



Analytical Hierarchy Process (AHP) Method for Marketing Agency Selection at PT Kirana Mitraabadi

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ABSTRACT: E-Commerce growth in Indonesia sets the stage for PT Kirana Mitraabadi, underlined by statistics indicating a substantial increase in e-commerce users. PT Kirana has identified the need to embrace and make a shift from a B2B-focused business model to the dynamic B2C market. The company aims to leverage this momentum, recognizing the potential to broaden its customer base and drive sales through the introduction of a new product line derived from its core offering of paraffin wax. However, the complexities of this shift reveal a major challenge in PT Kirana's marketing division, which specializes only in B2B strategies. The key responsibility is developing B2C marketing strategies, required to be employed with a competent marketing agency. The assessment is conducted using 5 Whys technique and a fishbone diagram, examining the current factors and challenges that PT Kirana faces. Then, the process of choosing the agency involves a thorough decision making approach that takes into account both qualitative and quantitative factors. The Analytic Hierarchy Process (AHP) is the preferred method for assessing and choosing the best marketing agency to partner with. The findings of the AHP analysis offer actionable insights, facilitating a seamless transition for PT Kirana Mitraabadi's as it ventures into the B2C market, supported by the strategic expertise of the chosen marketing agency. This will help the company to capitalize on the e-commerce market in Indonesia, expand its customer base and successfully introduce their new product line also increasing their sales through the B2C market strategies.

KEYWORDS: Analytic hierarchy process, Digital transformation, Decision making process, E-commerce, Outsourcing marketing agency, Vendor performance.

INTRODUCTION

In the dynamic business environment, competition drives advancements and innovation, compelling companies like Alibaba, Zoom, and Nike to strategically shift from a B2B focus to a consumer-centric approach (B2C). This evolution involves expanding product portfolios, entering new markets, and staying attuned to emerging opportunities, crucial for both immediate and long-term financial success (Liu et al., 2018). B2B companies are adapting to engage in B2C commerce, utilizing strategies like introducing new products and leveraging e-commerce to compete in previously challenging market segments (Luthman, 2020). Statistical insights from Statista Market Insights reveal a significant 12.79% increase in e-commerce users in Indonesia from 2021 to 2022, with a projected 196.47 million users by the end of 2023 (Mustajab, 2023). This data highlights Indonesia's thriving e-commerce market as a promising frontier for substantial expansion. In this evolving landscape, businesses must understand and adapt to changing market dynamics and technological advancements to thrive in the contemporary marketplace.

In the era of expanding e-commerce, effective communication has become paramount for companies looking to reach online consumers. Digital marketing channels and social media are now indispensable tools in any successful marketing strategy, reflecting the growing recognition of a robust online presence (Mandal & Joshi, 2017). Recognizing the complexities of digital marketing, many businesses, including Indonesia's acclaimed marketing agencies, opt for third-party services to optimize their promotional efforts (Soberman, 2009). Against this backdrop, PT Kirana Mitraabadi, a B2B paraffin wax producer, is strategically transitioning to the B2C market to fuel expansion. This move aligns with the notion that e-commerce adoption should boost sales, emphasizing the importance of online distribution (Jelassi & Leenaan, 2023). The shift from B2B to B2C involves branding, product development, and tailored marketing strategies, prompting PT Kirana Mitraabadi to seek a marketing agency's expertise. This article explores the process of selecting the right agency through a comprehensive decision model, leveraging the analytic hierarchy process (AHP). The model, illustrated through a case study involving PT Kirana Mitraabadi, aims to provide business owners with a practical approach to navigate the intricate decision of choosing a marketing agency for a strategic shift from B2B to B2C.



BUSINESS ISSUE

PT Kirana Mitraabadi's sales trend, illustrates in Figure 1, reveals a sales dropped from January 2021 to September 2023, signaling a persistent decline within the B2B business model. Despite a peak in March 2022 with over 900,000 kg sold, the company still faces challenges due to its limited consumer base.

