THE INFLUENCE OF PROMOTIONAL ADVERTISING COSTS ON SALES IN FMCG COMPANIES LISTED ON THE BEI

Nurika Indah Saffela[1*], Nasilem Pangestika[2], Agus Khairudin[3]
[1*]Department of Accounting, Jenderal Soedirman University, Indonesia
[2]Department of Accounting, Jenderal Soedirman University, Indonesia
[3]Department of Accounting, Jenderal Soedirman University, Indonesia
*Email corresponding author: nurika.saffela@mhs.unsoed.ac.id

Abstract

This article examines the effect of promotional advertising costs on sales in Fast-Moving Consumer Goods (FMCG) companies listed on the Indonesia Stock Exchange for the period 2021 to 2023. In this study using quantitative methods with sampling using secondary data on the financial statements of Fast-Moving Consumer Goods (FMCG) companies listed on the Indonesia Stock Exchange for the period 2021 to 2023. The sampling technique was carried out using non-probability sampling with purposive sampling technique. So that the sample obtained was 18 Fast-Moving Consumer Goods (FMCG) companies listed on the Indonesia Stock Exchange for the period 2021 to 2023 with a total observation data of 54 for 3 years of observation. The purpose of this study is to provide empirical evidence regarding the effect of promotional costs on sales. The results showed that promotional advertising costs have a positive and significant effect on sales of FMCG companies on the Indonesia Stock Exchange, with a contribution of 56.5% to the sales variable. To increase sales effectiveness, FMCG companies need to identify and manage other variables that also affect sales. Further research can be conducted to include additional variables and provide a more comprehensive picture of the factors that influence sales in the FMCG sector.

Keywords*: Promotional Advertising Costs, Sales, Fast-Moving Consumer Goods (FMCG), Indonesia Stock Exchange (IDX), Sales Factors*
JEL Code: M37, L81, M31

INTRODUCTION

The Fast-Moving Consumer Goods (FMCG) industry in Indonesia is one of the most vital sectors in the economy, with a significant contribution to gross domestic product (GDP). According to data from the Association of FMCG Companies Indonesia (APFMI) (2022), the sector has experienced steady growth in recent years, driven by rising consumer demand and shifting lifestyles. Due to the increasingly fierce competition, FMCG companies must implement effective marketing strategies to increase sales and maintain market share. One commonly used strategy is spending on promotional advertising. Advertising costs, whether in the form of mass media, digital, or direct promotion, play an important role in creating brand awareness, attracting consumer attention, and ultimately driving purchases (Kotler & Keller, 2016). The development of technology and the digital era has brought major changes in marketing strategies, especially through advertising and promotion. According to research, attractive advertisements and innovative sales promotions play a significant role in building brand image and encouraging customer repurchase interest (Shihab et al., 2021).

Promotion and advertising can significantly increase brand awareness, which in turn drives sales of FMCG products. Studies show that FMCG companies that increase advertising expenditure experience higher sales growth than those that do not (Ayanwale et al., 2005). Advertising and promotion factors not only influence consumers' perception of the brand but also create added value through persuasive communication of product value. This strategy has proven effective in converting attention to desire, and ultimately, the act of purchase (Shihab et al., 2021). In this context, research on the effect of promotional advertising costs on sales is relevant to understand the dynamics between marketing investments and expected results.

Although many companies allocate large budgets for advertising, not all of these investments result in a significant increase in sales. Research Wirth & Bloch (2019) shows that the effectiveness of advertising is highly dependent on the strategy implemented, the communication channels used, and an understanding of consumer behavior. This indicates the need for a more in-depth analysis of the relationship between promotional advertising costs and sales. FMCG companies listed on the Indonesia Stock Exchange (IDX) have shown diverse advertising spending practices. For example, companies such as Unilever and Indofood have consistently invested substantial funds in marketing campaigns. However, there is still a question as to how much influence such spending has on their sales results.

