

## The Role of Digital Marketing, Service Quality, Product Quality on Purchasing Power through the Satisfaction of Probolinggo MSME Followers during the Covid-19 Pandemic

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### ABSTRACT

This study aims to analyze the role of digital marketing, service quality, and product quality on purchasing power through consumer satisfaction of the MSME followers processing and marketing marine and fishery products in Probolinggo City during the Covid-19 pandemic. This study used 225 respondents for the object of the study. The results showed that the role of digital marketing, service quality, and product quality affect consumer satisfaction. Furthermore, the consumer satisfaction affects purchasing power. In addition, the role of digital marketing, service quality, and product quality affect consumer purchasing power. However, the role of digital marketing, service quality, and product quality does not affect consumer purchasing power through consumer satisfaction as an intervening variable. It implies that the MSME actors can adapt to changes in the business environment, allowing them to survive and be responsive to any changes.

**Keywords:** Consumer Purchasing Power, Consumer Satisfaction, Digital Marketing, Product Quality, Service Quality

## **INTRODUCTION**

Medium-Small Enterprises (MSMEs) in Indonesia have developed rapidly due to the optimal use of technology, information, and communication facilities. However, six factors hinder the business development (Kuncoro in Setyanto, Samodra, & Pratama, 2015). First, it deals with the difficulty of obtaining market opportunities and expanding market share. Second, it is difficult to obtain capital due to the limited sources of adequate capital. Third, it deals with the lack of understanding in organization and HR management. Fourth is the lack of having much wider cooperation partners among entrepreneurs. Fifth, there is unfair competition among entrepreneurs. Sixth, it is the lack of guidance and training in integration and public awareness and trust in small businesses.

On the one hand, the MSMEs have developed rapidly during the last decade. On the other hand, their movement has also decreased due to the emergence of Covid-19 pandemic in the early 2020. The pandemic directly impacts the economic cycle, especially for MSMEs. For example, in 2020, the first positive case of Covid-19 was confirmed (Detikcom, 2020).

At this time, coronavirus disease, commonly referred to as Covid-19, is included in the group of viruses plaguing humans and animals. These viruses cause infectious diseases in the human respiratory tract and more severe lung infections such as MERS-CoV or acute syndrome diseases like SARS-CoV. Moreover, Covid-19 can also cause the humans' death. Covid-19 is characterized by a dry cough, fever, shortness of breath, flu, diarrhea, headache, nausea and vomiting, and muscle pain. An incubation period has been set to detect the symptoms, which ranges from 2 to 14 days.

With the outbreak of the COVID-19 pandemic, the MSMEs are considered the earlier of having experienced. That is why it is really a quite disturbing economic shock. At this point, the MSMEs should seriously start learning how to rearrange their business strategies to survive.

The condition above has also impacted the MSMEs processing and marketing marine and fishery products, especially in the City of Probolinggo. This is evident from the decline in consumer purchasing power. They must improve their marketing strategy and promotion by using digital media or the internet. This digital marketing aims to attract consumers and potential consumers quickly. It is essential when the digital marketing method is implemented as it has been used by business practitioners through Instagram, Facebook, Twitter, and many more. In addition, digital marketing can also be done on e-commerce and many other media. More importantly, the rapid development of technology makes digital marketing must be understood and learned by MSMEs.

Not only technology development but also other factors such as service quality and product quality have a significant effect on shaping consumer satisfaction (Lestari & Agdhi, 2019; Tripayana & Pramono, 2020). It is argued that by improving product quality and service quality, the MSMEs can make these factors have a positive and significant effect on shaping consumer satisfaction and creating consumer loyalty. Therefore, MSMEs need to pay attention to the dimensions of product quality and improve their products to increase consumer confidence. Good product quality and service quality can make their consumers satisfied. By doing this, they can finally also create their consumer trust.

