

# The Influence of Consumer Behavior and Marketing Strategy Towards Marketing Performance of MSME in West Java Through Competitive Strategies in the Covid-19 Pandemic Break

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## Abstract

*MSMEs is as one of the pillars of the national economy came under enormous pressure during the COVID-19 Pandemic. Most of the MSMEs, especially those in West Java, felt a very heavy impact. Continuous and structured efforts are needed in encouraging the revival of MSMEs in the new normal era. This research was conducted as an effort to find effective strategies to sustain the revival of MSMEs. This objective is carried out by studying whether consumer behavior and marketing strategies affect marketing performance through increasing competitive strategies. This research was conducted using online survey data collection techniques. The results of the analysis found that consumer behavior and marketing strategies had a significant effect on increasing competitive strategies and through competitive strategies to encourage increased marketing performance of MSEs in West Java.*

**Keywords:** COVID-19, consumer behavior, marketing strategy, competitive strategy, marketing performance, MSMEs.

## INTRODUCTION

To encourage the revival of micro, small and medium enterprises (MSMEs) during the pandemic is one of the keys not to fall into an economic recession like neighboring Singapore. The existence of this UMKM is very important to sustain the Indonesian economy. It is proven that its contribution reaches 60.3 percent of the total gross domestic product (GDP) of Indonesia. MSMEs are also able to absorb 97 percent of the total workforce and 99 percent of total employment (2016 Annual Report of the Ministry of Cooperatives and MSMEs) However, the impact of the Covid-19 pandemic which is now spreading throughout the world including Indonesia, has made MSME players currently facing very heavy pressure. The occurrence of the Covid-19 pandemic had an impact on Indonesia's economic performance, where Indonesia's economic growth rate in the first quarter of 2020 was only 2.97%, even in the second quarter of 2020 it was minus 5.32% (BPS, 2020). Likewise, it has an impact on the performance of small and medium business actors, where from the results of a survey by the Central Statistics Agency stated that 84.20% of MSMEs have experienced a decline in demand, six out of every ten Small and Medium Business operators face obstacles

due to business partners unable to operate normally, and 62, 21% of MSMEs face financial constraints related to employees and operations. The survey results from the Inventure consultant (new normal consumer behavior, after covid-19, 2020) said that there were changes in consumer behavior after Covid-19, namely giving birth to a new society full of empathy and solidarity high (empathy society), consumers use more virtual media, new lifestyles by staying at home more, as well as shifting needs from self-actualization to basic needs such as that, and health. However, MSME actors have implemented improvement efforts by diversifying their businesses. dive into the pandemic by running business processes as usual with the addition of products, business fields and business locations, as well as switching to a different business sector (BPS, 2020). To encourage the revival of MSMEs, an in-depth study of the right business strategy during a pandemic is needed. Thus, paying attention to consumer behavior that clearly changes during a pandemic is one of the keys to success first, then aligning consumer behavior with marketing strategies so as to be able to realize effective competitive strategies and achieve positive marketing performance.

### **LITERATURE REVIEW**

Martin Tan (2006) states that consumer behavior can be defined as the decision-making process and physical activity involved in obtaining, evaluating the use and disposal of goods and services. Meanwhile, according to Kotler and Keller (2016), marketers must have a thorough understanding of how consumers think, feel and act and offer clear value to each target consumer, and consumer behavior is a process of how individuals, groups and organizations choose, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. Consumer purchasing behavior is influenced by cultural, social, and personal factors. Of these, cultural factors provide the broadest and deepest influence. According to J. Paul Peter (2010), from the point of view of consumer analysis, a marketing strategy is a series of stimuli placed in a consumer's environment designed to influence their influence, cognition, and behavior. These stimuli include things like products, brands, packaging, advertisements, coupons, shops, credit cards, price tags, salesperson communications, and, in some cases, sounds (music), smells (perfume), and other sensory cues. Companies in carrying out their business must carry out evaluations through the achievement of their business performance, according to Hubbard and Beamish (2011), indicators of company business success can be measured through; Margin growth, market share, sales growth and asset growth.

