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The Influence of Consumer Behavior and Environmental Factors Through Business Strategies on Marketing Performance of MSMEs in West Java During the Pandemic Covid-19

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ABSTRACT

During the Covid-19 pandemic, almost all sectors from all countries in the world experienced tremendous pressure; even many businesses had to close some of their shops in order to maintain the survival of the company. Many businesses end up going bankrupt because they cannot survive, but there are also many businesses that are able to survive, one of them is MSMEs. The government is currently paying great attention to MSMEs with evidence of supporting the UMKM empowerment program because they are considered as resilient businesses in times of crisis. But the use of technology and the internet is currently considered to be able to change people's behavior when shopping, and also large-scale social restriction regulations to reduce the rate of Covid-19 are considered to be very influential on the marketing performance of MSME businesses. The purpose of this study was to see the impact that Covid-19 had on consumer behavior, environmental factors, business strategies, and marketing performance of MSME businesses. This research was conducted using online survey data collection techniques. The results of the analysis found that there was an influence of consumer behavior through business strategies on the marketing performance of MSMEs during the Covid-19 pandemic.

Keywords
COVID-19; consumer behavior; business strategy; marketing performance; MSMEs

Introduction

According to Law Number 20 of 2008 concerning small, micro and medium enterprises, which is meant by Micro Enterprises are productive businesses owned by individuals and / or entities. An individual business meets the criteria for micro enterprises. In West Java, there are three districts or cities whose MSMEs percentage is more than 7 percent of the total UMKM in West Java. Bogor Regency, Bandung Regency, and Bandung City contributed 22.99 percent of the total UMK in West Java. Wholesale and retail businesses, repair and maintenance of cars and motorbikes (Category G) dominate the number of MSEs with around 2.1 million businesses or 47.44 percent. The processing industry business (Category C) and the accommodation provision business and food and drink provision business (Category I) also had a large contribution, each with 860,312 businesses (18.93 percent) and more than 600,720 businesses (more than 13.12 percent).

However, the Covid-19 pandemic, which first appeared in the city of Wuhan, China since the end of 2019 and has spread throughout the world, including Indonesia, has made MSME players currently face the threat of bankruptcy due to decreasing purchasing power of the community, and many people who have lost their income and even made decisions. This is massive working relationship. 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%, Central Bureau of Statistics (2020). Covid 19 affects the public in making purchases. Personal restrictions and security during Covid 19 have led to an increase in purchases *online* by the public. Based on the same survey results, 58% of Indonesian consumers change their purchases to digital methods, the Financial Services Authority (2020).

Likewise has an impact on the performance of small and medium businesses, where from the survey results of the Central Statistics Agency said that 84.20% of MSME players experienced a decrease in demand, six out of every ten small and medium enterprises face obstacles due to business partners unable to operate normally, and 62.21% of MSMEs face financial and operational constraints.

As one solution to reduce fixes costs during the Covid-19 pandemic, many MSMEs have started to

switch from conventional sales to online sales. The online sales system is considered more effective during a pandemic because of the large-scale social restrictions imposed by the government such as banning crowds and limiting the operation of public facilities such as malls, supermarkets, offices and so on, which causes people to spend more time at home.

Literature Review

Kotler and Keller (2016) stated a marketer 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 selecting, buying, using, and disposing of goods, services, ideas or experiences to satisfy their needs and wants. Consumer purchasing behavior is influenced by cultural, social and personal factors. Business actors in conducting business must always conduct evaluations that can be seen from their business performance, Hubbard and Beamish (2011) states that the company's business success can be assessed from several indicators such as: Increased margins, market share, increased sales, and assets owned.

The company chooses between five business-level strategies to establish and maintain its desired strategic position against competitors: cost leadership, differentiation, focused cost leadership, focused differentiation, and integrated cost leadership / differentiation. Some business-level strategy can help the company to build and take advantage of certain competitive advantages within a given competitive scope. how companies integrate the activities they carry out in each different business level strategy shows how they are different from each other (Hitt et al., 2016).