According to Kotler and Keller (2005), consumer satisfaction is one's feeling of pleasure or disappointment that arises after comparing perceptions of product results and expectations. In this case, it raises the question of whether the role of digital marketing, service quality, and product quality affects the MSME businesses; whether it affects consumer satisfaction among MSME followers; whether consumer satisfaction affects the purchasing power of MSME followers. This study also investigates whether the role of digital marketing, service quality, product quality affects the purchasing power of MSME followers; and whether the role of digital marketing, service quality, product quality affect consumer purchasing power through consumer satisfaction with the MSME followers.

## **LITERATURE REVIEW**

### **The Role of Digital Marketing**

It is considered important when digital marketing strategy uses social media because it can provide knowledge to MSMEs' practitioners about the ways and stages in expanding consumer networks. By using social media, the MSMEs can market their products so efficiently and effectively that they can increase their competitive advantage. This underlines that digital marketing is a marketing activity or promotion of a brand or product using digital media to attract consumers and potential consumers quickly. It also makes the companies market their brand using various web-based media such as blogs, websites, e-mail, AdWords, or social networks (Sanjaya & Tarigan, 2009).

### **Product Quality**

Product quality can be defined as the ability to meet customer needs and expectations. According to Kotler (2008), product quality reflects the satisfaction of one's product performance assessment about their expectations. On the one hand, customers will be happy and consider a product acceptable or high quality when it meets their expectations. On the other hand, they will perceive that the product has a low quality if it cannot meet their expectations. In relation to product quality, Tjiptono (2007) determined product quality through eight dimensions: performance, features, reliability, suitability, durability, serviceability, aesthetics, and perceived qualities

### **Service Quality**

Another important factor is service quality. Service quality is closely related to customer perceptions toward service performance, where service quality affects the level of satisfaction. Mittal and Gera in Maladi, Nirwanto, and Firdiansjah (2019), defined service quality as the customer's assessment of overall service excellence based on the difference between perceived performance and customer expectations. Sukei and Hadi (2012) stated that, today, the concept of quality has become a very dominant factor in the success of an organization. The quality perspective is the approach used to realize the quality of a product/service. Therefore, quality is the main guideline in developing and successfully implementing engineering programs to realize a major business goal. Another proponent is Tjiptono (2014) stating that service quality is the fulfilment of customer needs and desires as well as the accuracy of its delivery to balance customer expectations. In connection with service quality, the two main factors affecting service quality: the expected service and the perceived service. There are 22 determinants of service quality, summarized into five dominant factors, that is generally known as SERVQUAL: reliability, responsiveness, assurance, empathy, and tangibility (Darwin & Kunto, 2014; Parasuraman, Zeithaml, & Berry, 1988).

### **Consumer Satisfaction**

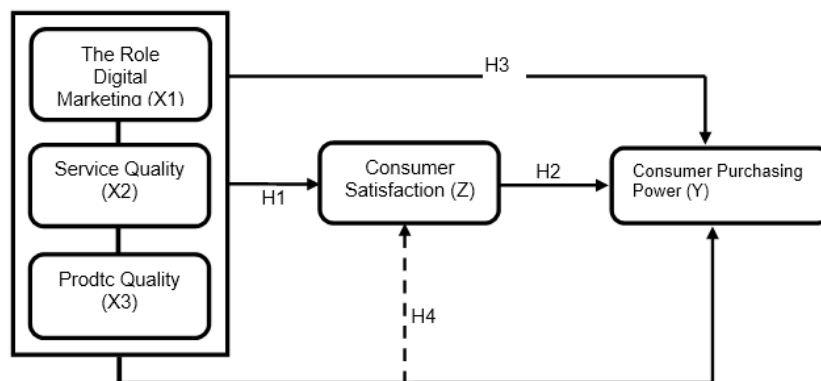
Some proponents describe consumer satisfaction conceptually. First, it can be referred to Sukesu and Hadi (2012). They described that customer satisfaction is consumers' attitude of being good with the products they have bought. Mowen (1995) described that "Customer satisfaction is the overall attitude regarding goods or service after acquisition and uses." The definition, therefore, explains whether or not customers are satisfied with a product or service. Their overall attitude indicates it after obtaining and using the product or service. If they are satisfied, they will show a great opportunity to make repeat purchases or buy other products from the same company in the future. Satisfied customers tend to say good things about the product and the company concerned to others. Last of all, according to Kotler (2000), a fixed marketing mix that includes products, prices, services, and promotions increases customer satisfaction. However, the benchmark for customer satisfaction is more on price, product quality, and service.

