The Effect of MSE’s Understanding Toward Consumer’s Psychological Factors in Implementing Promotional Strategies

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ABSTRACT

Sebagian besar pelaku usaha mikro dan skala kecil menghadapi kesulitan dalam meningkatkan skala bisnis mereka meskipun mereka memiliki produk yang hebat. Penelitian ini bertujuan untuk memahami pemahaman pelaku usaha mikro dan kecil (UMK) di Kota Padang tentang psikologi konsumen dan bagaimana pemahaman tersebut dapat digunakan dalam menyusun strategi promosi yang efektif dan efisien di era digital. Desain penelitian adalah penelitian deskriptif pada data sekunder untuk mengetahui pengaruh pemahaman pelaku UMK di Kota Padang terhadap faktor psikologis konsumen dalam menerapkan strategi promosi baik secara parsial maupun bersamaan. Pendekatan purposive sampling dengan margin of error 10% menggunakan teori Isaac dan Michael diuji terhadap 253 sampel dan diukur dengan kuesioner skala Likert yang dikumpulkan sejak Juni 2022 hingga Agustus 2022. Hasil uji validitas pada 97 responden menunjukkan bahwa variabel psikologi konsumen yang terdiri dari 30 pernyataan menghasilkan R sebesar 0,910 sedangkan variabel strategi promosi dengan 14 butir pernyataan menghasilkan R sebesar 0,839. Disimpulkan bahwa baik secara simultan maupun parsial tidak ada pengaruh di mana pelaku UMK memahami psikologi konsumennya dalam mengembangkan strategi promosi. Implikasi dari penelitian ini adalah bahwa pelaku usaha, terutama UMK, perlu memahami pentingnya pemasaran media digital dalam mencapai pelanggan dengan cara yang personal dan relevan.

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A B S T R A K

Most micro and small-scale entrepreneurs face difficulties in scaling their business even though they have a great product. This study aims to understand the understanding of micro and small enterprises (MSEs) in Padang City about consumer psychology and how this understanding can be used in developing effective and efficient promotional strategies in the digital era. The research design is descriptive research on secondary data to determine the influence of understanding MSE actors in Padang City on consumer psychological factors in implementing promotional strategies both partially and simultaneously. The purposive sampling approach with a 10% margin of error using Isaac and Michael’s theory was tested against 253 samples and measured by a Likert scale questionnaire collected from June 2022 to August 2022. The results of the validity test on 97 respondents showed that the consumer psychology variable consisting of 30 statements produced an R of 0.910 while the promotion strategy variable with 14 statements produced an R of 0.839. It was concluded that both simultaneously and partially there was no influence where Micro and Small Enterprises understood the psychology of consumers in developing promotional strategies. The implication of this research is that business actors, especially MSEs, need to understand the importance of digital media marketing in reaching customers in a personalized and relevant way.

1. INTRODUCTION

The goal of digital media marketing is to effectively and efficiently reach as many target customers as possible with a personal and relevant touch. This marketing strategy combines technology proficiency with techniques and consumer psychology knowledge. The shift in consumer shopping...
activities in Indonesia toward online shopping is ultimately due to the rise in internet users, digital communication, device ownership, and social media users. The growing trend toward online sales exemplifies this. Online shopping has grown in popularity with consumers because it is more convenient and time-saving (Rudansky-Kloppers, 2014; Yeo et al., 2017). A handy and time-saving alternative to traditional shopping is also provided by busy lifestyles and long weekdays. Customers can buy comfortably from home, with less time and money spent on trip (Akroush & Al-Debei, 2015; H. Hermawan, 2017). Also, price comparisons are simple to complete while purchasing online (Abd Aziz & Abd Wahid, 2018; D. J. Hermawan, 2021). Due to the low level of education held by the majority of the population and the economic life that is primarily derived from small business activities in both traditional and modern sectors, the role that Micro and Small Enterprises’ play in Indonesia’s development is thought to be significant. They provide the majority of the household income for many low-income families. SMEs make up over 90% of all businesses, produce the greatest employment rate, and employ over 90% of the workers in the nation, predominantly women and younger people (Berlian, 2021; M. S. Hermawan & Nugraha, 2022; Laily, 2016). Micro and Small Enterprises’ development is one of the government’s top priorities for boosting the community's economy. A cluster program has been proposed as part of ongoing efforts to support SMEs. Several actions have been taken by the Indonesian government to assist them. In the past 20 years, a variety of regulations have been issued in particular to help MSMEs with marketing, sourcing raw materials, and funding by establishing a public non-collateral loan guarantee scheme (M. S. Hermawan & Nugraha, 2022; Mukherjee & Mukherjee, 2022). The central and regional governments of Indonesia participate in a variety of activities and programs aimed at developing Micro and Small Enterprises’. According to Law No. 7 of 2021 (Omnibus Law) on the Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium-Sized Enterprises in the Job Creation Law, the central and regional governments should work together to empower and develop MSE’s that are already in existence. The Omnibus Law’s passage may really have an impact on the growth of MSE because several of its provisions make MSE’s life easier, particularly with regard to funding, legal protection, and licensing (Chalin et al., 2022; Khair et al., 2022).

