

# The Influence of Digital Marketing and Product Quality on the Development of MSMEs in Moderating Entrepreneurial Characteristics

Diansyah<sup>1</sup>, Ricky Hermawan<sup>2</sup>

<sup>1,2</sup>Universitas 17 Agustus 1945 Jakarta, Indonesia

[diansyah.170845@gmail.com](mailto:diansyah.170845@gmail.com), [hermawan.ricky666@gmail.com](mailto:hermawan.ricky666@gmail.com)

## Abstract

*The purpose of this research is to place entrepreneurial characteristics as a moderating variable on the influence of digital marketing and product quality on the development of SMEs. The research population is to improve the economy in Indonesia. Data collection techniques by distributing questionnaires through google form. The results of the study show that digital marketing, product quality and entrepreneurial characteristics have a positive and significant effect on the development of MSMEs, the method of entrepreneurial characteristics on the influence of digital marketing has no effect on the development of MSMEs. Moderation of entrepreneurial characteristics on the effect of product quality has no effect on the development of SMEs which are moderated by entrepreneurial characteristics.*

## Keywords

digital marketing; product quality; MSME development; characteristics of entrepreneurship



## I. Introduction

This study explains that business development in the digital world is increasingly in demand by the public and makes entrepreneurs try to come up with creative ideas in order to reach the target market. Entrepreneurs create promising and new business ventures, it certainly leads to increased sales of their products.

In previous research Tendency variables of trust and self-confidence moderated the relationship between utilitarian exploration and MSME development. The development of internet technology, especially in the last decade, has had a very large impact, having an impact on the service model provided by businessmen in serving consumers. The internet allows businesses to offer their products online and freely without any restrictions (Kumar et al., 2018). The development of information technology is growing rapidly, various small to large business activities take advantage of this development to run their business.

Marketing is a process of planning and execution, starting from the conception stage, pricing, promotion, to the distribution of goods, ideas and services, to make exchanges that satisfy the individual and his institutions (Dianto in Asmuni *et al*, 2020). According to Tjiptono in Marlizar (2020) marketing performance is a function that has the greatest contact with the external environment, even though the company only has limited control over the company's environment. In the world of marketing, consumers are assets that must be maintained and maintained their existence in order to remain consistent with the products we produce (Romdonny and Rosmadi, 2019).

Marketing strategies and the right media are used to be able to reach the target market so that sales volume always increases and profits. Digital Marketing is a technology in marketing products so that they can be recognized by many people (Rachmadi & Kom, 2020), as for the media used for digital marketing, namely websites, social media, e-mail, marketing, video marketing, advertising, seo. The success of using the right digital

marketing will have a positive impact in encouraging the dissemination of products or services to reach the company's target market. In addition, digital-based marketing will certainly relate to the quality of a product being sold to meet consumer expectations, product quality is a combination of all characteristics goods obtained from sales, as well as maintenance so that they can be used as needed (Hendrianto et al., 2018).

Based on the phenomenon and also an explanation of the novelty of this research, this research was determined by proving the influence of digital marketing and product quality as independent variables on business development as the dependent variable with entrepreneurial characteristics as a moderating variable. Writing this research journal starts from the introduction followed by literature review and hypotheses, research methods, and there will be a discussion of the results and ends with conclusions and recommendations.

## II. Review of Literature

### 2.1 Grand

The grand theory used in this study is the Theory of Reasoned Action, which explains the relationship between attitudes and behavior in action. It is mainly used to predict how individuals will behave based on pre-existing attitudes and behavioral intentions. Individual decisions to engage in certain behaviors are based on the results that individuals expect as a result of performing these behaviors (Purwanto et al., 2020). Based on the basic theory used in this study, this research model will be discussed. Based on the theoretical approach, the independent variables contained in this research model have the potential to affect the dependent variable and the placement of Entrepreneurial Behavior as moderating potential in moderating the influence of the independent variable on the dependent variable.

