
THE EFFECT OF PRODUCT QUALITY AND PROMOTION ON PURCHASE DECISIONS MEDIATED CONSUMER SATISFACTION ON MSMEs IN LAMONGAN REGENCY

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ABSTRACT

In Indonesia, the business sector that has progressed is MSMEs. MSMEs have an impact on economic recovery. This study aims to determine product quality and promotion of purchasing decisions mediated by consumer satisfaction at UMKM Lamongan Regency. Researchers used quantitative methods with a sample of 316 respondents. The data analysis used is the SEM method with the Smart PLS version 3.0 tool. The test used consists of the outer model, inner model, mediation test and hypothesis testing. The variables of product quality, promotion, purchasing decisions and consumer satisfaction have been declared valid and reliable. Product quality and promotion variables on purchasing decisions mediated by consumer satisfaction are referred to as Partial Mediation. Product quality and promotion variables have a positive and significant impact on purchasing decisions.

Keywords: Consumer Satisfaction; Product Quality; Promotion; Purchase Decision; PLS-SEM

INTRODUCTION

The business world is progressing quite rapidly. This progress is marked by intense competition in the world market. Business actors are aggressively marketing superior products. These superior products have differences in terms of quality and promotional strategies. Thus, it becomes an added value in order to beat its competitors. MSMEs are one of the business sectors that have the opportunity to help the Indonesian economy. The existence of MSMEs also has many benefits, apart from the high risk and business uncertainty. MSME actors have struggled and proven that they can face market competition. This is evidenced in the development of MSMEs which is quite rapid to this day. Lamongan Regency is one of several regencies in East Java. Many people have established MSMEs. In MSMEs, quality products can affect consumer satisfaction. This certainly causes consumers to decide to make purchases from SMEs. In general, people will see the value and function of the product so they prefer to buy products of good quality. On the other hand, the promotion factor is also very influential. Products that are promoted as attractively as possible will influence consumers to make purchases. The novelty of this research with previous research is the addition of mediating variable between the independent variable and the dependent variable.

LITERATURE REVIEW

Product quality

Fatmaningrum, S., R., et al. (2020) cites Kotler's (2012) theory of product quality in his journal literature. Product quality is the capacity of the product in carrying out its role. All of these functions include durability, consistency, accuracy, ease of implementation, and repair of defects and other product advantages.

Promotion

According to Kotler (2010) described in the literature of the journal Nazarudin, A., et al. (2019) states about promotion. Promotion is a place to advertise a product or service.

Consumer Satisfaction

Chandra (2016:146) describes consumer satisfaction as an evaluation after purchase. Satisfaction is obtained when expectations are successfully met. Meanwhile, dissatisfaction is caused because the product results are not in line with expectations.

Purchase Decision

Buchari Alma (2013: 96) in the journal literature Widodo, A., S., & Wardani, S. (2021) explained that purchasing decisions are consumer behavior towards the products offered.

METHODS

This type of research is a quantitative study with a population taken from business actors and consumers of UMKM in Lamongan Regency with a sample of 300. The data analysis method used is SEM analysis with PLS 3.0 tools. The tests used include the Outer Model, Inner Model, Mediation and Hypothesis Tests.

HYPOTHESIS

The hypothesis is a statement about the relationship between variables. The hypothesis is an important part of a scientific paper. Its uses include Providing a temporary explanation of the symptoms; Facilitate the expansion of knowledge in certain fields; Providing testable relationship statements; Providing research direction; Providing a framework for research reports.

In writing scientific papers, the existence of this hypothesis can help a researcher in terms of Providing research boundaries; Minimize the scope of research. So that it doesn't spread everywhere; Making research stay on the research path, namely examining facts and variable relationships; Focusing research Guide research on testing and adjusting between facts. The Hypothesis of this research are follows,

- H1: Product quality has a positive and significant effect on purchasing decisions.
- H0: Product quality has a negative and insignificant effect on purchasing decisions.
- H2: Product quality has a positive and significant effect on consumer satisfaction.
- H0: Product quality has a negative and insignificant effect on consumer satisfaction.
- H3: Promotion has a positive and significant effect on purchasing decisions.
- H0: Promotion has a negative and insignificant effect on purchasing decisions.
- H4: Promotion has a positive and significant effect on consumer satisfaction.
- H0: Promotion has a negative and insignificant effect on consumer satisfaction.
- H5: Consumer satisfaction has a positive and significant effect on purchasing decisions.
- H0: Consumer satisfaction has a negative and insignificant effect on purchasing decisions.

