

Research Article

The Effect of Promotion Costs and Production Costs on Net Sales (Case Study at PT. Unilever Indonesia, Tbk. Period 2016-2023)

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Abstract: PT Unilever Indonesia, Tbk. is one of the largest and most established Fast-Moving Consumer Goods (FMCG) companies in the world, having operated in Indonesia for decades. With an extensive product portfolio ranging from household essentials to personal care products, the company holds significant appeal for researchers looking to analyze its financial performance. The research title is “The Effect of Promotion Costs and Production Costs on Net Sales: A Case Study at PT Unilever Indonesia, Tbk. for the Period 2016–2023.” The research method applied in this study is quantitative descriptive. This approach was chosen to provide a systematic overview of the relationships between variables through statistical data. The primary data source for this study is secondary data, which includes details on promotion costs, production costs, and net sales figures for PT Unilever Indonesia, Tbk. over an eight-year period, from 2016 to 2023. All data was collected reliably from the annual reports officially published by the company on its website, www.unilever.co.id. In analyzing this information, the researcher used descriptive analysis to provide a summary of the data distribution. Furthermore, the data analysis technique employed was multiple linear regression. This technique was applied to accurately measure the extent of the influence of promotional costs and production costs, both partially and simultaneously, on the company’s net sales volume. Through this study, it is hoped that the cost-efficiency strategies implemented by management to maintain profitability growth amid increasingly competitive market conditions will be revealed.

Keywords: Multiple Linear Regression; Net Sales; Production Costs; Promotion Costs; PT. Unilever Indonesia Tbk

1. Introduction

A company is an organization established with the aim of achieving certain goals in running its business. The main goal of a company is to gain profit or profits. This company target must of course be realistic and measurable, and in line with market conditions and the company's capabilities.

The global economy, including Indonesia, faces major challenges in achieving sustainable and inclusive growth. Indonesia's slow economic growth in recent years has raised concerns in various fields. According to the Indonesian Central Bureau of Statistics, the Indonesian economy will grow by 5.31% in 2022, while 5.05% in 2023. This decline can be influenced by various factors, including company operational efficiency and promotional strategies.

The growth of the FMCG (Fast Moving Consumer Goods) industry is the main focus of the global economy, including Indonesia. With a large population and increasing consumer purchasing power, this industry is emerging as one of the most dynamic and promising sectors. According to a study conducted by FMI (Future Market Insights), the Indonesian FMCG industry is expected to maintain stable growth in the coming years. This is in line with increasing consumer demand for everyday goods, including products from leading FMCG companies such as PT. Unilever Indonesia. Within PT. Unilever Indonesia, Tbk. There are a number of conditions that influence the management of promotional and production costs and their impact on the company's net sales.

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As an FMCG company operating in a very competitive market, PT. Unilever Indonesia, Tbk. faces pressure to continuously improve its operational efficiency, to ensure that it can provide optimal value for the company.

PT. Unilever Indonesia, Tbk. must take into account environmental and social factors in managing promotional and production costs. Apart from that, PT. Unilever Indonesia must also pay attention to local market dynamics in managing its promotion and production costs. Indonesia is a unique market with unique consumer characteristics and preferences. PT. Unilever Indonesia, Tbk. needs to make certain adjustments in its promotional and production cost strategies to suit the needs and preferences of consumers in the Indonesian market. Changes in consumer trends are one of the main phenomena that PT needs to pay attention to. Unilever Indonesia, Tbk. Changes in consumer preferences for brands, product quality and the added value provided by promotions can influence the sales performance products of PT. Unilever Indonesia, Tbk.

Technological developments have also become an important phenomenon in managing promotional and production costs by PT. Unilever Indonesia, Tbk. Advances in information and communications technology have changed the way companies interact with consumers and manage their operations. Apart from that, external factors such as changes in regulations or government policies can also be a phenomenon that influences the management of PT promotion and production costs. Unilever Indonesia, Tbk. Policy changes related to taxes, the environment, or public health can have a significant impact on a company's production or promotion costs.

Formulation of The Problem

- 1) Is there an influence of Promotion Costs on Net Sales of PT. Unilever Indonesia, Tbk. 2016-2023 period?
- 2) Is there an influence of Production Costs on Net Sales of PT. Unilever Indonesia, Tbk. 2016-2023 period?
- 3) Is there a simultaneous influence between Promotion Costs and Production Costs on Net Sales of PT. Unilever Indonesia, Tbk. 2016-2023 period?

