

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The marketing of goods and services has always been a business that demands continual innovation worldwide. Using electronic media to advertise items or services on the market with the primary objective of attracting clients and allowing them to connect with the brand via digital media has become an essential marketing method in recent times. In the marketing sector, especially in Africa, innovative and imaginative advertising methods are increasingly popular. Web-based advertising and opt-in e-mail newsletters, interactive kiosks, and interactive television are all instances of this. Small and medium-Enterprises can't afford to ignore the potential of digital marketing. Since the beginning of time, small and medium-sized enterprises (SMEs) have been a vital source of job and economic development worldwide (Zheng et al, 2021).

A company's competitiveness may be assessed in a number of ways. Maintaining an edge in the marketplace requires a firm to keep up with technological advancements. It's possible that digital marketing will succeed since many of its rivals have already embraced it, according to research. Businesses, especially those that compete with one another, compete in this way. Some argue that in order to thrive in a highly competitive market, organizations need to increase their competitiveness. Establishing one's own game while competing

with other businesses on cost and product quality is essential (Sudarshan, et al, 2022)

Sales performance is always used as a tool for measure the success of the company and is something produced by company in a certain period with reference to the company's success standards. Achieving Sales Performance can be done through one of the operating functions such as purchasing and production, marketing, finance and human resources (Fuad, et al, 2018). At first, the marketing function has the concept of Selling Orientation, but a paradigm shift has occurred, the concept of marketing becomes Customer Orientation as a marketing activity. In building a good long-term relationship with customers, friendship must know what the needs and desires of customers. In Customer Orientation, sales are not the main thing customer-oriented name that becomes the main thing (Hasan, 2019).

PT Bina Catur Marga, Medan is a pharmaceutical company. Based on research conducted that there is a decline in the sales performance of the company. This is supported by the company's sales data from 2020 which can be seen in Table 1.1.

**Table 1. 1 Sales Data
2020-2022**

| Year | Total | % Sales |
|------|----------------|---------|
| 2020 | 34,581,250,000 | % |
| 2021 | 28,219,531,000 | 18.39% |
| 2022 | 23,874,000,000 | 15.40% |

Sources: PT Bina Catur Marga, Medan, 2023.

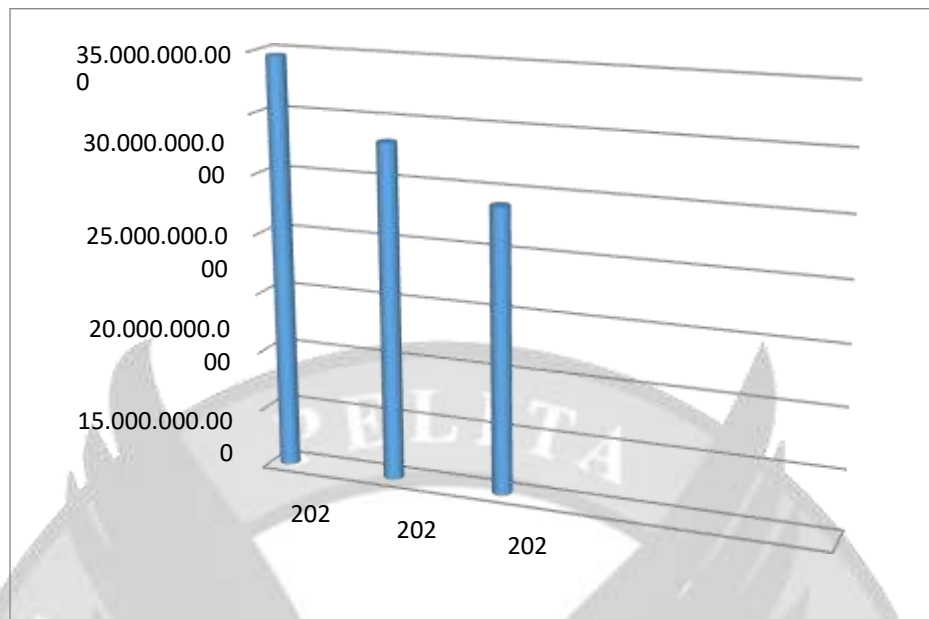


Figure 1. 1 Sales Data 2020-2022

Sources: PT Bina Catur Marga, Medan, 2023.