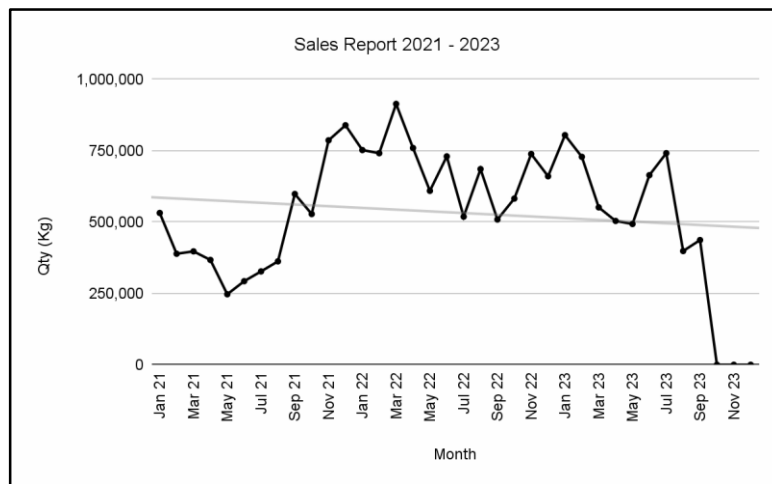


Figure 1. PT Kirana Mitraabadi Sales Report 2021-2023

PT Kirana Mitraabadi is navigating a strategic shift from a B2B-centric model to tap into the expanding world of e-commerce. Currently relying on offline sales and a website funneled through WhatsApp, the company recognizes the imperative need to embrace online channels as consumer behavior tilts towards e-commerce. This shift signifies not just a trend but a fundamental transformation in how consumers shop, prompting PT Kirana to venture into online distribution. The company aims to expand its customer base and drive increased sales by entering the e-commerce space with a new home and body fragrance brand. However, the challenge lies in their marketing division's lack of B2C experience. PT Kirana is actively seeking an agency partner to bridge this gap, requiring expertise in analyzing B2C audiences, devising effective strategies, and managing creative aspects. The chosen agency is pivotal for PT Kirana's successful pivot, aiming to establish a compelling presence in the consumer market and capitalize on the opportunities presented by this new segment.

LITERATURE REVIEW

The present study was influenced by three ideas: the 5 Whys, the Fishbone Diagram, the theory of Analytical Hierarchy Process (AHP) and Conceptual Framework. Each of these theories will be covered in detail in the ensuing subsections.

5 Whys

The "5 Whys" method is a repetitive interrogative approach designed to unravel the intricate cause-and-effect in a specific problem. The primary objective of this technique is to discover the fundamental cause of a defect or issue by repeatedly posing the question "why." Each response becomes the foundation for the subsequent inquiry, creating a sequential chain of inquiries. The numerical "5" in the method's, on average, five iterations are necessary to reach a resolution for the problem at hand. By dig into deeper layers of causation, the "5 Whys" method aims to uncover the root cause, facilitating a comprehensive understanding of the issues and enabling targeted for effective problem resolution (Doskočil & Lacko, 2019).

Fishbone Diagram

The Ishikawa diagram, developed by Kaoru Ishikawa, is a method designed to pinpoint, analyze, and visually represent potential causes of significant issues. This graphical tool illustrates the interconnections between events and various contributing factors. Also known as the Fishbone Diagram due to its resemblance, this technique provides a structured approach for identifying the root causes of problems. By graphically mapping out the relationships between different elements, the Ishikawa diagram enhances problem-solving by offering a comprehensive overview of potential influences on the observed issue (Doskočil & Lacko, 2019).

Theory of Analytical Hierarchy Process (AHP)

The Analytic Hierarchy Process (AHP) is a structured and systematic approach. In scenarios where decisions are intricate and do not possess a singular "correct" choice, AHP serves as a valuable tool to facilitate the decision-making process. It is rooted in both mathematical principles and an understanding of human psychology, originally conceived by Saaty and has since undergone extensive refinement and study (Saaty, 1996). AHP stands out as a decision-making methodology that proves particularly useful when there is a need to evaluate various alternatives while factoring in multiple criteria. AHP empowers decision-makers to organize complex issues by constructing a hierarchical representation. Typically, this hierarchy consists of three fundamental levels: the overarching goal, the criteria that influence the decision, and the various alternatives under consideration. In the context of vendor selection, the ultimate objective is to identify the most optimal vendor. The criteria may encompass aspects like quality, pricing, service, and delivery, among others. Meanwhile, the alternatives represent the diverse proposals put forth by potential suppliers (Hruška et al., 2014). Numerous researchers have recommended and employed the Analytic Hierarchy Process (AHP) for vendor selection, citing its ability to effectively incorporate both qualitative and quantitative criteria into the decision-making process. AHP is favored in this context due to its capacity to provide a balanced approach, considering various aspects when addressing vendor selection issues (Chan & Chan, 2004).