Research Purposes

- 1) Empirically test the influence of promotional costs on net sales of PT. Unilever Indonesia, Tbk. for the period 2016-2023.
- 2) Empirically test the influence of production costs on net sales of PT. Unilever Indonesia, Tbk. for the period 2016-2023.
- 3) Empirically examine the influence of promotion costs and production costs on net sales of PT. Unilever Indonesia, Tbk. for the period 2016-2023.

2. Literature Review

This section must contain a state-of-the-art explanation. It can be explained in several ways. First, you can discuss several related papers, both about objects, methods, and their results. From there, you can explain and emphasize gaps or differences between your research and previous research. The second way is to combine theory with related literature and explain each theory in one sub-chapter.

Although there have been a number of studies investigating the relationship between promotional and production costs and a company's net profit, as well as the role of sales volume as a mediator, there is still a gap in the literature that needs to be filled. The following is a comparison with 11 relevant previous studies:

- 1) Research by Utami et. al., (2024) examined the influence of production costs, promotion costs, and sales on company profits in manufacturing firms. However, this study focuses on profit as the main outcome and does not specifically analyze net sales performance, nor does it explore the context of the FMCG sector in detail.
- 2) Wardani et al. (2013) analyzed the effect of promotion and distribution costs on company sales in the FMCG industry. However, this study does not include production costs as a variable and does not examine the simultaneous relationship between promotion and production costs on net sales.
- 3) Phumchusri et al. (2022) evaluated the effectiveness of promotional pricing strategies using sales data. However, this research focuses only on pricing promotions and does not consider production costs or broader cost structures affecting net sales.
- 4) Puri et al. (2024) investigated the effects of sales promotional techniques on consumer loyalty in the FMCG sector. However, this study emphasizes

- consumer behavior and does not analyze the direct impact of promotion costs or production costs on company sales performance.
- 5) Al Warits and Sadikin (2023) analyzed the effect of production cost growth and promotion cost growth on net profit and sales performance. However, this study focuses on cost growth rather than actual cost levels and does not specifically examine the FMCG industry or the combined direct impact of production and promotion costs on net sales.
 - 6) Neslin and van Heerde (2019) reviewed the theoretical mechanisms of price promotions and their effects on consumer purchasing behavior. However, this study is conceptual in nature and does not empirically analyze the relationship between promotion costs, production costs, and net sales.
 - 7) Chen (2022) analyzed price leadership strategies involving promotional activities in competitive markets. However, this study focuses on pricing strategy and does not examine the role of production costs or their combined influence on sales performance.
 - 8) Li et al. (2024) examined optimal promotional mix and pricing strategies to maximize firm performance. However, this study emphasizes optimization models and does not incorporate production costs or empirical analysis of net sales outcomes.
 - 9) Trihatmoko (2019) investigated the relationship between promotional expenditure and new product success in the FMCG sector. However, this study focuses on product success rather than overall net sales and does not consider production costs.
 - 10) Sinurat and Dirgantara (2021) analyzed the influence of brand equity and price on FMCG product performance. However, this study does not include promotion costs or production costs as key variables in determining sales performance.
 - 11) Haryanto and Retnaningrum (2020) examined the impact of marketing expenditure on firm performance. However, this study does not specifically analyze production costs or the simultaneous effect of multiple cost components on net sales.

From the comparison with previous studies, it can be concluded that there is still a gap in the literature regarding the integrated analysis of promotion costs and production costs on net sales, particularly within the FMCG sector. Most prior studies tend to examine these variables separately or focus on different outcomes such as profit, consumer behavior, pricing strategies, or product success, without simultaneously analyzing the direct impact of both promotion and production costs on net sales. In addition, several studies emphasize conceptual frameworks or specific aspects such as promotional strategies and brand performance, rather than providing empirical evidence on the combined cost structure affecting sales performance.

By considering these gaps identified from previous studies, this research raises the title “The Influence of Promotion and Production Costs on Net Sales: Case Study of PT. Unilever Indonesia, Tbk. 2016–2023.” This study is expected to contribute to a more comprehensive understanding of how promotion and production costs simultaneously influence net sales, particularly in the FMCG industry, and to provide empirical evidence that complements and extends existing literature.

The Effect of Promotion Costs on Net Sales

Promotion is a marketing strategy that focuses on building long-term relationships with customers. This promotion certainly requires financial resources for all preparations.