The significance of the internet and digital devices to business performance is becoming increasingly apparent in Indonesia. About 18% of Indonesian SMEs are now using websites or social media for e-commerce, and only about 9% employ more advanced e-commerce methods (Rini & Rahadianito, 2020; Syuhada & Gambett, 2013). However, residence location, household size, age of the household head, marital status, use of mobile phones, type of business, age of business, and business assets all have an impact on how likely it is that a MSE’s will use the internet. The usage of the internet for business benefits household wellbeing. They use the internet as a medium for marketing, trading, improving the process of product innovation, and growing sales. MSMEs are an excellent area for women entrepreneurs to begin their business careers. This indicates that these businesses actually play a significant role in advancing women’s empowerment in developing nations (Abou-Shouk et al., 2021; Margayaningsih, 2018). Marketing activities have an impact on consumers’ minds since they thought of them after seeing the promotional instruments’ activities. It serves as a communication tool with the help of various marketing strategies, it is simple to contact target customers due to the large area of communication among consumers. The cornerstone of successful modern marketing is universally understood to be consumer behavior. Because it provides the analytical framework and strategic planning necessary for effective market segmentation, consumer purchasing behavior has been verified in the marketing industry (Cahyo & Manusputty, 2021; Surisno et al., 2016). Customers now connect with businesses through a wide range of contact points across numerous channels and media, which leads to more complicated customer journeys and the growing focus on the customer experience. The fragmentation of media and channels is getting worse for businesses, and omnichannel management is now the standard practice (Lemon & Verhoef, 2016; Ye et al., 2018). As of now, the majority of research has been centered on an effort to construct and to evaluate customer experience when they are focus on shaping the marketing strategies especially promotional activities. The result will explore what should the MSE’s business actors do and don’t. On the other side, because of promotion plays such an important role in consumer purchasing decisions, this research objective was to find out how much a producer or business actors can use and understand psychological factors pertaining to consumers when developing its promotion strategy. Researchers limit this issue by narrowing the focus of the question on how micro and small business actors in Padang City’s understanding toward the consumer psychology in order to develop an effective and efficient promotion strategy in today’s digital era both simultaneously and partially. Consumer psychology is the science of figuring out what consumers want by looking at their spending patterns and how they interact with the marketed goods and services. Understanding consumer behavior involves a range of disciplines, including anthropology, psychology, physio-psychology, cultural social psychology, and genetics. Psychology is one of them, as feelings, thoughts, and behaviors all have a
role in consumer behavior. The purpose of selling is to persuade others to accept and carry out the instructions given by the seller (in order to purchase the offered goods and services). According to previous research customer psychology is a study of how people, groups, and organizations select, purchase, utilize, and dispose of goods, services, concepts, or experiences to meet their needs and desires (Kumar & Ghodeswar, 2015; Stankevich, 2017). By that, we can conclude that talking about consumer psychology means that we learn the changes in how people select, buy, use, and utilize goods, services, ideas, or experiences that are offered or advertised.

It is the responsibility of a company or producer to comprehend what is occurring in consumer awareness when marketing stimuli from outside influence that affect the decision in the final purchase decision. Consumer response is fundamentally influenced by four key psychological dynamics processes: motivation, perception, learning, and memory, they are: (a) First is motivation. Every person has a variety of needs at any given time. Some needs, such as hunger, thirst, or discomfort, are biogenic or result from psychological states of stress. Other needs, like the need for recognition, appreciation, or a sense of belonging, are psychogenic or come from a state of psychological distress. Motivation is what controls consumer interest in behavior, many things can motivate consumers so that their behavior can be determined based on their wants and needs (Amos et al., 2014; Iyer et al., 2020). The process by which an individual selects, arranges, and interprets input information in order to construct a meaningful picture of something is called perception. The main point is that perception is dependent not only on physical stimuli but also on the relationship between the stimulus and the field that surrounds it and a person’s conditions. Indirectly, perception gives consumers choices about what they like or dislike, and the consumer’s mental region is integrated into their behavioral choices (Kaur & Kochar, 2018; Reshi et al., 2023). The third is learning. Learning fosters behavior shifts based on experience. Although some unintentional learning occurs, the majority of human behavior is learned. All thoughts, feelings, perceptions, images, experiences, beliefs, attitudes, and other things related to the brand are included in brand associations. This marketing is done to make sure that customers get the right product and service experience so they can remember the brand and build the right knowledge structure about it.