Conceptual Framework

In the context of this research, the conceptual framework serves as a strategic roadmap, capturing key elements such as the current situation, gap, ideal condition and the anticipated outcome as seen on Figure 2 below:

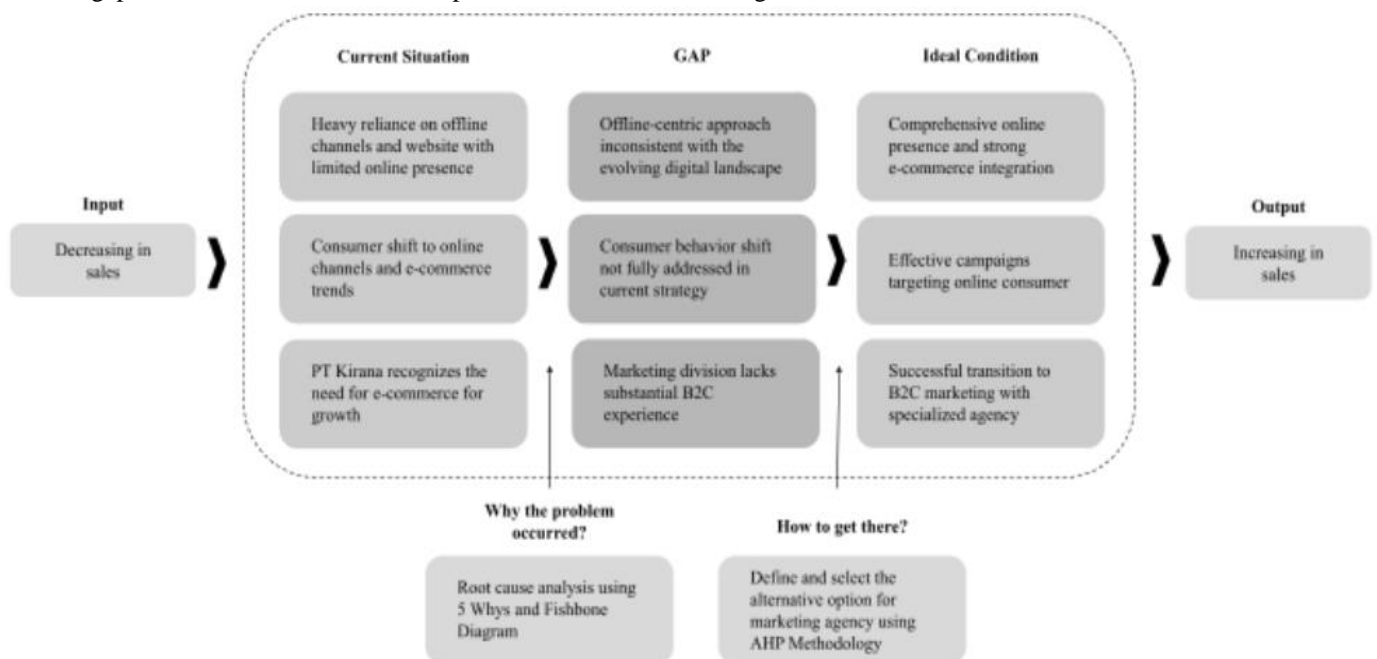


Figure 2. Conceptual Framework

RESEARCH METHOD

This study used a combination of qualitative and quantitative approaches, with qualitative research delving deeply into social trends and quantitative using numerical data and statistical analysis to explain event. Research methods can be quantitative, qualitative, or mixed, depending on the data needed. Quantitative uses numerical data, qualitative explores textural data, and mixed methods combine both (Williams, 2007; Yilmaz, 2013). Data were obtained from a combination of qualitative and quantitative to ensure a comprehensive evaluation. Qualitative data was acquired through in-depth interviews conducted with decision-makers and quantitative data was acquired through questionnaires.



