

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In the current era of ongoing globalization, where human life continues to evolve rapidly along with the swift advancement of the times, humans are brought to needs that must be met, driving increasingly fierce competition. Those who cannot seize opportunities by understanding the existing situation will lose in the competition. In this context, marketing activities certainly play a crucial role in supporting the development and progress of the company. Marketing is the process of identifying, anticipating, and satisfying customer needs and desires through the creation, communication, delivery, and exchange of offerings that have value. It encompasses a wide range of activities and strategies aimed at promoting products or services, building brand awareness, and fostering customer loyalty (Untari, 2020).

Marketing is essential for understanding and reaching customers, driving sales, and maintaining a competitive edge, ultimately contributing to the overall growth and sustainability of a company. With a good marketing strategy, the company will be able to effectively attract consumer interest to make purchases of the products offered by the company, and this purchasing decision becomes one of the core purposes of conducting marketing activities (Lotte et al., 2023). Purchasing decision is a concept in buying behavior where consumers decide to act or do something, in this case, to make a purchase or use a particular product or service. Consumer decision-making is essentially a problem-solving process. Researchers

use the purchasing decision variable because the study of purchasing decisions is still worth researching, given the increasing number of products on the market, which requires various considerations for people in making purchasing decisions. Most consumers, whether individual consumers or organizational buyers, go through almost the same mental process in deciding which products and brands to buy. Consumer purchasing decisions can be made if the product aligns with what the consumers want and need (Lotte et al., 2023).

Selecting the right distribution channel is a key step in distribution policy. It involves determining the path that the company will use to deliver the product or service to consumers. The selection of distribution channels must take into account the characteristics of the product, the target market, consumer preferences, and the company's marketing objectives (Putro, et al. 2024). While according to Firmansyah (2020), direct selling is the most effective tool in the advanced stages of the purchasing process, especially for building preferences, beliefs, and encouraging consumer action. Digital marketing refers to the use of online platforms, channels, and technologies to promote products, services, or brands to a targeted audience. It encompasses various strategies, including search engine optimization (SEO), social media marketing, email campaigns, content marketing, and paid advertising, aimed at engaging consumers across the digital landscape. Unlike traditional marketing, digital marketing allows for precise targeting, real-time data analysis, and personalized communication, which help businesses reach and interact with their audience more effectively. It has become a vital component

of modern business strategies due to the widespread use of the internet and mobile devices (Sudarmanto and Nirwansyah, 2024).

According to Khasanah and Jaya (2023), distribution channels are the pathways used by producers to move their products through an institution they choose to transfer product ownership, either directly or indirectly, from the producer to the consumer. The goal is to reach specific markets. Thus, the market is the ultimate destination of channel activities.

According to Firmansyah (2023), direct selling can occur through various methods, such as party plan selling (hosting gatherings where products are demonstrated and sold), one-on-one selling, online selling through personal websites or social media, and network marketing (multi-level marketing), where distributors earn not only through direct sales but also through recruiting and building a sales team.

According to (Rumondang, et al. 2020), Digital marketing refers to the use of digital channels, platforms, and technologies to promote products, services, or brands to target consumers and businesses.

Nowadays, seeing the increasing importance of medical products and their growing demand among the public, entrepreneurs do not want to miss this opportunity. As a result, many entrepreneurs are competing to open companies in the field of selling medical products, one of which is PT. Sumber Medika Alkes. PT. Sumber Medika Alkes Medan is a distributor medical supplies company based in the city of Medan, Indonesia. PT. Sumber Medika Alkes is located in komp. Multatuli Indah, No. 51 Blok B, Medan. Established with a vision to provide top

quality medical equipment and supplies to healthcare facilities across the region, the company has gained traction in the local market.

At its inception, PT. Sumber Medika Alkes Medan received a positive response from the community by establishing relationships with companies and facilitating purchases of their needed products. Over time, more companies emerged offering similar products with advantages not possessed by PT. Sumber Medika Alkes. This led consumers to become interested in trying those companies' products, resulting in a gradual decline in consumer purchases of PT. Sumber Medika Alkes' products. Consequently, the company's annual sales increasingly fell short of their expected targets. There are several factors that can influence the decline in consumer purchases. However, from the initial observations conducted by the researcher, it was found that the most dominant triggers impacting the company are distribution, direct selling, and digital marketing.

