Managing Strategy Offline Sales Channels in The Digital Era for the Courier Industry

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Abstract. This study aims to identify opportunities for improving offline channel conflict resolution and formulate strategies for the development of channel management in offline retail courier businesses and find gaps for each variable to be improved. The primary data used in this research were collected through questionnaires distributed to courier agents, with a sample of 141 respondents representing courier agent managers across Indonesia. The data was processed using path analysis. When online platforms dominate the business landscape, offline sales channels still play a crucial role. These sales channels have undergone remodeling with the concept of collaboration involving partnerships with companies and individuals in the community to enhance service reach and become more agile. In managing offline sales channels, there are challenges in business development and operations, requiring a win-win strategy between operators and channel partners. The results of the study showed that channel operation system and channel intermediary relations had a positive and significant influence on Channel Performance. The findings from the data analysis can be used as a basis for managing offline courier retail channels.

Keywords: Channel Intermediary, Channel Management, Operation System.

1   INTRODUCTION

The most significant conceptual contribution of this work is that the customer channel selection process evolves over time [1]. One of the courier companies (Pos Indonesia) is transitioning to online transaction models, utilizing applications for processes ranging from registration to pickup and delivery. There has been a 40% decrease in transactions in physical channels in 2022 compared to 2021, while digital channels experienced a 25% increase in transactions during the same year.

The emergence of e-commerce through marketplaces has driven changes in consumer shopping behavior. As a result, many manufacturers have redesigned the structure of traditional offline sales channels by involving physical distributors and retailer outlets in direct online sales [2]–[6]. Furthermore, as the rate of returns through online channels increases, it becomes more important to expand offline physical stores, which also leads to lower costs for the company [7].

The Online to Offline (O2O) strategy in managing sales channels becomes crucial, especially for companies that already have a scattered physical presence (physical outlets) [8], [9]. Retailers (agents) can gain valuable insights on how to further enhance their systems [10]. Furthermore, conflicts between sales channels often occur. Although the channel's focus is to serve buyers, conflicts frequently arise among channel members due to their individual interests [11]. However, within CPPs, partner engagement levels vary greatly, and approaches to reward structures for partner involvement might not produce the best results [12]. Evaluating channel performance is crucial for actively managing multiple sales channels and requires understanding of the customers' channel preferences [13].

Based on the phenomenon and performance gap of these offline sales channels, this research title is "**Managing Strategy Offline Sales Channels in the Digital Era for the Courier Industry**".

This study aims to identify opportunities for improving offline channel conflict resolution and formulate strategies for the development of channel management in offline retail courier businesses as a foundation for formulating strategies to develop channel management in the retail courier business.

2   METHODS

The channel management framework can aid in channel strategy and manage day-to-day channel decision [14]. The modeling structure used is based on the Channel Management Framework [15]. The independent variables in this study are the Channel Operation System and Channel Intermediary Relations, while the dependent variable is the Channel Performance Indicator, specifically revenue, for the Agenpos courier channel. The model will be tested to examine the impact of the channel operation system and intermediary engagement on the revenue of the Agenpos courier channel. Figure 1 shows depicts the model of the relationship between the channel operation system and channel performance, as well as the relationship between channel intermediary relations and channel performance indicators, namely revenue.
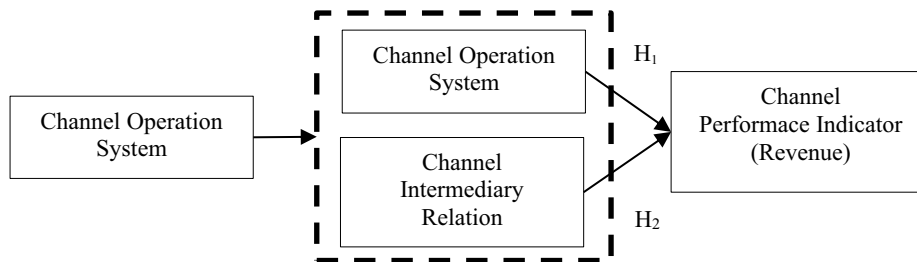
Fig. 1. The Influence of Channel Management to Channel Performance Framework**.**

The hypothesis is formulated as follows:
H1 : Effective management of the Channel Operation System, as indicated by coverage, control, and technology, has a positive impact on revenue growth.

H2 : Effective management of Channel Intermediary Relations, as indicated by capability building, dedication, and motivation, has a positive impact on revenue growth.

3   RESULTS AND DISCUSSION

The sample for this study consisted of 141 respondents who were managers of courier agents throughout Indonesia. The data was processed using Partial Least Squares (PLS) Structural Equation Modeling (SEM) due to the limited amount of data and conducted using SmartPLS version 3. The indicators were measured to assess the validity and reliability of the items and constructs in the path diagram.

In Table 1, the measurement results indicate that for variable A1, the AVE value is still below 0.5, indicating that the above path diagram does not meet the criteria for convergent validity. The indicators in variable A1 that still have outer loading values below 0.5 will be removed from the path diagram. The adjustment results, which include the outer loading values, will be compared to the initial inputs to re-generate.