The results of the research I Ketut Kantan, Gede Sri Darma (2016) with 171 guests as respondents who stayed at the Alpa Bali hotel. shows that consumer behavior has a positive and significant effect on marketing strategies and customer satisfaction, but has no significant positive effect on business performance. Furthermore, according to research by Vanessa Ratten et al. (2020), which states that the existence of the Coronavirus (Covid-19) pandemic not only causes significant catastrophes worldwide but also presents several important opportunities for entrepreneurs to be innovative in the market. Although entrepreneurs are inherently resilient, the Covid-19 crisis in terms of size and duration has posed special challenges faced by entrepreneurs in adapting to new environments. This article has raised the need to focus on specific areas of entrepreneurship regarding culture, lifestyle and social problems. The results of Vanesa Ratten's research at al. (2020) further convey how there is a relationship between the occurrence of the Covid-19 pandemic and increased value creation. Findings - This article highlights how there has been an increasing emphasis on social policies focused on finding entrepreneurial ways to deal with the COVID-19 crisis that incorporate several degrees of co-creation value.

This study uses primary data collected from MSME players in West Java. Primary data was collected through an online survey through the site <https://docs.google.com/forms/d/12gpXHonEL1y4r9cxaqhpA95m6AHqGPCy-dXBOCVSIIo/edit>. There are four variables in this study, namely (1) consumer behavior, (2) marketing strategy, (3) competitive strategy and (4) marketing performance. The survey was conducted during August and September 2020 with a total of 157 MSME respondents with 53 types of MSME businesses.

The method used in this research is descriptive and verification methods. Descriptive method is done by providing an explanation of the research variables based on survey data using descriptive statistical approaches such as mean and standard deviation. The average gives a general description of the respondents' assessment in this study. If the average is close to the value of 5, it can be concluded that the respondent gives a positive assessment of each research item. Meanwhile, the standard deviation indicates how varied the respondent's answer is.

Furthermore, for the analysis of the influence, the Variance Based Structural Equation Modeling (VBSEM) technique is used or better known as Partial Least Square-Path Modeling (PLS-PM) (Hair et al., 2017). PLS-PM is an analysis technique that combines Path analysis with confirmatory factor analysis. The advantage of this analysis is that it can perform modeling by paying attention to complex relationship structures and at the same time evaluating research instruments.

#### Hypothesis

There are 5 hypotheses tested in this study as follows:

H1: There is an effect of consumer behavior on competitive strategies

H2: There is an effect of marketing strategy on competitive strategy

H3: There is an effect of competitive strategy on marketing performance

H4: There is an effect of consumer behavior on marketing performance through competitive strategies

H5: There is an effect of marketing strategy on marketing performance through competitive strategies

More clearly, this research hypothesis can be described in the path diagram as follows:

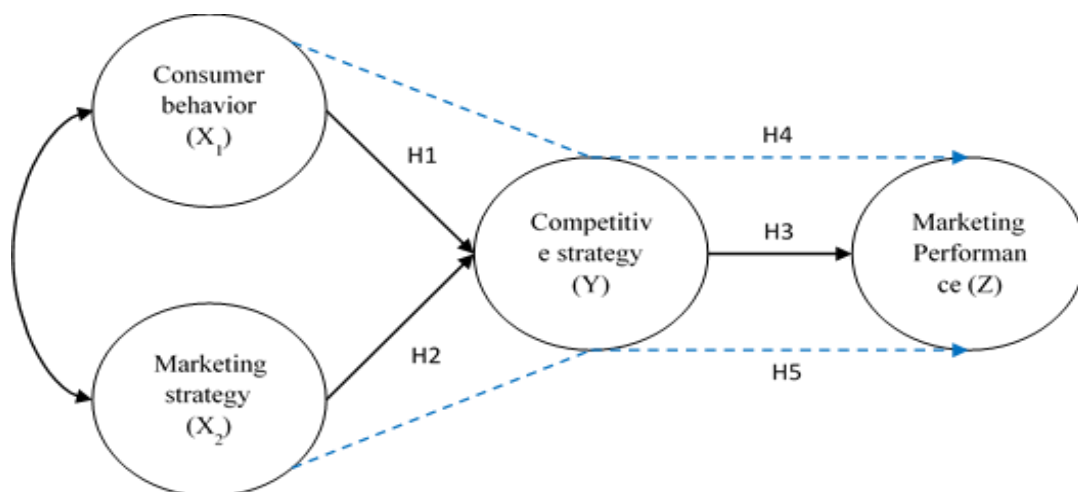


Figure 1. Research hypothesis

The calculation process is carried out using the R application with the PLSPM package (Sanchez, 2013)

**RESULTS AND DISCUSSION**

Demographics of the respondents are as follows:

No.	UMKM	Percentage (%)
1	Fashion	13.7
2	Food & Beverage	11.1
3	Financial Services	8.5
4	Health	5.2
5	Consultants	4.6
6	Retail	4.6
7	Distributors	3.9
8	Convection	3.9
9	Expedition	3.3
10	Education	2.6

The types of MSMEs that were recorded the most were fashion and food & beverage. These findings confirm that West Java, especially Bandung, is a well-known fashion and culinary center throughout Indonesia. Furthermore, looking at the level of education of the MSME actors themselves, the majority of them are undergraduate or can be said to have higher education. Thus, MSMEs can no longer be viewed as home industries that are not managed professionally. Looking at the level of education of MSME actors, it can be concluded that the majority of MSMEs in West Java have started to be managed professionally with the assumption that MSME entrepreneurs are very aware of consumer behavior, marketing strategies, competitive strategies and how to be effective in improving marketing performance. The level of education of MSME managers can be seen in Table 2.

Table 2. Education level of MSME actors

Education	Percentage (%)
Bachelor (S1)	69.4
Magister and Doctoral (S2)	29.3
S3	1.3

**Measurement model**

The initial stage in modeling the influence of consumer behavior and marketing strategies on the marketing performance of MSMEs through competitive strategies during the Covid-19 pandemic in West Java is to evaluate research instruments. The main requirements that must be met by research instruments are valid and reliable. The validity seen from the lowest loading factor must be 0.50 and the reliability is seen from the combined reliability of Cornbach's alpha, composite reliability (CR) and also the average variance extracted (AVE). Cronbach's alpha and composite reliability values must be greater than 0.700 and AVE is expected to be greater than 0.50 (Hair et al., 2011; 2017; Henseler et al., 2009).

This study uses an instrument in the second order format which has a variable structure, dimensions and items. So the measurement model uses the second order measurement model. The first order model is shown in Table 3 and the second order model in Table 4. The evaluation results of the measurement model found that 3 items in the marketing strategy variable were invalid because they had a loading factor value of less than 0.50 and one item in the competitive strategy dimension was also declared not valid. Invalid items in the marketing strategy variable are (1) Concentration in one segment (only 1 product for 1

segment), (2) Entire market (entry to all markets, regardless of segment), and (3) More for more (A superior product at a high price compared to competitors). Meanwhile, items that are not valid in the competitive strategy variable are new products.