### 2.2 Hypothesis Development of the Influence of Digital Marketing on the Development of MSMEs

MSMEs play an important role in economic growth and employment, therefore MSME empowerment needs to be done seriously so that the economy in Indonesia remains stable (Muljanto, 2020). The rapid pace of digital marketing has a prospective strategy so that potential customers can obtain all kinds of information about products and transact via the internet (Purwana et al., 2017). Many MSMEs have used modern smartphones so they know marketing activities to use smartphones to offer on social media (Asbari et al., 2021). Social media is also part of digital marketing which has an influence on increasing sales in MSMEs (Affandi et al., 2020). Based on the results of the previous research above, the second hypothesis was established in this study, namely ***H1: the influence of digital marketing on the development of SMEs***

### 2.3 The Effect of Product Quality has an effect on the development of SMEs

Product quality is the ability of a product to provide benefits related to product durability, product reliability and products that are easy to use or repair with the aim of providing satisfaction to consumers (Prasetyo et al. , 2022). The level of product sales of a business can be influenced by several things, one of which is product quality (Diputra & Yasa, 2021). The results of the study (Syafarudin, 2021) one of the main factors that must be considered by companies is product quality.( Wulansari & Kurniawati, 2021) stated that product quality is very important to maintain so that a business does not lose its consumers and reputation, so that the business is well maintained and can even continue to grow.

Based on the results of the previous research above, the second hypothesis was determined in this study, namely ***H2: The Influence of Product Quality on the Development of SMEs***

#### **2.4 Entrepreneurial Character Affects the Development of MSMEs**

Economic development is highly dependent on innovation, which is considered a vital source of discovery for strategic changes in achieving the results expected by business actors so that their business can continue to grow. (Aksoy, 2017). Many researchers emphasize the importance of entrepreneurship and characteristics as an instrument of increasing the ability to find opportunities in rapid business change. Individual characteristics and personal traits have an impact on attitudes and business developments that are carried out (Atiya & Osman, 2021). Based on the results of the previous research above, the second hypothesis was established in this study, namely ***H3: Entrepreneurial Character Affects the Development of MSMEs.***

#### **2.5 The Influence of Digital Marketing on the Development of MSMEs in Moderation of Entrepreneurial Character**

Through the use of current technology, for online entrepreneurs the digitization process helps to reduce barriers, eliminate company risk, and make it easier for business actors to introduce the products on offer (Ben, 2021). In reality digital marketing is based on the use of digital media and other communication information to facilitate and clarify consumers in obtaining information related to products. Not only that, consumers and business actors can also easily interact (Nambisan, 2017). In doing business in the online field an entrepreneur must have an entrepreneurial character to support the running of a business, character is a set of knowledge, attitudes, motivation, behavior, and skills (Falah, 2018). Based on the results of the previous research above, the second hypothesis was established in this study, namely ***H4: The Influence of Digital Marketing on the Development of MSMEs in Moderation of Entrepreneurial Character.***

#### **2.6 The Effect of Product Quality on the Development of MSMEs in Moderation of Entrepreneurial Characteristics**

Currently, rapid technological developments will have an impact on the business world, the development of the business world will also increase, and business competition will be increasingly fierce, for that business people must have creativity to keep abreast of the times (Fakaubun, 2020). (Supangkat & Supriyatin, 2017) states that basically someone can buy something to meet their needs, they don't only see it from the outside, but also get its use. Therefore, business people are guided to produce quality products so that consumers don't feel disappointed so that they make consumers feel wanted repurchase. It results in the business being carried out and will continue to live and develop. Product quality is the number of characteristics of a product that is determined based on the ability to meet the specific or implicit needs of a business (Dianah & Welsa, 2017). Based on the results of the previous research above, the second hypothesis was determined in this study, namely ***H5: Product Quality Affects the Development of MSMEs in Moderating Entrepreneurial Characteristics.***

### III. Research Method

#### 3.1 Population and Sample

The method in this study uses quantitative research methods, in which the data are data primary. With this method, researchers collect data through populations and samples. Population is the whole element that will be generalized. The population in this study are consumers in Jakarta. After the population is obtained, the researcher then collects the sample. The sample is some part of the population taken to find out or research a study. The sample in this study were consumers in Jakarta as many as 202 respondents. To collect these respondents, the researcher used a questionnaire in the form of a google form which was distributed directly or via social media. Determination of the number of respondents using the hair method, in which a total of 202 respondents were collected.

#### 3.2 Variables and Research

##### a. Digital Marketing (X1)

According to (Oktaviani & Rustandi, 2018) Digital Marketing is a marketing activity so that products are more easily recognized by consumers and at the same time influence potential buyers to buy products that are sold through internet media. The Digital Marketing variable is measured by 5 indicators, namely Coordination (p1), Trade (p2), Community (p3), Content (p4), Communication (p5) (Wibowo, 2019).

