ABSTRACT

Information technology and internet has been rapidly growing and changing customers’ behavior in their way of shopping. This opportunities make many companies begin to implement direct sales channel (through online facility) and previously established conventional sales channel (through offline facility) simultaneously. This idea is known as Dual Channel Supply Chain (DCSC) concept.

On the other hand, the existence of product substitution is widely recognized in a business industry. Some companies then provide product substitution for their own product to prevent lost sales when the primary product is experiencing stock out. With the product substitution availability, hopefully customer would alter their choice to buy product substitution when the initial product that customer want is no longer available.

One company that apply DCSC concept and provides product substitution is Klastik Shoes. Klastik Shoes want to maintain both sales channel existence and to obtain maximum total sales channel profit considering product substitution. However for all this time, analytical online and offline pricing have not took place yet to give the optimum price.

To obtain the maximum profit, Stackelberg scheme is suggested to get the optimum price. The optimization process must be done in two stage. The first optimization is done by online channel and central warehouse, and then the second stage is done by offline channel. The results from this final project is to obtain the optimum price of online and offline channel, to see the effect of product substitution availability toward DCSC Klastik Shoes profitablility, and to know the limit of substitution level so that online channel is still profitable to be applied.