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Analysis of The Influence of Production Costs, Promotion and Sales Volume on Net Profit at PT. XYZ

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Abstract: This study aims to analyze the effect of production expenses, promotional expenses, and sales volume on Net Profit at PT XYZ. Production expenses include all costs associated with manufacturing products, while promotional expenses include costs incurred to introduce products to consumers. Sales volume, as a measure of revenue, plays a crucial role in determining the company's Net Profit. The research method used is a literature review with a descriptive qualitative approach, collecting data from various academic sources. The results showed that production expenses and promotional expenses have a positive influence on Net Profit, with sales volume as a significant variable in increasing Net Profit. This study concludes that optimizing production cost management and effective promotion strategies can increase company profitability.

Keyword: Production Cost, Promotion Cost, Sales Volume, Net Profit.

INTRODUCTION

A company's financial performance is often a major focus in the business world because it reflects how efficiently a company manages resources and achieves a profit. One important performance indicator is net profit, which is obtained from the difference between revenue and all operating costs, including promotion and production costs. In addition, the sales growth rate is also another indicator that measures the success of a marketing strategy and the company's ability to maintain market share.

Production costs include costs directly related to the manufacture of the product, such as raw materials, labor, and overhead costs. While promotional costs include all costs incurred to introduce the product to consumers, including advertising campaigns, direct sales and marketing costs. Both are interrelated, increasing production efficiency can reduce unit costs and increase price competitiveness, while effective promotional campaigns can increase sales volume.

Sales volume represents a company's revenue, expressed in physical units or as a measure of a company's product sales. The term sales volume can be understood as the quantity or size of goods or services sold. The main sales indicators are product, price, and advertising (Yuliani

& Komarudin, 2023). Obtaining the highest profit is the goal of increasing company sales so that the company can continue to grow and provide funds for the company's survival both in the short and long term. Basically, every company expects to achieve all planned goals.

Based on the background above, several problems can be formulated as follows:

1. Does production cost affect *Net Profit*?
2. Does promotional expense affect *Net Profit*?
3. Does sales volume affect *Net Profit*?

METHOD

The research method of this article uses a literature review (*library research*) and descriptive qualitative. Sourced from online applications such as *Google Scholar*, *Mendeley*, and other academic applications. In this research, the population used is PT. XYZ, while the sample used is the financial report of PT.XYZ.

RESULT AND DISCUSSION

Results

Net Profit

Net Profit is a measure of profitability that shows the net income of a company after all expenses, including taxes, are deducted from total revenue. It is calculated as the difference between total revenue from sales and total operating expenses. *Net Profit* is very important for management because it is a key indicator of financial performance and a basis for planning future use of funds.

According to (Suhaemi, 2021) *Net Profit* is the excess of income or expenses, and is calculated as the net increase after deducting interest and tax expenses originating from business activities during a certain period.

Management uses *Net Profit* in planning the use of funds for the company in the future or the next period, as well as to take steps that will be taken by management through the net profit report as anticipation in the future. *Net Profit* is the purpose of establishing a company (Maryana & Sarjana, 2024) .

Production Costs

According to (Yuliani & Komarudin, 2023) production costs are all costs incurred in the production process to process raw materials into finished products. According to (Nurawaliah et al., 2020) production costs are costs incurred during the process of transforming raw materials into finished products until the product is ready for sale. These production costs consist of raw material costs, direct labor costs, and factory overhead costs. High production costs can affect the increase in sales volume.

Promotional Expenses

In a study conducted by (Elina & Handayani, 2021), promotional expenses are defined as budget expenditures used to acquire customers for products produced by the company. Promotional expenses include all costs incurred by the company for the purpose of carrying out promotional activities. This can include advertising, brochure production, and product or service promotions on social media platforms. Such expenses are included in the marketing expense category and must be reflected in the company's financial statements.

Sales Volume

The term sales volume is used to describe the number of units of a product or service successfully sold during a certain period of time. According to (Nursyirwan et al., 2020) Sales

volume is an achievement expressed quantitatively in terms of physical or volume or product units.