Table 3. First Order Measurement Model

Latent variables	Item	Factor Loading	R <sup>2</sup>	Mean	SD
Social Factor (X1.1)					
K=3	Family (decision making in the family, changes in parenting patterns, more religion)	0.690	0.4761	3.994	0.873
Alpha=0.503	Consumer groups (through word of mouth and on line social networks)	0.699	0.4886	4.318	0.768
CR=0.751	Role status / Role status (Through what role his status is)	0.735	0.5402	3.936	0.757
AVE=0.502					
Personnel Factor (X1.2)					
K=3	Economic conditions of work (Occupation)	0.659	0.4343	3.771	1.126
Alpha=0.574	Lifestyle (Example: stay at home lifestyle, use virtual / digital media, virtual society)	0.811	0.6577	4.363	0.752
CR=0.779	Self-concept (marketers must match the personality of the brand must match the personality of the target market)	0.727	0.5285	4.134	0.793
AVE=0.540					
Psychological Factor (X1.3)					
K=4	Motivation (More oriented to basic needs)	0.687	0.4720	4.363	0.778
Alpha=0.638	Motivation (More oriented to the need for security)	0.804	0.6464	4.376	0.788
CR=0.787	Motivation (More oriented towards self-actualization needs)	0.543	0.2948	3.643	1.013
AVE=0.481	Believes and attitudes (Believes & attitudes)	0.716	0.5127	3.968	0.835
Targeting (X2.1)					
K=3	Selected specialties (multiple segments for multiple unrelated products)	0.744	0.5535	3.580	0.921
Alpha=0.363	Market specialization (Serving multiple products in 1 market)	0.640	0.4096	3.745	1.006

Latent variables	Item	Factor Loading	R <sup>2</sup>	Mean	SD
	segment)				
CR=0.702	Product specialization (Serving 1 product for several segments)	0.595	0.3540	3.701	0.997
AVE=0.439					
Value proposition (X2.2)					
K=4	More for the same (Product benefits have higher benefits than competitors but at the same price as competitors)	0.604	0.3648	3.841	0.902
Alpha=0.589	More for less (products with higher benefits than competitors at lower prices)	0.657	0.4316	3.936	1.048
CR=0.764	The Same for Less (Products with the same benefits from competitors, but at a lower price than competitors)	0.849	0.7208	3.911	0.976
AVE=0.447	Less for much less (Products with fewer benefits than competitors, but at a much lower price than competitors)	0.521	0.2714	3.127	1.254
Differentiation (X2.3)					
K=4	Product Differentiation	0.830	0.6889	4.315	0.529
Alpha=0.829	Service / service differentiation	0.876	0.7674	4.518	0.577
CR=0.887	Differentiation of Personnel	0.868	0.7534	4.600	0.556
AVE=0.664	CImage	0.669	0.4476	4.156	0.633
Expansion of total market (Y1)					
K=3	new user	0.825	0.6806	4.108	0.829
Alpha=0.795	new uses	0.904	0.8172	4.038	0.816
CR=0.881	more usage of product	0.798	0.6368	4.172	0.744
AVE=0.712					
Maintain Market Share (Y2)					
K=6	Product diversification	0.659	0.4343	4.242	0.780
Alpha=0.787	Effectiveness of product distribution	0.739	0.5461	4.325	0.753
CR=0.85	Proactive Marketing	0.786	0.6178	4.529	0.675
AVE=0.482	Improved customer service (Customer services)	0.679	0.4610	4.573	0.709
	Continuous innovation	0.623	0.3881	4.541	0.764
	Promotion Effectiveness	0.669	0.4476	4.446	0.820

Latent variables	Item	Factor Loading	R <sup>2</sup>	Mean	SD
Expansion of market share (Y3)					
K=3	Market penetration	0.841	0.7073	4.108	0.789
Alpha=0.794	New market segment	0.865	0.7482	4.070	0.841
CR=0.88	Geographical expansion	0.818	0.6691	3.904	0.986
AVE=0.708			0.0000		
Business performance (Z)					
K=2	Achievement of sales targets	0.971	0.9428	3.325	1.172
Alpha=0.946	Achievement of targeted profit growth	0.976	0.9526	3.261	1.144
CR=0.973					
AVE=0.948					

\*K: many items are valid and reliable

Table 3 presents all valid items after removing invalid items from the analysis. Based on Table 3, the analysis of the measurement model for items on all dimensions is declared valid and reliable with a validity coefficient greater than 0.500 and a reliability coefficient that meets the minimum limit of 0.700 for alpha and CR and above 0.500 for AVE. So that in this case all items are declared valid and reliable. In the second stage measurement process also gives the same conclusion, namely that all dimensions are declared valid and reliable in measuring the research variables with a loading factor value greater than 0.500 and a reliability coefficient that is greater than the minimum limit.