Table 1.1 shows that the data obtained in the form of sales data from the company means that there has been a decrease in sales data since 2020. The decline in sales in 2021 amounted to 18.39% and for the year 2022 as much as 15.40%. This is a support that there is a decline in performance by the company.

Online marketing is much suitable for new types of business beginners. Surely cost effective, because they do not have to hold a place or booth to display goods or services, can be controlled alone without having to recruit employees, unlimited time or work hours, and has a broad market reach, since online marketing is usually supported by the presence of websites or social media such as Facebook, Instagram, Whatsapp, and others. Digital marketing is one of the information technology advancements that can help boost business in every sector. As reported by Kata data, there are currently 204,7 million internet users in January 2023 in Indonesia, that number reaches the penetration rate of 73,7% of

the total population in Indonesia. It is no wonder that digitalization is considered important for businesses where most of their target customers live in a digitalized world and are one click away from getting what customers want (Bhosale, et al, 2020).

Digital marketing can help build brand awareness, profile customers, and simply sell online. It means that businesses in different sectors can interact with customers in a new way that allows them an insight into what their customers want. Business sees this as an opportunity to reach new customers and retain current ones. Implementing digital marketing includes using search engine optimization (SEO) and paid search advertising that offers well-established benefits for long-term sales performance (Bhosale, et al, 2020).

PT Bina Catur Marga, Medan PT Bina Catur Marga, Medan as a pharmaceutical company in Medan. Based on the data obtained this company obtained a quite good rating. The following data support the company's rating. PT Bina Catur Marga, Medan utilizing digital marketing is not right so that it produces a rating of 3.8 which is quite good. Nowadays, many companies utilize digital marketing by using e-commerce or websites. However, this company only cooperates with Tokopedia. In practice, digital marketing companies lack updates about products so that they have an impact on less than optimal services.

Bina Catur Marga. PT

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3,8 ★★★★★ 4 ulasan ⓘ

Urutkan menurut



Figure 1. 2 Rating of PT Bina Catur Marga, Medan

Sources: PT Bina Catur Marga, Medan, 2023.

Service quality is as one of the significant structures to explain and justify behavioral objectives related to future and the desired effects on the financial results and consequences of company and service quality is as one of the key strategies for the survival of a company that have examined and evaluated it and considering importance of service quality, there's no wonder that many researchers have dedicated themselves to understanding the dimensions of service quality (Gilaninia, et al, 2019). Services quality is defined as a measure of meet customer needs and expectations by the service. Therefore, services quality can be defined difference between customers' expectations of service and services received. In addition, services quality has been defined as "an attitude or general judgment of customers in relation to supremacy of a service" (Koozehchian & et al, 2021).

The service quality at this company is still not good. Based on the interviews obtained that the service received by customers is still not fast in handling the purchase transaction and product return transactions due to product defects. In addition, the poor quality of Service is encouraging re-purchase so that the number of customers who are active in making purchases also decreased.

Table 1. 2 Complaint From Customers for PT Bina Catur Marga, Medan

| Mouth | Customers Total | Description |
|-----------|-----------------|--|
| January | 6 | 1. Untimely distribution of products 2. Does not provide valid information relating to distribution 3. Less handle appropriately in terms of customer product return problems. 4. Not fast service in terms of handling customer complaints 5. Disappointment due to poor communication with the staff of the company. 6. Customers feel disrespected due to the lack of EmployeeEthics in communicating. 7. Customers feel disappointment with the distribution of products that are experiencing shortages. 8. Errors in product delivery. 9. Does not provide detailed information on product availability. 10. customers feel dissatisfaction with the service. 11.The staff of the company is difficult to contact. |
| February | 5 | |
| March | 2 | |
| April | 0 | |
| May | 0 | |
| June | 1 | |
| July | 3 | |
| August | 2 | |
| September | 1 | |
| October | 4 | |
| November | 2 | |
| December | 7 | |

Sources: PT Bina Catur Marga, Medan, 2023.

Table 1.2 shows the decrease in the number of customers the company each year, causing a decrease in sales. In addition, many customers also describe the information provided to customers is still not valid with regard to the advantages and disadvantages of drugs in detail, the distribution system is still slow and often not on time. This triggered a low decline in repeat purchases made by customers.

