

CHAPTER I

INTRODUCTION

1.1 Background of the Study

During these recent years, there are some external factors such as economic, regulatory, social, technological issues have influences the financial structure. In business sector, there have been more and more products offered by producers to consumers. Many kinds of products that are already in the market have changed the market to become narrower. It is a warning then for every company that they have to act more quickly than their competitors do in the marketing as well as selling of their products. No manufacturers want to be appearing old fashioned to consumers; therefore, every manufacturer has to ensure continuous improvement of his products.

The main purpose of doing business, whether it is a manufacturing firm or a service firm, is to gain a maximum profit; hence, customers became very vital in business during the marketing era.

Customers always wants to get maximum satisfaction from the products or services that they buy. In order to win the marketplace nowadays entails the need to build a good customer relationship which has meaning to give superior value over competitors to the customers.

One of the keys to keep the customer is customer satisfaction. Customer satisfaction can be defined as a consumer's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in

relation to his/her expectation. Satisfaction is the contentment of the customer with the respect to his/her prior purchasing experience with a given service from a business organization. As customer satisfaction reflects the degree of a customer's positive feeling about a service provider, it is important for service providers to understand customers' perception of their services.

Customer satisfaction has been a subject of great interest to organizations and researchers alike. The principal objective of organizations is to maximize profits and to minimize cost. Profit maximization can be achieved through increase in sales with lesser costs. One of the factors that can help to increase sales is customer satisfaction, because satisfaction leads to customer loyalty, recommendation and repeat purchase.

Customer satisfaction can be influenced by sales promotion which is part of promotion activity. Hermawan (2015, p.130) explained that the development of sales promotion had been encouraged by business, especially big business. All top managers and product managers have direct role in encouraging the sales promotion growth. The goals and needs of product manager have been main booster so that the products can be sold faster. Product manager is challenged to differentiate its products so it can be able to compete among many brand and product choices that offer customer satisfaction.

In other words, effective sales promotion can influence the customer satisfaction. Sales promotion includes a wide range of activities of promotion to provide a short-term increment in sales.

Sales promotion is a short-term stimulation to push the purchasing. It

means that sales promotion is often used by company in a short term. Generally, sales promotion tactic has weakness. If the company often uses this tactic, it can decrease the image of the product, because consumer will assume that the products have a low quality.

Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and/or greater purchase of particular products/services by consumers or the trade.

Sales promotion can be conducted readily and effectively as the results can be measured quickly and, because of the narrow focus of the promotion, other factors can be tightly controlled for. Sales promotions are a source of some debate, as some argue that increasing short-term sales does not lead to long-term profitability. Others argue that the benefits of creating more income for the company in the short term allows that company to more rapidly grow to gain a larger market share.

Nowadays, modern marketing is not only focusing on goods/products production, low pricing, or high-speed distribution. Recently, new customer attraction has become very important in business world. The cost to keep the present customers is less than the cost to gain new customers. In this case, promotion plays a very important role. Promotion can be defined as a communication used to inform, persuade, and remind people about the goods, services and image of the business organization.

Sales promotion is an important component of a promotion campaigning program. It can be specific tool of the marketing strategy of an enterprise. Because

of increasing level of competition and costs of advertisement, producers largely use this technique as a promotional tool. Sales promotion techniques are not only useful to the producers and distributors, but also are useful to consumers. A sales promotion can be categorized as either a price-discounting sales promotion or a value adding sales promotion, depending on the nature of its incentive.

Sales promotion also becomes an important component of a company's marketing communication strategy along with advertising, public relations, and personal selling. At its core, sales promotion is a marketing activity that adds to the basic value proposition behind a product for a limited time in order to stimulate consumer purchasing, selling effectiveness, or the effort of the sales force.

Sales promotion generally works on a direct behavioral basis rather than affecting awareness or attitude. One of the purposes of a sales promotion is to elicit a direct impact on the purchase behavior of the firm's consumers. It is continuously said that most types of sales promotions affect the decision-making and purchasing stages of the buying process directly that is affective in the long-run since it leads to increased sales and profit.

