How Social Media Marketing Supports Product Development in Bandung's Local SMEs

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Abstract

Value equity, brand equity, and relationship equity in local MSME products on the Instagram application are the three aspects of customer equity drivers that this research will use to analyse the impact of social media marketing operations on customer loyalty. Purposive sampling was used with non-probability sampling. 282 users of the Instagram app who have made local product purchases in Indonesia participated in this poll. In this study, SEM analysis was conducted using SmartPLS 3.0 software and descriptive analysis. The investigation's findings indicate that perceived social media marketing initiatives significantly improve value equity, brand equity, and relationship equity. Customer loyalty is greatly enhanced by value equity, brand equity, and relationship equity.

Keywords: Value equity, customer loyalty, social media marketing activities, relationship equity, Brand equity

Introduction

In Indonesia, there are the top five categories that sell the most in e-commerce, notably fashion, personal care. According to Yudiani (2022), three of the five categories—fashion, personal care, and food and beverage—are associated with the creative economy and MSMEs. The Instagram app is ranked #1 in the AppStore and PlayStore as of the third quarter of 2023, according to IPrice statistics (2023). The Instagram app provides social media features that allow buyers and sellers to communicate with one another directly. Yusuf (2022) claims that social media is a platform that enables people to interact, share, and connect with one another in order to create online relationships.

One of the social media features introduced by Instagram is Instagram live, where this function allows users to display products and connect with their followers directly (Yusuf, 2021). Yudiani (2023) defines customer loyalty as a consumer's propensity to make consistent purchases from a specific business and stick with it over time. As for current occurrences, no

study has looked into how social media marketing efforts affect consumers' loyalty to regional MSME goods on the Instagram app. This object, then, is what sets this research apart from earlier studies.

Therefore, using value equity, brand equity, and relationship equity as the three key characteristics of customer equity drivers, the primary goal of this research is to investigate how social media marketing activities affect customer loyalty to local MSME products via the Instagram application.Connection between Value Equity and Perceived Social Media Marketing Activities. Kotler & Keller (2022) state that creating, communicating, and offering value is the primary objective of marketing. As a result, every marketing effort will be geared at developing value equity (Yusuf, 2023). Furthermore, not every consumer thinks that owning a product will elevate them in society and make them happy (Yusuf, 2022). Therefore, based on earlier research by Shin & John (2022), there is a favourable effect between perceived social media marketing efforts and value equity. Drawing from the aforementioned explanation, the ensuing outlines the research hypothesis: Value equity is significantly improved by perceived social media marketing activities (Peter & O'Connor, 2011). The Connection between Brand Equity and Perceived Social Media Marketing Activities

The basic objective of all marketing strategies is the same: to provide a channel of communication through which potential clients can learn about the offerings of the business and, consequently, develop an interest in the product (Shin & John, 2022). In terms of marketing Social media can boost brand equity customer-based (Ynato et al., 2022). Brand equity benefits greatly from perceived social media marketing activities. The Connection between Relationship Equity and Perceived Social Media Marketing Activities In relationship marketing, it is highly crucial to consider aspects such as creating, sustaining, and expanding connections with clients (Kotler & Keller, 2016).

According to Shin & John's (2012) earlier research, relationship equity and perceived social media marketing activity are positively correlated. Drawing from the aforementioned

explanation, the ensuing outlines the research hypothesis: Relationship equity is significantly improved by perceived social media marketing efforts.

Methods

This research is descriptive and causal in nature, and it makes use of quantitative methods in order to achieve its goals. Users of the Instagram app in Indonesia who have shopped for regional goods made up the research population. The population is unknown, though. The Cochran formula was utilised to determine the sample size because the population in this investigation is unknown. A data sample consisting of 282 individuals was obtained by applying the Cochran formula and obtaining the findings. Purposive sampling, a non-probability sampling technique, is used in this study. Three requirements have been established in order to qualify as a respondent, which are as follows: The participants are of Indonesian descent, ranging in age from 18 to 55. They possess Instagram accounts and have made at least three purchases of local goods using the Instagram application

Results and Discussion

Features of the Respondent

In the course of gathering data, 297 respondents were gathered. Additionally, 282 respondents satisfied the requirements, enabling them to accurately respond to each of the questionnaire's assertions.

Results of Descriptive Analysis

Marketing Activities on Social Media (SMMAs)

Yudiani et al. (2022) claim that social interaction in e-commerce sites would clarify how clients contribute to corporate social media by meeting other customers who share their opinions and by having discussions about different items.

The outcomes of the descriptive analysis for the items related to social media marketing fall into the excellent category. INF3 (81.75%) is the social media marketing activity item with the lowest score, nevertheless.