##### b. Product Quality (X2)

According to (Jeffrey & Wijaya, 2019) Product quality is a statement of the level of ability of a particular brand or product in carrying out the desired function and as an ingredient to meet consumer needs. Product Quality variable is measured by 5 indicators, namely Product Quality (p1), Service Quality (p2), Emotional (p3), Price (p4), Cost (p5) (Rambat, 2013).

##### c. MSME Development (Y)

According to (Natasya & Hardiningsih, 2021) MSME development is a process in the business that we are running according to the target. With this MSME development can be analyzed regarding support, monitoring, and opportunities. The variable of Business Development is measured by 5 indicators, namely

Income Increase (p1), Increased Number of Customers (p2), Product Quality Improvement (p3), HR Quality Improvement (P4) (Agustina & Andayani, 2016)

##### d. Entrepreneurship Characteristics (Z)

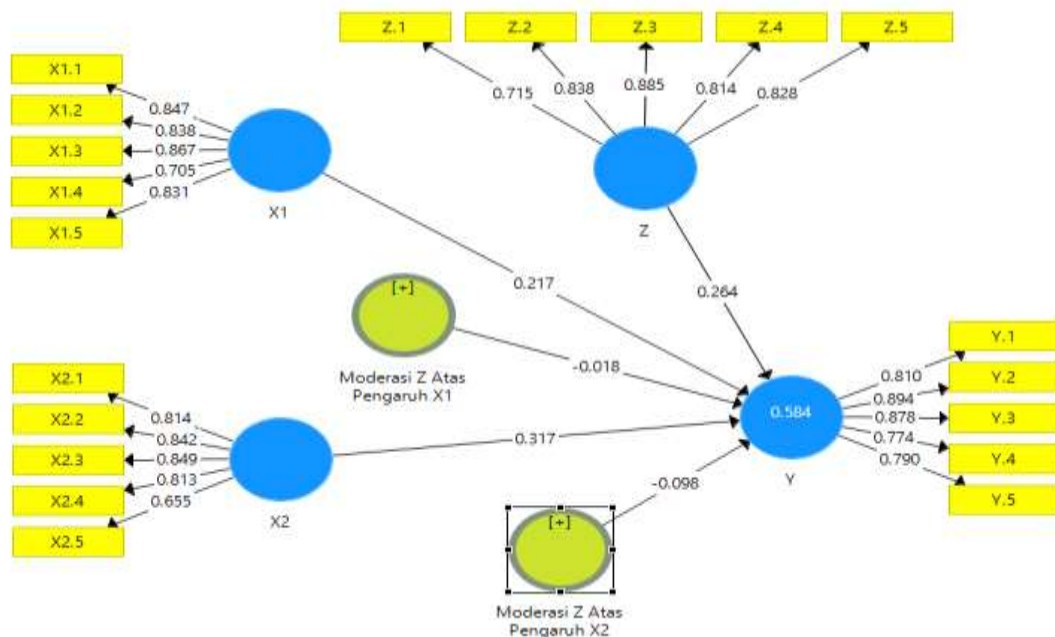
According to (Sari et al., 2016) Characteristics of Entrepreneurship as a character that generally describes its own uniqueness and a person's thinking power which includes the dimensions of the person's attitudes and needs. Entrepreneurial Characteristics Variables are measured by 5 indicators, namely Product Quality, Focusing on Long-Term Goals (p1), Having Many Ideas (p2), Persevering and Dare to Take Risks (p3, p4), Able to See Opportunities (p5) (Islam et al., 2011 ).

## IV. Results and Discussion

### 4.1 Descriptive Statistics

Based on the results of filling out the questionnaire, there were 202 respondents who filled out the questionnaire. After the analysis, there are two hypotheses that were rejected.

No	Characteristics		Total	Percentage (%)
1.	Gender	Male	108	53.5%
		Female	94	46.5%
		<b>Total</b>	<b>202</b>	<b>202 %</b>
2.	Age	>15 Years	5	2.5%
		15-25 Years	141	69.8%
		26-35 Years	48	23.8%
		>36 Years	5	2.5%
		<b>Total</b>	<b>202</b>	<b>202%</b>
3.	Education	Junior high school	4	2%
		High school/equivalent	173	85.6%
		D3	16	7.9%
		S1	8	4%
		Masters	2 1	0.5%
		<b>Total</b>	<b>202</b>	<b>202%</b>
4.	Job	not working	6	3 %
		Students	103	51%
		Private Employees	55	27.2%
		Entrepreneurs	35	17.3%
		Civil Servants	3	1.5%
		<b>Total</b>	<b>202</b>	<b>202</b>



#### 4.2 Validation Test

Based on the results of the validity test analysis with 202 respondents, it can be described as follows: 1) the results of the validity test on the MSME Development variable with five indicators are declared valid. The results of the overall indicators > 0.5, 2) the results of the validity test on the Entrepreneurial Characteristics variable with five indicators declared valid. The results of the overall indicators > 0.5, 3) the results of the validity test on product quality with digital marketing with five indicators declared valid. The results of the overall indicators > 0.5, and 4) the results of the validity test on the digital marketing variable with five indicators declared valid. Overall indicator result > 0.5.