### **Purchasing Power**

The next factor is purchasing power. It is one's ability to consume a product. The law of demand states that the lower the price of an item, the more demand for that item. On the contrary, the higher the price, the lower the demand. Concerning purchasing power, Pawenang (2016) stated that people's purchasing power is the ability of the community as consumers to buy the goods and services needed. Purchasing power is also said to increase if the ability to buy goods and services is higher than the previous period. Otherwise, purchasing power is said to decrease if the ability to buy goods and services is lower than that in the previous period. Factors influencing people's purchasing power are income level, education level, level of need, people's habits, and prices of goods. People's purchasing power is measured by Consumer Price Index (CPI), Producer Price Index (IHP), Farmers' Exchange Rate (NTP), Consumer Confidence Index (IKK), Economic Condition Index (IKE), Consumer Expectation Index (IEK) (Lunnette & Andreani, 2017).

## **RESEARCH METHOD**

This is quantitative research in which the researchers attempt to analyze the relationship of variables toward the object as causal study. Therefore, in this study, there are independent variables and dependent variables (Noor, 2013). The population consists of the MSME followers in Probolinggo Regency. A total of 225 respondents were selected using purposive sampling. The conceptual framework of this study can be seen in Figure 1.



**Figure 1:** Model of Hypothetical Analysis

*Source: Primary Data, 2021*

Based on Figure 1, we formulated hypotheses based on the theoretical review as the following:

- H1: The role of digital marketing, service quality, product quality has a significant effect on consumer satisfaction of MSMEs followers, processing and marketing marine and fishery products in Probolinggo city during the Covid 19 pandemic
- H2: The role of consumer satisfaction has a significant effect on consumer purchasing power of MSME followers, processing and marketing marine and fishery products in Probolinggo city during the Covid-19 pandemic
- H3: The role of digital marketing, service quality, product quality has a significant effect on consumer purchasing power of MSME followers, processing and marketing marine and fishery products in Probolinggo city during the Covid 19 pandemic
- H4: The role of digital marketing, service quality, product quality has a significant effect on consumer purchasing power through consumer satisfaction of MSMEs followers, processing and marketing marine and fishery products in Probolinggo city during the Covid 19 pandemic

Table 1 provides the operational definitions.

**Table 1: Operational Definitions**

<b>Variables</b>	<b>Definition</b>	<b>Indicators</b>
Digital Marketing (X1)	It is marketing activities or promotion for a brand or product by using digital media (Sanjaya & Tarigan, 2009)	a. Website X1.1 b. Social Network X1.2 c. Email X1.3 d. Aword X1.4 e. Interactive X1.5
Service Quality (X2)	Providing fast and precise service according to customer needs (Parasuraman et al., 2008)	a. Reliability. X2.1 b. Responsiveness. X2.2 c. Assurance. X2.3 d. Empathy. X2.4 e. Tangible. X2.5
Product Quality (X3)	Fulfilment and suitability of customer needs to differentiate the products sold by the company from those of competitors (Boyd, Walker, & Larreche, 2005)	a. Performance X3.1 b. Durability X3.2 c. Conformance to Specifications X3.3 d. Features X3.4 e. Reliability X3.5
Consumer Purchasing Power (Y)	Increasing the personal consumer buying interest and related to attitudes, individuals who are interested in an object	a. Brand Decision Y1.1 b. Supplier Decision Y1.2 c. Quantity Decision Y1.3 d. Time Decision Y1.4 e. Payment Method Decision Y1.5
Consumer Satisfaction (Z)	It is a person's feeling of being pleased or disappointed compared to the performance of a product (Kotler, 2000)	a. Quality, stability, and Product Uniqueness Z1.1 b. Price Z1.2 c. Service Quality Z1.3 d. Emotional factor Z1.4 e. Cost Z1.5

## RESULTS

### Inter-variable Correlation

The Pearson correlation test presented Table 1 indicates that the most significant relationship between variables in this study is the quality and customers' satisfaction with a correlation value of 0.824 (significant at the 0.05 level). This describes that strengthening customers' satisfaction and service quality are related to each other.