There are two factors that affect the marketing environment, namely the internal environment; the internal environment is an environmental influence that sourced from within the company which will directly affect the overall company performance. The factors that must be analyzed are aspects of marketing mix (product, price, place, promotion), share of market, aspects of reputation and product quality, technological advantages, aspects of sources and financial status, aspects of capacity and production processes, aspects of factory location, aspects of the number and quality of workforce, especially the quality of marketing human resources (Saudi, 2018). External Environment The external environment is an environmental influence that comes from outside the company, either very close to the company or some distance away, and will directly or indirectly affect the company's overall activities. The environment which has close influence to the company or also known as the micro environment consists of the competitive environment, the market / consumer environment, the supplier environment and the supplier environment.

Meanwhile, an environment that has far-reaching influence is an environment that consists of large-scale fundamental forces that form opportunities and threats to the company. Examples are economic, political, legal, technological, demographic, social and cultural government (Choirunnisak, 2012).

The results of Abdurahman Firdaus Thaha (2020) stated that MSMEs were the most hit and affected sectors in this crisis, so that some entrepreneurs assessed how the needs that arise related to the crisis during the Covid-19 pandemic can affect businesses so that they can reduce the negative impact. Changes in consumer behavior from conventional to traditional and managing business cycle management that leads to digital are also considered to provide positive assessments. The findings of this research journal highlight how the impact of covid-19 on MSMEs in Indonesia.

The effect of the marketing performance strategy is significant, but its value is relatively low. This is because the majority of MSMEs view this strategy as an effective strategy during a pandemic. The various strategies that are tried to be implemented are not sufficient to help marketing performance. However, there is always an expectation that this significant effect indicates that high creativity will also provide high opportunities to improve marketing performance. UMKM players must be able to find uniqueness in their marketing performance, be able to compete

with other UMKM, especially with similar products (Nurul Hermina, 2020).

In the context of entrepreneurship, it must be agreed that social media can provide brand awareness, customer engagement and participation, increase customer satisfaction and influence customer purchasing behavior and characteristics that are very important in improving entrepreneurial performance and innovation (Ramo Palalic, 2020).

Methodology

This study used primary data collected from UMKM players in West Java. Primary data was collected through an online survey through the website *https://docs.google.com/forms/d/e/1FAIpQLSezqnJrdkqn6f5Nev33FbO5YIdxlkFtLmJuYrKfUGYvyQIQ/viewform?usp=sf*. There are four variables in this study, namely (1) consumer behavior, (2) environmental factors, (3) business strategy and (4) marketing performance. The survey was conducted during December and January 2020 with a total of 88 MSME respondents with 29 types of UMKM 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 means and standard deviations. The average gives a general description of the respondent's assessment in this study. If the average is close to the value of 5, it can be concluded that the respondent gives a positive rating for each research item. Meanwhile, the standard deviation states how varied the respondent's answers are.

Furthermore, to analyze the effect using *Structural Equation Modeling* (SEM) *Partial Least Squares* (PLS). PLS is a component-based type of SEM analysis with formative construct properties. PLS only functions as a predictive analysis tool, not a model test. The PLS design is intended for the limitations of analysis with the OLS (technique *Ordinary Least Square*) where the data characteristics experience problems, for example: (1). small data size, (2). There is *missing value*, (3) the form of data distribution is not normal, and (4). the presence of multicollinearity symptoms. OLS regression usually produces unstable data if the amount of data collected (sample) is small, or there are *missing values* multicollinearity between predictors because conditions like this can increase the *standard error* of the measured coefficients (Field, 2000 in Mustafa and Wijaya, 2012).

