailer who are existed before the national-scale chain retailers. The example of small firm that compete among big firms' retailer is Coco Mart. Coco Mart is a local Balinese retailer which has 124 outlet branches across Bali to West Nusa Tenggara (NTB). This Balinese local retailer adopting the system of their competitors in order to join the market competition. Nowadays, Coco Mart has been one of the popular retailers among other famous national-scale chain retailers such as Indomaret, Alfamart, and Circle K. The development of modern mini market is a type of retail business that is currently growing rapidly that sells daily needs and offers convenience because of its location is easy to reach and close to consumers and prioritizes practicality and speed supported by shops or outlets. Behind that, all companies need to have an advantage, as according to Kotler & Keller (2012) states that companies need to have certain advantages to get consumers or grab consumers from competitors, and guarantee profits and income for retail companies.

Therefore, the company must have sorts of strategies to achieve these advantages from the initial process of the existence of merchandise there is the procurement of a product, namely the distribution channel. Distribution strategy often evolves over time, as firms start by selling through one type of channel, before widening their distribution strategy at a later stage. For example, manufacturers that start with their own stores might find itattractive to expand the exposure and reach of their brands through collaboration with independent retail chains (Guo & Heese, 2017).

After the distribution process from the producers of goods production occurs, it continues to the supply chain process. Studies have documented the benefits of supplier development on knowledge transfer and supply chain performance, including new product development, cost, quality and delivery (Zhang et al., 2017)

The existence of a transition also driven by the value chain process which also increase the competitiveness and success in the market. The value chain describes the full range of activities required to bring a product or service from conception, through the different phases of production, delivery to final consumers, and final disposal after use (Kaplinsky & Morris, 2001). The value chain is also a perspective in which a business is viewed as a series of activities that convert inputs into value outputs for customers.

Moreover, national or local retailers commonly facing similar problems related to the merchandising. The problem that may occur is product damage as one of the merchandising processes. There are several causes of damage or defects in an item, namely by materials, machines, humans, and methods (Karki et al., 2015; Jules, 2020). Coco Mart as a Balinese local retailer also experiencing this issue. However, as a local retailer this phenomenon will be quite difficult to handle rather than the national-scale retailers because of the economic scale and the economic scope of the business. Therefore, the motivation of this study is to detect the causes of damage to goods that occur in Coco Mart by its process during the beginning to the end of the merchandise procedures from warehouse to several outlets. To conclude, this research finds some factors that cause damage in retail goods and the actors behind it.

LITERATURE REVIEW

Distribution Channels

Distribution channels have an interest in determining a product from producers to end consumers in order to meet consumer wants and needs. Marketers use distribution channels to showcase or deliver physical products and or services to buyers or users, including distributors, wholesalers, retailers, and agents (Kotler and Keller 2012). Furthermore, Distribution channels for off-trade retailers (specialist retailers and supermarkets) and on-trade premises (restaurants, hotels and bars), particularly in urban areas, increasing consumer sophistication and lifestyle changes are giving rise to new consumption opportunities (Rebelo et al., 2019)

Supply Chain

The supply chain is a network of companies that work together to manufacture and deliver products into the hands of the end user. Specifically, supply chain is a group of interrelated company participation that adds value to the flow of changes in input from their source of origin to the final product or service that is demanded from the intended final consumer (Levi et al, 2004). A supply chain is formed and can only be formed if there is more than one participating company. Supply Chain refers to the flow of materials, information, money and services from suppliers of raw materials through factories and warehouses to the final customer. The supply chain is also the organization of organizations and processes that produce and deliver products, information, and services to end consumers (Rainer Jr. & Cegielski, 2011).