RESULTS

Outer Model

The results of the convergent validity test are seen in the outer loading of each variable indicator. Values above 0.70 can be said to be valid. Meanwhile, in the discriminant validity test, the AVE value above 0.50 can be said to be valid. The variables of product quality, promotion, consumer satisfaction and purchasing decisions in the convergent validity test were declared valid. Because the result of outer loading is above 0.70. In the discriminant validity test, it is also declared valid because the AVE value is above 0.50.

To assess the reliability of the construct seen from the Composite Reliability value which must be above 0.70. And the Cronbach's Alpha value must also be above 0.50 (Ghozali, et al. 2015). The results of the reliability test state that the Composite Reliability and Cronbach's Alpha values on the variables of product quality, promotion of consumer satisfaction and purchasing decisions above 0.70 are declared Reliable.

Table 1. Outer Loading

	X1_PRODUCT QUALITY	X2_PROMOTION	Y_PURCHASE DECISIONS	Z_CONSUMER SATISFACTION
X1-1	0,900			
X1-2	0,849			
X1-3	0,830			
X1-4	0,910			
X2-1		0,888		
X2-2		0,892		
X2-3		0,877		
X2-4		0,871		
Y1			0,934	
Y2			0,874	
Y3			0,920	
Z1				0,981
Z2				0,983
Z3				0,973
Z4				0,872

Source: Author Analysis (2022)

Table 2. Validity Discriminant

	Average Variance Extracted (AVE)	Description
X1_PRODUCT QUALITY	0,762	
X2_PROMOTION	0,778	VALID
Y_PURCHASE DECISIONS	0,828	
Z_CONSUMER SATISFACTION	0,909	

Source: Author Analysis (2022)

Table 3. Composite Reliability dan Cronbach's Alpha

	Cronbach's Alpha	Composite Reliability	Description
X1_PRODUCT QUALITY	0,896	0,927	
X2_PROMOTION	0,905	0,933	Reliable
Y_PURCHASE DECISIONS	0,896	0,935	
Z_CONSUMER SATISFACTION	0,966	0,976	

Source: Author Analysis (2022)

The Inner Model Test is used to determine the causal relationship between variables. First, The R-Square test is used to find out how far the influence of the relationship between the independent and dependent variables is. The test results above can be stated that the R-Square value together has the effect of the independent variable on the dependent variable of 0.839 with an Adjusted R-Square value of 0.837. R-Square 0.839 value is declared strong.

The mediation test consists of 3 categories, namely full mediation, partial mediation and non-mediation. It is said to be full mediation if the exogenous and endogenous variables are negative, and the mediating variable is positive. It is said to be partial mediation if the exogenous, endogenous, and mediating variables are all positive. It is said to be non-mediation if the endogenous exogenous variable is positive, but the mediating variable is negative. If the P Values on the Specific Indirect Effect < 0.05 then the result will be positive and vice versa.

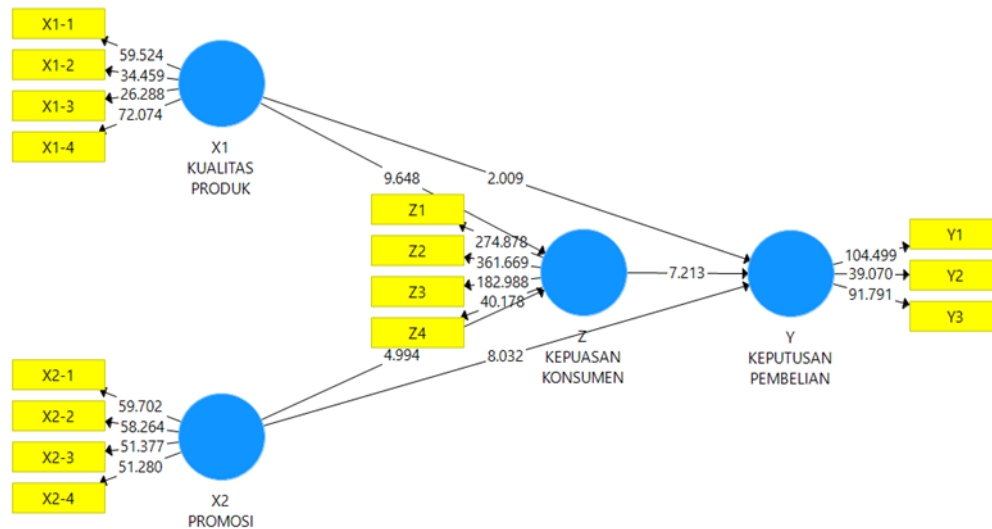


Figure 1. Structural Model
Source: Author Analysis (2021)