Hypothesis

The hypotheses tested in this study consist of 5 hypotheses as follows:
H_1: There is an influence of consumer behavior on business strategy
H_2: There is an influence of environmental factors on business strategy
H_3: There is an influence of business strategy on marketing performance
H_4: There is an influence of consumer behavior through business strategy on marketing performance
H_5: There is an influence of environmental factors through business strategy on marketing performance

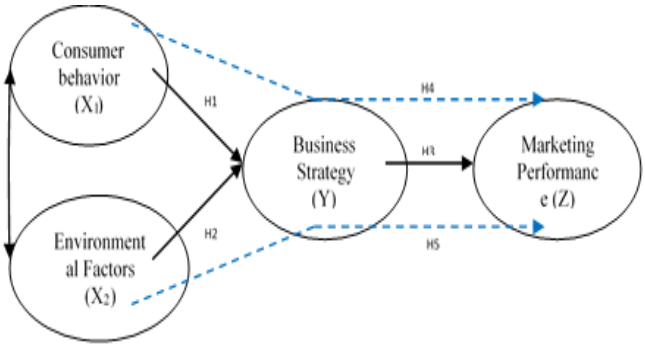


Figure 1. Research model

Results and Discussion

Demography

Demography of Respondents as follows:

Table 1. Ten dominant MSMEs in West Java

No.	Name of MSMEs	Percentage

1	Culinary	22%
2	Fashion	11%
3	Education and training services	7%
4	Finance	6%
5	Consultants	6%
6	Online shops	5%
7	Coffee shops	5%
8	Contractors	3%
9	Perfume	3%
10	Agriculture	3%

Table 2. Position in the company

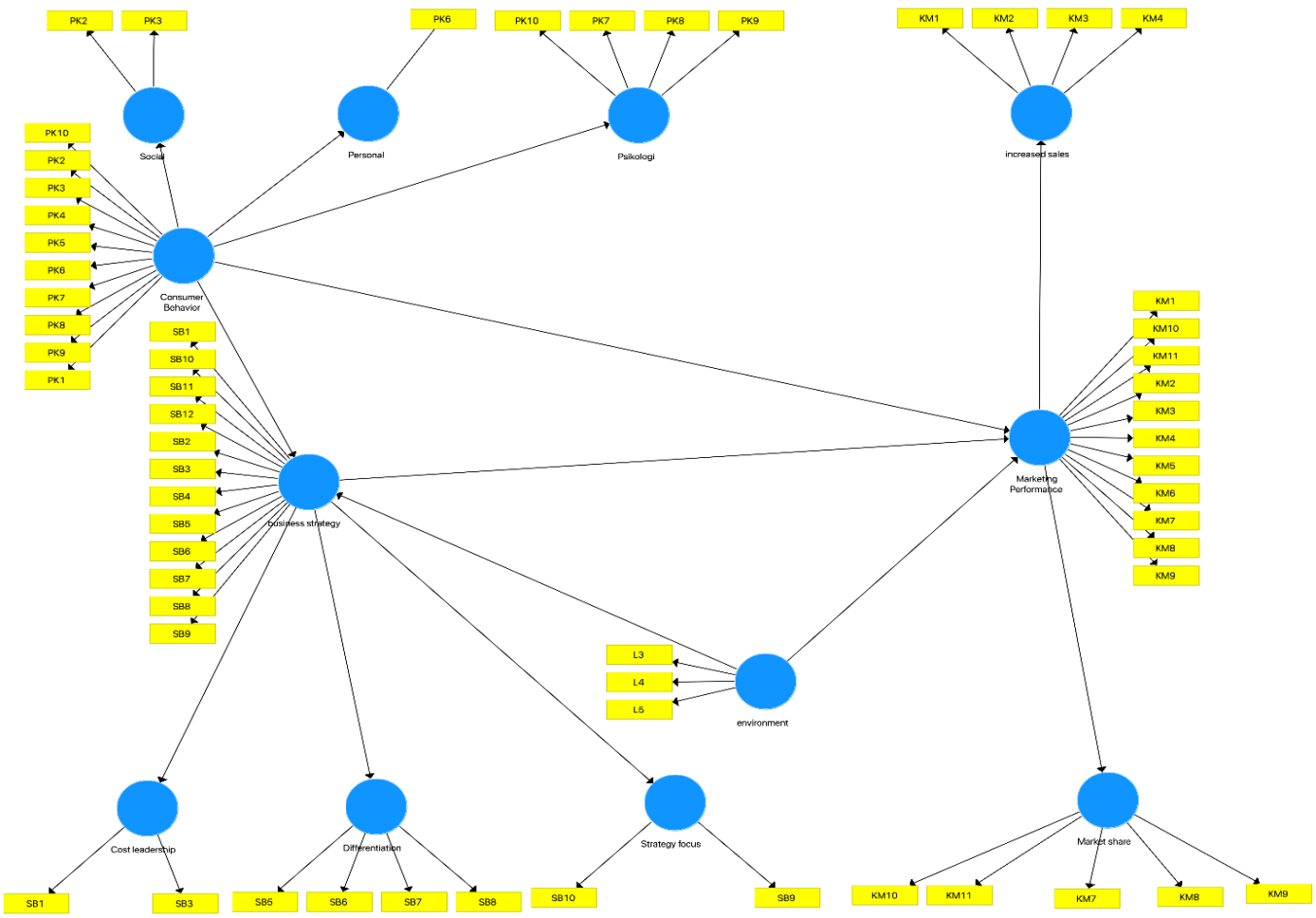
No.	Position	Percentage
1	Owner	63%
2	Employee	31%
3	Leader	7%

