

CHAPTER 1

INTRODUCTION

1.1. Study Background

For every company, whether service, trade or manufacturing, sales are a major activity. This is due to the company's sales activities to obtain cash inflow which is used to finance company operations activities and support the company's survival. This condition causes each company continuing to increase sales from time to time. In gaining competitive advantage to increase sales performance, companies are required to always be innovating, providing products that are always liked by the community or customers.

This problem is reinforced by Wibowo (2018) who says that marketing strategy is one way of winning ones competitive advantage sustainable be it for companies that produce goods or services, this thing demonstrates the importance of a marketing strategy due to increasing competition companies in general, while according to Assauri (2016) one of the strategies often implemented by companies is a marketing mix strategy that is a combination of variables or activities that are the core of the marketing system, variables which can be controlled by the company to influence the reaction of buyers or consumer. These variables include the product, price, promotion, and place. This strategy has to do with determination how the company presents product offerings along with other supporting strategies in the form of pricing strategies, promotions, and distribution channel strategies for market segments which is the target market. Knowledge of

the marketing mix both in the effort to implement intensive marketing activities is an important factor that the company must know in order to survive companies and reach as many consumers as possible.

According to Verbeke, Dietz, & Verwaal (2016), sales performance is used as an ingredient in evaluating the sales contribution of salespeople in achieving company goals. Performance is the behavior of salespeople, with various strategies as forms of responsibility answer from his job. The strategy used by salespeople shows the behavior of the workers sales and the number of results that have been obtained from the sales effort. Aspects of experience and salesperson's expertise as a driving factor of sales performance, which delivers positive influence on increasing sales performance. Expertise in activities / activities sales become a necessity that a salesperson must have, because of expertise is an important issue to face consumers and companies.

In the era of the global economy, intense competition among companies demands the company to always be the foremost and the best in providing services to satisfy the consumers. The competition that occurs is an integral part of the company, as with the existence of competition can be one of the driving forces inside use a right marketing strategy, can provide a positive advantage for the company to increase sales performance and market share, so that it can win the competition in the market. One of the strategies that can be used to support the company's success namely online marketplace (e-commerce) and digital payment.

Technology has been growing rapidly, and it is affecting human life in many ways. Thus, the technology advancement is influencing every area of economy, society, as well as culture. In the business side, technology is indeed bringing a lot of advantages to every business, considering that entrepreneurs today rely a lot on technology in order to win the market competition that is getting fiercer than ever. Vitez (2019) points out that technology helps businesses in improving communication processes, which allows small business to develop competitive advantages in the online marketplace.

Online marketplace or simply e-commerce as described by Marco and Ningrum (2017):

...sebuah sistem informasi antar organisasi dimana pembeli dan penjual di pasar mengkomunikasikan informasi tentang harga, produk dan mampu menyelesaikan transaksi melalui saluran komunikasi elektronik. Maka, dengan melalui internet, para penjual dimudahkan dalam melakukan promosi dan memasarkan produknya dalam jangkauan yang lebih tinggi (p. 48).

An inter-organizational information system where buyers and sellers in the market communicate information about prices, products and are able to complete transactions via electronic communication channels. So, by going through the internet, it is easy for sellers to carry out promotions and market their products in a higher reach

It can be explained that online marketplace is a system in which the sellers and the customers are able to conduct communication and to share information regarding to the products' price and the details. Moreover, it is also described that through the online system, the customers can make orders and do payments.

On the other hand, the researcher is also aware that nowadays, people almost go cashless. Digital Payment is a means of payment for transactions using electronic devices including wireless handsets, personal digital assistants, and short distance communication (Chen & Nath, 2018). Digital Payments first

became popular in Asia and Europe before becoming common in the United States and Canada. Digital Payments is very easy to use and efficient at saving money on electronic devices. The use of digital payments can be an alternative payment other than a debit card or credit card. This is because the Digital Payment service is easier to use and safer than other means of payment.

According to The Jakarta Post (2020), the cashless transactions has increased at about 73% in January, 2020 itself. Furthermore, as a customer, people are moving towards something simple in term of payment methods, something more secure and seamless which is e-payment. Electronic payment is when customers or people exchange money electronically that involves computerized system and network, as well as the internet.

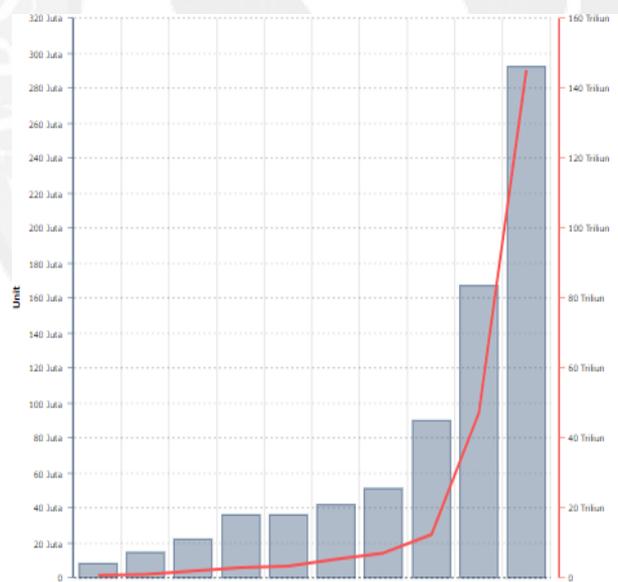


Figure 1.1 E-Payment Transactions in Indonesia from 2010-2019

Source: *Bank Indonesia* (2019)

This significant rise of e-wallet users has shown that nowadays, people adapt with digital era. Thus, every entrepreneur or business owner should improve their company by accepting online payments.