PT. Sumber Medika Alkes faces limitations in reaching certain areas, resulting in their products not being uniformly available in all regions that need them. Additionally, the company's supply chain is inefficient, leading to delays in delivering products to customers. This issue stems from logistical problems, inadequate infrastructure, or poor coordination among various parties in the supply chain. PT. Sumber Medika Alkes also frequently encounters challenges in maintaining consistent stock availability. During periods of high demand, they may struggle to meet these demands, whereas during low demand periods, they may have excess inventory.

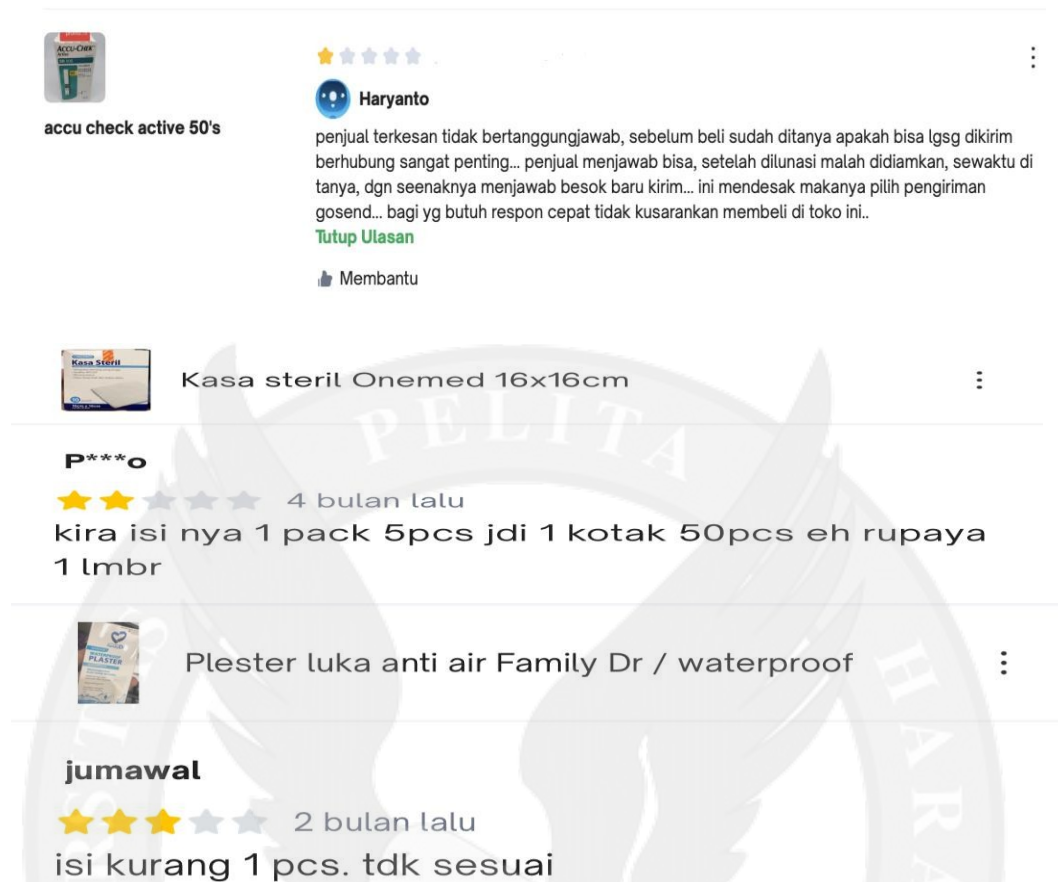


Figure 1.1. Company Distribution Phenomenon, Year 2023

Sources: PT. Sumber Medika Alkes, 2024

Effective distribution plays a crucial role in influencing customer purchase decisions. However, issues such as late delivery and the delivery of incorrect items can significantly undermine consumer trust and satisfaction. Late delivery disrupts the customer experience, often leading to frustration and disappointment, which can deter future purchases. Similarly, receiving the wrong item not only causes inconvenience but also raises concerns about the reliability of the seller, further affecting the likelihood of repeat business. Addressing these distribution challenges is essential for businesses aiming to enhance customer loyalty and ensure a positive purchasing experience.