Value Chain

There is a temptation to use 'value chain' and 'supply chain' interchangeably, but there really is a difference in the concepts. The supply chain model focuses on activities that get raw materials and sub-assemblies into a manufacturing operation smoothly and economically. Value chain management focuses at every step, from raw materials to customers and the eventual end user, right down to disposing of the packaging after use (Ilyas et al., 2007). The

goal is to deliver maximum value to the end user at the least possible total cost. This makes supply chain management a subset of the value chain analysis. Porter (1985) argued that a firm can be viewed as a collection of activities that are performed to design, produce, market, deliver, and support its product. These activities encompass the 'full range of activities' needed to bring the product into existence and final disposition after delivery to end users (Kaplinsky, 2000). The primary objective of value chain is integration of the value chain partners leading to improvement inefficiencies and resulting in value creation to the stakeholders. Companies worldwide use multiple mechanisms to reap differentiated competitive advantage (Ling et al,2004). Different value chain configurations can lead to different value propositions (Armistead & Clark, 1993). Primary activities may also be outsourced: inbound logistics such as materials handling, warehousing, and inventory control may be undertaken by a third-party warehousing firm; operations such as manufacturing, packaging, and assembly may be handled by a third-party manufacturer; outbound logistics such as order processing and product distribution may be taken care of by a third-party logistics provider (Oyson, 2011).

Damaged Products

Damaged products are common in a retail business. Some fell and then broke; some were failed products from the production process to the product misplacing. Damage to a product can occur in various ways, situations and even conditions. Damage to a product is inevitable. Jules (2020), argue that damaged product can be cause by variety of reasons as (1) unproper packing, (2) mishandling courier, (3) bad warehouse conditions, (4) adverse weather, (5) bad road conditions, (6) human error). However, similar with defective products, based on Andriawan (2019), there are always ways to reduce or minimize the cause of damaged product by taking some anticipations such as (1) using pallet as the base of the product, (2) using product labelling in delivery process, (3) optimizing lighting, (4) product placement on high shelf, (5) special display for fragile goods.

RESULTS AND DISCUSSIONS

This study explores the damage to goods that occurs in the Coco Mart retail as a local retailer in Bali. There are three main settings as the source of the data, which are the warehouse, stores in urban area, and stores in rural areas. Using semi-structural interview based on the triangulation by conducting interviews with the actors in the distribution channel, this research tries to find out about what actually happened in the field during the distribution process to each retail.





After the interview process, this research is continued by submitting interview transcripts and data coding to analyze in which part of the distribution process is the damage products majority happen. Moreover, there are six informants in this study namely the head of warehouse, as the party leading the merchandise storage system in the warehouse, retail employees as workers who run products in related retails, couriers who deliver the merchandise as a delivery man who have a good knowledge in delivery process. The reason for choosing all of these informants is because they have a good understanding about the damage products that occur in retail and the overall distribution process, both in warehouses and store, in systematic way.

Informant	Role	
Informant 1	The head of warehouse	
Informant 2	The delivery man	
Informant 3	Staff in urban store	
Informant 4	Staff in urban store	
Informant 5	Staff in rural store	
Informant 6	Staff in rural store	

The first focus on informants is regarding the existence of damaged goods at retail, shipping and in the warehouse.

"If here there is often a problem of damage to goods because here is the place where goods are turned over or where the management of products that have just arrived to be stored is the same to be sent to all of our retailers". (informant 1)

"There is reports about damaged products like that from several retailers that I sent, right? I and the distribution team who made the delivery, the opinion is that it is important as well as being vulnerable if the problem is that of goods". (informant 2)

From the awareness of several informants about the damage to goods that had occurred from several management processes in the warehouse, retail, delivery. The opinion of informant 2 can be said to agree that some of these processes are completed by the distribution process which is important in the delivery of a product, according to Kotler and Keller (2012). It is known

that all informants mentioned that there was damage to goods that had occurred from all Coco Mart activities. If there is damage to the goods, the Coco Mart has data on the percentage of damaged goods that can be presented every year or month in the entire management process and also the effect on the income received from the company itself.

"The percentage of damaged products here is 1-2% per month on average for each different product and that is a loss for us, especially when the number of items is multiplied which causes the company's income to decrease too." (informant 1)

Seeing this, we know that damaged products that occur in certain retails greatly affect the income of a company because products with good quality certainly have a good effect in terms of income from the best quality products. From there it can be said that it is related to how the product management is carried out by the Coco Mart team.

