

## The Influence of Suppliers and Customers as a Micro External Environment on Sales Growth

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### KEYWORDS

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### ABSTRACT

A company is a for-profit organization, that is, an organization that has the goal of obtaining high profits. To achieve this goal, companies need to analyze the environment, both internal and external. The micro-external environment is usually referred to as the industrial environment. This is because, in this micro external environment, the company's business activities occur directly where there is a strong relationship between competitors, suppliers, and consumers themselves so that their impact and influence on each other can be seen. Indofood explained that rising geopolitical tensions, high inflation rates, and rising prices of various commodities created markets. This research uses a qualitative approach with a descriptive type. A qualitative approach is used to analyze the external environment using annual reports at PT. Indofood Sukses Makmur Tbk deals with data sourced from observations about external factors, written data in the form of documents, and information provided. This research will discuss the efforts made by Indofood to overcome this problem. Suppliers and customers are important factors in this. Both had a positive influence on sales growth of 11.56% with an operating profit margin of 17.8% despite an increase in sales prices to balance the increase in raw materials.

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### 1. Introduction

Indonesia's economic growth can be measured by Gross Domestic Product (GDP). The processing or manufacturing industry consisting of oil and gas and non-oil and gas sub-sectors contributed the largest to Indonesia's GDP in 2022 at 18.34% and its average contribution during the period 2019 to 2022 was 19.29% (Statistik, 2018). This shows that the increase in growth in the sector causes companies or organizations to develop their business (Febriana, Palit, & Cahyadi, 2022).

The company is a for-profit organization, which has the goal of obtaining high profits. The company's total profit, the level of return on the company's investment capital, and market control

with the largest share are the achievement of goals and objectives whose magnitude can be measured. The achievement of company goals and objectives is only possible if the company has a competitive advantage (Yulianti, 2014).

A company can be likened to an open system that is constantly influenced by the environment which will improve or decrease the quality of strategic decision-making. Therefore, these factors should be considered in depth as they affect long-term reputation. Environmental factors are divided into two, namely internal and external. The external environment is stronger compared to the internal environment. The external environment consists of macro- and micro-external environments. The macro external environment includes elements of the environment that are larger in scope and are difficult for companies to control, while the micro external environment is an external environment whose scope is still close to the company so that it can still be controlled (Rufaidah, 2014). By analyzing the components of the external environment, it can find out the opportunities and challenges that can be anticipated.

PT. Indofood Sukses Makmur Tbk. is one of the largest manufacturing industry companies in Indonesia engaged in food and beverage processing. Indofood is a Total Food Solutions company with operational activities covering all stages of food production, from the production and processing of raw materials to the final products available in the market. There are four strategic business groups that in their business activities complement and influence each other; Namely branded customer products, bogasari, agribusiness, and distribution.

In its annual report, Indofood explained that rising geopolitical tensions, high inflation rates, and rising commodity prices are creating uncertainty in the market. This caused disruptions to global supply chains and hampered the flow of trade in raw materials such as wheat and vegetable oils. With the disruption of suppliers who are one of the elements of the microenvironment, Indofood made various policies to overcome these challenges. This article will discuss the efforts used by Indofood in overcoming these problems.

PT. Indofood Sukses Makmur Tbk is one of the leading food and beverage manufacturers in Indonesia, established in 1990 and listed its shares on the Indonesia Stock Exchange with the code INDF in 1994. The Indofood brand has been known as a food and beverage producer, but Indofood has other strategic business groups from upstream to downstream, namely Branded Consumer Products (CBP), Bogasari, Agribusiness, and Distribution (Yuliawati, 2019).

The running of the Company is influenced by various environmental factors, both internal and external. Internal environmental factors are environmental factors originating from within the Company that have a direct and special impact. The external environment is an environmental factor originating from outside the Company that can affect the company (Susanthi, 2017). According to Singh, Sarangal, & Singh (2022) the micro external environment consisting of competitors, suppliers, consumers, financial institutions, labor markets, distribution channels used, media, and government representatives is an important environmental factor that positively influences the success of a company. The micro-external environment is commonly referred to as the industrial environment. This is because, in this micro external environment, the company's business activities occur directly where there is a strong relationship between competitors, suppliers, and consumers themselves so that the impact and influence of one another can be seen (Utomo, 2010).

Suppliers are one of the micro external environments that are closely related to distribution channels and raw materials. Punctuality and quality greatly affect the company's operations.