Latent variables	Dimension	Factor Loading	R <sup>2</sup>	Mean	SD
Consumer behavior (X1)					
L=3	Social Factors (X1.1)	0.761	0.579	4.083	0.800
CR=0.860	Personnel Factors (X1.2)	0.844	0.712	4.089	0.891
AVE=0.673	Psychological Factors (X1.3)	0.853	0.728	4.088	0.853
Maket strategy (X2)					
L=3	Targeting (X2.1)	0.694	0.482	3.675	0.974
CR=0.801	Value proposition (X2.2)	0.724	0.524	3.704	1.045
AVE=0.575	Differentiation (X2.3)	0.848	0.719	4.397	0.574
Competitive strategy (Y)					
L=3	Expansion of the total market (Y1)	0.797	0.635	4.106	0.796
CR=0.793	Maintain market share	0.852	0.726	4.443	0.750

	(Y2)				
AVE=0.657	Expanding market share (Y3)	0.767	0.588	4.028	0.872

\*L: many dimensions are valid and reliable

Based on the results of the instrument testing, it can be concluded that both the items and dimensions are valid and reliable so that the conclusions obtained in this study are expected to produce valid and reliable results.

### Influence modeling

Furthermore, an analysis of the influence model of consumer behavior and marketing strategies on the marketing performance of MSMEs was carried out through competitive strategies during the Covid-19 pandemic in West Java. The amount of influence is represented by the path coefficient value of each latent variable with one arrow. The estimation of influence parameters was carried out using the ordinary least square (OLS) method and hypothesis testing was based on the bootstrap method (Hair et al., 2011). A p-value less than 0.05 indicates the influence hypothesis is accepted.

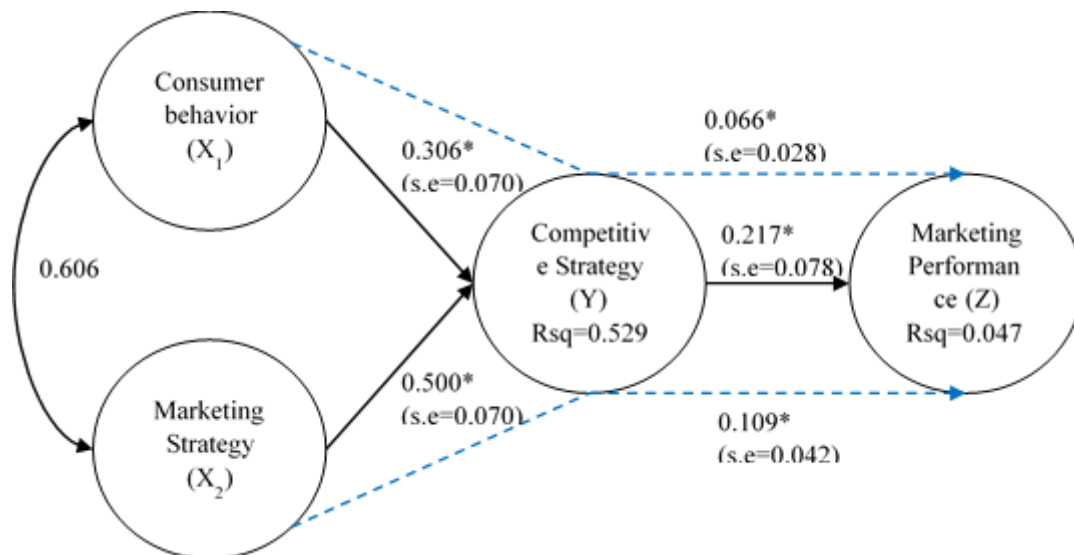


Figure 2. The influence model of consumer behavior and marketing strategies on the marketing performance of MSMEs through competitive strategies during the Covid-19 pandemic in West Java

Note: standard error estimate; full line: direct effect; dash line: indirect effect

Table 5. Estimated parameters of the influence of consumer behavior and marketing strategies on the marketing performance of MSMEs through competitive strategies during the Covid-19 pandemic in West Java.