Rustami, et al. (2014) conducted a study entitled The Effect of Production Costs, Promotion Costs, and Sales Volume on Profit at Banyuatis Ground Coffee Company. The conclusions obtained show that production costs, promotion costs, and sales volume simultaneously affect profits and there is a partial influence between promotional costs on company profits, and between sales volume and profits.

Dyah, et al. (2022) conducted research with the title Analysis of the Effect of Sales, Promotional Costs and Direct Labor Costs on Net Income and the variables of net sales, promotional costs, and direct labor costs have a significant effect simultaneously on firm value.

This study aims to fill the knowledge gap by analyzing the effect of promotional advertising costs on sales in FMCG companies listed on the Indonesia Stock Exchange. Through secondary data obtained from the annual reports and financial statements of the companies, this study will evaluate how much advertising costs contribute to the increase in sales. In addition, this study will also consider other factors that may affect the results, such as market segmentation and marketing strategies that differ between companies in this industry.

By identifying the influence of promotional advertising costs, it is expected that the results of this study can provide valuable insights for marketing managers and stakeholders in the FMCG industry, as well as provide strategic recommendations to improve the effectiveness of their advertising expenditures. This study is also expected to be a reference for academics and other researchers interested in marketing and financial management. The results of this study are expected to not only be useful for companies in formulating more efficient marketing strategies, but can also be a reference for academics and practitioners in understanding the dynamics of the relationship between advertising and sales in the context of the FMCG market in Indonesia.

LITERATURE REVIEW AND HYPOTHESIS

Information Decision-Use Theory emphasizes the importance of accounting information in helping decision makers. Relevant and quality information can influence managerial decisions, especially in the context of resource management. In this study, information about promotion and sales costs is crucial for FMCG company management in formulating marketing strategies.

According to Rustami, et al (2014) This promotional cost is determined by the company by summing up all the costs incurred by the company to carry out the promotion of its goods or products. Some companies use different promotional tools from one another. By using several promotional tools, the costs incurred by the company will also consist of several types of promotional tools, so that the total promotion cost is the sum of all costs incurred by the company

when the company promotes with various promotional tools such as advertising in the mass media, holding exhibitions, and advertising in electronic media.

Sales according to the Big Indonesian Dictionary is the process, method, act of selling. Selling is giving something to another person (buyer) to get payment or receive money (Arifin, 2020). Sales is a function of marketing that is very important and decisive for companies to achieve the goals of the company, namely making a profit for the survival of the company (Wahyuni, 2019). Promotion is one of the important elements in the marketing mix that aims to increase consumer awareness and encourage purchasing actions. Promotion is defined as a company's communication tool to introduce products, improve brand image, and ultimately increase sales volume (Iskandar & Suarsih, 2022). Targeted promotional costs can be the main driver in achieving higher sales targets.

Relationship between Promotion Costs and Sales

Iskandar & Suarsih (2022) in their study showed that the optimal allocation of promotional costs can contribute up to 93.2% to increased sales. The results of this study confirm that effective promotion can be a key driver in achieving sustainable sales growth.

Effectiveness of Digital Promotion Strategy

The study by Djakasaputra et al. (2021) states that digital marketing has become an important tool in improving the sales performance of MSMEs. Promotion through digital platforms allows companies to reach a wider audience at a more efficient cost than conventional media.

Promotion and Consumer Loyalty

Research by Shihab et al. (2021) revealed that promotional strategies such as discounts, shopping vouchers, and exclusive offers can encourage repurchase interest and increase customer loyalty, especially in the context of e-commerce. These findings suggest that effective promotional strategies not only impact sales, but also build long-term relationships with consumers.

Promotion Cost Efficiency

Empirical analysis by Novera (2014) found that companies that manage promotional costs well can maximize their influence on sales. Carefully designed promotions based on consumer preferences provide more effective results in increasing sales volume.