Offering a product at an enticing price is insufficient if no one delivers it to the buyer. They spoke with customers using a promotion mix in order to increase sales and profits. The essential elements of the marketing mix are promotion and deal-making with consumers. Promotion involves two-way communication. Moreover, it is the immediate method by which a company seeks to reach its target market. The typical strategy to increase consumer awareness of a product or brand, drive sales, and foster brand loyalty is promotion (Kang & Kim, 2017; Lu & Miller, 2019). The marketing communication mix is a combination of integrated promotional activities in which each category must be able to communicate with the intended customer and includes: 1) advertising, 2) sales promotion, 3) sales staff, 4) public relations, and 5) direct marketing. Promotion is also frequently referred to as a "continuous process" because it can lead to the next set of company activities. Promotion describes the techniques used to entice customers to buy a product. Promotion is defined to as any communication meant to inform, convince, and/or remind individuals about the products, services, ideas, involvement in the community, or social impact of a company or an individual.

Recognizing that promotion is a component of marketing communications must be the first step in discussing promotion. A business or business actor uses marketing communication to inform, persuade, and remind customers, either directly or indirectly, about the products and brands they offer. Cultivating a positive relationship with customers is just as important as providing them with a high-quality product at attractive prices and making it available to them. Customers must receive the best value from businesses, and what they convey must be memorable. Every communication activity must be planned and incorporated into all business actors’ programs and strategies (Ferguson et al., 2013; Putri & Ali, 2020; Ri’aini, 2017). The first stage in the purchase process is recognizing a need or an issue. At this moment, the client first notices a problem or a need (for example: I’m thirsty, I need a new wardrobe, or I need a house), or you’re pulled to an advertisement (for instance: you see a billboard showing a cool ice cream on a hot day). After realizing the need for something or an issue, the consumer moves on to the next stage, information hunting. If there is an urgent need or problem and a nearby good or service that can solve it, a buying decision is made right quickly. If not, activities for information search are then started. A client can obtain knowledge from many different sources, including personal sources (friends, family, and neighbors), commercial sources (packaging, point-of-sale displays, and salespeople), public sources (newspapers, radio, and television), and experiential sources (handling, examining, and using the product). The value and impact of various information sources will fluctuate based on the product and the consumer. Consumers respect and cherish personal sources more than commercial ones, such as “word of mouth” (Chiu et al., 2019; Chua et al., 2020; Ngoma & Ntale, 2019). The following stage of the model is the evaluation stage, where the consumer selects amongst several brands, products, and services. After that,
he or she begins to consider the many replacements or alternatives available on the market. The extent of the review is significantly influenced by how invested the buyer feels in their purchase of the goods. In this context, involvement refers to the degree of perceived relevance and individual significance connected to the choice of a certain brand. Obtaining all necessary information is the first step before making a decision on whether or not to purchase a product. Three steps make up this stage: the customer first chooses their preferred product as previously described in the evaluation of alternatives stage; second, the customer decides to purchase the product, known as the purchase intent; and third, the implementation stage to complete the purchase, which includes the terms of the transaction payment and receiving the product. Consumers may profess a willingness to buy something but never follow through or complete the transaction. Other times, a buyer chooses a substitute item based on new information they received in-store, a preferred item is unavailable, they can’t afford the item, or no suitable financing options are found. The purpose of this study is to gain a deeper understanding of consumer psychology in the context of digital marketing and promotional strategies in Padang City. This research is expected to identify the needs and desires of consumers in Padang City in the context of digital marketing. This research will explore psychological factors such as motivation, perception, learning, and memory that influence consumer purchasing decisions in the digital age. This research will look at how micro and small businesses in Padang City use digital media in their promotional strategies.

