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“Entrepreneurship on Global Economics Development in the Era of Society 5.0”

The Influence of Product Quality, Price, Transportation, Innovation and Promotion on Buying Interest in SMEs**Mutia Arda^{1*}, Dewi Andriany², Yudha Andriansyah³**¹²³Universitas Muhammadiyah Sumatera Utara

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***Email:** mutiaarda@umsu.ac.id**ABSTRACT**

The impact of Covid 19 on SMEs has also been experienced by residents in Medan City, where their product sales have dropped dramatically over the past year. The new normal or ongoing conditions are called the new normal phase which creates uncertainty, especially in the business sector. Data collection is carried out using a questionnaire to collect marketing strategy data carried out by business actors. Data analysis using the SEM (Structural Equation Modeling) method using Smart PLS. The sample in this study was determined to be 100 UKM players spread across 21 sub-districts in Medan City. The results showed that the independent variables had a positive and significant relationship with the dependent variable, namely product quality, price, product innovation, and promotion, which had a positive and significant relationship to the variable of purchase intention, while transportation had a positive and insignificant relationship to the purchase intention variable.

Keywords: SMEs, Buying Interest, New Normal.

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INTRODUCTION

During the new normal period, people's purchasing power may still tend to shrink and have yet to return to normal. Uncertain situations during a crisis make people more careful in taking action during the new normal period like now. People are more selective in spending and choosing to keep their funds because they are worried about tightening liquidity in the financial market. As a result, business actors, especially SMEs, can only bite their fingers because demand is not flowing fast.

(Pakpahan, 2020) said three sectors had a direct impact with the Covid-19 pandemic, namely tourism, trade and investment. In the new normal situation, the marketing strategy feels more challenging. Many business actors are waiting to act because they are unsure of the uncertain economic situation. Business actors also need to adjust their product portfolio, seek distributor support, adjust prices, and maintain their market share (Narto, 2020).

Data from the Ministry of Cooperatives and MSMEs shows that in 2018 there were 64,194,067 MSMEs in Indonesia and employed 116,978,631 workers, (Hardilawati, 2020). Whereas in 2021, the number of MSMEs in Indonesia will be 64.2 million. This number has not experienced a significant increase like the conditions before the covid 19 pandemic. In Indonesia, it is dominated by MSMEs which are the backbone of the national economy which also has a serious impact not only on aspects of their production and income, but also on the number of workers who must be reduced due to the pandemic. this. MSMEs lack resilience and flexibility in dealing with this pandemic due to several things, such as the low level of digitization. Only about 13% of MSMEs are connected to digital markets. Difficulties in accessing technology and a lack of understanding of survival strategies in business, MSMEs are required to be able to adapt to existing business developments because businesses that are able to survive are businesses that are very responsive to the times. Therefore, it is very important for MSMEs to start carrying out digital transformation.

Products are anything that can be offered to a market to be noticed, owned, used or consumed so as to satisfy wants and needs (Saladin, 2012). The product quality dimensions in question are performance, durability, conformance to specifications, features, reliability, aesthetics. Pricing strategy is the act of designing a series of meaningful differences aimed at differentiating a company's offer from that of competitors. The dimensions of the pricing strategy are profit maximization, market share pricing, market skimming prices, current revenue pricing, target profit pricing, promotional pricing, (Saladin, 2012). In terms of transportation, it is defined as an effort to move or move from one location to another by using something. Location relates to company decisions regarding where operations and staff will be located (Fidel, 2012). The dimensions of the transportation and location variables are access, visibility, parking space, expansion, environment, tools/technology. Innovation is a broader concept that addresses the application of new product or process ideas (Amabile, Teresa M, Regina Conti, Heather Coon, Jeffrey Lazenby & Herron 2016). The dimensions of the product innovation variable are creativity, technical innovation, design changes, changes in distribution facilities, payment administration systems. Sales promotions are carried out to attract consumers to immediately buy or use the products or services offered. The variable dimensions of sales promotion are promotion frequency, promotion quality, promotion quantity, promotion time, market suitability (Kotler, 2016). Interest is described as a person's situation before carrying out an action, which can be used as a basis for predicting the behavior or action. Purchase intention is a behavior that appears

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as a response to objects that indicate a customer's desire to make a purchase (Kotler 2016). The dimensions of buying interest are transactional interest, referential interest, preferential interest, and explorative interest.

This study aims to analyze the effect of product quality, price, transportation, innovation and promotion on buying interest in SMEs (Small and Medium Enterprises) in Medan City.