In today's digital era, promotions designed with a strategic approach are the key to success in achieving sales targets. Promotional costs that are allocated effectively allow companies to maximize marketing efficiency. This research provides important insights into how promotional costs can be utilized to improve business performance, especially in the face of increasingly fierce market competition. Based on the theory in this study and a review of previous research, the framework in this study can be hypothesized as follows:

H1: Promotion costs affect sales

RESEARCH METHODS

The method used in this research is quantitative method with secondary data processed using regression models on SPSS. The target population in this study are 54 FMCG companies listed on the IDX for the 2021-2023 period. The sampling technique uses purposive sampling technique, which is a sampling technique with certain considerations or special selection. The criteria used are as follows:

1. FMCG companies that are listed and active on the IDX for the 2021-2023 period.
2. The sample companies published financial reports as of December 31 during the observation period as well as other information related to the research variables, namely promotion costs, and sales.
3. The financial statements of the sample companies use rupiah currency.

The following is the number of samples in the study that meet the criteria:
Total sample during 2021-2023   : 54
Outlier date   : 3
Final processed sample   : 51

RESEARCH RESULTS

The data used in this study are secondary data from the Indonesia Stock Exchange with a sample of companies obtained as many as 18 Fast- Moving Consumer Goods (FMCG) companies listed on the Indonesia Stock Exchange for the period 2021 to 2023 with a total observation data of 54 and the final data processed 51 data for 3 years of observation.

1. Dependent Variable (Y)
    The dependent variable is the variable whose variation is influenced by variations in the independent variable. This variable is usually also referred to as the criterion variable. The dependent variable in this study is sales usage.

2. Independent Variable (X)
    According to Rustami, et al (2014) This promotion cost is determined by the company by summing up all the costs incurred by the company to carry out the promotion of its goods or products. Some companies use different promotional tools from one another. By using several promotional tools, the costs incurred by the company will also consist of several kinds of promotional tools, so that the total costs incurred by the company will consist of several kinds of promotional tools. So that the total promotion cost is the sum of all costs incurred by the company when the company promotes with various promotional tools such as advertising in the mass media, holding exhibitions, and advertising in electronic media.

3. Classical Assumption Test
    The classic assumption test is carried out first to fulfill the data analysis requirements. This test is intended to see whether the research regression model is a good model or not. The classic assumption tests used are normality test, heteroscedasticity test and autocorrelation test.

4. Normality Test Results
    The normality test was carried out using the Kolmogorov- Smirnov test. This test aims to see whether the model in the study is normally distributed or not. For this reason, a normality test was carried out using the Kolmogorov- Smirnov test where it was seen from the K-S test, if the significant probability value> 0.05 then the data was normally distributed. Conversely, if the significant probability> 0.05 the data is not normally distributed (Ghozali, 2009). The following are the results of the Kolmogorov-Smirnov data normality test.

Table. 1 Normality Test Results

One–Sample Kolmogorov–Smirnov Normal Test Summary		
Total N		51
Most Extreme Differences	Absolute	.101
	Positive	.101
	Negative	−.044
Test Statistic		.101
Asymptotic Sig.(2–sided test)		.200[a,b]
a. Lilliefors Corrected		
b. This is a lower bound of the true significance.		

Source: Data processed in 2025

In the table of normality test results, the significant probability value (Asymp. Sig.) is greater than 0.05, it can be concluded that the data is normally distributed. This shows that the normality

assumption in the regression model has been met in accordance with the criteria mentioned (Ghozali, 2009).

Table 2. Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.209	3.611		1.165	.249
	X	-.207	.138	-.209	-1.498	.141

a. Dependent Variable: Ln_res

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	696.574	2	348.287	104.344	.000[b]
	Residual	483.994	145	3.338		
	Total	1180.568	147			

a. Dependent Variable: Y

b. Predictors: (Constant), Z, X

Source: Data processed in 2025

The heterostedasticity test is carried out using the park test. In the table, it is found that promotional advertising costs have a significant value of 0.14. This indicates that the linear regression estimation results are suitable for further interpretation and analysis.