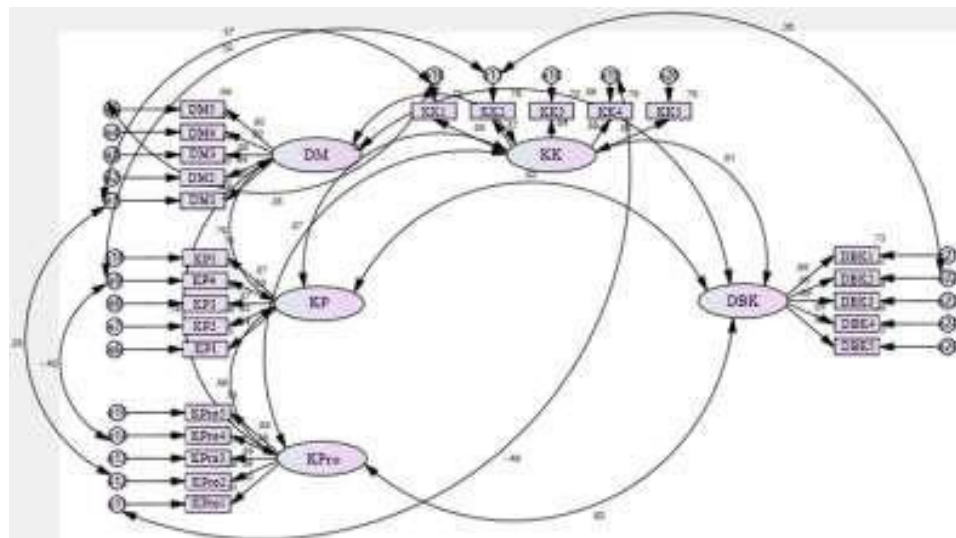
**Table 2:** Test the Good of Fitness of the SEM model

*SEM Model Fit Index Value With Research Data*

Index of fit	CMIN/DF	GFI	AGFI	NFI	RFI	IFI	TLI	CFI	RMR	RMSEA
Value	1.719	0.784	0.728	0.877	0.858	0.945	0.935	0.944	0.034	0.078

Source: Reliability Test Results with IBM SPSS AMOS26

As presented in Table 2, the CMIN/DF value is 1.719 (<3) and a GFI value of 0.784 indicating an acceptable model fit. The AGFI value is 0.728 and NFI of 0.877 indicate a fairly good model of fit. The RFI value of 0.858 and the IFI value of 0.945 (> 0.9) also indicate a good model of fit. The TLI value is 0.935 (>0.9) and a CFI value of 0.944 (>0.9) indicate a good model of fit. Also, the RMR value is 0.034 (<0.08) indicates a good model fit. The RMSEA value of 0.078 indicates a good model of fit. Therefore, based on the value of the model of fitness index, it can be stated that the SEM model is compatible with the data in this study (see Figure 2).



**Figure 2:** Structural Test Results with BMSPPSS AMOS23

## DISCUSSION

### Hypothesis Testing

To state that each hypothesis is acceptable, it is important to see the p-value obtained from the SEM test. This value should meet the existing criteria.

The test results of hypothesis 1 show the P value is 0.031 with  $\alpha = 0.05$ . Therefore, it shows that the role of digital marketing, service quality, product quality has a positive correlation with consumer satisfaction.

The test results of hypothesis 2 obtained a P-value of 0.054  $\alpha = 0.1$ . It concerns about consumer satisfaction, including quality, product stability and uniqueness, price,

service quality, emotional factor, costs and the effect on consumer purchasing power that includes brand decisions, supplier decisions, quantity decisions, timing decisions, method decisions. It indicates that MSMEs processing and marketing marine and fishery products in the city of Probolinggo can increase consumer satisfaction by providing the best quality and effective service to satisfy customers. It concerns the purchasing power of consumers in the MSMEs improve much better.

