DIGITAL MARKETING AS A KEY STRATEGY TO SUPPORT FOOD INDUSTRY GROWTH: CASE OF PT. DFZ, INDONESIA

Dewi Tamara[1*], Ajie Hikmat F[2], Anthony Leonard[3]

[*1, 2, 3]*Magister Manajemen BINUS Business School, Universitas Bina Nusantara, Jl. Hang Lekir I No. 6, Senayan, Kebayoran Baru, Jakarta Selatan, DKI Jakarta, Indonesia*

[*]***Corresponding Author:-***
E-mail:- dtamara@binus.edu

Abstract:-
Digital marketing has an important role to support Food Industry in the digital where internet is one of important things that customer use to looking their needs. This paper has objective to determine the impact of Digital Marketing as one of key strategy to increase the sales for the products of PT. DFZ. The research methodology will be using the method of exploratory (qualitative) research and descriptive (quantitative) research. The information will be conducted through primary and secondary data. The primary data sample will be conducted based on interview and surveys from DFZ Management, related Head of Department, and customers. The secondary data will be collected through data based on the analysis that had been conducted previously. The data that has been collected will be analysed using Pearson Correlation Coefficient and Multiple Regression Analysis. The Result of the research shows that brand image have positive significant effect with the dependent variable, and purchase intention and customer referral have negative significant effect with the dependent variable.

Keywords: - *Marketing Strategy, Digital Marketing, Food Industry, Indonesia*

INTRODUCTION

Indonesian government is priorities the food and beverages industrial development because the industries are still promising for both domestic manufacturers and importers (European Commission, 2016).

According to the Report from Ministry of Industry Indonesia, Food and Beverage Industry has consistent growth from 2015 to 2017 and become one of Industrial sector with the highest growth in 2017 (see exhibit 1).
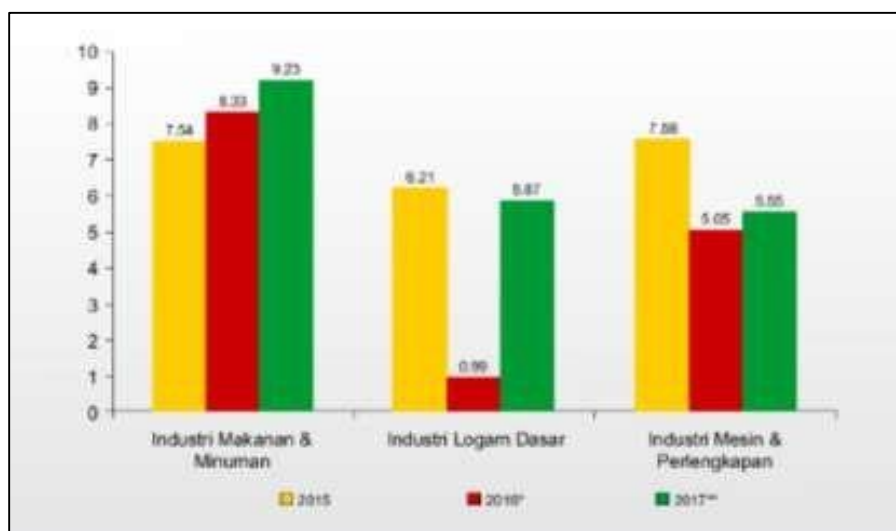

Exhibit 1. Industrial Sector with The Highest Growth in 2017

(Source: 2017 Industrial Growth Analysis, Ministry of Industry Indonesia, 2018)

The research from McKinsey&Company (2016) indicates that revenue of e-commerce in Indonesia in 2016 amounted to USD 6 billion and 78 percent of current Internet users made online purchases and expected to grow by approximately 18 percent annually in the next five years, reaching a market volume of USD 16.4 billion by the end of 2020. F&B companies have opportunities to explore many new ways to have better understanding in customer acquisition and retention because they have been provided by advanced technology (Dolan, 2013).

Digital marketing is a new phenomenon that brings customisation and mass distribution to accomplish marketing goals (Teresa Piñeiro-Otero and Xabier Martínez-Rolán, 2016).

However, Management of PT. DFZ has a big confidence on implementing offline marketing strategy that make them stop production for slow moving products and focus on the profitable products after their declining in profit for the past five years, 2013-2017.

PT. DFZ started to operate in the year of 1992 with the focus on light consumable food products (snack), in particular waffle stick. During the 90s, domestic sales was promising and in 1995, they had started to do export to several countries in Asia.