METHOD

The sample in this study was determined to be 100 UKM actors spread across 21 sub-districts in Medan City as respondents, who would fill out the questionnaire that was distributed. The research data will be analyzed using the SEM (Structural Equation Modeling) method using smart PLS. Structural Equation Model (SEM) is a set of statistical techniques that allows testing a series of relatively complicated relationships simultaneously (Ferdinand, 2012). The data analysis technique in this study uses Partial Least Square (PLS) which is a Multivariate Analysis in the second generation using structural equation modeling (Structural Equation Model/SEM PLS) can be used for a small number of samples, and of course with a large number of samples it will be more capable improve estimation precision. PLS does not require the assumption that the data distribution must be normal or not. The construct form can use a reflective or formative model. The maximum number of indicators is also quite large, namely 1000 indicators.

RESULT AND DISCUSSION

Most of the SMEs (Small and Medium Enterprises) who were respondents in this study were engaged in the food and beverage sector by 46%, the fashion sector (clothes, shoes, bags, accessories) by 23%, the service sector (salon, sewing, laundry) by 20%, and handicrafts by 11%. The national food and beverage industry is increasingly competitive because there are quite a number of them. Not only covering large-scale companies, but also reaching the district level for the small and medium industrial class (IKM).

To test the hypothesis and produce a fit model, this study uses Structural Equation Modeling (SEM) with a variance based or component based approach with Partial Least Square (PLS). If the structural model to be analyzed meets the recursive model and the latent variables have indicators that are formative, reflexive or mixed, then the most appropriate approach is PLS. In PLS, the structural model of the relationship between latent variables is called the inner model, while the measurement model (which is reflexive or formative) is called the outer model. On the other hand, in SEM there is no clear distinction between the two, however, there is the term overall model for the overall model, which is a combination of the structural model of the relationship between latent variables and the measurement model with CFA (confirmatory factor analysis). The steps in the PLS analysis are as follows:

1. Development of a theory-based model or inner model.

The development of a concept- and theory-based model in order to analyze the relationship between exogenous and endogenous variables has been described in a conceptual framework.

2. Development of a flowchart (Path Diagram).

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The theoretical model that has been built in a conceptual framework is then drawn in a flowchart which serves to show the relationship between exogenous and endogenous variables.

The purpose of the reliability tester is to see whether the instrument used in research is reliable and trustworthy. With criteria if the composite reliability value is > 0.6 then the variable instrument is reliable (trusted).

Table 1. Composite Reliability

Variable	Composite Reliability
Quality Product	0.843
Price	0.807
Transportation	0.846
Innovation	0.838
Promotion	0.828
Buying Interest	0.817

Source: SEM-PLS Data (2022).

Testing the inner model or structural model is carried out to see the relationship between variables, the significance value and the R-square of the research model. The structural model was evaluated using the R-square for the dependent variable t test and the significance of the structural path parameter coefficients.

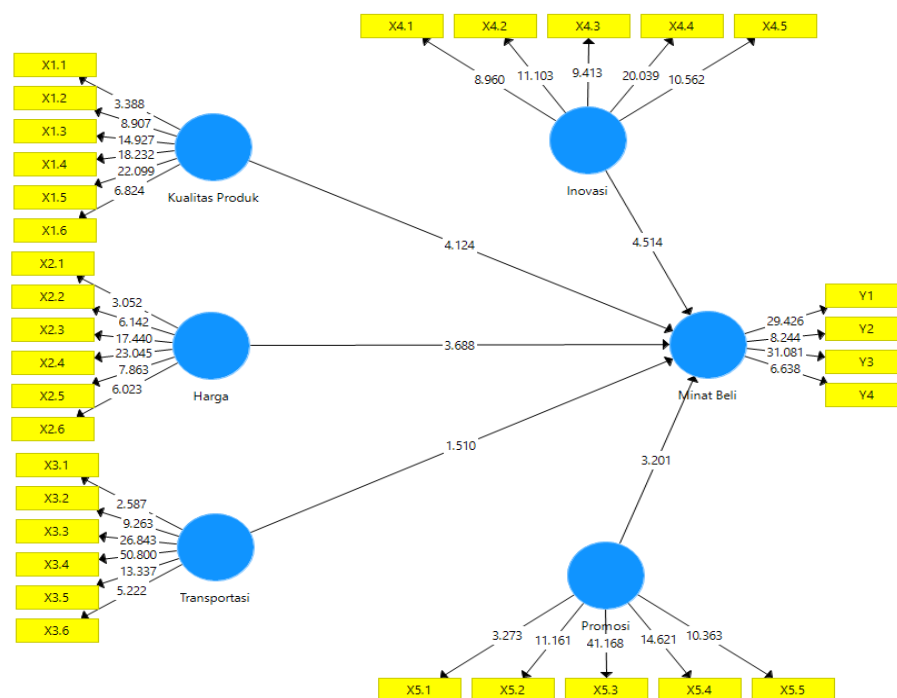


Figure 1. Model analysis

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The significance of the estimated parameters provides very useful information about the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output result for inner weight.