2. METHODS

This study used a type of quantitative research. The approach used is a survey, where data will be collected through filling out questionnaires by respondents. The research procedure will involve data collection, data analysis, and interpretation of results. The subject of this study is the owner of a small micro business (UMK) operating in Padang City. The total population of MSEs in Padang City is 89,699. However, for the purpose of this study, samples will be taken using the Isaac and Michael sample determination formula with an error rate of 10%. Thus, the number of samples taken is 270 MSEs that already have a digital business promotion system. Data collection will be conducted from June 2022 to August 2022. The data collection method in this study used questionnaires. The questionnaire will contain questions related to the variables studied, namely understanding of the business being run, understanding consumer psychology, and promotional strategies. Each variable will have relevant indicators. The validity and reliability of the questionnaire will be tested using the content validity test and the Cronbach Alpha reliability test. The data collected through the questionnaire will be analyzed using statistical methods. Pearson’s Product Moment analysis will be used to test the validity of the instrument. Furthermore, to measure reliability, reliability analysis will be carried out using Cronbach Alpha. The collected data will also be analyzed using appropriate statistical techniques, such as descriptive analysis and inferential analysis (e.g., hypothesis testing, regression analysis, or correlation analysis) to answer established research questions. During the stage that ensures the feasibility of the questionnaire used for data collection, the number of respondents tested in this study was 97 respondents because there were 48 items on one variable tested which became the basic basis of the study in taking validity and reliability tests. The indicators used to determine the validity of variables are presented in Table 1.

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Indicator</th>
<th>QMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Understanding of the business undertaken (Behavior Modification)</td>
<td>Physical, Emotional, Intelligence, and Social</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>Understanding of consumer psychology (Persuading)</td>
<td>Message Source, The Message Itself, Environmental Influence, and Meaning and Continuity of the message</td>
<td>48</td>
</tr>
<tr>
<td>3</td>
<td>Promotion Strategy (Telling)</td>
<td>Informing new products to the market, introducing new ways of using a product, delivering changes in market prices, and informing available services</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td>94</td>
</tr>
</tbody>
</table>

Table 1. Variables in Research
3. RESULTS AND DISCUSSIONS

Results

The researcher prepared questions to answer the problem formulation after testing the variables’ validity and dependability for data collection. A Likert scale with 30 statements measures the business understanding variable, 30 statements measure the consumer psychology variable, and 14 statements measure the promotion strategy variable in the research questionnaire. Total of 270 respondents was given the questionnaires to answer the problem’s formulation. However, the data was deemed invalid because as many as 17 respondents did not respond to all statements. In addition, 253 respondents were included in the data used in this study. The formulation of the problems will serve as the basis for the discussion of the research and discussion results.

Simultaneous influence

Communication in marketing includes promotion. It is necessary to increase the understanding of the business actors themselves about the business they are running and comprehend consumer psychology in order to develop a successful promotion strategy for micro and small businesses. Simultaneous Correlation presented in Table 2.

Table 2. Simultaneous Correlation Table

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Q</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Betas</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>97.508</td>
<td>7.191</td>
<td>13.559</td>
<td>0.000</td>
</tr>
<tr>
<td>Umk Knowledge</td>
<td>1.218</td>
<td>0.205</td>
<td>0.323</td>
<td>5.932</td>
</tr>
<tr>
<td>Consumer Psychology</td>
<td>-1.024</td>
<td>0.146</td>
<td>-0.383</td>
<td>7.019</td>
</tr>
</tbody>
</table>

At the observation level of 253 respondents, the significance value is 0.000, as shown in the Table 2. The findings demonstrated that understanding MSEs had no significant impact on consumer psychological factors when implementing promotional strategies in Padang at the same time simultaneously. The equation that results indicates that consumer psychology and promotion strategy will not be affected by the business actor’s level of understanding of the undertaking. Business actors still think traditionally when they offer their products to the consumers based on field observation that becoming the main phenomena of this study.

Partial Correlation

The researchers attempted to determine whether there was a partial influence after obtaining the conclusion that understanding of the business undertaken and consumer behavior have no effect on the formulation of promotional strategies simultaneously. According to the table below, the test results show that understanding of consumer psychology by business actors has no bearing on the compilation of promotional strategies. Table 3 presents more information on partial correlation.