Table 1. Average Varian Extracted.

	Cronbach's alpha	rho_a	Composite reliability	Average variance extracted (AVE)
A1	0.874	0.883	0.895	0.367
A2	0.934	0.944	0.943	0.532

Construct Reliability and Convergent Validity (Composite Reliability and AVE). All AVE values for each construct are above 0.5, meaning that the constructs can explain 50% or more of their constituent items and have met the criteria for convergent validity. To ensure that the construct (latent variable) measured by a set of indicators has a high level of precision, the results are shown in Table 2.

Table 2. Construct Value Composite Reliability.

	The Composite reliability	The Average variance extracted (AVE)
A1	0.897	0.526
A2	0.943	0.532
X1.2	0.863	0.759
X1.3	0.884	0.607
X2.1	0.909	0.668
X2.2	0.915	0.686
X2.3	0.869	0.573

Hypothesis Testing.

After conducting hypothesis testing with the null hypothesis stating that there is no influence of variable A1 on B, the resulting p-value is < 0.05. This means that the null hypothesis is rejected, indicating that there is an influence of variable A1 (channel operation system) on variable B (channel performance). Similarly, variable A2 also yields the same conclusion as it has a p-value < 0.05, suggesting that there is an influence of variable A2 (channel intermediary relation) on variable B (channel performance). Table 3 shows finding from the hypothesis testing.

Table 3. The Hypothesis.

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ($|O/STDEV|$)	P values
A1 -> B	0.389	0.393	0.081	4.816	0.000
A2 -> B	0.343	0.34	0.085	4.035	0.000
X1.1 -> A1	0.128	0.127	0.021	6.206	0.000
X1.2 -> A1	0.315	0.314	0.019	16.816	0.000
X1.3 -> A1	0.687	0.688	0.026	26.108	0.000
X2.1 -> A2	0.381	0.381	0.017	22.543	0.000
X2.2 -> A2	0.412	0.412	0.022	18.441	0.000
X2.3 -> A2	0.304	0.303	0.02	15.204	0.000

Influence of Channel Operation System.

This contrasts slightly with the market already captured, as the majority of respondents believe that MSMEs and online businesses contribute significantly to their income, accounting for 55, followed by the general public at 25, and business or corporate markets at 20. Regarding control within the Channel Operation System, clear definition of goals, roles, and responsibilities of channel intermediaries is essential, along with their involvement when creating marketing strategies and engaging in open, frequent two-way communication. The indicators used to analyze this parameter include the con-sistency of pickup by courier managers, the availability of pickup services, the punctuality of pickups, information on operational policy changes, business de-velopment information, and agent performance information.

Influence Channel Intermediary Relations.

Capability Building indicator refers to how the courier managers provide reliable support activities for services, including technical operations, business plans, market research, marketing and promotional tools, technology, and human development. The indicators analyzed for the Capability Building parameter include training, guidance in problem-solving, product information updates, and ranking-based performance information. About 27 of respondents feel that the training provided is sufficient, while only 20 of respondents feel that guidance in problem-solving is well-handled. Around 23 of respondents believe that regular product information updates have been communicated,

and 34 of respondents feel that they can access ranking-based performance information effectively. Regarding motivation within the Channel Intermediary Relation, it refers to various performance-boosting activities for intermediaries in the form of incentives or various events to enhance positive relationship management. The indicators used to analyze this parameter include the smoothness of fee payments, fee adjustments, appreciation given by courier managers, and social assistance programs from managers. About 34 of respondents feel that fee payments are smooth, while only 32 of respondents believe that the appreciation given by courier managers is adequate.

In line with the study conducted by Batarfi et al. [14], the Channel Management Framework can help channel strategies and daily channel management decisions. Regarding the channel intermediary relations (A2) aspect, there is a 35% gap in the dominance of office locations for agents with the key contribution from the MSME segment. The underutilization of rented office spaces for Agenpos businesses in corporate areas indicates untapped potential to improve corporate business. This is further supported by the low information received by agents regarding business development. On the operational side, there is a 23% gap between the consistency of pickups and the timeliness of pickups to provide excellent service to agents. In terms of technology within the Channel Operation System, special attention needs to be given to courier managers, as the average responses from the five indicators indicate that only 20% of respondents feel that the technology used facilitates smooth operations and business effectiveness.

4   CONCLUSIONS

The Channel Operation System and Channel Intermediary Relations had a positive and significant impact on Channel Performance measurement. These findings highlight the significant indicators that influence the revenue generation in the channel, which should be the focus of attention for courier operators in managing their offline distribution channels to optimize revenue and ultimately increase operator revenue. This aligns with previous research [15] that emphasized the importance of effective channel management systems and intermediary relations in achieving channel performance.

5   ACKNOWLEDGMENT

It is important to acknowledge the limitations of this study, such as the limited sample size and geographical distribution. This may introduce biases in generalizing the research findings to a larger population. Therefore, it is recommended that future research should include a larger and more diverse sample representing courier operators across different regions. This would provide a more comprehensive understanding of the dynamics involved in managing offline channel sales in the courier industry.

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