Therefore, companies must be able to manage and maintain good relationships with suppliers to realize sustainable communication and relationships (Alfianto, RAHARDJO, & Kusumawardhani, 2015). According to Febriana, Palit, & Cahyadi, (2022), the company's increasing focus on suppliers and supply chain integration thereby increases the level of product quality.

Customers are the main target that needs to be considered by companies because each customer has different perceptions and attitudes toward a product. Companies must be able to position their product

According to the needs and desires of their target market so that their products can provide satisfaction for customers and likewise for manufacturers to offer products to be accepted by customers (Setyawan, Hapsari, & Prianto, 2015). Customer satisfaction with the product has a positive effect on customer loyalty to the product. For this reason, the Company needs continuous development to meet customer expectations for a product (Islahulkhair & Muhajirin, 2022) .

## 2. Materials and Methods

This research uses a qualitative approach with a descriptive type. A qualitative approach is used to analyze the external environment using annual reports at PT. Indofood Sukses Makmur Tbk deals with data sourced from observations about external factors, written data in the form of documents, and information provided. The use of the descriptive type as a tool to analyze and compare ongoing reality with the use of theory and try to provide solutions to the problem. The research focused on the description and analysis of external factors of PT. Indofood Sukses Makmur Tbk.

## 3. Result and Discussion

Indofood is a vertically integrated company where business activities from upstream to downstream are carried out. For this reason, Indofood has developed a comprehensive sustainable framework to run its programs properly and plan. In 2022, Indofood managed to overcome the supply chain crisis with a positive achievement, namely an increase in consolidated net sales of 11.56%, which was contributed by several segments driven by an increase in average selling prices followed by sales volume. There are four strategic business groups that in their business activities complement and influence each other; namely branded customer products, bogasari, agribusiness, and distribution.

**Table 1. Cost of Goods Sold**

In Million Rupiah	Year Ends December 31	
	2022	2021
Raw materials used	57.326.171	49.182.414
Production expenses	18.133.271	16.483.951
Total production load	75.459.442	65.666.365
Preparation of goods in progress		
Early years	242.875	167.409
End of year	(234.774)	(242.875)
Cost of production	75.467.543	65.590.899
Supplies of natural goods		
Early years	4.572.745	4.328.760
Purchase	2.619.802	1.524.600
End of year	(5.801.497)	(4.572.745)
<b>Total</b>	<b>76.858.593</b>	<b>66.871.514</b>

**Source: Indofood Annual Report 2022**

Table 1 shows the cost of goods sold for all Indofood business activities. In 2022, there was an increase in the cost of goods sold by 14.93% to IDR 76.86 trillion. There is an increase in raw materials and production expenses that affect prices. Purchases from suppliers also greatly affect the increase in the value of the cost of goods sold. Quality raw materials from suppliers greatly affect the level of product quality that can be produced by the company (Juniarto, Negara, & Wahyudi, 2021). According to Chrisofer (2019), a profitable relationship between the company and suppliers will affect the success of the company. One of the drivers of increasing company sales is when suppliers can meet needs and provide timeliness.

Cost of goods sold contributed to the increase in net sales in 2022, increasing by 11.56% when compared to net sales in 2021 of IDR 99.35 trillion, based on the increase in average selling price and selling volume. Although the price increase is based on the increase in input costs, the ability of customers to absorb price increases shows the strength of Indofood's brand. According to Febriana et al., (2022), customers are closely related to the company's operational performance so the customer integrity of a product will strengthen the company's operations. This increase in sales took place in most of its business activities. This shows that the company has competitiveness in almost all sectors.

Branded Customer Products showed an increase in sales in 2022 by 14.56% to IDR 65.26 trillion. Bogasari showed an increase in sales in 2022 by 23.16% to IDR 31.88 trillion. This was driven by an increase in the company's average selling price as raw material costs and sales volumes increased.

In Agribusiness, it shows a decrease in sales in 2022 by 9.76% to IDR 17.77 trillion. This is due to lower sales of vegetable oil and fat products even though the company has set a higher selling price to compensate. In Distribution, it shows an increase in sales in 2022 by 24.11% to IDR 6.23 trillion. This was influenced by an increase in sales from Indofood and third parties.

Table 4 shows the sales growth of all customer locations referring to the customer's country. Most of Indofood's customers come from Indonesia, which is the origin of Indofood worth Rp85.16 trillion or 76.85% of all customers worldwide. Increased sales in Indonesia by 10.62%. Meanwhile, the increase in sales other than Indonesia reached 14.80%.