Table 3. Education

No.	Level Education	Percentage
1	Bachelor	66%
2	Senior high school	14%
3	Postgraduate	11%
4	Others	9 %

Measurement Model

The first stage of modeling the influence of consumer behavior and environmental factors are through business strategy on the marketing performance of MSMEs in West Java during the pandemic Covid -19. Testing the validity of the indicators is seen from the Loading Factor (LF) value based on the instructions. According to the general rule (rule of thumb), the indicator LF value ≥ 0.7 is said to be valid. However, in developing new models or indicators, the LF value between 0.5 - 0.6 is still acceptable (Yamin & Kurniawan, 2011). Meanwhile, Wijaya and Mustafa (2012) explain that the criteria for critical value of LF are different, but some experts suggest a minimum of 0.4. Based on the results of the Calculate PLS Algorithm command printout in the Figure above, the LF value ≥ 0.7 is stated so that all indicators in the model are said to be fit. The LF test can also be through the printout results of the Calculate PLS Bootstrapping command to see the T Statistic value. Indicators that have a T Statistic value ≥ 1.96 (Some round to 2) are said to be valid. The indicator can also be said to be valid if it has a P Value ≤ 0.05 however, it can be used to test the hypothesis at the structural measurement stage.



Outer Loading

Construct	Original Sample (0)	Sample Average (M)	Standard Deviation (STDEV)	T Statistics (IO / STDEV I)	P Values
KM1 <- Marketing Performance	0.795	0.794	0.074	10.733	0.000
KM1 <- increased sales	0.787	0.797	0.069	11.468	0.000
KM1O <- Marketing Performance	0.828	0.827	0.046	18.021	0.000
KM10 <- Market share	0.863	0.865	0.029	29.437	0.000
KM11 <- Marketing Performance	0.866	0.865	0.034	25.483	0.000
KM11 <- Market share	0.858	0.860	0.034	25.462	0.000
KM2 <- Marketing Performance	0.805	0.804	0.059	13.609	0.000
KM2 <- Increased sales	0.879	0.876	0.029	30.368	0.000
KM3 <- Marketing Performance	0.693	0.695	0.082	8.459	0.000
KM3 <- Increased sales	0.830	0.829	0.041	20.123	0.000
KM4 <- Marketing Performance	0.690	0.691	0.084	8.250	0.000
KM4 <- Increased sales	0.803	0.798	0.050	16.106	0.000
KM5 <- Marketing	0.577	0.577	0.095	6.072	0.000