According to (Yuliani & Komarudin, 2023) Sales volume can be defined as the total amount of sales, expressed in physical units or monetary value, and is a quantitative measure of the amount or quantity of goods or services sold.

So it can be concluded that sales volume is the total amount of sales expressed in physical units or monetary value, as well as a quantitative measure of goods or services sold in a certain period. This includes physical sales achievements and involves effective service strategies. The higher the sales volume, the greater the company's income and the more successful the business is in meeting market demand.

Table 1. Table of relevant previous research

No.	Author, Year	Research Results	Equality	Difference	Hypothesis Basis
1.	(Elina & Handayani, 2021)	The results of the study showed that there was an influence of promotional burden and production burden. to the company's <i>Net Profit</i> .	Both studies discuss the influence of production costs and promotional costs on company performance, particularly in the context of profitability.	Previous researchers used manufacturing companies on the Indonesia Stock Exchange as objects. While this study only focuses on one company, namely PT, Kalbe Farma Tbk.	H1, H2
2.	(Siregar et al., 2023)	Production Costs have a positive impact on <i>Net Profit</i> . Promotion Costs have a negative impact on <i>Net Profit</i> , and Sales Volume has a positive impact on the company's <i>Net Profit</i> .	Both of them discussed the influence of production costs and promotional costs on company performance, especially <i>Net Profit</i> .	Previous researchers only noted that sales volume had a positive effect without linking it to promotional expenses. While this study focuses more on analyzing the effect of promotional expenses on sales volume.	H1, H3
3.	(Masruroh et al., 2019)	Promotional expenses have a significant impact to sales volume.	These two researchers discussed the same independent variable, namely promotional expenses, and the dependent variable, namely sales volume.	Previous researchers conducted quantitative research, using interview and document data collection methods. While this study uses secondary data in the form of financial reports of PT Kalbe Farma Tbk.	H2
4.	(Adnan Pratama & Aprilia Sari, 2022)	shows that production costs partially do not have a significant effect on net profit, while promotion costs and sales volume have a significant effect on net profit.	The same research object, namely in the pharmaceutical sector.	Previous studies examined several pharmaceutical manufacturing companies. While this study only focuses on one pharmaceutical company, namely PT Kalbe Farma Tbk.	H2
5.	(Ningsih et al., 2022)	Shows that Production costs	Both titles include sales volume as a	This study is different from others because it	H3

		positively affect net profit significantly. And Sales volume (net) also positively affects net profit significantly.	significant variable. This study looks at how sales volume is affected by production and promotion costs, while previous studies assessed the effect of sales volume on net income.	includes promotional costs as an important thing to study. That way, we can better understand how promotions can increase sales and company profits.	
6.	(Susilawati, 2022)	Sales affect <i>Net Profit</i> . Promotional expenses do not affect <i>Net Profit</i>	These two studies discuss the influence of promotional expenses on the company's <i>Net Profit</i> .	Previous research examined the company Martini Berto Tbk. While this study only focuses on one pharmaceutical company, namely PT Kalbe Farma Tbk.	H2

Discussion

Production Costs Affect Net Profit

Empirical evidence shows that production costs have a positive effect on a company's *Net Profit* . This implies that the level of production costs incurred by the company will be reflected in the company's profitability. According to (Siregar et al., 2023) An increase in production costs has a positive impact on the company's *Net Profit* . As a result, an increase in production costs can increase the company's *Net Profit* . In the consumer goods industry, high production costs can still generate higher profits, depending on the company's ability to market products at optimal price points. Conversely, if production costs are low, there is a possibility that the company's *Net Profit* will also decrease.

Promotional Expenses Affect Net Profit

From the results of research conducted by (Adnan Pratama & Aprilia Sari, 2022) It can be observed that there is a significant correlation between promotional expenses and sales volume and *Net Profit* . In contrast, production costs do not seem to have a significant impact on this financial indicator. This illustrates the importance of an effective marketing strategy in increasing *the Net Profit* of pharmaceutical companies.