Despite operating in a large market such as Indonesia, over the past twenty years, PT. DFZ had been struggling with the consistency of sales performance and revenue generated. For the past five years the company is even suffering loss for the net income.

in '000 USD	2013	2014	2015	2016	2017
Revenue	379	352	363	288	373
Gross Profit	50	39	75	55	104
EAT	(1)	(11)	(3)	(30)	(3)

Exhibit 2. PT DFZ Financial Performance

(Source: Financial Report PT. DFZ)

The sales and marketing strategy is still managed internally and is still adopting the traditional method of sales through local supply chain consisting of selected distributor. There has been no digital method adopted so far in the strategy.

This paper is organized to examine the effect of Digital Marketing Strategy on create opportunities for PT. DFZ to increase the sales, brand awareness, and create the strong connection with the customers.

The rest of the paper is structured as follows: first brief review of the literature on digital marketing; then the research methodology; present the findings; and the discussion and conclusion are presented.

LITERATURE REVIEW

Food industries must use right marketing strategy to introduce their products and also be proactive to get feedback from their customers in order to develop new products that can be accepted with the market and will deliver a good sales to increase their performance.

Customer behaviour has been changed for the past years following the internet and technology growth. The research done by Magdalena Kowalsk (2012) explained that the major changes in behaviour of today's youth was influenced by modern technologies. Their purchasing trends and behaviour are influenced by how they spend their free time. There are four categories of the factors that lead customers to buy online—convenience, information, available products and services, and cost and time efficiency (Chayapa and Cheng, 2011).

To adopt with the change of customer behaviour and the new technology, digital marketing can be selected as one of the key strategy that company need to consider to be implemented so they can be connected with the customers and will help them to introduce their brand and products globally.

A. Digital Marketing Definition

There're many researches about Digital Marketing that come out with many definitions of Digital Marketing. According to Kotler and Armstrong (2009), digital marketing is a form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications etcetera.

Digital marketing facilitates many-to-many communications due to its high level of connectivity and is usually executed to promote products or services in a timely, relevant, personal and cost-effective manner (Bains et al., 2011).

According to T. Piñeiro-Otero and X. Martínez-Rolán (2016), digital marketing have the first approaches to define it as a projection of conventional marketing, its tools and strategies, on Internet. However, they also explained that the particularities of the digital world and its appropriation for marketing have fostered the development of channels, formats and languages that have led to tools and strategies that are unthinkable
Offline.

B. Advantages of Digital Marketing

The various customer information on the social network become the biggest advantage of advertising on social networks because it will makes easy to find ideal customers. Though the seemingly old advertising model, email marketing allows us to supplement all forms of digital marketing mentioned above, primarily thanks to the possession of email addresses of already interested users and remarketing (Marin Ištvanić et al, 2017).

According to T. Piñeiro-Otero and X. Martínez-Rolán (2016), some of digital marketing strategies development that offer much potential for brands and organisations are as follows:
• Branding. It's a great opportunity to build a brand image on the Web with the platforms and 2.0 services.
• Completeness. Consumers offered the chance to approach the organisation in a wider and customized way through links.
• Usability–functionality. Offers simple and user-friendly platforms through Web 2.0 for all in order to improve the user experience.
• Interactivity. Internet offers the possibility of having a conversation to the organizations which try to forge long-term relationships with their audiences, and therefore of generating a positive experience with the brand. Such interactivity can be basic, as product assessment, or become an all-encompassing experience. • Visual communication. Digital marketing offers marketers different image- and video based tools. The greater engagement can be led by the attractive way of reaching audiences.
• Relevant advertising. The output can be maximized by easy segmentation and customization of advertising on the Internet platform. Besides, free from the limitations of other media has allowed for more attractive advertising.
• Community connections. Internet help organizations to connect with their audiences and users among themselves. The audiences can improve their experience and enhance the relationship with the product, brand or organisation.
• Virality. Viral communication becomes more relevant due to connectivity, instant and share ability of online platforms that enhance the dissemination of content by taking the model of WOM (word of mouth) communication.
• Measuring output. Online platforms rank first in the possibility to assess output and the availability of follow-up options.

C. Type of Digital Marketing

There're various type of customers and they also have different needs as one of their reason of buying products. In order to stay connected with the customers and improve their brand image, there're many types of digital marketing that company can select. According to Afrina Yasmin et al (2015), there are various elements that is operated through electronic devices, by which digital marketing is formed. The most important elements of digital marketing are online advertising, email marketing, social media, text messaging, affiliate marketing, affiliate marketing, search engine optimization (SEO), and pay per click (PPC).

Digital marketing type has been extended to short messaging service (SMS), multimedia messaging service (MMS), call-back and on-hold mobile ring tones, e–books, optical disks and games (Santanu Kumar Das and Gouri Sankar Lall, 2016). Selecting the right type of Digital Marketing will get maximum benefit and optimizing company's marketing strategy to deliver higher sales and improvement on brand equity.