Path Coefficients

	Mean, STDEV, T-Values, P-Values	Confidence Intervals	Confidence Intervals Bias Corrected	Samples	
	Original Sampl...	Sample Mean (...)	Standard Devia...	T Statistics (O/...	P Values
Harga -> Minat Beli	0.155	0.147	0.042	3.688	0.000
Inovasi -> Minat Beli	0.249	0.276	0.055	4.514	0.000
Kualitas Produk -> Minat Beli	0.326	0.315	0.079	4.124	0.000
Promosi -> Minat Beli	0.179	0.175	0.056	3.201	0.001
Transportasi -> Minat Beli	0.104	0.100	0.069	1.510	0.131

Figure 2. Path Coefficients

Based on the results of the SmartPLS 3.0 analysis, this section will discuss the results of the calculations that have been carried out. This study aims to determine the effect of product quality, pricing strategy, transportation and location, product innovation and sales promotion on buying interest of SME products in Medan City. Testing is shown through the existing hypotheses so that you can find out how each variable influences the other variables. Buying interest is a plan or action from consumer behavior to buy products that she sees or she gets from various sources and find out information about a product that she is interested in so that desire and stimulation arise to be able to have the product (Arda & Pratiwi, 2022).

DISCUSSION

To increase the business capacity of MSME entrepreneurs through creativity and product innovation, marketing strategies, digital marketing (Marpaung, Hapiz, Koto, Dari, 2021). Effect of product quality on purchase intention. The results of data analysis show that product quality has a positive and significant effect on the intention to buy SME products in Medan City. This means that product quality is measured through six indicators, namely performance, durability, conformance to specifications, features, reliability, aesthetics have a positive and significant effect on the interest in buying products of Medan City SMEs. The results of this study are in line with (Haqiqi & Adji, 2021) product quality has a relevant influence on the level of consumer buying interest.

Effect of pricing strategy on buying interest. The results of the data analysis show that the pricing strategy has a positive and significant effect on the intention to buy SME products in Medan City. This means that the price strategy as measured by six indicators, namely profit maximization, market share pricing, market skimming prices, current revenue pricing, target profit pricing, promotional pricing has a positive and significant effect on the intention to buy UKM products in Medan City. These results are in line with research (Satria, 2017) that the effect of pricing strategy partially has a positive and significant effect on purchase intention. Research (Arianty & Gunawan, 2021) states that price has a positive and significant value on MSME buying interest.

Effect of transportation and location on buying interest. The results of data analysis show that transportation and location have no significant effect on the intention to buy SME

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products in Medan City. This means that transportation and location are measured through six indicators, namely access, visibility, parking space, expansion, environment, equipment/technology, which are not significant to the interest in buying SME products in Medan City. Research (Tania, Hemawan, Izzuddin, 2022) has results that are not in line with this study, namely location has a significant effect on purchase intention.

Effect of product innovation on purchase intention. The results of data analysis show that product innovation has a positive and significant influence on the intention to buy SME products in Medan City. This means that product innovation is measured through five indicators, namely: creativity, technical innovation, design changes, changes in distribution facilities, payment administration systems have a significant influence on the intention to buy SME products in Medan City. The results of the study (Maulana & Alisha, 2020) also show that product innovation has a significant effect on consumer buying interest.

The influence of sales promotions on buying interest. The results of the data analysis show that sales promotion has a positive and significant effect on this. This means that sales promotion is measured through five indicators, namely promotion frequency, promotion quality, promotion quantity, promotion time, market suitability has a positive and significant effect on the intention to buy SME products in Medan City. The results of this study are in line with research (Satria, 2017) that promotions have a significant effect on consumer buying interest.

CONCLUSION

Most of the SMEs in Medan City are engaged in the food and beverage sector. Based on the model using the SEM (Structural Equation Modeling) method using smart PLS, it is known that product quality, price, product innovation, and promotion have a positive and significant effect on purchase intention. This shows that the better product quality, price, innovation and promotion offered by SMEs will increase consumer buying interest. While transportation and location have no significant effect in this study.

Based on the discussion and conclusions that have been stated previously, the suggestions from this study are:

1. To increase consumer buying interest, of course it is necessary to develop and improve product quality because consumers certainly buy products in order to get quality products and according to what they want.
2. Furthermore, in terms of the price strategy aspect, it is necessary to adjust whether the price offered is in accordance with the product being sold and whether the price offered can compete with competitors of similar products.
3. In the aspect of product innovation, attention is needed because the development of existing industrial trends is growing rapidly, if product innovation is carried out late, it will be difficult for consumer buying interest to increase.
4. In the aspects of transportation and location, it is necessary to have very clear information to potential customers regarding the advantages and prospects that exist so that consumers can assess the product as having considerable added value if the consumer buys the product so that consumer buying interest will increase.
5. In the aspect of sales promotion, of course, the promotions offered must be as clear as possible and shown to the right prospective customers. Providing reliable information will increase consumer buying interest because consumers can trust the product.

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