Promotional costs are expenses that companies make to increase brand awareness, attract consumer talent, and encourage sales. This effort is intended by the company so that the products it produces or wants to sell can be recognized by the general public, especially consumers. The budget that the company makes for promotions must also be accurate and precise, because this concerns costs and future sales requests.

Apart from promotional strategies and costs, promotions also require actions to disseminate information and promotional news. This delivery can be done with promotional activities. Promotional activities are efforts made to convey information about products or services to the target market, with the aim of attracting consumer interest and encouraging sales. In practice, this is very important because if the delivery

of news or information is right on target, it is not impossible that the sales percentage will increase.

H1: Promotion costs affect net sales.

The Effect of Production Costs on Net Sales

Production, in a broad sense, is the activities carried out by humans to produce useful goods or services. This activity is a fundamental element in economic activity, where humans convert resources into products that can meet needs and improve living standards. In more depth, production can be defined as the process of transforming raw materials into finished products. In this process, use value is added to the raw materials, resulting in products that are more useful and have economic value. The level of production produced can influence the level of sales achieved by the company.

H2: Promotion costs affect net sales.

The Effect of Promotion Costs and Production Costs on Net Sales

Promotion is the most common tool in creating communication between companies and consumers. In marketing activities, promotions are very necessary to carry out because these activities are carried out to influence or persuade consumers to be interested in the products offered by the company so that they can increase sales volume. Meanwhile, Charles T. Horngren defines production as a series of activities that change inputs (raw materials, labor and indirect costs) into outputs (goods or services) that are valuable for consumers. Promotion costs and production costs together have a significant influence on net sales. The following is an explanation of this influence:

1) Positive Impact

Promotion Costs:

- Increase brand awareness: Effective promotions can introduce a product to potential consumers and increase their knowledge about the product's benefits.
- Increase purchase interest: Attractive promotions can encourage consumers to try products and increase their interest in purchasing.
- Build customer loyalty: Ongoing promotions can build strong relationships with customers and encourage them to repurchase products.

Production Costs:

- Lowering the cost of goods sold: Efficient production costs can lower the cost of goods sold, allowing companies to offer more competitive prices to consumers.
- Improving product quality: Production costs allocated to research and development can improve product quality, so that the product becomes more attractive to consumers.
- Increase production efficiency: Production costs used for investment in new technology and machinery can increase production efficiency, so that companies can produce more products at lower costs.

2) Negative Impact

Promotion Costs:

- High costs: Massive promotions require high costs, which can burden the company if it does not generate enough sales.
- Price competition: Promotions that focus solely on price can trigger price wars between companies, which can ultimately reduce profits.
- Consumer dissatisfaction: Excessive promotions can create unrealistic expectations in consumers, which can ultimately lead to dissatisfaction if the product does not meet expectations.

Production Costs:

- High costs: High production costs can make product prices uncompetitive, making it difficult to attract consumers.
- Low product quality: Low production costs can cause product quality to decrease, so that the product becomes unattractive to consumers.
- Consumer discomfort: Products produced at low production costs may be uncomfortable to use or have low quality, which can cause inconvenience to consumers.

3) Interaction of Promotion Costs and Production Costs

These two types of costs are interrelated and cannot be viewed separately. Effective promotional costs can help increase sales and cover high production costs. On the other hand, efficient production costs can help companies to offer more competitive prices and increase profit margins, so that companies have more funds for promotion.

H3: Production costs and production costs together have an effect on net sales.

3. Research Design

Framework

Based on the description above, the conceptual framework for this research is as follows:

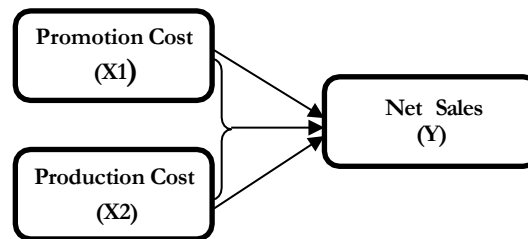


Table 3.1: Framework

Method

This research uses quantitative research with descriptive methods. The independent variables (independent variables) contained in this research are Promotion Costs (X1) and Production Costs (X2), while the dependent variable or dependent variable (Y) is Net Sales. The type of data in this research is secondary data, in the form of financial reports from the publication of the PT Financial Report. Unilever Indonesia, Tbk. Period 2016-2023. Data obtained from financial reports published by PT. Unilever Indonesia, Tbk. via the website www.unilever.co.id. The test in this research is a multiple linear analysis test using IBM SPSS 22 software or application.