Based on the above discussion, the researchers are propose the following hypotheses:

H1: Digital Marketing have positive effect on brand image.

H2: Digital Marketing have positive effect on customer referral.

H3: Digital Marketing have positive effect on purchase intention

RESEARCH METHODOLOGY

The purpose of this writing is to explore the impact of digital marketing strategy on creating new opportunities. The research methodology will be using the method of exploratory (qualitative) research and descriptive (quantitative) research. The exploratory research will be conducted by gathering information through interview process and surveys. The purpose of the exploratory research is to focus on the study of a situation in order to explain about the relationship between each variables (dependent or independent variables) based on the results of the sampling data (Saunders & Lewis, 2012).

The targeted population of this study were selected employee from the company and also selected customers. The information will be conducted through primary and secondary data. The primary data sample will be conducted based on interview and surveys from DFZ Management, related Head of Department, and customers. The secondary data will be collected through data based on the analysis that had been conducted previously.

The primary data from customers is collected using survey instruments from several customers of Company, including distributors and direct customers. Specifically, 15 questionnaires were distributed to distributors and 45 questionnaires were distributed to direct customers. The primary data from DFZ Management was collected by conducting interview with Director of the company and Sales & Marketing Manager.

The measurement scales of social media advertisement and brand equity were following the past studies. All scales of the questionnaires were selected because they had acceptable values of reliability Cronbach's alpha of more than 0.050. All of the questionnaire items were measured on a Likert scale were starting from 1 = strongly disagree to 5 = strongly agree. The collected data was processed and analysed in SPSS.

RESULT AND DISCUSSION

A. Research Analysis

The respondent profile in exhibit 2 show that most of respondents (56.67%) use their smartphone to access social media and only a few of them (3.33%) were using public computer. 48.33% of respondents are select Whatsapp as their preferred social media for daily use. However, 50% of respondents prefer to use Whatsapp to search promotion from DFZ. and on average they use other social media platforms in search of promotional information. Only a few of respondent (8.33%) were buying DFZ product from Dinomarket and most of them were buying from other marketplaces.
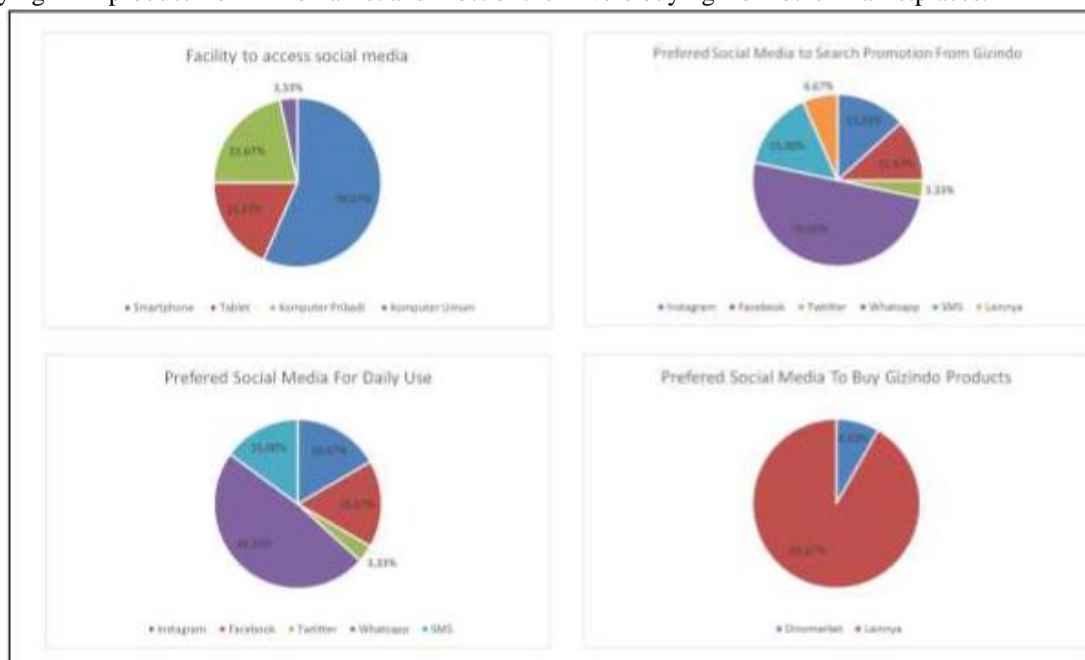

Exhibit3. Respondent profile

From the result in exhibit 4 of Pearson Correlation Analysis, we can see that there is a significant positive effect digital marketing on brand image with 0.573 and significant value of 0.000. There is a significant positive effect digital marketing

on purchase intention with 0.363 and significant value of 0.004. And also there is significant positive effect digital marketing on customer referral with 0.427 and significant value of 0.001. The results showed digital marketing have a significant positive effect with all of the independent variables.