Sales promotion is one of the factors necessary for success for a company or organization, promotion is one weapon powerful for companies in developing and maintaining businesses. In order for the promotion to be effective, it is necessary to determine the market segmentation that will be entered due to the large number of customers, very scattered and scattered and varied in the demands of their needs and desires (Lubis, 2019). Sales promotion is an activity powerful company chosen to sell its products. Every time a companies use direct.

or indirect promotion. Sales promotion activities have an impact on increasing product sales and the intended target is to know the product (Hasan, 2020).

Based on research conducted in the company PT Bina Catur Marga, Medan that sales promotion still does not have an attractive program for customers. Some of the sales promotion programs carried out during 2022 are:

Table 1. 3 Sales Promotion at PT Bina Catur Marga, Medan (2022)

| Program | Description |
|------------|---|
| Commission | Sales package 80-100% of the target given earn 0.3-0.5% commission from sales target |
| Prizes | Delivering parcels during Chinese New Year, Eid al-Fitr and Christmas to customers and the end of the year and the beginning of the year providing calendars and notebooks to the overall customers of the company. |
| Discount | Only 1-3% depending on the amount of purchase and product purchase |

Sources: PT Bina Catur Marga, Medan, 2023.

Table 1.3 shows that the creation of promotional programs is still classified as less attractive to customers. Many companies give holiday gifts and smartphones and other gifts. The main obstacle to promotional programs is to provide discounts to employees by establishing the necessity of a very high number of drug purchases that trigger low customer interest in making repurchases.

From the above explanation, the writer decides to conduct a research entitled **“The Influence of Digital Marketing, Service Quality and Sales Promotion towards Sales Performance at PT Bina Catur Marga, Medan”**.

1.2 Problem Limitation

Due to limitation of time and budget this research focused to:

1. Independent variables in this study are Digital Marketing (X_1), Service Quality (X_2), Sales Promotion (X_3). Dependent variables in this study is Sales Performance (Y).
2. Respondents in this study are pharmacies located specifically in Medan.
3. Respondents who made purchase transactions in 2022.
4. The customer is the store (retailer).
5. Digital marketing indicators are social media (social network), customer relationship (Muljono, 2019). Then the service quality indicators are reliability, responsiveness, assurance and empathy (Gronroos, 2019). An indicator of sales promotion is rebates, price pack and program continuity (Kotler and Keller, 2018). Sales performance indicators are product quality, price and customer satisfaction (Hasan, 2018).

1.3 Problem Formulation

Based on the background of the study, the writer formulates several questions, follows:

1. Does Digital Marketing have a partial influence towards Sales Performance at PT Bina Catur Marga, Medan?
2. Does Service Quality have a partial influence on Sales Performance at PT Bina Catur Marga, Medan?
3. Does Sales Promotion have a partial influence towards Sales Performance at PT Bina Catur Marga, Medan?
4. Do Digital Marketing, Service Quality and Sales Promotion have influence

towards Sales Performance at PT Bina Catur Marga, Medan?

1.4 Objective of the Research

Based on the problem formulation the objectives of this research are:

1. To analyze whether Digital Marketing has partial influence towards Sales Performance at PT Bina Catur Marga, Medan.
2. To analyze whether Service Quality has partial influence towards Sales Performance at PT Bina Catur Marga, Medan.
3. To analyze whether Sales Promotion has partial influence towards Sales Performance at PT Bina Catur Marga, Medan.
4. To investigate whether Digital Marketing, Service Quality and Sales Promotion have simultaneous influence towards Sales Performance at PT Bina Catur Marga, Medan.

1.5 Benefit of the Research

The writer expects that this research can give benefits both theoretically and practically.

1.5.1 Theoretical Benefit

The research result can be used to expand, improve and develop the relevant theories especially in Digital Marketing, Service Quality and Sales Promotion and its influence towards Sales Performance.

1.5.2 Practical Benefit

The practical benefits on this research are:

1. For the writer

The writer as the researcher to get more experience in doing the research and as an addition to knowledge with regard to Digital Marketing, Service Quality, Sales Promotion and Sales Performance.

2. For the PT Bina Catur Marga, Medan.

To provide useful suggestions for the company in increasing Sales Performance especially improving the Digital Marketing, Service Quality and Sales Promotion.

3. For other researchers

To be an additional reference, reference material for further research and information to interested parties in assessing the problem the same in the future.