The test result of hypothesis 3 shows the value of 0.289 with a p-value of 0.004 = 0.05. Therefore, it shows that the role of digital marketing, service quality, product quality has a positive correlation with consumer purchasing power.

The test result of hypothesis 4 concerning the role of digital marketing on consumer satisfaction, and consumer satisfaction and consumer purchasing power, indicate that the value is 0.065 with a P-value of 0.267 (not significant), service quality on consumer satisfaction. Consumer satisfaction on consumer purchasing power, obtained a value of 0.054 with a P-value of 0.460 (not significant), product quality on consumer satisfaction. Consumer satisfaction and consumer purchasing power obtained a value of 0.102 with a P-value of 0.235 (not significant). Based on these values, it can be concluded that hypothesis 4 in this study is rejected and it can be stated that the role of digital marketing, service quality and product quality has no effect on consumer purchasing power indirectly through consumer satisfaction with the purchasing power of consumers.

Based on the results of observations, the average MSME felt a decrease in turnover during the Covid-19 pandemic. This happened because of the difficulty in obtaining raw materials due to transportation constraints and the decline in public confidence in products, especially in the culinary field. Several things can be done by MSMEs, including choosing to open a new product line or updating their marketing system, because a business that is able to survive is a business that is responsive to changes in their environment. They are:

1. E-commerce

In the midst of the COVID-19 pandemic, direct sales generally have decreased due to the pattern of people staying at home. In addition, many MSMEs choose not to open shops or businesses because of restrictions on operating hours or the implementation of Large-Scale Social Restrictions (PSBB) in some areas. One way to keep running the business and expand market share is by utilizing e-commerce sales. This is reinforced by Laudon and Traver (2016). E-commerce is an online retail sales mechanism. According to Hoffman and Fodor in Pradana (2016), e-commerce can be run well by referring to the 4C principles: connection, creation, consumption and control.

2. Digital Marketing

Digital marketing is promotional activities and market search through digital media online by utilizing various means, such as social networks (Purwana, Rahmi, & Aditya, 2017) by using social media such as marketing products through Instagram, Facebook, Twitter, and many more. There are several forms of digital marketing to do product marketing. They are: (1) publishing videos and photos of products on social media accounts intensively, in which the use of social media is adjusted to the product segments; (2) utilizing Facebook ads, Instagram ads, twitter ads, Google display networks and others easily accessed through social media and reaching consumers with the criteria have determined before; and (3) marketing product using videos broadcasted through social media or doing live product promotions.

3. Quality and Service Improvement

In the midst of this covid-19 pandemic, consumer are more careful in using

goods and services. There is a decline in consumer confidence in the goods and services sold by business actors. Product quality is defined as the ability of a product to meet consumer needs and desires (Kotler & Armstrong, 2012). For this reason, it is important for MSMEs to periodically improve product quality by adjusting the needs, desires and expectations of consumers. Improving product quality can be done by controlling the product process in more detail and ensuring product cleanliness and safety. Good service creates consumer trust to create customer satisfaction and form consumer loyalty.

4. The economic impact of this pandemic has forced many parties to be more calculating and wiser in managing their needs. They also consider the increasing digitalization trend in shopping, spurring the growth of digital shopping trends, which causes growth to occur in two directions, demand and supply.

### **CONCLUSION**

This study provides evidence that there is an important role of digital marketing, service quality, and product quality in affecting the consumer satisfaction for MSME followers processing and marketing marine and fishery products in Probolinggo City during the Covid 19 pandemic.

This study also proved that consumer satisfaction significantly affects the purchasing power of MSME consumers. This also shows that consumer satisfaction has a positive correlation with consumer purchasing power. Also, there is a significant role of digital marketing, service quality, and product quality in affecting the consumer purchasing power. The role of digital marketing, service quality, product quality, and consumer purchasing power do not have an indirect influence through significant and positive consumer satisfaction.

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### **DECLARATION OF CONFLICTING INTERESTS**

The authors declared no potential conflicts of interest with respect to the research, authorship, and or publication of this article.

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