Table 3. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin–Watson
1	.209[a]	.044	.024	2.53051	2.152

a. Predictors: (Constant), X

b. Dependent Variable: Ln_res

Source: Data processed in 2025

Based on the table, the Durbin-Watson value is 2.152 where the value of n = 51. From the Durbin-Watson Table, the 4-dl value = 2.4914. The value of 4-du = 2.4116 so it can be concluded that du> dw < 4-du and there are indications of negative autocorrelation symptoms because the residual pattern tends to fluctuate oppositely between observations.

Test Coefficient of Determination (Adjusted R Square)

The coefficient of determination analysis aims to determine the percentage of influence of the independent variable promotional advertising costs on sales as the dependent variable. The results of data analysis are shown in the table below:

Table 4. Test Results of The Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752[a]	.565	.556	1.29659

a. Predictors: (Constant), X

Source: Data processed in 2025

Based on this table, it is known that the Adjusted R Square coefficient value is 0.565 or 56.5%. This means that the sales variable can be explained by the independent variable, namely promotional advertising costs. While the rest (100% - 56.5% = 43.5%) is influenced by variables outside the study.

Simultaneous Significant Test (F Test)
The F value test was conducted to test the effect of the independent variable, namely promotional advertising costs on the dependent variable on sales usage. The F test results are listed in the following table:

Table 5. Simultaneous Significant Test Results (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	107.121	1	107.121	63.719	.000[b]
	Residual	82.376	49	1.681		
	Total	189.497	50			

a. Dependent Variable: Y
b. Predictors: (Constant), X

Source: Data processed in 2025

Based on the results of the F test in the table, the p value is 0.000< 0.05, it can be concluded that promotional advertising costs have a positive effect on sales because the significance value is 0.000 below or smaller than 0.05, it can be concluded that this regression model is feasible.

Partial Significance Test (t test)
This t test aims to test the partial effect between the independent variable and the independent variable with other variables considered constant, assuming that if the significant t value that can be seen from the regression analysis shows less than (α) = 5%. The t test results can be seen in the following table

Table 6. Partial Significant Test Results (t Test)

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	14.870	1.850		8.037	.000
	X	.564	.071	.752	7.982	.000

a. Dependent Variable: Y

Source: Data processed in 2025

Based on the table, the test results show that promotional advertising costs with a significant value of 0.000 have a significant effect on sales because the significance value is smaller than 0.05.

Hypothesis Test
Based on the t test results in the table above, the value for promotional advertising costs is obtained, the t value is 7.982 < t table of 12.706205 with a significance value of 0.000 < 0.05. So that promotional advertising costs partially have a positive effect on sales with a regression coefficient value of 0.564. Thus, the hypothesis that promotional advertising costs affect sales is accepted.

CONCLUSIONS

The study shows that promotional advertising costs significantly have a positive effect on sales. This is reflected in the t-test results which show a significance value of 0.000, which is smaller than 0.05, as well as a t-count value greater than the t-table. This indicates that the greater the expenditure on promotional advertising, the higher the sales generated by the FMCG companies studied. Overall, this study reveals that promotional advertising costs have an important role in increasing sales of FMCG products listed on the Indonesia Stock Exchange. Companies can optimize promotional strategies to increase their sales effectiveness, although there are other factors that also affect sales results that are not covered in this study.

This research is only limited to FMCG companies listed on the Indonesia Stock Exchange for the period 2021-2023. Therefore, the research results may not be generalizable to other sectors or different periods. This research is only limited to FMCG companies listed on the Indonesia Stock Exchange in the 2021-2023 period. Therefore, the results of the study may not be generalizable to other sectors or different periods. Future research can consider other factors that can affect sales, such as product quality, distribution channels, or pricing strategies. This may provide a more holistic picture of the factors that influence sales. Future research could also explore the effect of types of promotional tools (e.g., social media advertising, direct promotion, or exhibitions) on sales to provide a deeper understanding of promotional effectiveness.

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