Table 4. R-Square

	R Square	R Square Adjusted
Y_PURCHASE DECISIONS	0,839	0,837
Z_CONSUMER SATISFACTION	0,789	0,787

Source: Author Analysis (2021)

Table 5. Path Coefisien

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
X1_PRODUCT QUALITY -> Y_PURCHASE DECISIONS	0,106	0,104	0,049	2,174	0,030
X1_PRODUCT QUALITY -> Z_CONSUMER SATISFACTION	0,606	0,608	0,063	9,622	0,000
X2_PROMOTION -> Y_PURCHASE DECISIONS	0,444	0,444	0,054	8,255	0,000
X2_PROMOTION -> Z_CONSUMER SATISFACTION	0,312	0,310	0,064	4,869	0,000
Z_CONSUMER SATISFACTION -> Y_PURCHASE DECISIONS	0,412	0,414	0,058	7,078	0,000

Source: Author Analysis (2021)

The Effect of Product Quality on Purchase Decisions Mediated by Consumer Satisfaction. In the Path Coefficient of product quality variables on purchasing decisions shows a positive relationship because the P Value is 0.030 < 0.05. In the Specific Indirect Effect variable product quality on purchasing decisions mediated by consumer satisfaction shows a positive relationship because P Value 0.000 < 0.05. It can be concluded that this relationship is called Partial Mediation.

The Effect of Promotion on Purchase Decisions Mediated by Consumer Satisfaction. In the Path Coefficient of promotion variables on purchasing decisions shows a positive relationship because P Value 0.000 < 0.05. In the Specific Indirect Effect of the promotion variable on purchasing decisions mediated by consumer satisfaction, it shows a negative relationship because the P Value is 0.000 < 0.05. It can be concluded that this relationship is called Partial Mediation.

Hypothesis testing was carried out to test the direct and indirect influence between variables that contained mediating or connecting variables. How to test the hypothesis by looking at the T-Statistics and P Values. Where if P Values < 0.05 then it is declared accepted.

The Effect of Product Quality (X1) on Purchase Decisions (Y) in MSMEs in Lamongan Regency. Based on the results of the analysis above, the value of the Original Sample (Coefficient) is $0.106 > 0.000$. T Statistics ($2.174 > T$ Table (1.967)). P values $0.030 < 0.05$. Then H_0 is rejected and H_1 is accepted. This means that there is a significant positive effect between product quality variables on purchasing decision variables at MSMEs in Lamongan Regency. Products that have good quality will affect consumer purchasing decisions. Consumers will try to make a purchase and judge whether the resulting product is really good. MSMEs in Lamongan Regency try to produce a quality product and have high selling power. Determination of this hypothesis is supported by research Martini, A., N., et al. (2021) which shows that there is a significant positive effect of product quality variables on purchasing decisions.

The Effect of Promotion (X2) on Purchase Decisions (Y) in MSMEs in Lamongan Regency. Based on the results of the analysis above, the value of the Original Sample (Coefficient) is $0.444 > 0.000$. T Statistics ($8.255 > (1.967)$). P values $0.000 < 0.05$. Then H_0 is rejected and H_2 is accepted. This means that there is a significant positive effect between the promotion variables on the purchasing decision variables at MSMEs in Lamongan Regency. Promotions carried out by SMEs in Lamongan Regency are able to influence consumers to try to make purchases. This is of course because consumers are satisfied to make purchases at SMEs in Lamongan Regency. MSMEs in Lamongan Regency have made promotions as attractive as possible to attract the hearts of consumers. Determination of this hypothesis is supported by research by Zainullah, V., C. (2019) which shows a significant positive effect of the promotion variable on purchasing decisions.

The Effect of Product Quality (X1) on Consumer Satisfaction (Z) in MSMEs in Lamongan Regency. Based on the results of the analysis above, the value of the Original Sample (Coefficient) is $0.606 > 0.000$. T Statistics ($9,622 > (1,967)$). P values $0.000 < 0.05$. Then H_0 is rejected and H_3 is accepted. This means that there is a significant positive effect between product quality variables on consumer satisfaction variables at MSMEs in Lamongan Regency. The quality of the products produced by MSMEs in Lamongan Regency is guaranteed. Consumers also feel satisfied when shopping at MSMEs in Lamongan Regency. This can convince consumers to decide to make a purchase. MSMEs in Lamongan Regency will also continue to improve the quality of their products so that sales remain stable and are likely to increase. Determination of this hypothesis is supported by research Maharani, R., A., N., & Alam, I., A. (2022) which shows a significant positive effect of product quality variables on consumer satisfaction.