Data Interview

These interviews were designed to capture rich, qualitative insights encompassing perceptions, preferences, and valuable insights about the company combined with the 5 Whys questions in Table 1 below:

Table 1. 5 Whys Questions

<i>Question</i>	<i>Answers</i>
Why is PT Kirana Mitraabadi experiencing a decline in sales?	Because there's a constrained consumer base and the continuous decline in the B2B business model, PT Kirana Mitraabadi is unable to reach a larger audience, which has an impact on our potential sales. Seeing the necessity for strategic adaptation, our company intends to turn its attention to B2C, expecting that this move will both increase the consumer base and solve issues brought about by the declining B2B model.
Why does the B2B business model face challenges?	The challenge is that PT Kirana Mitraabadi B2B model is a result of the changing way that consumers behave. While modern trends are moving more and more in the direction of online sales channels, our company is finding that it is unable to fully capitalize on the opportunities provided by the growing online marketplace and the constraints caused by its reliance on offline sales channels and traditional websites. The rise in digital commerce highlights the need for a strategic realignment, and in response, PT Kirana Mitraabadi is attempting to modify its business model to adapt to e-commerce.
Why is there a need for PT Kirana Mitraabadi to shift towards e-commerce?	As consumer behavior changes, PT Kirana Mitraabadi has to adjust and seize opportunities in the digital era. As e-commerce becomes more and more important sales channel, the company is positioning itself to take advantage of growth opportunities. The goal goes beyond simply adapting; PT Kirana Mitraabadi envisions a complete expansion of its customer base by actively embracing online distribution. This strategic move is supported by the knowledge that having a strong e-commerce presence is not only necessary for survival but also serves as a proactive measure for prospering in a constantly changing marketplace.
Why is PT Kirana Mitraabadi focusing on B2C marketing and searching for an agency?	Due to PT kirana Mitraabadi past focus on B2B operations, they has identified a significant gap in its marketing divisions knowledge regarding B2C. As a step towards consumer-centric strategies, PT Kirana Mitraabadi is actively looking to work with a specialized agency; the agency is expected to bring valuable insights into the analysis of the B2C market, the creation of effective campaign strategies, and the skillful management of marketing's creative mindset. This strategic partnership is essential to the company's successful transition to B2C, ensuring a focused and efficient method of interacting with and grabbing the attention of individual consumers.
Why is the choice of the right agency crucial for PT Kirana Mitraabadi's successful pivot to B2C?	Because the agency will bridge the knowledge gap within the marketing division, providing the expertise and support needed.

To address this decline in sales, researchers have conducted an in-depth interview combined with the 5 Whys questions, considering a range of potential factors contributing to this trend. These factors, as illustrated in the accompanying fishbone diagram in Figure 3, are as follows:

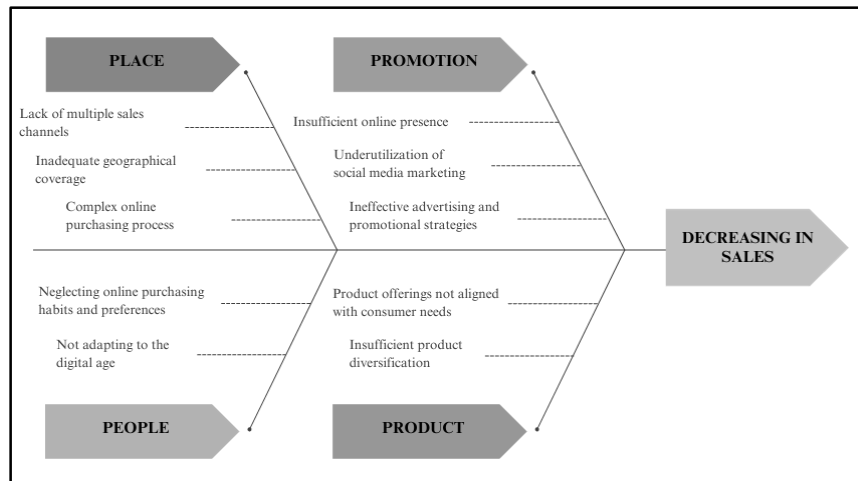


Figure 3. Fishbone Diagram (Results)

