

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

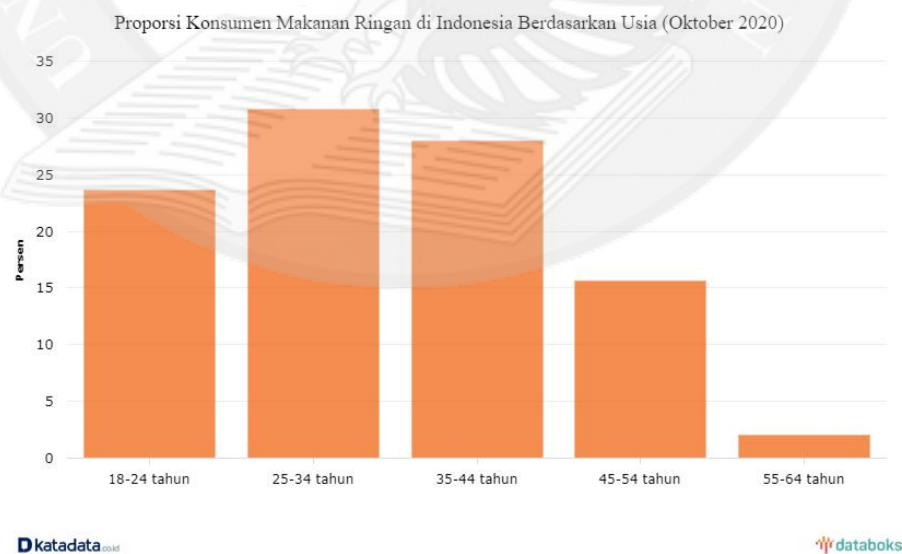
It is indeed a general knowledge that in order to increase the quantity of sales as well as to win in an intense market competition, the effectiveness of sales promotion is crucial. However, Tolan et al. (2021, p. 360) pointed out that the effectiveness of promotion is very dependent on the selection of the form of promotion, that the promotion could be done through online or offline advertisement and endorsement.

On the other hand, an intense market competition also demands every company to have competitive advantages in order to survive and compete with other business in the same market competition. Therefore, although it is important to focus on the promotion of the products, service quality is also other factor that could help a company to increase its competitive advantage. The more excellent the service is provided by the company; the higher chance of customers decide to purchase a company's service or product. Moreover, customer-centric company must always consider what the customers want and need in terms of service because perceived service will influence them in making purchase decisions (Patmala & Fatihah, 2021).

According to Kotler and Armstrong (2017), customer purchase decision refers to having the most desired brand purchased by an individual although there are other substitutes. Thus, every company must pay attention to its customer purchase decision because purchase decision will become the top consideration for choosing the right marketing strategy that will be carried out.

PT. Cakrabuana Tetap Jaya, a fast-moving consumer goods distributor is located at *Jalan Pendawa Km. 12, North Sumatra*. The company itself has been operating since 2015 and focused on the distribution of snacks and powdered soft drinks (under the trademark CS) from other manufacturers. PT. Cakrabuana Tetap Jaya does not only focus on B2B (Business to Business) sector, but also B2C (Business to Customer) sector.

According to *Databoks* (2020), in Indonesia itself, people from age group 25-32 years old consume the most snacks. The data can be seen below:



**Figure 1.1 The Proportion of Snack Consumption in Indonesia by Age Group (October 2020)**

Source: Databoks (2020)

The chart above shows that people aged 25-34 years old in Indonesia consumed the most snacks (data per 2020), which was 30.8% of all. Moreover, it is also known that people aged 35-44 years old consumed 28% of snacks. Following, 23.6% of snacks was consumed by people aged 18-24 years old. In contrast, only a small percentage of people aged more than 45 years old consumed snacks, 15.6% for people aged 45-54, and the other 2% for people aged 55-64.

On the other hand, Statista predicts that every citizen of Indonesia consumes 4.9 kg (average) of snacks in 2021 alone (Lidwina, 2021). Therefore, this snacks industry can earn up to US\$ 6.7 million in revenue per year. Thus, the future prospect for PT. Cakrabuana Tetap Jaya can be projected using this chart alone that the possibility of increased revenue near future, seeing that Indonesians are quite the fan of snacks, although snack is excluded from staple food. Furthermore, the rise in sales and revenue of PT. Cakrabuana Tetap Jaya in the future can be supported by maximum sales promotion and better service quality that ensures customer satisfaction.

