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Impact of Price and Service on Increasing Sales: Case Study at PT. Bumi Barito Utama Banjarmasin

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Abstract

This study is intended to examine and examine the effect of price and service on increasing sales of bulk asphalt. The design of this research is *explanatory research*. The population, as well as the sample in this study, were all company relations that were still active and purchased bulk asphalt (*repurchase*) from 2004 to 2008, including 15 contractors in 2004, 16 contractors in 2005, 17 contractors in 2006, 19 contractors in 2007, and 23 contractors in 2008. Data collection in this study used library research, field research (questionnaires and interviews), and observation. The analytical method used is a quantitative analysis using multiple linear regression analysis and coefficient of determination analysis to test the proposed hypothesis with the help of the SPSS Release 16 program. The results show that price and service affect increasing bulk asphalt sales through this research PT. Bumi Barito Utama should set a price policy to consider lowering the selling price to make it more competitive. The price has a negative effect on the increase in bulk asphalt sales. Also, improve service to the maximum, because it has a positive influence and relationship with customers to increase sales so that sales volume can be increased.



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1 Introduction

Business is a productive activity by conducting transactions, which are called business transactions (Guo et al., 2020). Business is a marketing activity whose actions aim to provide continuous satisfaction to customers, even to all stakeholders (Li et al., 2014). In marketing, there are three essential things if a product is to be successful in the market. These three things are differentiation, positioning, and brand or brand. These three things are essential for the success of a product to be accepted by consumers. Of course, it will be even more highly competitive if these three things are followed or accompanied by a more competitive price (competitive) and superior service (excellence) if this can be done (Yang et al., 2019).

In an organization, especially a company, marketing becomes very important, even spearheading a company's progress. Marketing is a strategic business concept that aims to achieve sustained satisfaction (Hair

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et al., 2014). Kartajaya (2004), in his book *On Marketing*, states that marketing is the soul, not just a member of the body of an organization. Kotler et al., (2004) define marketing as a social and managerial process by which a person (individual) or group obtains what they need and want through creating and exchanging products and value. Meanwhile, The American Marketing Association defines marketing as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

Today's marketing world is increasingly competitive (competition is very tight and fierce), and consumers are increasingly free or horizontal, and easy to choose or move to another product (López-Pinto Ruíz, 2021). That is, there is no difference in status between marketers and customers. Marketers and customers are equal. Marketers have mingled with their customers (Kartajaya, 2007). The world of marketing today is very flat and horizontal. Producers or marketers can no longer arbitrarily dictate, let alone drive customers (customers) to force themselves to own one particular product. The structure is no longer hierarchical as it used to be, where producers or marketers can pressure consumers to have the products offered (Brassington & Petitt, 2005).

The bargaining power between marketers and marketing is currently the same. Apart from having many manufacturers or product providers, it is also influenced by fast and accurate information through the development and progress of science and technology. This fast-paced world has given birth, where the market and even a nation are increasingly open and closer to everyone consumers. There are no longer any geographical barriers that can hinder or offer their products. Nowadays, there is almost no barrier between one country and another, so people call it a small village. This progress is very easy for business people, but at the same time, it is like a double-edged sword; it can be positive (beneficial) and negative (detrimental). On the positive side, the opportunity is wide open because the information is transparent so that that price differences can be quickly identified. Likewise, the differences in opportunities that exist in various places can be rapidly compared. Anyway, business access is also getting more accessible because it is already open and free. This is an opportunity and opportunity to create a profitable business by creating highly competitive products.

The main strength of a highly competitive economy is that companies can produce more goods than they can sell by lowering prices and ensuring quality (Ala, 2021). Intense competition (hyper-competition) means more suppliers compete for the same customer to get or get a price cut (Sepashvili, 2020). Conditions like this require marketing that can do everything to create sales while still creating profit contributions (Rathgeb & Tassinari, 2020). Progress because there is a continuous cycle to move forward. The world is spinning because it is driven by ongoing marketing. Because as long as the world is still spinning, the business world continues to show its stretching. Progress will continue to occur because it is driven by the business world, which continues to create products, and at the same time, there is increasingly fierce competition. All businesses or companies will continue to run and exist if handled by clever marketing. Talking about marketing is certainly very broad, so it will be limited to marketing tactics that affect increasing sales.