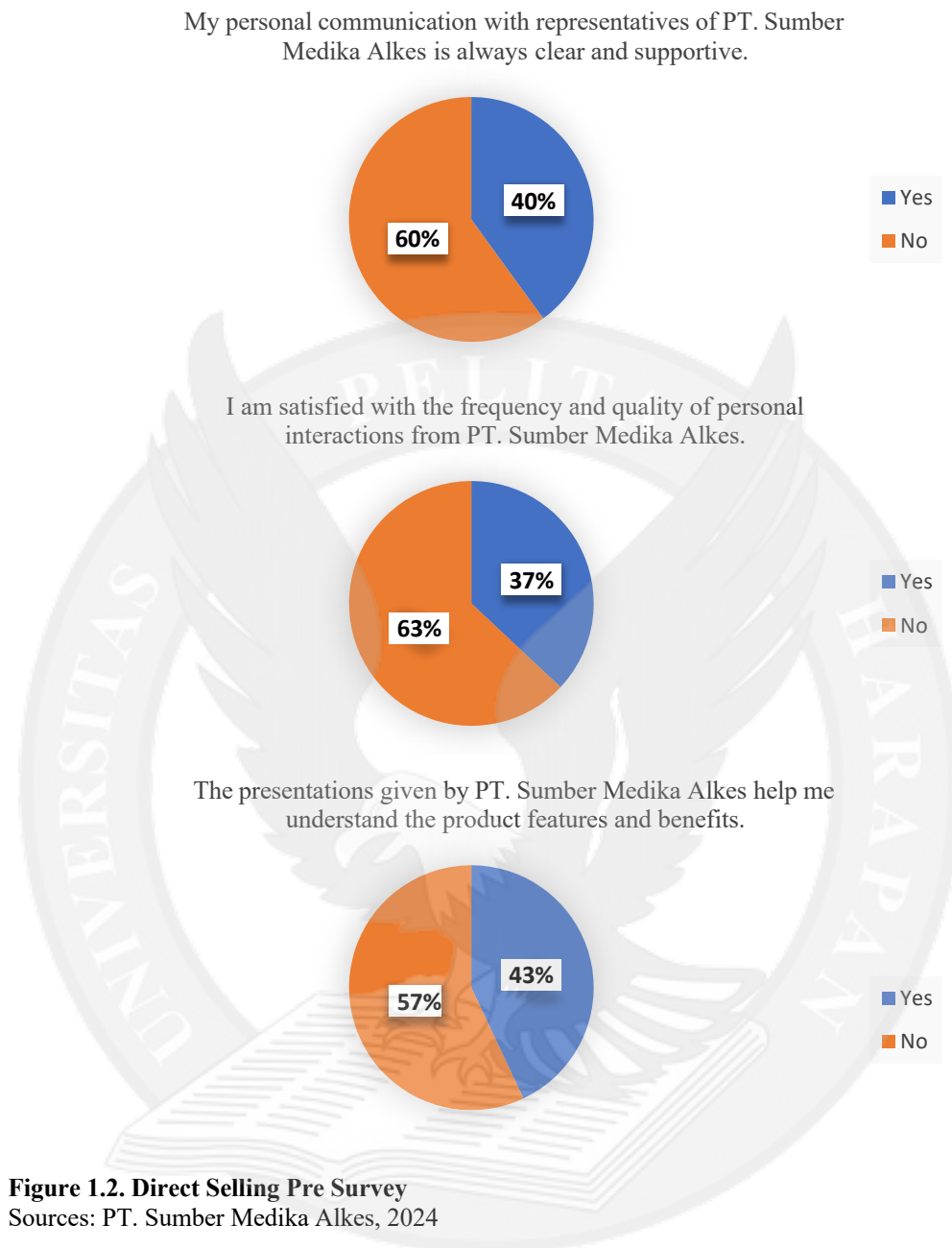
The direct selling activities of PT. Sumber Medika Alkes have also been less effective in addressing the challenge of building or expanding their direct sales network, as the company lacks direct access to potential customers in various locations. Therefore, currently, the company is increasingly refraining from engaging in direct selling activities to offer its products to consumers. The following is data about company direct selling phenomenon can be seen in the table below:

Table 1.1
Company Direct Selling Phenomenon Period January 2024 – June 2024

| Period | Sales Target | Total Sales | MoM Change (%) | Number of Transactions |
|----------|-------------------|-------------------|----------------|------------------------|
| January | Rp. 1.500.000.000 | Rp. 1.600.000.000 | - | 320 |
| February | Rp. 1.500.000.000 | Rp. 1.650.000.000 | +3.13% | 330 |
| March | Rp. 1.500.000.000 | Rp. 1.300.000.000 | -21.21% | 260 |
| April | Rp. 1.500.000.000 | Rp. 975.000.000 | -25% | 195 |
| May | Rp. 1.500.000.000 | Rp. 1.100.000.000 | +12.82% | 220 |
| June | Rp. 1.500.000.000 | Rp. 1.250.000.000 | +13.64% | 250 |

Sources: PT. Sumber Medika Alkes, 2024

The table shows that the total sales in January was 1.6 Billion, while in February it rise to 1.65 Billion. In March, the total sales has dropped to 1.3 Billion, and in April it also dropped to 975 Million. In May, the total sales was 1.1 Billion. This can be seen that total sales from PT. Sumber Medika Alkes is facing declining in sales. The decline in total sales is known to be influenced by several factors such as distribution, direct selling, and digital marketing. The following also shows the results of the pre-survey that the researcher conducted with 30 respondents and is attached in the diagram below.



In term of digital marketing, PT. Sumber Medika Alkes have a limited online presence or visibility, which can hinder their ability to reach and engage with a broader audience online. The company also lack a clear and effective digital marketing strategy. This could include issues such as inadequate use of social media platforms, ineffective email marketing campaigns, or poorly optimized website content. With the rapid changes in digital marketing trends and technologies require

constant adaptation and learning, PT. Sumber Medika Alkes struggle to keep up with the latest digital marketing strategies and tools because most of the employees working in the company belong to a generation that may not fully understand the current developments in digital technology. Additionally, there is a limited number of young workers who can consistently keep up with the latest trends.