Criteria and Sub-criteria

After doing the in-depth interviews, the criteria and sub-criteria will be developed. Another round of the initial criteria survey is conducted to seek validation from decision makers regarding the proposed criteria and sub-criteria derived from interviews and analysis, and if there's any arguments regarding criteria (Level 2) or sub-criteria (Level 3) that may be irrelevant or require additions. Various criteria and sub-criteria are likely outlined to evaluate and prioritize different aspects of marketing agencies. Strategy, brand activation, and promotion are the criteria that are also factors in deciding whether to choose the right marketing agency that can be seen in Figure 4 below:

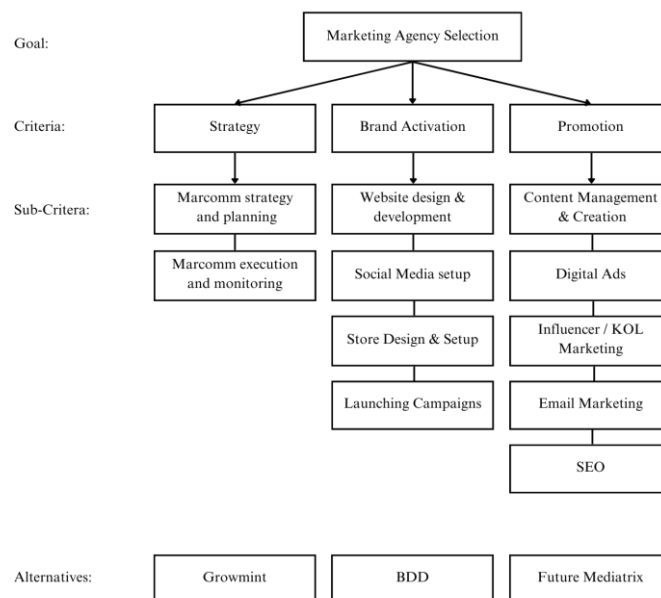


Figure 4. AHP Model for Marketing Agency Selection at PT Kirana Mitraabadi

Data Analysis Method

In this qualitative study, data is collected through interviews and observations, with a focus on root cause analysis using the 5 Whys and fishbone diagram methods. For the quantitative aspect, data is gathered through focus group discussions, employing questionnaires to 5 respondents and applying the Analytic Hierarchy Process (AHP) method. A step-by-step process, including data organization and input into statistical software, precedes AHP calculation for priority weights. Consistency checks ensure result



reliability. The derived scores inform well-informed decisions, emphasizing a systematic approach for both qualitative and quantitative data analysis in this research study.

RESULTS

The pairwise comparison, after distributing the questionnaires to five decision-makers, the following priority weights for the criteria and sub-criteria were obtained using the Analytical Hierarchy Process (AHP) online system developed by Klaus D. Goepel at bpmsg.com. According to the research findings, the factors that influence marketing agency selection are divided into criteria and sub-criteria.

Table 2. Combination Weight Calculation All Respondents

<i>Level 0</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Glb Prio.</i>
Marketing Agency Selection	Strategy (0.427)	Marcomm Strategy and Planning (0.714)	30.5%
		Marcomm Execution and Monitoring (0.286)	12.2%
	Brand Activation (0.473)	Website Design & Development (0.146)	6.9%
		Social Media Setup (0.346)	16.3%
		Store Design & Setup (0.135)	6.4%
		Launching Campaigns (0.373)	17.6%
	Promotion (0.100)	Content Management & Creation (0.383)	3.8%
		Digital Ads (0.141)	1.4%
		Influencer / KOL Marketing (0.309)	3.1%
		Email Marketing (0.048)	0.5%
		SEO (0.120)	1.2%