Table 6. Specific Indirect Effect Path Coefisien

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1_ PRODUCT QUALITY -> Z_ CONSUMER SATISFACTION -> Y_ PURCHASE DECISIONS	0,250	0,252	0,047	5,314	0,000
X2_ PROMOTION -> Z_ CONSUMER SATISFACTION -> Y_ PURCHASE DECISIONS	0,129	0,128	0,030	4,227	0,000

Source: Author Analysis (2021)

Table 7. Hypothesis Test Result

No	Hypothesis	Analysis
1	Product Quality-> Purchase Decisions	Original Sampel = 0,106 P Values = 0.030 T Statistics = 2.174 T Tabel = 1.967 T Statistics > T Tabel
2	Promotion -> Purchase Decisions	Original Sampel = 0,444 P Values = 0.000 T Statistics = 8.255 T Tabel = 1.967 T Statistics > T Tabel
3	Product Quality -> Consumer Satisfaction	Original Sampel = 0.606 P Values = 0.000 T Statistics = 9.622 T Tabel = 1.967 T Statistics > T Tabel
4	Promotion -> Consumer Satisfaction	Original Sampel = 0.312 P Values = 0.000 T Statistics = 4.869 T Tabel = 1.967 T Statistics > T Tabel
5	Consumer Satisfaction -> Purchase Decisions	Original Sampel = 0.412 P Values = 0.000 T Statistics = 7.078 T Tabel = 1.967 T Statistics > T Tabel

Source: Author Analysis (2021)

The Effect of Promotion (X2) on Consumer Satisfaction (Z) in MSMEs in Lamongan Regency. Based on the results of the analysis above, the value of the Original Sample (Coefficient) is $0.312 > 0.000$. T Statistics (4,869) > (1,967). P values $0.000 < 0.05$. Then H0 is rejected and H4 is accepted. This means that there is a significant positive effect between the promotion variable and the consumer satisfaction variable at MSMEs in Lamongan Regency. MSMEs in Lamongan Regency have carried out various promotions to attract consumer interest. Consumers like offers that are considered profitable. The better the offer from the product, the more confident consumers will decide to make a purchase at MSMEs in Lamongan Regency. Determination of this hypothesis is supported by research Atmojo, R., P., C., & Herdinata, C. (2020) which shows a significant positive effect of promotion variables on consumer satisfaction.

The Effect of Consumer Satisfaction (Z) on Purchasing Decisions (Y) in MSMEs in Lamongan Regency. Based on the results of the analysis above, the value of the Original Sample (Coefficient) is $0.412 > 0.000$. T Statistics (7,078) > (1,967). P values $0.000 < 0.05$. Then H0 is rejected and H5 is accepted. This means that there is a significant positive effect between the variables of consumer satisfaction on the purchasing decision variables at MSMEs in Lamongan Regency. Consumers decide to make a purchase because they are satisfied with the products offered by MSMEs in Lamongan Regency. Consumers are satisfied with the quality of their products, the innovations in their products as well as promotions and prices that have been set by MSMEs in Lamongan Regency. Determination of this hypothesis is supported

by research Sulistyani, L., & Umi, Y., A. (2021) which shows a significant positive influence of consumer satisfaction variables on purchasing decisions.

CONCLUSION

The test results on the outer model value of the validity and reliability of product quality variables, promotions, consumer satisfaction, and purchasing decisions are declared valid and reliable. The results of the R-Square value test on the inner model, product quality, promotions, consumer satisfaction and purchasing decisions are said to be strong. The product quality variable on purchasing decisions mediated by consumer satisfaction shows a positive relationship because the P Value is $0.030 < 0.05$. It can be concluded that this relationship is called Partial Mediation. The promotion variable on purchasing decisions mediated by consumer satisfaction shows a positive relationship because the P Value is $0.000 > 0.05$. It can be concluded that this relationship is called Partial Mediation. Product quality has a significant positive effect on purchasing decisions. Promotion has a significant positive effect on purchasing decisions. Product quality has a significant positive effect on consumer satisfaction. Promotion has a significant positive effect on consumer satisfaction. Consumer satisfaction has a significant positive effect on purchasing decisions.

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