There is a lot of e-money in Indonesia, one of which is OVO, owned by PT. Visionet Internasional, which launched back in 2017. As per today, OVO is now a unicorn start-up, meaning that it is a private-owned start-up that valued more than US \$1billion. Whereas other online companies have started to accept these online payments by having collaboration with these digital payment companies.

Based on theoretical studies and the results of previous research, the researchers assume that these two factors, namely e-commerce and digital payment can have a major influence on sales performance. Therefore, researchers conducted research by selecting the availability of e-commerce and digital payment factors from all the existing factors to be studied.

Previous research found inconsistencies in the results of several variables, they are, e-commerce and digital payment variables, according to Hugo Aries Suprpto's research (2016) concludes that e-commerce and digital payment have a significant effect on sales performance, while Leni Lestari (2017) says that e-commerce and digital payment have no effect on sales performance.

Based on the results of previous studies above, the researcher still finds inconsistencies in the results of the study. Previous research still found variations in research results so that the differences in these results motivated researchers to conduct research again.

Located at *Jalan Krakatau nomor 2004* Medan, CV. Prima Muda Mandiri Medan was established in 2004, specialized in trading and importing accessories, household ware, and Chinese wedding gift from mainland China. Not only

available for offline purchase, the company also has their own online store in platforms such as Shopee and Tokopedia.

To find out the sales performance of CV. Prima Muda Mandiri Medan, then a measurement is carried out which is poured into the sales performance appraisal, through the report of sales result. To find out the sales performance of CV. Prima Muda Mandiri Medan, it can be seen in Table 1.1.

Table 1.1.
Sales Performance of CV. Prima Muda Mandiri Medan Year 2019-2020

Type	Sales		No. of Transactions	
	2020	2019	2020	2019
Online	730,236,782.00	-	5,443	-
Offline	1,902,604,903.00	4,570,515,141.00	1,767	3,247.00
Total	2,632,841,685.00	4,570,515,141.00	7,210.00	3,247.00

Source: CV. Prima Muda Mandiri (2021)

Based on the table 1.1., it shows that in 2019, CV. Prima Muda Mandiri Medan lost the opportunity to get the sales from online sales, because the online sales were not provided by CV. Prima Muda Mandiri Medan. In 2020, CV. Prima Muda Mandiri Medan has provided e-commerce and digital payment, and CV. Prima Muda Mandiri Medan succeeded to get additional sales form online sales.

Therefore, considering of how both online payments and e-commerce could be beneficial to a firm, that might affect the sales performance and company's growth, the researcher is interested in conducting research in the form of thesis titled **“THE EFFECTS OF THE AVAILABILITY OF E-COMMERCE AND DIGITAL PAYMENT METHODS ON THE SALES PERFORMANCE OF CV. PRIMA MUDA MANDIRI IN MEDAN.”**

1.2. Problem Limitation

This quantitative research, nonetheless, is subjected to various limitations as follows:

1. Generally, there are some factors that can affect sales performance such as marketing efforts, products quality, products prices, and other marketing mix but this research is limited to only two independent variables, the availability of e-commerce and digital payment methods. The indicators of e-commerce are marketing process, sales process, governments system, bank system and internet connection. The indicators of digital payment are convenience in payment, the practicality of the user using the payment method, the number of users and the reliability of the payment method. The indicators of sales performance are improvement number of sales, achievement of sales targets and customer growth.
2. The object of this research is the customers at CV. Prima Muda Mandiri Medan

1.3. Problem Formulation

Based on the background study explanation, the problem formulation of this paper is as follows:

1. Does the availability of e-commerce partially affect significance of sales performance at CV. Prima Muda Mandiri, Medan?
2. Does the availability of digital payment methods partially affect significance of sales performance at CV. Prima Muda Mandiri, Medan?

3. Does the availability of e-commerce and digital payment methods simultaneously affect significance of sales performance at CV. Prima Muda Mandiri, Medan?

1.4. Research Objectives

Based on the problem formulation, there are some research objectives, which are as follow:

1. To know the effect of the availability of e-commerce partially to sales performance of CV. Prima Muda Mandiri, Medan.
2. To know the effect of the availability of digital payment methods partially to sales performance of CV. Prima Muda Mandiri, Medan.
3. To know the effect of the availability of e-commerce and digital payment methods simultaneously toward sales performance at CV. Prima Muda Mandiri, Medan.

1.5. Benefit of the Research

There are two benefits, which can be obtained from this research paper. The benefits are stated as follows:

1. Theoretical Benefit
 - a. To increase knowledge and be able to apply the knowledge of e-commerce and online payment methods obtained during college to the marketplace.
 - b. To become references for students who are willing to learn about e-commerce and cashless payment.

- c. To become references for the next research.

2. Practical Benefit

- a. For researcher, to improve knowledge about problems related to e-commerce and online payment toward sales performance
- b. For organization, as an input to use e-commerce and digital payment methods to enhance sales performance.