4. Result and Discussion

Result

Data on promotional costs, production costs and net sales of PT. Unilever Indonesia, Tbk. The 2016-2023 period is attached in Table 1. The regression equation is as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Discussion

Kolmogorov-Smirnov Normality Test Based on the results of the normality test (Table 2), it is known that the significance value is $0.200 > 0.05$, so it can be concluded that the residual value is normally distributed.

Glejser Heteroscedasticity Test

Based on the results of the heteroscedasticity test (Table 3), it is known: The significance value of promotional costs (X1) is $0.426 > 0.05$, so it can be concluded that there are no symptoms of heteroscedasticity.

The significance value of production costs (X2) is $0.466 > 0.05$, so it can be concluded that there are no symptoms of heteroscedasticity.

Multicollinearity Test

Based on the results of the multicollinearity test (Table 4), it is known: The tolerance value for promotional costs (X1) is $0.321 > 0.100$ while the VIF is $3.115 < 10.00$, so it can be concluded that there are no symptoms of multicollinearity. The tolerance value for promotional costs (X2) is $0.321 > 0.100$ while the VIF is $3.115 < 10.00$, so it can be concluded that there are no symptoms of multicollinearity.

Durbin Watson Cochrane Orcutt Autocorrelation Test

*Condition that there is no autocorrelation

$$= DU < DW < 4-DU.$$

Based on the results of the Durbin Watson Cochrane Orcutt autocorrelation test (**Table 5**), it is known that $DW = 1.963$. The data obtained is based on the Durbin Watson table $N=32$ and $K=2$, namely:

$$DL = 1.3093$$

$$DU = 1.5736$$

$$4-DU = 2.4264$$

Conclusion: $1.5736 < 1.963 < 2.4264$ means that there is no autocorrelation.

Multiple Linear Regression Analysis Determination Coefficient Output

The Adjusted R Square value (**Table 6**) was obtained at 0.994, so it can be concluded that the contribution of promotional costs and production costs to net sales simultaneously (together) was 99%.

F Test Output (Simultaneous)

Obtained Sig value. (**Table 7**) is 0.000 (<0.05), so it can be concluded that promotion and production costs have a significant effect simultaneously (together) on net sales.

T Test Output (Hypothesis Test)

(**Table 8**) Obtained:

Sig value. promotional costs (X1) are 0.024 (<0.05), so it can be concluded that promotional costs (X1) have a significant effect on net sales (Y).

Sig value. production costs (X2) are 0.000 (<0.05), so it can be concluded that production costs (X2) have a significant effect on net sales (Y).

Multiple Regression Equation Analysis

(**Table 8**) Obtained:

Regression equation obtained:

$$-189127,879 + 1,412X_1 + 2,107X_2$$

The constant value obtained is -189127.879, it can be concluded that if the independent variable has a value of 0 (constant) then net sales will be -189127.879 rupiah.

The Regression Coefficient value of promotional costs (X1) has a positive (+) value of 1.412, meaning that if promotional costs increase by 1 rupiah then net sales will increase, and vice versa.

The Regression Coefficient value of promotional costs (X2) is positive (+) at 2.107, meaning that if production costs increase by 1 rupiah then net sales will increase, and vice versa.

5. Comparison

Comparison with state-of-the-art is an important part. This section can provide a more measurable illustration of your research contribution. This section can also be added to a brief discussion. If you feel that this section is insufficient and unsuitable to be a separate section, the author(s) can integrate this section with section four (Results and Discussion).

6. Conclusion

Based on the results of the regression analysis which has been tested using multiple regression analysis with a significance level of 5%, it can be concluded that:

The promotional cost variable (X1) has a direct and significant effect on net sales (Y). So the statement of hypothesis 1 can be accepted.

The production cost variable (X2) has a direct and significant effect on net sales (Y). So the statement of hypothesis 2 can be accepted.

The variable promotion costs (X1) and production costs (X2) simultaneously (together) have a direct and significant effect on net sales (Y). So the statement of hypothesis 3 can be accepted.

Hopefully future researchers can provide more up-to-date and accurate information.

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Data Availability Statement: The data used in this study are secondary data obtained from the official annual financial reports of PT. Unilever Indonesia, Tbk. for the period 2016-2023. These data are publicly available through the company's official website (www.unilever.co.id). No new data were created during this study.

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Conflicts of Interest: The authors declare no conflict of interest.

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