According to Table 2, the factors that they find significant and of concern include sequentially from the highest to lowest are Brand Activation (0.473/47.3%), Strategy (0.427/42.7%) and Promotion (0.100/10%). Regarding the criteria of brand activation, the 4 sub-criteria are ordered as follows: website design & development (0.146/14.6%), social media setup (0.346/34.6%), store design & setup (0.135/13.5%), and launching campaigns (0.373/37.3%). Regarding the criteria of strategy, the 2 sub-criteria are orders as follows: marcomm strategy and planning (0.714/71.4%) and marcomm execution and monitoring (0.286/28.6%). Lastly, regarding the criteria of promotion, the 5 sub-criteria are ordered as follows: content management & creation (0.383/38.3%), digital ads (0.141/14.1%), influencer / KOL marketing (0.309/30.9%), email marketing (0.048/4.8%) and SEO (0.120/12%). According to Thomas L. Saaty (Saaty, 1996), the consistency ratio should be less or equal to 0.1 or 10% to be considered consistent. The consistency ratio for the global priorities group result is 0.27 or 2.7%, which is well below the 0.1 or 10% cut off recommended by Thomas L. Saaty. This means that the group’s judgements are consistent with each other, and the results can be considered reliable. The overall level weights are derived by first calculating the weights of the criteria at each level, and then determining the ideal agency based on the weights of the alternatives that can be seen in Table 3 below.



Table 3. Overall Scores and Weights of Three Marketing Agencies

Level 0	Level 1	Level 2	Glb Prio.	Growmint	BDD	Future Mediatrix	
Marketing Agency Selection	Strategy (0.427)	Marcomm Strategy and Planning (0.714)	30.5%	0.178	0.330	0.492	
		Marcomm Execution and Monitoring (0.286)	12.2%	0.131	0.424	0.445	
	Brand Activation (0.473)	Website Design & Development (0.146)	6.9%	0.288	0.336	0.376	
		Social Media Setup (0.346)	16.3%	0.180	0.453	0.367	
		Store Design & Setup (0.135)	6.4%	0.167	0.254	0.578	
		Launching Campaigns (0.373)	17.6%	0.490	0.236	0.274	
	Promotion (0.100)	Content Management & Creation (0.383)	3.8%	0.375	0.301	0.324	
		Digital Ads (0.141)	1.4%	0.166	0.103	0.732	
		Influencer / KOL Marketing (0.309)	3.1%	0.270	0.555	0.174	
		Email Marketing (0.048)	0.5%	0.385	0.413	0.202	
		SEO (0.120)	1.2%	0.252	0.426	0.322	
					24.7%	34.5%	40.9%

Future Mediatrix emerges as the top choice for PT Kirana Mitraabadi among three marketing agency alternatives, securing a weighted score of 40.9%. Leading in Strategy and Brand Activation criteria, Future Mediatrix excels in marcomm strategy, planning, execution, monitoring, website design, and store setup. The agency's diverse capabilities extend to offline event support, SPG recruitment, video production, and TikTok Live campaigns. Their success with renowned brands and commitment to delivering growth positions Future Mediatrix as a reliable partner for PT Kirana Mitraabadi, backed by a proven track record and notable achievements in the marketing industry.

CONCLUSION

PT Kirana Mitraabadi's shift from B2B to B2C in response to evolving consumer behavior reflects a proactive strategy to adapt to the digital age. The study advocates the use of Analytic Hierarchy Process (AHP) to guide the selection of a suitable marketing agency, addressing the company's lack of B2C marketing expertise. The proposed method, illustrated through the PT Kirana Mitraabadi case study, aims to provide an objective and practical approach for business owners facing complex decision-making scenarios. The study identifies challenges in PT Kirana Mitraabadi's transition, categorized into Place, Promotion, People, and Product. These findings offer insights into overcoming obstacles hindering the B2C market shift. The assessment criteria for selecting a marketing agency encompass Brand Activation, Strategy, and Promotion, with Future Mediatrix emerging as the top choice based on AHP analysis. The agency excels in marcomm strategy, offline events, video production, and TikTok campaigns, making it a promising partner for PT Kirana Mitraabadi's growth in the dynamic e-commerce landscape.

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