Performance					
KM6 <- Marketing	0.615	0.619	0.090	6.828	0.000
Performance					
KM7 <- Marketing	0.812	0.814	0.046	17.781	0.000
Performance					
KM7 <- Market share	0.831	0.824	0.054	15.375	0.000
KM8 <- Marketing	0.760	0.762	0.068	11.205	0.000
Performance					
KM8 <- Market share	0.855	0.848	0.048	17.969	0.000
km9<- Marketing Performance	0.830	0.834	0.037	22.466	0.000
km9 <- Market share	0.898	0.893	0.027	32.829	0.000
L3<- environment	0.688	0.666	0.143	4.808	0.000
L4<- environment	0.814	0.812	0.053	15.433	0.000
L5<- environment	0.857	0.852	0.040	21.686	0.000
PK10<- Consumer Behavior	0.838	0.834	0.045	18.520	0.000
PK10<- Psychology	0.906	0.905	0.025	36.093	0.000
PK2<- Consumer Behavior	0.739	0.741	0.057	12.884	0.000
PK2 <- Social	0.894	0.893	0.027	33.489	0.000
PK3 <- Consumer Behavior	0.689	0.677	0.076	9.053	0.000
PK3 <- Social	0.877	0.867	0.042	21.001	0.000
PK4 <- Consumer Behavior	0.488	0.471	0.153	3.193	0.001
PK5 <- Consumer Behavior	0.474	0.481	0.157	3.019	0.003
PK6 <- Consumer Behavior	0.778	0.779	0.059	13.282	0.000
PK6 <- Personal	1.000	1.000	0.000		
PK7 <- Consumer Behavior	0.694	0.684	0.119	5.834	0.000
PK7 <- Psychology	0.767	0.758	0.114	6.717	0.000
PK8 <- Consumer Behavior	0.664	0.656	0.095	6.999	0.000
PK9 <- Psychology	0.858	0.855	0.041	20.810	0.000
SB 1 <- Cost leadership	0.901	0.898	0.031	28.947	0.000
SB 1 <- business strategy	0.750	0.738	0.074	10.096	0.000
SB 1O <- Strategy focus	0.911	0.912	0.021	44.276	0.000
SB 10 <- business strategy	0.859	0.857	0.036	24.057	0.000
SB 11 <- business strategy	0.360	0.369	0.163	2.203	0.028
SB 12 <- business strategy for	0.184	0.195	0.161	1.140	0.255
SB2 <- business strategy	0.316	0.296	0.146	2.159	0.031
SB3 <- Cost leadership	0.895	0.890	0.039	22.869	0.000
SB3 <- business strategy	0.728	0.719	0.084	8.658	0.000
SB4 <- business strategy	0.468	0.441	0.125	3.752	0.000
SB5 <- Differentiation	0.861	0.857	0.043	19.867	0.000
SB5 <- business strategy	0.801	0.795	0.047	17.140	0.000
SB6 <- Differentiation	0.833	0.836	0.039	21.551	0.000
SB6 <- business strategy	0.744	0.744	0.054	13.658	0.000
SB7 <- differentiation	0.894	0.895	0.029	31.066	0.000
SB7 <- business strategy	0.886	0.884	0.030	29.708	0.000
SB8 <- Differentiation	0.712	0.699	0.106	6.716	0.000
SB8 <- business strategy	0.640	0.631	0.106	6.026	0.000
SB9 <- Strategy focus	0.870	0.869	0.042	20.693	0.000
SB9 <- business strategy	0.719	0.720	0.063	11.377	0.000
PK1 <- Consumer Behavior	0.469	0.480	0.170	2.767	0.006

Testing Construct Reliability

Evaluation of the value of construct reliability is measured by the value of Cronbach's Alpha and Composite Reliability. The Cronbach's Alpha value for all constructs must be ≥ 0.7. In the table below, the Cronbach's Alpha value of all constructs is greater than 0.7, so it can be concluded that the indicators are consistent in measuring the constructs.