It is essential for companies to ensure that their investment in promotional activities is not merely temporary, but has a real effect on sales and *Net Profit* . Therefore, the importance of an effective marketing strategy in increasing *the Net Profit* of pharmaceutical companies is exemplified by the good correlation between promotional expenditure, sales volume, and net profit.

Sales Volume Affects Net Profit

According to (Pratiwi, 2020) shows that sales volume has a partial and simultaneous effect on net profit providing important insights into the company's financial dynamics. Partial influence means that sales volume directly affects *Net Profit* without considering other variables. The more products sold, the higher the potential net profit that the company can obtain. Focusing on efforts to increase sales will help achieve the desired profit target.

While simultaneous carrying shows that sales volume does not stand alone in influencing *Net Profit* , there is interaction with other variables such as operating expenses and production expenses. To maximize *Net Profit* , companies must consider the overall cost structure and marketing strategy simultaneously. Thus, management can make better decisions in planning budgets and business strategies to achieve optimal profitability.

Research Framework

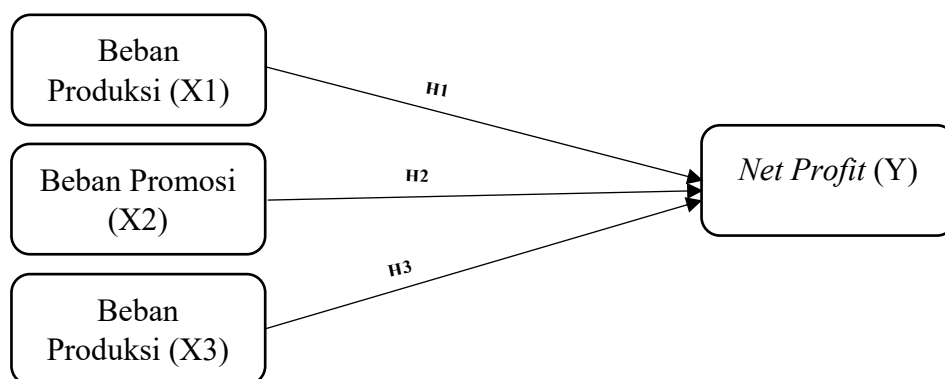


Figure 1. Research Framework

Based on the research framework above, it can be explained that Production Costs (X1), Promotion Costs (X2), Sales Volume (X3) are independent variables, while *Net Profit* (Y) is a dependent variable. This variable will analyze whether production costs, promotion costs and sales volume have an effect on *Net Profit*.

CONCLUSION

Based on the objectives, results and discussion, the conclusion of this article is:

1. The Effect of Production Costs on *Net Profit*

Production costs positively affect *Net Profit*. *Investments in efficient production costs, such as raw material and labor control, can have a positive impact on a company's profitability.*

2. The Effect of Promotional Expenses on *Net Profit*

Promotion expenses have a direct correlation with *Net Profit*. Promotions that successfully increase sales volume ultimately also contribute to increasing the company's net profit.

3. The Influence of Sales Volume on *Net Profit*

Sales volume has a significant effect on *Net Profit*. The higher the sales volume achieved, the greater the net profit that can be achieved by the company.

Suggestion

There are several suggestions including:

1. Production Cost Optimization

PT. XYZ needs to continue to improve efficiency in managing production costs to reduce costs per unit without reducing product quality.

2. Strengthening Promotion Strategy

It is recommended to utilize digital technology and social media more intensively to expand the reach of promotions. In addition, periodic evaluation of the effectiveness of each promotional strategy needs to be carried out to ensure that promotional spending provides optimal results.

3. Product and Market Diversification

To maintain sales volume growth, companies can consider new product innovations that suit market needs and expansion into new markets, both domestic and international.

4. Periodic Financial Performance Monitoring

Companies are advised to routinely monitor the relationship between production costs, promotional costs, sales volume, and *Net Profit*. This analysis can help companies identify opportunities to improve efficiency and profitability.

5. Investment in Resources and Technology

In the long term, investing in more modern production and marketing technologies can provide competitive advantages and boost a company's operational efficiency.

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