SEM-PLS examination

Evaluation of the Measurement Model

Outcomes of the measurement model process evaluation. Assessment of measurement models, also known as outer models, is employed, according to Masrifah (2022), to test items in variables or gauge the extent to which these items can explain variables. The outcomes of testing the outer model are as follows: reliability, discriminant validity, and convergent validity.
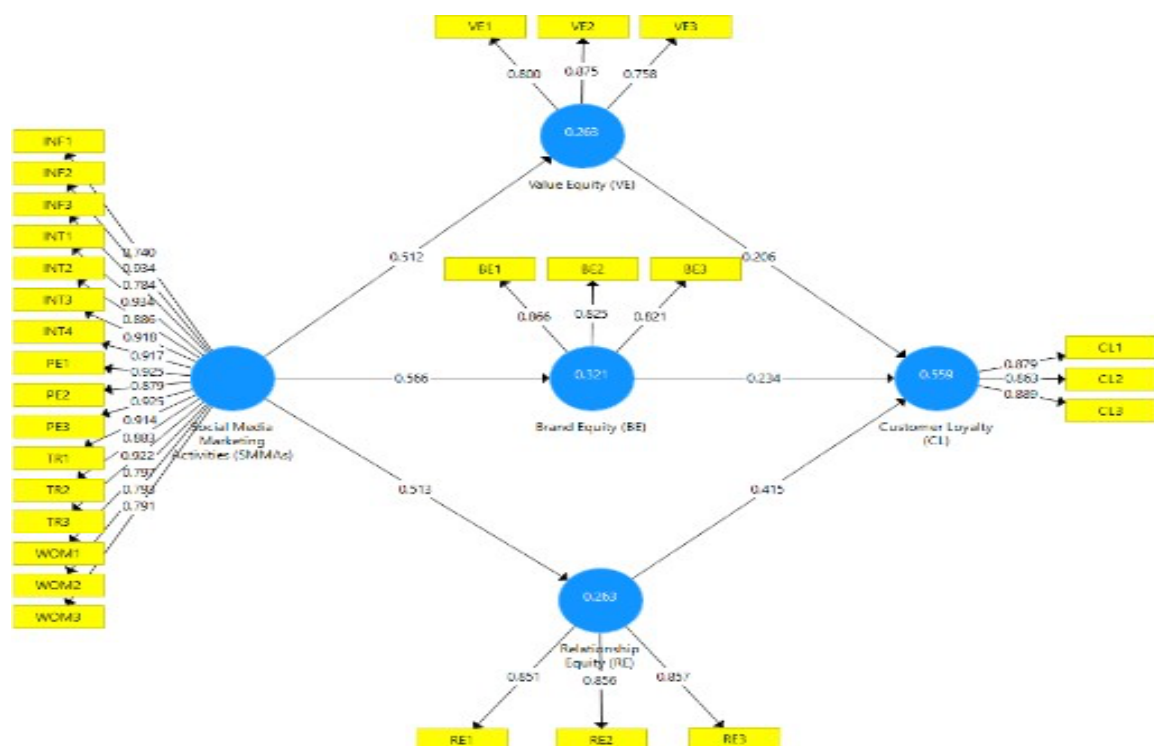

Figure 2. Assessment of the Measurement Model

Source: Researcher data processing

Validity convergence

Convergent validity, according to Kushendar (2022), is the capacity to gauge an item's or a group of items' degree of truth in a variable with respect to the desired outcome. Convergent validity can be assessed using two different methods: factor loading (FL) and AVE. The item being measured is deemed valid if the FL score is higher than 0.7 (Indrawati, 2017, p. 70).

Every item in this study is greater than 0.7, according to the analysis's findings, proving the validity of every item.

An AVE score of more than 0.5 can be used to assess convergent validity (Indrawati, 2017, p. 70). Every item in this study is more than 0.5, indicating that all of the items are genuine, according to the analysis results.

Table 1. Test Results $R2$

Variable Laten	R^2
Brand Equity (BE)	0.321
Customer Loyalty (CL)	0.559
Relationship Equity (RE)	0.263

Source: Researcher data processing

Based on the results of the $R2$ test contained in Table 7, the customer loyalty variable can be explained by brand equity, relationship equity, value equity, and social media marketing activities at 0.559 or 55.9%.

Conclusion

Score of 82.80% for the overall social media marketing activities item, had the lowest score of all the statements. It indicated that, in the respondents' opinion, local MSME products can offer thorough information through the Instagram application, placing them in the good category. However, 8 out of the total respondents disagreed, and 117 chose to remain neutral. Additionally, VE1, which has a score of 84.75%%, is the statement with the lowest overall value equity item score. According to the respondent's perspective. The Instagram application's

price-quality ratio for local MSME products is in the good range; however, 1 out of the total respondents strongly disagreed, 5 disagreed, and 39 remained neutral; the remaining respondents opted to disagree. Additionally, BE3, which has a score of 76.44%, is the least successful statement related to overall brand equity. It indicates that, from the respondents' perspective, local MSME products in the Instagram application will be the first choice of respondents who fall into the good category. However, 1 out of 23 respondents disagreed, and 81 respondents chose to be neutral.

Then, with a score of 78.40%%, RE3 has the lowest overall relationship equity item score. According to respondents' opinions, this statement indicates that they will feel committed to the Instagram application when searching for local MSME products that fall into the good category, but only 1 of all respondents selected to strongly disagree, 14 respondents overall selected to disagree, and 70 respondents overall selected to be neutral. The statements about customer loyalty that have received the lowest scores overall are CL1 and CL2, both of which have a score of 83.27%. These statements indicate that, from the respondents' perspective, there is a good likelihood that respondents will consider purchasing and endorsing local MSME products from the Instagram application in the future. However, for item CL1, 1 out of all respondents chose strongly disagree, 6 out of all respondents chose to disagree, and 53 out of all respondents chose neutral. Similarly, for item CL2, 1 of the total respondents chose strongly disagree and 57 of the total respondents chose neutral.

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