Table 4. Testing reliability construct

Construct	AVE	Composite Reliability	Cronbach's Alpha	R2
Performance Marketing	0.573	0.936	0.924	0.595
Environment	0.623	0.831	0.707	-
Consumer Behavior	0.453	0.889	0.836	-
Business Strategy	0.435	0.891	0.867	0.596
Social	0.784	0.879	0.724	0.647
Personal	1,000	1,000	1,000	0,600
Psychology	0.676	0.893	0.838	0.819
Increased Sales	0.681	0.895	0.844	0.822
Market share	0.742	0.935	0.913	0.907
Cost Leadership	0.807	0.893	0.761	0.672
Differentiation	0.685	0.896	0.845	0.872
Strategy Focus	0.794	0.885	0.742	0.791

Based on the above table the results of the construct reliability are based on convergent validity can be done by looking at the value AVE to indicate the amount of variance indicators contained by the construct. The expected AVE limit value is ≥ 0.5. The results in the table above show the AVE value for marketing performance (0.573), environment (0.623), consumer behavior (0.453), and value and business strategy (0.435). The next construct reliability test is to evaluate discriminant validity which includes cross loading and comparing the AVE root value with the correlation between constructs.

From the results of the Cross Loading it can be concluded that all indicators have a greater correlation coefficient with each construct than the indicator correlation coefficient value in the construct block in the other columns. Thus it can be concluded that each indicator in the block is the compiler of the construct in the column.

The next test is to compare the AVE roots with the correlation between the constructs, as shown in the table below.

Table 5. Comparing the AVE with a correlation between a construct

Construct	AVE	Root AVE
Performance Marketing	0.573	0.757
Environment	0.623	0.789
Consumer Behavior	0.453	0.673
Business Strategy	0.435	0.659
Social	0.784	0.885
Personal	1,000	1,000
Psychology	0.676	0.822
Increased Sales	0.681	0.825
Market Share	0.742	0.861
Cost Leadership	0.807	0.898
Differentiation	0.685	0.827
Strategy Focus	0.794	0.891

Based on the AVE's Table and the Latent Variable Correlation Table it can be explained that the AVE for the Marketing Performance construct is 0.757, while the maximum correlation between

Marketing Performance and other constructs is 0.615, so that the AVE value of the Marketing Performance construct is greater than the correlation value and other constructs. This shows that other discriminant validity requirements are met. Likewise, with other constructs that show the AVE root is greater than the construct correlation.

Structural of Model Evaluation

The indicators that have a T Statistic value ≥ 1.96 (some round to 2) are said to be valid. Indicators can also be said to be valid if they have a P Value ≤ 0.05. Based on these data, the results of consumer behavior testing (X1) have a positive and significant effect on marketing performance (Y1). The result of t statistical value is 7,694 ≥ 1.96, and it can be concluded that there is a significant effect of consumer behavior on marketing performance. The environment (X2) has no effect on marketing performance (Y1). The result of the t statistic is 1.249≤1.96, so it can be concluded that there is no environmental influence on marketing performance. Business Strategy (Z1) has a positive and significant effect on marketing performance (Y1). The result of the t statistic is 5.559≤1.96, however, it can be concluded that there is an influence of business strategy on marketing performance. Consumer Behavior (X1) has a positive and significant effect on marketing performance (Y1) through Business Strategy (Z1). The result of the t statistic is 6,439≤1.96, so it can be concluded that there is an influence of consumer behavior through business strategy on marketing performance. Environment (X2) has no significant effect on marketing performance (Y1) through Business Strategy (Z1). The result of the t statistic is 1.049≤1.96, so it can be concluded that there is no influence of environmental factors through business strategy on marketing performance.

Conclusion

Based on the results of the study it can be concluded that the impact of covid-19 on MSME players in West Java is that consumer behavior affects marketing performance, there is no environmental influence on marketing performance, there is an effect of business strategy on marketing performance, there is an influence of consumer behavior through business strategy on marketing performance, there is no influence of environmental factors through business strategy on marketing performance.

Currently, MSME actors are required to carry out recovery after being confronted by the internal and external environment. From the results of the analysis, currently the environmental influence does not have a major effect on marketing performance because MSME players have managed to survive at the beginning of the Covid-19 pandemic, and most of the environmental factors that are happening now have been overlooked by MSME players. This proves that MSMEs have innovated and taken advantage of various marketing strategies, including through an online system to maintain business continuity. 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. From the results of this study it is also seen that looking for creative ideas in order to improve business strategies and paying closer attention to consumer behavior can be the main keys to marketing performance so as to successfully recover and ultimately be able to continue to survive.

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