"When it comes to management here, like other retailers, like storage, we have to use company security standards by using tools to make it easier to put goods in their place and we also do different management of fresh and regular goods. If fresh goods come, we will distribute them directly to retail. goods like that cannot last long and if it is a regular product, we can save it first and wait for information from the retailer that the retailer needs this product ". (informant 1)

"Product management here, from the arrival of the goods, we first check the items with their completeness, after that we differentiate them for fresh goods, so we immediately display them on the special shelves for fresh products, while like regular items we store or sell with company SOP". (informant 4)

"So when the warehouse sends us here, we first check what items we need, right after we drop the items to be stored, right here there are two types of fresh and regular items, which are fresh, we can display directly or we put them in the fresh room first. Our small warehouse, if the regular ones are like snacks for household goods, yes, we are waiting for what we display to sell out or are fit to be replaced, that's how it is, bro. (informant7)

From this it can be seen that the supply chain management process of a product is very important in order to maintain the quality of a product that will be sold to consumers. The supply chain is also an organization of organizations and processes that result from managing and delivering products, information, and services to end consumers (Rainer Jr. & Cegielski, 2011).

Figure 2. Supply chain flowchart in Coco Mart



In managing a product in the warehouse or at the outlet of the Coco Mart, there are people who are responsible for the running of a product in storage and rotation of a product in the warehouse or in retail because if there is no responsibility from a management, the product cannot run to consumer's hand.

"The responsibility for product management here comes from the store manager, assistant manager, supervisor, assistant supervisor, head of the counter, all fresh and regular staff". (informant 2)

"If all of our outlets are all the same, the responsibility is the store manager, assistant, supervisor here, assistant supervisor, the counter, and all the staff who manage here". (informant 6)

"The one in charge here is me as the head of the warehouse, the receiving staff who receive the goods, the warehouse staff who also prepare the goods to be sent to the shop, there is also a driver who makes deliveries to the store or delivery to the warehouse". (informant 1)



Figure 3. The procedure of product distribution in Coco Mart

The responsibility of the company is very important in order to maintain the security of a product until or stored properly in the warehouse and retail. a process of procuring goods from suppliers that are sent or imported to the warehouse, it is also concerned with the interaction of information from consumer needs that is read by purchasing management who orders goods to suppliers to be sent to the warehouse and distributed to retail outlets.

"If the problem is, we estimate from the store what goods will be disordered after that the buyer orders to the supplier and based on the order or PO the supplier sends the goods to the warehouse". (informant 1)

From this it is known that the process of ordering or procuring an item can be processed and there is a correlation of coordination among stakeholders along the value chain. These stakeholders are connected to the flow of resources, materials and information that lead to the production and trade of certain products. Coco Mart in ordering, shipping and procuring it, requires a system in the distribution of a product, there are several options that are commonly used for delivery or distribution of a product using shipping services or the company's own car.

"We carry out all distribution activities using our own company vehicles to reduce costs incurred". (informant 1)

According to Oyson (2011), value chain refers to the process by which a company determines the costs associated with activities. Apart from the whole process, there are processes or activities that often-become irregularities which can be a factor in the damage to goods experienced by all activities in warehouses, retail, and product distribution couriers which can affect company revenues.

"There are times when products are stored on storage racks, there are also less ways of working by the staff, tools that help the work process in the warehouse, and there are also other factors such as rats in the warehouse that cause product damage" (informant1)

Here, the process of damage to goods is when they drop to storage, sometimes it's not good, there is a lack of checking for products that are prone to damage or fresh and regularly using the FIFO and LIFO systems, there are staff or customers who are ignorant or inaccurate at work which makes the product damaged.". (informant 3)

When sending it, usually the problem is if there is a road that is far and potholed and the placing of goods in the car is usually irregular". (informant 2)

Constraints that occur in all Coco Mart regarding the factors that affect product damage, namely the continuity of machine work with eigenvalues, control factors for system readiness/work methods, readiness of materials and work orders, process control factors, work discipline factors, and supporting factors for supervision, as well as the dominant factors are factors of machine work continuity. With the constraints that are the factors that make the product damaged, the Coco Mart does not remain silent to continue to make improvements and innovate, improve strategies, and work systems in minimizing damage and handling of damaged goods, conveyed by several sources.