	Estimate	Std. Error	t value	p-value
$X_1 \rightarrow Y$	0.306	0.070	4.400	0.000
$X_2 \rightarrow Y$	0.500	0.070	7.200	0.000
$Y \rightarrow Z$	0.217	0.078	2.770	0.006
$X_1 \rightarrow Y \rightarrow Z$	0.066	0.028	2.343	0.020
$X_2 \rightarrow Y \rightarrow Z$	0.109	0.042	2.583	0.011

The results of the analysis show that the influence of consumer behavior on competitive strategies is 0.306 standard deviation, the effect of marketing strategies on competitive strategies is 0.500. Both variables have a significant effect with a p-value of less than 0.050. Based on the influence found in this study, it can be concluded that the marketing strategy variable is the most determining factor in the competitive strategy. However, there is a strong relationship between consumer behavior and marketing strategies, which is 0.606, informing that in building a competitive strategy paying attention to consumer behavior is important. Furthermore, it was found that the effect of competitive strategy on direct marketing performance was 0.217 standard deviation. Although this influence is relatively small, it is significant. The small effect reflects that in a pandemic like this time, extra efforts are needed to be able to improve marketing performance. The competitive strategy that is developed must have its own value compared to other competitors.

The results of the analysis also found that there is a significant influence of the variable consumer behavior and marketing strategy on marketing performance indirectly through the variable competitive strategy. These results indicate that, in an effort to improve marketing performance, a competitive strategy must be driven by an understanding of consumer behavior and the selection of the right marketing strategy.

Furthermore, an analysis of the interests of each dimension is carried out and the performance achieved by the dimension is carried out.