One of the companies affected by the development of the marketing world today is PT. Main Barito Earth. PT. Bumi Barito Utama is a bulk asphalt agent for South Kalimantan and Central Kalimantan and is a pioneer in marketing bulk asphalt. As a pioneer in the sale of bulk asphalt, it initially controlled the largest market share. However, along with the competition with the presence of several competitors, its market share gradually eroded every year. With this condition, it is difficult for the company to achieve the sales target that is set every year. In addition, the most worrying thing is that competitors do not rule out the possibility of being more advanced if they are not careful from now on. For this reason, marketing tactics are needed that can win the competition so that companies can continue to increase their sales.

PT. Bumi Barito Utama is a bulk asphalt sales agent where the product sold is the same as the asphalt sold by competitors (competitors). This product (bulk asphalt) cannot be changed or differentiated (quality), except for packaging, considering that only BUMN can produce it. But the effect on consumers is not too significant. The company is appointed as an agent by the manufacturer to distribute to customers (customers). However, the company can determine the price to the customer without being intervened by the producer. In other words, the company is free to set prices according to the market's wishes. However, competitors also do the same thing, so to dominate the market, the most important thing is to impose very competitive prices (lower prices) without reducing company profits.

In an organization, especially a company, marketing becomes very important, even spearheading a

company's progress. Marketing is a strategic business concept that aims to achieve sustained satisfaction (continuous). Hermawan Kartajaya (2004), in his book *On Marketing*, states that Marketing is the soul, not just a member of the body of an organization. Here it can be interpreted that marketing is not just a separate function or part (department) but a unified and comprehensive concept in a company or organization so that everyone in the company is a marketer and should carry themselves as a marketer to the company even though he is not a marketing department.

One tactic to gain or dominate the market (increase sales) when the available goods exceed demand is to compete with competitive prices. Consumers will choose a low cost if they choose several products, likewise with asphalt, where several competitors are competing, so that the customer's choice is available and will choose the one that offers the lowest price. Price is one of the factors that can be used as a strategic tool in seizing competition. According to More (2007), in the book *Effective Price Strategy to Increase Your Profit*, determining the price strategy for goods or services is vital for every entrepreneur. This is because the price of goods or services can directly affect the amount of sales that the company can receive. This statement concludes that the price strategy is an essential and inseparable part of an integrated marketing strategy or marketing mix. In addition, the price is a benchmark for every buyer, and indeed nothing is sold without a price. Thus, the cost can affect the increase in sales.

In essence, in a company, a marketing department must exist, but philosophically all employees act as marketers who carry the company's name. In this case, the marketing department is more focused and dealing with customers than other business functions. While other employees remain in their respective functions, he carries the company's good name and is responsible for the survival of the company. The goal is that all employees think and practice marketing perceptions to try to understand, create, communicate, and provide value and satisfaction to customers or consumers. As we know that a company can operate and exist if it has loyal customers. As the saying goes, "companies exist because there are customers." With our understanding and attention to customers, sales can happen. And so on, turnover occurs so that we need funds generated by marketing through the sale of goods or products. Marketing is a concept that includes all processes involved in moving goods and services from producers to consumers; it is necessary to provide an understanding first. There are many opinions and interpretations about marketing quoted from various marketing experts; although the definitions are different, they have the same meaning.

The importance of efforts to satisfy customers and consumers to repeat their purchases and are even expected to provide recommendations for other potential buyers. In addition to satisfying individuals, marketing also aims to satisfy the institutions in which the individual works or lives. So here concern several people who have different interests. Apart from the price offered by the company, service is also an essential factor to increase sales. Friendly and good service will also give a good impression to customers. So they will repurchase the product in the future (repurchase). In addition, the existence of marketing techniques from one customer to another (mouth to mouth) will attract more potential customers. To satisfy customers, it must be able to provide a competitive advantage with functional and emotional value. According to Susanto (2007), customer satisfaction is under what customers expect of the company, namely responsibility, quality, value and innovation of products and services, overall quality of service/support, and timely presentation. It is undeniable that managing customers (good service to satisfy them) is not an easy job. Inevitably, customers have different expectations, desires, demands, or needs to be noticed and fulfilled. For this reason, it is necessary to identify, understand and understand the needs and the ins and outs of customers so that they can be appropriately managed and satisfied.