"Yes, I always tell the warehouse staff to improving supervision when new goods arrived at the warehouse to be checked first before we store or distribute them and demand to be careful when working so that the goods are not damaged anymore and follow the SOP to manage product safety., always prioritizing team work and if there is a damaged item, we can cancel the delivery and then we destroy or destroy the damaged item and it is a loss for us". (informant 1)

"The handling here is first to report damaged goods, secondly to input data in the system, thirdly to confirm to the warehouse to pick up the goods, then to hand over the damaged goods, after that the approval from the warehouse, if it has been approved, then it is finished". (Informant 5)

"If there is a damaged item, we will immediately return it to the supplier, if the item cannot be returned, we carry out a strategy such as a promo, there is a buy one get one, for example, buying bread for a drink, yes, one of the strategies used is that there are obstacles such as that ". (informant 7)

"Doing the distribution of deliveries to outlets is the same as determining the area to be sent so that the goods are maintained and not rushed, the arrangement of the goods must also be good when boarding the car, yes the same as following the SOP of the company, maybe that's all." (informant 2)

Several informants conveyed that there must be innovation and development of a value chain process in order to obtain product quality and product marketing innovation. The opinion of informant 2 can be linked to Armistead & Clark (1993), who mentioned that the distribution channels are transportation institutions that are interrelated to make products or services ready for use or consumption. In addition, it is a challenge to identify the most efficient route from their product to the end user because of the many types of distribution channels available and the variety of possible channel configurations used (Levi et al, 2004). With some innovations and strategies to minimize damage to goods, it is expected to minimize the damage that occurs in all Coco Mart activities and besides that if there is damage to goods that occur on arrival that is obtained by the company or when it is in retail that is obtained by the statements of several informants.

"You can, but there are also those who can't depend on the contract, usually when damaged goods can be returned here, they can also be guaranteed to return goods and replace new ones" (informant 1)

"If the customer gets damaged goods from our outlet, yes, you can compensate on the condition that the exchange and the shopping receipt exist and are valid for 1 day. If the goods are damaged from the supplier, yes, we can submit an application to be returned and replaced with a new product. If it can't be returned, yes, we did the strategy like a promo." (informant 6)

The findings obtained from the interview indicated that there was damage to goods that occurred in the Coco Mart and some of the factors it explained. Informants really appreciate the results of innovation and strategy made by the Coco Mart team by continuing to make innovations and changes in the quality of management of a product until it reaches consumers with satisfaction. Not only that, the coordination is always connected from the supplier to the warehouse or retail which makes the Coco Mart network always run well and always innovates to maintain the continuity of the journey and the management of a product can be guaranteed. To conclude, there are several existing concepts that can relate with the results of this study as shows below.

Previous studies	The results	
A. Primary activities (Porter's Value Chain)		
1. Inbound logistics is a relationship with a supplier that includes all the activities required to receive, store and disseminate feedback	1. There is a relationship from the supplier in terms of ordering goods and receiving and storing them in the warehouse and then distributing them to outlets	
2. Operations are activities required to convert inputs into outputs in the company.	2. Coco Mart has set the procedure in receiving products that begin with input and become output products to product sales from companies.	
3. Outgoing logistics are activities required to collect, store and distribute inputs.	3. Coco Mart performs activities such as collecting incoming products, storing products, and distributing a product	
4. Marketing and sales are activities that inform buyers about products and services, encourage buyers to buy and facilitate their purchases	 Coco Mart has carried out product marketing activities and services with the best product quality to encourage buyers to buy the products they display and sell. 	
5. Service is an activity required to keep a product or service working effectively for buyers after it is sold and shipped.	5. The implementation that has been done in achieving the service with an effective working system from the Coco Mart	