**Table 1.1 Products of PT. Cakrabuana Tetap Jaya**

No	Product's Name	Wholesale Price*	Retail Price
1	<i>Minuman Serbuk Choco Malt CS (1kg)</i>	Rp. 70.200,-	Rp. 80.700,-
2	<i>Minuman Serbuk Lemon Tea CS (1Kg)</i>	Rp. 52.200,-	Rp. 60.000,-
3	<i>Minuman Serbuk Cappuccino CS (1Kg)</i>	Rp. 72.200,-	Rp. 83.000,-
4	<i>Serbuk Pudding Vanilla CS (1kg)</i>	Rp. 50.500,-	Rp. 58.000,-
5	<i>Serbuk Pudding Chocolate CS (1kg)</i>	Rp. 63.500,-	Rp. 73.000,-
6	<i>Serbuk Pudding Mango CS (1Kg)</i>	Rp. 65.500,-	Rp. 75.300,-
7	<i>Tepung Bumbu Serbaguna CS (1kg)</i>	Rp. 25.500,-	Rp. 29.300,-

\*With minimum order quantity >6 kg.

Source: PT. Cakrabuana Tetap Jaya (2022)

Table 1.1 presents that PT. Cakrabuana Tetap Jaya indeed is focused in both B2B and B2C sector, it is shown by the differences between selling wholesale price and retail price. The retail price is 15% higher than the wholesale price. Nonetheless, new customers who wish to get wholesale price should place order more than 6 kilograms in quantity, note that the products could be mixed.

Recently, there are a lot of other companies that also distribute other snacks and powdered drink brands that arise in market competition, making the already intense competition become harder than before. Furthermore, the emerging new brands also offer their products in affordable prices that give customers the opportunity to choose because there is substitute. The customers could compare the products and choose the alternatives that they desired the most. As a result, during this competition with other companies that sell similar products, to focus on sales promotion and service quality in order to control the market competition is crucial.

Again, the intense market competition should have proved that sales promotion must be done continuously. As stated by Tjiptono (2017), that sales promotion is classified as direct persuasion to customers with the outcome to stimulate the purchase of a product or service marketed by a company. Over the years, whenever there is a new product launched, PT. Cakrabuana Tetap Jaya always send out free samples to their resellers. Moreover, printed flyers about special discounts with minimum purchases (B2B business usually have special offer for purchasing products in bigger quantity, and so does PT. Cakrabuana Tetap Jaya) are also given to the existing customers. But then, it can be seen from

table 1.2 about the annual sales of PT. Cakrabuana Tetap Jaya, that the incentive tools such as discounts and handing out testers have yet to show the optimal results.

In addition, the company also has always been advertising its products using local billboard promotion and advertisements on media such as newspaper with emphasis on mouth marketing. Sole reason on why PT. Cakrabuana Tetap Jaya depends on word-of-mouth (WOM) marketing is because not only it costs less, but also it proves that there are loyal customers. Mohtasham et al. (2017) pointed out that WOM marketing is influenced by perceived service. Customers are loyal mostly because they feel satisfied with everything that a company has offered them.

On the other hand, as a consumer goods distributor, PT. Cakrabuana Tetap Jaya is notorious for its fast delivery to the resellers, with free shipping fees with certain minimum orders. Lately, problem such as irresponsible person in control (PIC) who deals with the company's quality control has become quite a topic. Resellers have been complaining about such issues, bragging about the lack of quality control hence there is no refund but exchange only policy, that PT. Cakrabuana Tetap Jaya is keen not to provide compensation to the purchased products. However, unqualified products such as those which did not pass the quality control could resulted in the disappointment of potential loyal customers.

In contrast, an insider has shared about a part in service quality offered by the company that is favorable to new customers: payment can be paid in

installments using credit card. As for the loyal customers: the company offers delivery before payment. In other words, it is understandable for loyal customers to owe the company (the debt/ amount due must be paid within 3 months). But then, the company should aware that there is no fidelity in some people. That it is possible even for the loyal customers to run away without paying their debt that could resulted in the company's financial lose.

Nevertheless, from the annual sales of the company that will be shown in the table 1.2, the writer believes that a study must be conducted in order to gather information on how to improve the sales promotion and service quality with new tactics so that the sales will increase rapidly.