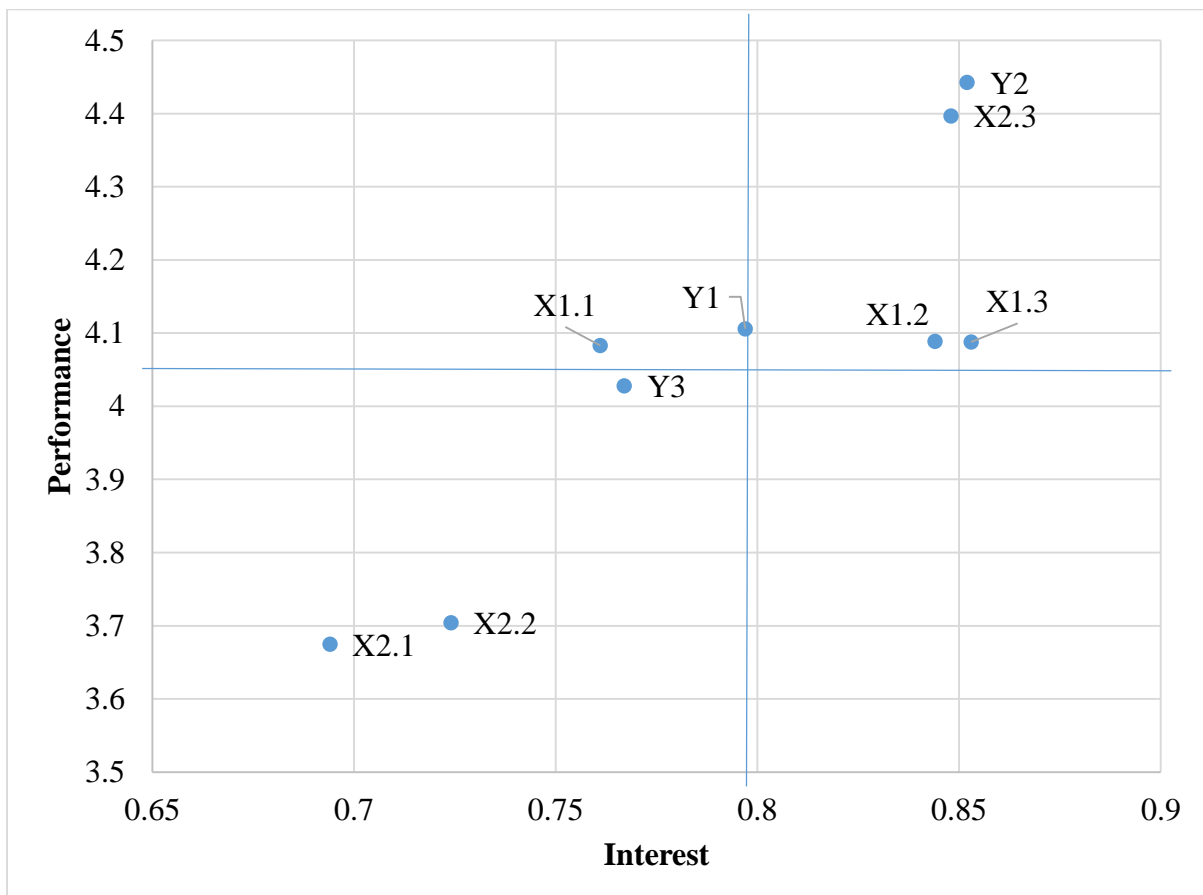


Figure 3. Analysis of Interest and Performance Dimensions

There are no the dimensions were found to have a high level of importance with low performance which indicates that MSME actors respond positively to consumer behavior, marketing strategies, competitive strategies and marketing performance. Only three

dimensions have an average value of less than four, namely the targeting dimension (X2.1), value proposition (X2.2) and expanding the market shared. This is very natural in pandemic conditions like now where expanding share mockups is very difficult.

## **CONCLUSION**

Almost all business sectors have been affected by the Covid-19 pandemic, including Micro, Small and Medium Enterprises (MSMEs). This sector is experiencing a decline in sales, experiencing difficulties in obtaining raw material supplies, constraints in repaying loans, and laying off employees (Jayani, 2020). In addition, the increase in raw material prices is also an obstacle faced by MSMEs during this pandemic. The decline in the national economy which directly impacts on the decline in people's income, also has a significant impact on sales volume (Catriana, 2020). In times of crisis, such as today, MSME actors are required to innovate and take advantage of various marketing strategies, including through online channels to maintain business continuity. The corona virus pandemic or Covid-19 has made micro, small and medium enterprises (MSMEs) restructure their business strategies. On the other hand, in the midst of a downturn, creative ideas have made several MSMEs benefit from the COVID-19 pandemic by making various creative innovations. This research was conducted during the COVID-19 pandemic. The objective of this research is to study how consumer behavior and marketing strategies influence the marketing performance of MSMEs through competitive strategies during the Covid-19 pandemic. The results of the analysis found that consumer behavior and marketing strategies have a positive contribution to improving competitive strategies and have an indirect significant impact on the marketing performance of MSMEs in West Java, Indonesia. The analysis also found that competitive strategies directly impact marketing performance. These findings can be used as a reference by MSME actors in order to rise again from adversity during the COVID-19 pandemic. Looking for creative ideas to improve competitive strategies, paying closer attention to consumer behavior can be the main key to bounce back. In this new normal era, consumers tend to stay more at home and reduce their outside shopping activities so that getting closer to consumers through e-commerce can be an effective strategy. However, competition for online sales is inevitable. Based on the results of this study, it was found that the effect of strategy on marketing performance was significant, but the value was relatively low. This is because the majority of MSMEs are looking at this strategy as an effective strategy during a pandemic. So that the various strategies that are tried to be implemented are not enough to help marketing performance. However, there is always hope that this significant influence shows that high creativity will also provide high opportunities to improve marketing performance. UMKM players must be able to find uniqueness in marketing performance that is able to compete with other MSMEs, especially with similar products. For example, doing live online marketing by introducing products in more detail and clearly to consumers. One of the concerns of consumers shopping online is that the products purchased are not as expected, so interacting through live can be an effort to reduce consumer concerns.

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