Correlations		Digital Marketing	Brand Image	Purchase Intention	Customer Referral
Digital Marketing	Pearson Correlation	1	.573**	.363**	.427**
	Sig. (2-tailed)		0,000	0,004	0,001
	N	60	60	60	60
Brand Image	Pearson Correlation	.573**	1	0,250	.395**
	Sig. (2-tailed)	0,000		0,054	0,002
	N	60	60	60	60
Purchase Intention	Pearson Correlation	.363**	0,250	1	.317*
	Sig. (2-tailed)	0,004	0,054		0,014
	N	60	60	60	60
Customer Referral	Pearson Correlation	.427**	.395**	.317*	1
	Sig. (2-tailed)	0,001	0,002	0,014	
	N	60	60	60	60
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Exhibit 4. Pearson Correlations Analysis

Based on Multiple Linear Regression in exhibit 5, the R square indicates that 40.8% of the total variance in the dependent variables (digital marketing) is explained by the total independent variables (brand image, purchase intention, and customer referral). The arrangement of strengths among the independent variables (brand image, purchase intention, and customer referral) that contributes to the dependent variable (digital marketing) are brand image (B=0.315), purchase intention (B=0.191), and customer referral (B= 0.189).

Variables	Beta	Sig.
Brand Image	0,451	0,000
Purchase Intention	0,191	0,087
Customer Referral	0,189	0,108
R	.639[a]	
R square	0,4083	
Adjusted R square	0,3766	
Significant	.000[b]	
F-Value	12,881	

a. Dependent Variable: DM
b. Predictors: (Constant), Customer Referral, Purchase Intention, Brand Image

Exhibit 5. Multiple linear regression

Based on Pearson Correlation Analysis and Multiple linear regression, the result of hypothesis testing are:

H1	Digital Marketing have positive effect on brand image	Accepted
H2	Digital Marketing have positive effect on customer referral	Rejected
H3	Digital Marketing have positive effect on purchase intention	Rejected

Exhibit 6. Hypothesis testing result

B. Research Discussion

The research finding had concluded that the Pearson correlation analysis resulted in varied analysis on the significant positive effect of digital marketing on the brand image, customer referral and purchase intention.

Based on the result, the independent variable has varied significant levels to the dependant variable which is the digital marketing. For the analysis using the multiple linear regression, the independent variables that has a significant positive effect to the dependant variable is brand image. Therefore, the hypothesis (H1) is supported. While for the other two independent variables, which is customer referral and purchase intention, have negative significant value relationship

with the dependant variable. Therefore, the hypothesis (H2 & H3) are not supported. Further relationship levels will be explained after this.

Brand image is important in the current modern era of marketing, and according to T. Piñeiro-Otero and X. Martínez-Rolán (2016), there are much potential for brands and organisations offered by the development of the digital marketing strategies. This concept of brand image will apply to all types of companies, whether they are new or existing company. As brand image will solidify the position of the product and also the company itself. Therefore, the positive relationship between digital marketing and brand image is the supporting proof that digital marketing contributed significantly to the brand image according to the consumers.

Customer referral is also one of the strategy in digital marketing in order to increase of the usage of the digital platform. We had also conducted an interview in order to gain more insight about from the management of the company. The subject of the interview is the director and the sales & marketing manager of PT DFZ. The results indicated that the local management feels that it is not necessary to implement digital marketing as the product is more traditional and the supply chain is also traditionally managed, and the market segmentation is at mid-low income customer. This is align with the result of the linear regression analysis, which resulting in a negative significant value relationship between digital marketing and customer referral.

Purchase intention is also one of the strategy in digital marketing where the consumers will use the digital marketing tool in order to purchase more for the related products. Based on the results of the linear regression analysis, it has a negative significant value relationship between digital marketing and purchase intention. One of the reason is that the market segmentation is at mid-low incomes customer, therefore purchasing product through the method of digital marketing will not influence their buying behaviour.

CONCLUSIONS
A. Implication of Study
This research is about analysing whether digital marketing have a positive impact on several factors such as brand image, customer referral and purchase intention. Based on the results, analysis and discussion, researcher get input that digital marketing has a significant relationship to the brand image.

B. Future Research
The researcher advises to use digital marketing for the future research to see whether they can influence other factors such as sales growth and continuity of a company. Apart from that, the future research should consider the analysis of the offline strategy of a certain company, whether the current strategy is effective or not, in order to increase the brand awareness which will influence the company's growth in the future.

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