Below is the table of its annual sales from the year 2016 to 2020. In general, it can be seen that the net sales is gradually increasing throughout the year. However, what a company needed is not moderate rise, but rapid rise in sales.

**Table 1.2 Annual Sales of PT. Cakrabuana Tetap Jaya**

Year	Net Sales (millions of Rupiahs)	Area of Distribution
2016	Around 920	North Sumatra
2017	Around 4.000	Indonesia
2018	Around 4.500	Indonesia
2019	Around 5.300	Indonesia
2020	Around 4.800	Indonesia
2021	Around 5.100	Indonesia

Source: PT. Cakrabuana Tetap Jaya (2022)

Therefore, to assess the variables that could affect the company's sales, the writer decided to conduct research at PT. Cakrabuana Tetap Jaya in the form of research paper entitled **"The Influence of Sales Promotion and Service**

## **Quality towards Customer Purchase Decision at PT. Cakrabuana Tetap Jaya.”**

### **1.2 Problem Limitation**

The writer is aware that this study is limited to several aspects such as research object as well as its variables:

1. The object of this research is limited to only PT. Cakrabuana Tetap Jaya resellers (B2B customers) who have placed order more than once (existing and loyal customers). Moreover, the characteristics of the respondents are men and women, resellers of PT. Cakrabuana Tetap Jaya and have make repeat orders at least twice since the year 2020.
2. The limited time in collecting the questionnaire results (the questionnaire will be distributed to sample group and the results will be tested using SPSS application during February 2022).
3. The indicators of sales promotion ( $X_1$ ) variable are promotional frequency, promotional quality, and promotional quantity. Whilst the indicators of service quality ( $X_2$ ) are assurance, reliability, responsiveness, attitude, and tangibility. Furthermore, the indicators for the customer purchase decision ( $Y$ ) are purchasing because of the product's information, purchasing because of recommendation from others, purchasing based on the most preferred brand.



### **1.3 Problem Formulation**

Based on the research background, the problem formulations in this thesis are as following:

1. How is the condition of sales promotion at PT. Cakrabuana Tetap Jaya?
2. How is the condition of service quality at PT. Cakrabuana Tetap Jaya?
3. How is the condition of customer purchase decision at PT. Cakrabuana Tetap Jaya?
4. Does sales promotion affect customer purchase decision at PT. Cakrabuana Tetap Jaya?
5. Does service quality affect customer purchase decision at PT. Cakrabuana Tetap Jaya?
6. Do sales promotion and service quality significantly affect customer purchase decision at PT. Cakrabuana Tetap Jaya?

### **1.4 Objective of Research**

Based on the problem formulation of this thesis, the research objectives are as following:

1. To discover the current condition of PT. Cakrabuana Tetap Jaya's sales promotion.
2. To discover the current condition of PT. Cakrabuana Tetap Jaya's service quality.



3. To discover the current condition of PT. Cakrabuana Tetap Jaya's customer purchase decision.
4. To examine if sales promotion can influence customer purchase decision at PT. Cakrabuana Tetap Jaya.
5. To examine if service quality can influence customer purchase decision at PT. Cakrabuana Tetap Jaya.
6. To examine if sales promotion and service quality can influence customer purchase decision significantly at PT. Cakrabuana Tetap Jaya.

### **1.5 Benefit of Research**

The advantages of this research would be classified into theoretical and practical benefit.

#### **1.5.1 Theoretical Benefit**

This paper would be beneficial to PT. Cakrabuana Tetap Jaya because it could help the company to discover, to examine, as well as to improve their sales promotion and service quality that can lead to higher sales performance because the customer purchase decision is also increased.

#### **1.5.2 Practical Benefit**

1. **For company**

The information on this thesis could help the company to improve their sales promotion and service quality.

**2. For other researchers**

This research could contribute to the improvement of relevant scientific research and provide more knowledge regarding to sales promotion, service quality, as well as customer purchase decision to the researchers.

**3. For the writer**

Firstly, this research is conducted with the purpose of the completion to obtain a bachelor's degree. Secondly, the result of this research is desired to be used as the source of information regarding to the implementation of sales promotion, service quality, and its influence on customer purchase decision and can be used as comparative material by the juniors in the same major.