Table 3. Partial Correlation Table

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Umk Knowledge</th>
<th>Consumer Psychology</th>
<th>Promotion Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Umk Knowledge</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>-0.305</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-Tailed)</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Sum Of Squares and Cross-Products</td>
<td>2605692</td>
<td>-1119.372</td>
<td>4318826</td>
</tr>
<tr>
<td>Covariances</td>
<td>10.340</td>
<td>-4.442</td>
<td>17.138</td>
</tr>
<tr>
<td>N</td>
<td>253</td>
<td>253</td>
<td>253</td>
</tr>
<tr>
<td>Consumer Psychology</td>
<td>Pearson Correlation</td>
<td>-0.305</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-Tailed)</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Sum Of Squares and Cross-Products</td>
<td>-1119.372</td>
<td>5162988</td>
<td>-6648.261</td>
</tr>
<tr>
<td>Covariances</td>
<td>-4.442</td>
<td>20.488</td>
<td>-26.382</td>
</tr>
<tr>
<td>N</td>
<td>253</td>
<td>253</td>
<td>253</td>
</tr>
<tr>
<td>Promotion Strategy</td>
<td>Pearson Correlation</td>
<td>0.440</td>
<td>-0.481</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-Tailed)</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>
The observation of 253 respondents in the city of Padang leads us to the immediate conclusion that the understanding of MSE businesses on consumer psychology in the development and implementation of promotional strategies is partially unaffected by the significance level of 0.000. The business actors' knowledge toward the consumer psychology in shaping the promotion strategy does not have any significance partially. Respondents were fully aware of the question and the answer they gave in this study.

Discussion

The results showed that simultaneously, business actors' understanding of micro and small enterprise (MSE) knowledge did not have a significant influence on consumer psychology factors in the formulation of promotional strategies in Padang City. Similarly, partially, the understanding of consumer psychology by business actors also does not have a significant relationship with the preparation of promotional strategies. These findings indicate that knowledge of business and understanding of consumer psychology are not determining factors in effective promotional strategies for micro and small enterprises in Padang City. The research correlation table shows the simultaneous influence between variables of business understanding, consumer psychology, and promotion strategy. However, the results of the analysis showed that there was no simultaneous significant influence between business understanding and consumer psychology on promotional strategies in micro and small enterprises in Padang City. This shows that business actors' understanding of the business being run and understanding consumer psychology do not have a significant effect on the preparation of promotional strategies.

Furthermore, researchers tested the partial influence between variables of business understanding and consumer psychology on promotional strategies. The test results showed that the understanding of consumer psychology by business actors also did not have a partially significant influence on promotional strategies. Thus, business actors' knowledge of consumer psychology in forming promotional strategies has no partial meaning. With regard to marketing, previous research found that a good understanding of business contributes to the success of marketing strategies. For example, a deep understanding of the target market, consumer preferences, and market trends can help a company in designing effective promotional campaigns and generating higher profits.

In terms of business strategy, research on business strategy often highlights the importance of consumer understanding in developing effective strategies. Understanding consumer motivations, behaviors, and preferences can assist companies in identifying market opportunities, positioning their products well, and developing marketing strategies accordingly. Research in consumer psychology often explores the relationship between understanding consumer psychology and purchasing behavior. Knowledge of consumer motivations, perceptions, attitudes, and emotional factors can help companies in developing appropriate promotional strategies and optimizing consumer experience.

The results showed that micro and small businesses in Padang City still rely on traditional promotional strategies and do not pay much attention to business understanding and consumer psychology. This is the main phenomenon of this study. The implications of these findings are the need to increase business actors' understanding of the importance of understanding the business being run and consumer psychology in developing effective and successful promotional strategies and the need for greater attention to innovative approaches in developing promotional strategies for micro and small businesses. Although knowledge of business and consumer psychology did not have a significant influence simultaneously or partially, these findings highlight the importance of exploring other factors that can influence the success of promotional strategies. The limitation of this study is that the sample size in this study consisted of 253 respondents. Despite the number of respondents.

4. CONCLUSION

The research instrument regarding the variables tested met the existing criteria, as demonstrated by the results of the validity and reliability tests. The researcher opinion that it was unnecessary to test the validity and reliability of the statements made based on Government Regulation No. 7 of 2021, which contains 30 statement items about the criteria and basis for Micro Small Enterprises. There are 30
statements in the consumer psychology variable, and its reliability is 0.910. The results of testing the 14 questionnaire items yielded a reliability score of 0.839 for the promotion strategy variable. A study of 253 micro and small business actors in the city of Padang who had and had done digital promotions came to the conclusion that MSE business actors' understanding of the psychology of their customers had no effect on their promotion strategy both simultaneously and partially. This is supported by the low significance level of 0.000. These business actors were unable to grow their businesses because they were oblivious to the importance of understanding consumer psychology. In addition, there are undoubtedly a number of reasons why these business actors fail to take into account in understanding the consumer psychology when formulating the promotional strategies. Besides, business actors' still practicing the old ways where customers need their product and they only offer and serve the customers based on what they are good at. Obviously, further research is needed to verify this statement.

5. REFERENCES