#### 4.3 Reliability Test

Variable	Cronbach Alpha Key	0.876
Marketing	Digital	Valid
Product Quality	0.854	Valid
MSME Development	0.887	Valid
Entrepreneurial Characteristics	0.875	Valid

Reliability tests were conducted to determine the reliability of the research instrument. The research instrument was considered valid when the Cronbach Alpha score < 0.7. Thus, the overall research instrument is reliable.

#### 4.4 Testing

	Original Sample	Average	Standard Deviation	T-Statistic	P Values
Moderation of Entrepreneurial Characteristics on the Effect of Digital Marketing -> MSME Development	-0.018	-0.023	0.097	0.188	0.851
Moderation of Entrepreneurial Characteristics on the Effect of Product Quality -> MSME Development	-0.098	-0.103	0.075	1.307	0.192
Digital Marketing -> MSME Development	0.217	0.226	0.094	2.305	0.022
Product Quality -> MSME Development	0.317	0.326	0.094	3.372	0.001
Entrepreneurial Characteristics -> MSME Development	0.264	0.251	0.088	2.980	0.003

A hypothesis can be accepted and significant if P Values < 0.5 and T statistics < 1.96. Following are the results of the hypothesis.

#### 4.5 Characteristics of Entrepreneurship on the Development of MSMEs

The first hypothesis is the characteristics of Entrepreneurship on the Development of MSMEs. The results of the calculation show that P values are worth 0.003 and T statistics are 2.980, thus the first hypothesis testing is accepted. That is, the higher the sense of responsibility for their efforts owned by an entrepreneur, the higher the opportunity for the business to grow.

#### **4.6 Product Quality on MSME Development**

The second hypothesis is product quality on MSME development. The results of the calculation show that the P values are 0.001 and T statistics are 3.372, thus the second hypothesis test is declared accepted. This means that the higher the quality of the product to carry out its duties which include durability, reliability or progress, strength, ease of packaging and product repair, the higher the opportunity for the business to grow.

#### **4.7 Digital Marketing on MSME Development**

The third hypothesis is digital marketing on MSME development. The results of the calculation show that the P values are 0.022 and T statistics are 2.305, thus the third hypothesis testing is accepted. That is, the higher the digital marketing, the higher the opportunity for the business to grow.

#### **4.8 Moderation of Entrepreneurial Characteristics on the Effect of Product Quality -> Development of MSMEs**

The fourth hypothesis is the entrepreneurial character of the influence on product quality which is moderated by the characteristics of Entrepreneurship. The results of the analysis show that the P values are 0.192 and T statistics are 1.307, thus the fourth hypothesis is rejected. That is, there is no significant effect on entrepreneurial characteristics on the effect of product quality moderated by the development of MSMEs.

#### **4.9 Moderation of entrepreneurial characteristics on the influence of digital marketing -> MSME development**

The fifth hypothesis is the entrepreneurial character of the influence on digital marketing which is moderated by the characteristics of entrepreneurship. The results of the analysis show that the P values are 0.851 and T statistics are 0.188, thus the fifth hypothesis testing is declared rejected. That is, there is no significant influence on entrepreneurial characteristics on the influence of digital marketing which is moderated by the development of MSMEs.

### **V. Conclusion**

The business run by a diligent entrepreneur has a very positive impact on economic progress in Indonesia, however, that is depending on the business actor and the strategy used by the business actor in running his business.

Based on the results of the analysis, it was found that digital marketing on the development of MSMEs, product quality on the development of MSMEs, and the characteristics of Entrepreneurship on the development of MSMEs have a significant and positive effect on the development of MSMEs in Indonesia. Moderation of entrepreneurial characteristics on the influence of digital marketing has no effect on MSME development. Moderation of entrepreneurial behavior on the effect of product quality does not affect the development of MSMEs.

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