**Table 2. Net Sales December 31, 2022**

In Million Rupiah	Year Ends December 31, 2022					
	Branded Customer Products	Bogasari	Agribisnis	Distribution	Elimination	Total
<b>NET Sales</b>						
Sales to external customers	64.934.753	25.967.302	13.696.658	6.231.559	-	110.830.272
Sales between segments	322.917	5.911.368	4.073.346	-	(10.307.631)	-
<b>Total Net Sales</b>	<b>65.257.670</b>	<b>31.878.670</b>	<b>17.770.004</b>	<b>6.231.559</b>	<b>(10.307.631)</b>	<b>110.830.272</b>

**Source: Indofood Annual Report 2022**

**Table 3. Net Sales December 31, 2021**

In Million Rupiah	Year Ended December 31, 2021					
	Branded Customer Products	Bogasari	Agribisnis	Distribution	Elimination	Total
<b>NET Sales</b>						
Sales to external customers	56.640.187	21.259.559	16.424.726	5.021.146	-	99.345.628
Sales between segments	323.352	4.623.491	3.267.082	-	(8.213.925)	-
<b>Total Net Sales</b>	<b>56.963.539</b>	<b>25.883.050</b>	<b>19.691.808</b>	<b>5.021.146</b>	<b>(8.213.925)</b>	<b>99.345.628</b>

Source: Indofood Annual Report 2022

**Table 4. Sales Based on Customer Location**

In Million Rupiah	Year Ends December 31	
	2022	2021
Country		
Indonesia	85.175.730	76.998.034
Middle East and Africa	15.162.432	13.285.109
Other Asians	7.995.540	7.231.441
Other	2.496.570	1.831.034
<b>Total</b>	<b>110.830.272</b>	<b>99.345.618</b>

Source: Indofood Annual Report 2022

Table 5 shows that gross profit in 2022 increased by 4.61% to IDR 33.97 trillion. The increase was not followed by gross profit margin which decreased from 32.70% to 30.70%. This is supported by Table 4 that there is an increase in the cost of goods produced by 14.93% which affects the value of gross profit margin. Operating profit increased by 16.42% to Rp19.69 trillion. The increase was followed by operating profit margin which increased again by 17.00% to 17.80%.

**Table 5. Indofood's Financial Highlights**

In Million Rupiah	Year Ends December 31	
	2022	2021
Net Sales	110.830.272	99.345.618
Laba Brutus	33.971.679	32.474.104
Operating Profit (EBIT)	19.693.110	16.914.849
Margin Laba Gross	30,70%	32,70%
Operating Profit Margin (EBIT)	17,80%	17,00%

Source: Indofood Annual Report 2022

Indofood's financial performance and growth rate have been running well considering the condition of commodity prices and cost of goods sold that continue to increase, which can be offset by increased productivity and increased selling prices. Building customer trust is key. Through various efforts made by Indofood to promote actively digitally, strengthening the brand to satisfy customers by developing a wide range of products from various business sectors. According to Dhirtya & Warmika, (2022), brand trust is directly proportional to customer loyalty so the higher customer trust in the brand, the higher the customer loyalty. This has a positive influence on the

quality of products and services by providing innovations that are expected to satisfy customers more.

Including suppliers and distribution carried out by Indofood is an important factor. Although Indofood is a company that has sectors from upstream to downstream, its cooperation with farmers to meet the needs of raw materials with high quality. This makes suppliers have an important role in maintaining the stability of raw materials for sustainable operations. Suppliers are expected to be able to recognize the need for appropriate raw materials to minimize existing risks (Sarinah & Djatna, 2015).

#### **4. Conclusion**

Indofood is a vertically integrated company where business activities from upstream to downstream are carried out. Micro external environmental factors affect the good running or failure of Indofood's operations, including customers and suppliers. Second, it had a positive influence on sales growth of 11.56% with an operating profit margin of 17.8% even though there was an increase in sales prices to balance the increase in raw materials.

The results of this study show that suppliers and customers have a positive influence on the company's sales growth. Therefore, companies can develop better management strategies to strengthen relationships with suppliers and customers. This can be done through improved communication, long-term partnerships, and effective supply chain management. The development of this strategy can help companies in achieving better sales growth and increasing profits. Further research can be done to dig deeper into other external factors that can affect a company's sales growth. The results of this study can be the basis for other companies in similar industries to adopt the best practices that have been carried out by PT. Indofood Sukses Makmur Tbk. The company can learn the approach that has been used by PT. Indofood in managing relationships with suppliers and customers, as well as the strategies they have implemented to overcome external environmental challenges. By adopting these practices, other companies can improve their performance and achieve better growth.



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