Several previous studies have proven that there are variables that affect the level of company sales. Duma (2002) confirms that increasing sales is necessary to improve policies related to cutting selling prices (discounts). Furthermore, Efendi (1996) added that companies could improve their services to increase sales and the price. Wahyudi (2001) concluded that there are seven factors (price and service) that consumers consider buying a product that can ultimately increase sales. In the long term, we know that the company's activities are constantly changing with the advancement of science and technology. In line with the variety of consumer wants and needs, the dynamic environment is continually evolving. This change resulted in the increasing responsibility of marketing managers who are more challenging and a variety of products so that customers are free to choose according to their wishes, needs, and abilities. Marketing managers are challenged

to have the ability to identify subscriptions, evaluate needs according to the wishes of customers or consumers for the future. These challenges and advancements have resulted in marketers being required to create a new marketing concept, an extension, and refinement of the existing idea. This is so that marketing can plan all actions and steps taken to be carried out to be effective and efficient.

In this regard, this study is intended to analyze and test the effect of price and service to increase sales of bulk asphalt at PT Bumi Barito Utama. The scope of the research is described in the following scheme.

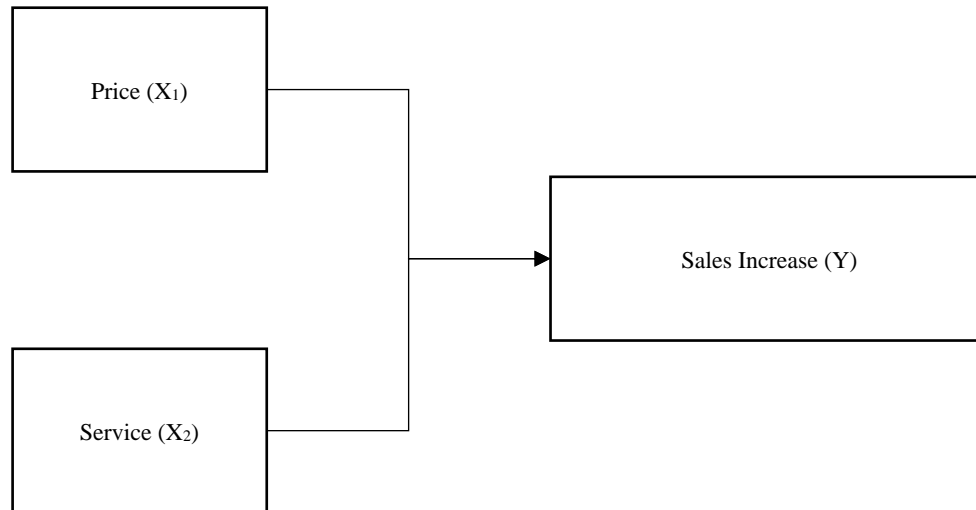


Figure 1. Research Model

H1: The price variable partially affects the increase in bulk asphalt sales at PT. Bumi Barito Utama

H2: The service variable partially affects the increase in bulk asphalt sales at PT. Bumi Barito Utama

H3: Price variable and service variable simultaneously have a close effect on increasing bulk asphalt sales at PT. Bumi Barito Utama

2 Research Method

This research design uses explanatory research or confirmatory research, which explains or highlights the causal relationship and examines the relationship between several variables in this study to test the hypotheses formulated previously. This research was conducted at PT. Bumi Barito Utama with Bulk Asphalt sales as the primary focus. The population, as well as the sample in this study, were all company relations that were still active and purchased bulk asphalt (repurchase) from 2004 to 2008, including 15 contractors in 2004, 16 contractors in 2005, 17 contractors in 2006, 19 contractors in 2007, and 23 contractors in 2008. Data collection in this study used library research, field research (questionnaires and interviews), and observation. The analytical method used is a quantitative analysis using multiple linear regression analysis and coefficient of determination analysis to test the proposed hypothesis with the help of the SPSS Release program. 16. The variables used in this study, namely price (X₁), namely the difference in prices prevailing in the market in 2004 to 2008; free service (X₂), namely services provided to customers (customers) to increase sales from 2004 to 2008; and, the increase in sales as the Y variable (the dependent variable) is the total sales for 5 (five) years from 2004 to 2008.

The measurement indicators for each research variable are contained in the form of a questionnaire. Measured using a Liker scale by grouping into five categories, namely (5 = Strongly agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree).

3 Result and Discussion

Result

SPSS output of data regarding the distribution of price variables (X1) which is an average price for the five (5) most recent period, the variable service (X2), which is sampled in response to questions the researcher. Then the sales volume variable (Y), which is the realization of sales for the last 5 (five) years, so in this section, the influence and magnitude of the relationship between variables X1 and X2 on variable Y can be described paying attention to table 1.