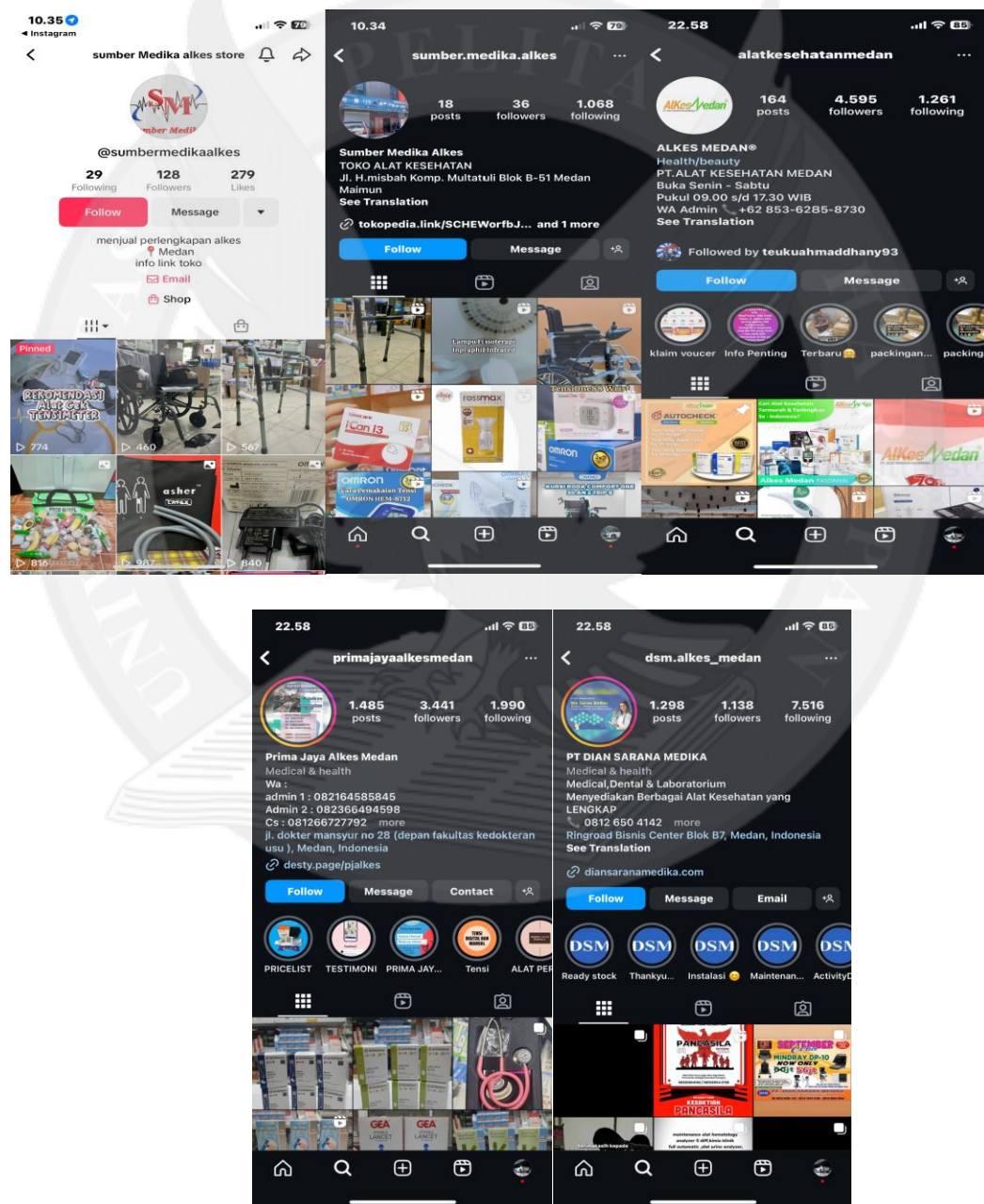


Figure 1.3. PT. Sumber Medika Alkes Tiktok and Instagram
Sources: PT. Sumber Medika Alkes, 2024

Based on the image above, it can be seen that PT Sumber Medika Alkes can be said that not active in doing marketing activities especially in digital platform compared to other competitors such as PT Alat Kesehatan Medan, Prima Jaya Alkes Medan, and PT Dian Sarana Medika. Based on the background study, the writer is interested to conduct research with the title: **“The Effect of Distribution, Direct Selling and Digital Marketing Toward Purchase Decision at PT. Sumber Medika Alkes Medan.”**

1.2 Problem Limitation

The goal of problem solving is to create boundaries to focus on the main issue being discussed. Therefore, the discussion was not long and effective, to limit the problem, the author will focus on three variables: distribution, direct selling and digital marketing as independent variable while purchase decision as dependent variable. This thesis aims to study the extent to which distribution, direct selling and digital marketing can affect purchase decision. This study will focus on PT. Sumber Medika Alkes Medan.

1.3 Problem Formulation

The problem formulations are:

- a. Does distribution have a partial effect toward customer purchase decision at PT. Sumber Medika Alkes Medan?
- b. Does direct selling have a partial effect toward customer purchase decision at PT. Sumber Medika Alkes Medan?

- c. Does digital marketing have a partial effect toward customer purchase decision at PT. Sumber Medika Alkes Medan?
- d. Do Distribution, direct selling, and digital marketing have simultaneous effect toward customer purchase decision at PT. Sumber Medika Alkes Medan?

1.4 Objective of the Research

The objective of the research as follow:

- a. To analyze whether the distribution has effect toward customer purchase decision at PT. Sumber Medika Alkes Medan.
- b. To analyze whether the direct selling has effect toward customer purchase decision at PT. Sumber Medika Alkes Medan.
- c. To analyze whether the digital marketing has effect toward customer purchase decision at PT. Sumber Medika Alkes Medan.
- d. To analyze whether the distribution, direct selling, and digital marketing has effect toward customer purchase decision at PT. Sumber Medika Alkes Medan.

1.5 Benefit of the Research

The results of the research on “The Effect of Distribution, Direct Selling and Digital Marketing Toward Purchase Decision at PT. Sumber Medika Alkes Medan” are expected to provide benefits, which can be categorized into two types:

1.5.1 Theoretical Benefit

The goal of this research is to provide a comprehensive understanding of how distribution, direct selling, and digital marketing affect customer purchase decisions. This study aims to enhance existing theories and research on leasing financing services and serve as a foundational reference for future investigations in this field.

1.5.2 Practical Benefit

a. For PT. Sumber Medika Alkes Medan

The researcher expects the result from this study could benefit the business to evaluate, and take the result as suggestion to know the effect of distribution, direct selling, and digital marketing towards purchase decision.

b. For Writer

The result from this study can make the writer gain new experience and more knowledge about the importance of distribution, direct selling, and digital marketing towards purchase decision.

c. For Future Research

The researcher expects the result from this study could become a comparison for the future researchers who are interested of studying the same topic which is the effect distribution, direct selling, and digital marketing towards purchase decision.