PT. Sumber Agrindo Sejahtera, Medan is a distributor for agricultural industry especially in fertilizer and pesticide. It is located on *Komplek Multatuli Indah Blok AA, No. 47, Medan*. The company is facing problem that there are many complaints come from the customers. It is known that the numbers of customers are decreased from month to month. The following table shows the sales volume during the year 2018-2020 and the number of customers during

those 3 years:

Table 1.1 The Number of Customers and Sales Data of PT. Sumber Agrindo Sejahtera, Medan

Year	Number of Customers	Sales Achievement	% Change
2018	124	Rp23,800,670,000.00	-
2019	92	Rp18,126,600,000.00	-23.84%
2020	63	Rp10,879,230,000.00	-39.98%

Source: PT. Sumber Agrindo Sejahtera, Medan (2021)

The above tables shows that from the year 2018 to 2019, the sales achievement is decreased on 23.84% and from the year 2016 to 2017, the sales achievement is decreased on 39.98%.

The writer finds further information that some customers are dissatisfied with some aspects as recorded and shown in the following table:

Table1.2 The Recorded Data of Customers' Complaints

Period	Number of Cases	Description
Jan – Jun 2018	12	1. No more deals for purchase in big quantity.
Jul – Dec 2018	11	2. The shop exhibition held by the company was not as interesting as previous exhibitions.
Jan – Jun 2019	17	1. Customers complained that the discounts given by the company were decreased a lot.
Jul – Dec 2019	15	2. The deals for purchasing in big quantity was not satisfying. 3. Company seldom gave samples for new products.
Jan – Jun 2020	17	1. No special discounts given like previous years.
Jul – Dec 2020	18	

		<p>2. During this year, the lucky draw was only held once while normally is twice in a year.</p> <p>3. The company usually holds selling contest for its customers (retailers) but on 2020, there was no selling contest. Many customers feel disappointed.</p>
--	--	---

Source: PT. Sumber Agrindo Sejahtera, Medan (2021)

Some of the customers said that the sales promotion of the company is less than other companies; one of the cases is discount. The discounts given by the company were decreased a lot. And other sales promotions programs were also decreased. In this case, it shows indication that the problems were occurred about sales promotion and it is suspected have influence on the customer satisfaction.

Based on the problems occurred in the company, the writer decides to conduct a research entitled **“The Influence Of Sales Promotion Towards Customer Satisfaction At PT. Sumber Agrindo Sejahtera, Medan”**.

1.2 Problem Limitation

The writer only focuses on the sales promotion applied by PT. Sumber Agrindo Sejahtera, Medan and its influences towards the customer satisfaction at PT. Sumber Agrindo Sejahtera, Medan from the year 2018 to 2020.

For the sales promotion, the indicators are shop exhibition, show and demonstration, trade exhibition, competition and contest, discount and offers. For the customer satisfaction, the indicators can be measured by being loyal for longer time, buying more when the company introduces new product and updates its products, talking good things about the company and its product, giving less

attention to the competitor's brands and advertisement and less sensitive with the price; and offering service or product idea to the company.

1.3 Problem Formulation

Based on the preliminary research at PT. Sumber Agrindo Sejahtera, Medan, the writer formulates the problems identification as follows:

1. How is the implementation of sales promotion at PT. Sumber Agrindo Sejahtera, Medan?
2. How is the customer satisfaction at PT. Sumber Agrindo Sejahtera, Medan?
3. Does sales promotion have influence towards customer satisfaction at PT. Sumber Agrindo Sejahtera, Medan?

1.4 Research Objective

The objectives of the research are:

1. To find out the implementation of sales promotion at PT. Sumber Agrindo Sejahtera, Medan.
2. To describe the customer satisfaction at PT. Sumber Agrindo Sejahtera, Medan.
3. To analyze whether sales promotion have influence towards customer satisfaction at PT. Sumber Agrindo Sejahtera, Medan or not.

1.5 Benefit of the Research

Benefits of the research can be divided into 2 types which are theoretical benefit and practical benefit. The benefits of conducting this research are as follows:

1.5.1 Theoretical Benefit

The theoretical benefits of the research are as follows:

1. This research will be a reference for the writer to get more knowledge about sales promotion and customer satisfaction.
2. For other researchers, as contribution to the body of knowledge that can be used by scholars and researchers in the field of academia to develop further studies.

1.5.2 Practical Benefit

The practical benefits of the research are as follows:

1. For the company, know of the influence of sales promotion on customer satisfaction. Hopefully, the result of this research can be a valuable input for the company to improve the customer satisfaction.
2. This research enriches experiences for the writer as researcher in conducting the research.