Table 1. Partial Test (t-test)

Model	Unstandardized Coefficients		Standardized Coefficients		T
	B	Std. Error	Beta		
1	(Constant)	8170.444			815
	X1	-.843	1.245	-.297	-.677
	X2	.697	.467	.655	1.492

Prior efforts to determine the influence and magnitude of the relationship between the independent variable (X-1 and X-2) on the dependent variable (Y), the first known for certain functions of multiple regression on the variables examined, according to Table 1 and the following regression equation.

$$Y = 8,170,444 - 0,843X1 + 0,697X2$$

Based on this equation, it can be concluded that there is a negative relationship between the price variable (X1) on the sales variable (Y), with a significant relationship of 0,843. If the unit price (X1) shows an increasing tendency, it will decrease the volume (increase) of sales (Y) by 0.843 units. If the Xunit1 shows a downward tendency, it will decrease Y by 0.843 units. The influence of the price relationship (X1), which is negative to variable Y, is natural, and Generally, the prices always have a negative correlation (inverse relationship) with variable volume (increase) sales (Y). Thus, it can be said that the results of the SPSS-16 calculation analysis show that the effect of price on bulk asphalt sales volume at PT. Bumi Barito Utama has a powerful but negative influence. This means that if it increases, then the amount demanded by consumers or customers will decrease.

Conversely, if the price of cheap asphalt decreases, the quantity demanded by consumers or customers increases by 0.843. Furthermore, there is a positive relationship between the service variable (X2) on the Y variable with a significant relationship of 0.697. When X2 indicates an increase in the level of service, it will raise the bulk asphalt sales volume (Y) equal to 0.697 units. Conversely, when the service unit (X2) showed a tendency to decline, it will lower the bulk asphalt sales volume (Y) equal to 0.697 units. The effect of this positive service relationship (X2) on the sales variable (Y) is indeed a natural thing, and generally, services have a positive relationship (unidirectional relationship) with the sales volume variable (increase).

To know for sure, there is a close relationship together has the effect of price variables (X1) and services (X2) to variable sales growth (Y) on a multiple regression analysis. The analysis can take it by considering the correlation coefficient of determination (R2) in table 2.

Table 2. Coefficient of Determination (R2) test results

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	.834 (a)	.696	.391	1598.688

Table 2 shows an R-Square of 0.696, which is the magnitude of the correlation coefficient of determination. The magnitude R-Square shows the closeness of the relationship between the independent variables X1 and X2 to the variable Y. Based on the magnitude of coefficient R2 of 0.696; there is a close relationship between the independent variables X1 and X2 on the variable. Y, because the coefficient R2 = 0.696 > 0.600 as the minimum standard for the closeness of the relationship together. Since there is a negative relationship between

the price variable (X1) on the increase in sales (Y) with a significant relationship of 0.843 and has a positive influence and relationship between the service variable (X2) on the Y variable with a relationship magnitude of 0.697, the company should pay attention to policy company prices and services to increase sales volume.

Discussion

Effect of Price on Increase in Sales

The results show that price has a negative effect on increasing sales. If the price goes up, sales will decrease; otherwise, sales will go up if the price goes down. Pricing is not easy to do. Because on the one hand, a price that is too expensive can increase short-term profits, but on the other hand, it will be difficult for consumers or customers to reach. Kleinsteinuber & Sutojo, (2007) define price as a certain amount of money that the buyer gives the seller to obtain a certain number of goods or services. From this statement, it is concluded that there is an availability of a certain amount of money owned by the buyer to be handed over to the seller in the hope of obtaining several goods or services. Buyers perceive that the value of the benefits of an item or Service purchased is higher (or at least equal to) the value of the money purchased for the goods or services. Another possibility is that the buyer is willing to pay because the value of the goods or services purchased is perceived to be higher than the value of other goods or services but at the same level. Thus the price becomes very important, so it is a critical task if the price setting is not under the buyer's perception and approximately the benefits received. Besides this, high prices, so that companies earn high-profit margins tend to attract competitors to enter the same industry. Meanwhile, if the price is too low or cheap, market share can soar. However, the risk is that the company will get a relatively small contribution margin and net profit; it can even cause insufficient liquidity to not support the company's growth or expansion. In simple terms, the term price can be defined as the amount of money (monetary unit) and other (non-monetary) aspects that contain certain utilities or use needed to obtain a product, where a product is anything (goods, services, people, places, ideas, information, organizations) that can be offered to satisfy needs and wants. Meanwhile, utility is an attribute that has the potential to satisfy specific needs and wants. Prices can be in the form of base prices, discounts, and length of time, and waivers of payment terms. In line with this, Duma, (2002), Efendi, (1996), and Wahyudi, (2001) have proven that price affects the level of sales. In other words, the proposed hypothesis is accepted.