Figure 4. The comparison between research finding and the previous studies

Previous studies	The results			
B. Secondary activities (Porter's Value Chain)				
1. Procurement is the process of obtaining resources for the activities of a company or organization to obtain the resources needed to operate.	1. Procurement process to the warehouse is essential in supporting the operation Coco Mart already done it.			
2. Human resource management is all activities involved in recruitment, recruitment, training, development, compensation and dismissal.	2. The management of the Coco Mart have a good human resources system, from recruitment, work training, and compensation.			
3. Technological developments are all activities of hardware equipment, software, procedures, and technical knowledge that are brought into the company's transformation for input and output.	3. The development of technology designed by Coco Mart in its internal processes is excellently connected, such as technology implementation in marketing, finance, and tools to help the performance of Coco Mart staff			
4. Infrastructure is the process of serving the needs of a company and binding its various parts together, which consists of functions or departments such as accounting, law, finance, public relations, government relations, quality assurance, and general management.	4. Coco Mart has divided several departments to manage finance, tax law, and relations with the community.			

Previous studies	The results	
Supply chain (Rainer Jr. & Cegielski, 2011)		
1. The supply chain sustainability strategy, strong ties with key supply chain members are needed to implement changes and access key capabilities and resources in the supply chain	1. Coco Mart has a strong attachment to a trusted supplier to deliver goods to him to fulfil the main resource in the supply chain.	
2. The supply chain is also the organization and process that produces and delivers products, information, and services to end consumers	2. Management of the supply chain from the Coco Mart, has carried out a productive process by sending the best products, information and services to consumers	

Previous studies	The results		
Damaged product (Karki & Bhasin, 2015; Jules, 2020)			
1. Material: problems with the material because the material used does not match the standards used.	1. In terms of material, the Coco Mart does not know if the material is not suitable in the product manufacturing process which can be interpreted as damage in the beginning		
2. Machinery: problems with machines due to machines not regularly maintained and using collective discretion for breakdowns.	2. Regarding Coco Mart tools or machines, of course, you have to do routine checks because the tools to help store an item must always be with product safety standards because damage to goods can occur because of that.		
3. Human: The problem of human-caused goods damage is caused by operators who do not understand the use of machines in warehouses or factories, tired and careless.	3. The problem faced by the Coco Mart for its staff, namely the lack of understanding about the process of storing or managing a product with applicable SOPs and the pranks from humans themselves		
4. Method: problems with the method because the operator is not careful in the material production process and the stock storage process is not up to standard.	4. In terms of the method of the Coco Mart, this can also be a problem for damage to goods because the method from retail is about the detail of the work method.		

CONCLUSION

This study concludes that in retail, there are problems such as damage to goods or damage to a product. following this problem forces retailers from Coco Mart companies to innovate and minimize the damage, but in this case, it requires knowing the factors that cause damage to goods that occur in this retail and who or what activities are the main masterminds of the damage to goods that are rife in this detail. The results of interviews with informants that can be concluded are: (1) Damage to goods that occurs in the warehouse is mostly confessed from the process of moving goods to storage or the packing process for delivery carried out by staff from the warehouse, (2) damage to goods that occurs in all outlets on average. flat due to the work method of the staff who can be said to be lacking or goods that have been damaged from the supplier or the distribution process is not good, (3) in the distribution process of processing goods that are not neat, (4) there are parties who are responsible for all goods management activities in the warehouse and in retail as well as for the distribution process, (5) there are innovations and strategies in minimizing or responding to damage to the goods

that occur in the Coco Mart, (6) there are compensation or warranty on any damage to bad goods that arrives and compensation for consumers who receive damaged goods from the retail, (7) the use of personal transportation tools in the process of distributing products in the warehouse or at retail, (8) there is a percentage of damage to goods that occurs in the Coco Mart which affects the company's income and performance

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