The Effect of Service on Increasing Sales

The results show that Service has a positive effect on increasing sales. That is, the more Service is improved it will increase the number of sales. When marketers (especially managers) seek to increase customer equity rather than simply selling brands or making profits, companies must put customers and relationship quality at the forefront of strategic thinking. The value of a customer is reflected in the income received from the initial purchase (initial purchase) and reflects in the present value and future income that depends on the next purchase. Companies expect additional also placing customers, attracting them, and maintaining long-lasting relationships is a challenging task. If consumers are expected to (repurchase) and become loyal (customers loyal), there must be more value than competitors. There must be customer service as a way of maintaining good relations with customers. The wrong Service will have a bad impact because customers will quickly tell their disappointment to others. Customers are the most influential people in the company, so it is essential to create customer value through value communication and value delivery and maintain value continuously. To satisfy the customer, it must provide a competitive advantage with a value functionally and emotionally. According to Susanto (2007), customer satisfaction is under what customers expect of the company, namely responsibility, quality, value and innovation of products and services, overall quality of service/support, and timely presentation. It is undeniable that managing customers (good service to satisfy them) is not an easy job. Inevitably, customers have different expectations, desires, demands, or needs to be noticed and fulfilled. For this reason, it is necessary to identify, understand and understand the needs and the ins and outs of customers so that they can be appropriately managed and satisfied. In order to create customer satisfaction, the products offered by the organization must be of high quality. Concerning customer satisfaction, service quality has several main dimensions, depending on the context. According to Tjitono, (2008), the marketing of goods has eight major dimensions: performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. In the context of selling Bulk Asphalt to consumers to provide services in the context of

satisfaction to increase sales or meet targets, what must be considered are 1) Ready Stock, in this case, the availability of stock inventory is essential for concern, especially management. If this is not fulfilled, then the customer will look elsewhere or a competitor and may take over the customer who has become our customer; 2) price is one of the efforts to increase sales, but still consider the company's profitability. Because prices are too low can harm the company, so it can not survive. For this reason, the price that must be set is at a level that can compete with competitors. 3) service, in this case as far as possible, the customer's wishes and demands can be appropriately fulfilled, for example, volume accuracy, delivery on time, disassembly thoroughly (clean), the driver does not do things that incriminate the customer. 4) provide concessions to customers in making purchases, such as purchases with a credit system, especially customers with good performance, to manage and relax their cash flow. 5) responsive to claims (complaints) experienced by customers, for example, complaints about quality, not on-time delivery, and driver behavior. In line with this, Efendi, (1996) and Wahyudi (2001) have proven that Service affects sales. In other words, the proposed hypothesis is accepted.

Price and Service have a close relationship to Affect Sales Increase.

A close (simultaneous) relationship between price and service variables simultaneously or jointly affects sales increases. This provides evidence that these two variables determine the increase in sales. One tactic to gain or dominate the market (increase sales) when the available goods exceed demand is to compete with competitive prices. Consumers will choose a low price if they have a choice of several products. Same with asphalt, where several competitors are competing, so the customer's choice is available and will choose the one that offers the lowest price. Low prices supported by good Service will attract customers' attention. Because in addition to the low price, there is a certain satisfaction when served well. This can make profits many times over due to customers who continue to make purchases (repurchase). Thus, the proposed hypothesis is accepted.

4 Conclusions

Referring to the research results, price and service affect the increase in sales. Even if the price decreases, sales will increase due to the tendency of customers towards lower prices. In addition, good service will attract customers to return to make purchases in the future. Therefore, low prices and good service will further increase profits. In this regard, through this research, PT. Bumi Barito Utama should set a price policy to consider lowering the selling price to make it more competitive. The price has a negative effect on the increase in bulk asphalt sales. Also, improve service to the maximum because it positively influences and relationships with customers to increase sales volume.

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