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SOCIAL COMMERCE AND PROMOTIONAL STRATEGIES IN MSMES: HOW ECONOMIC CONDITIONS SHAPE PURCHASE FREQUENCY

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Abstract

This study aims to analyze the influence of Social Commerce, Customer Service Quality, and Sales Promotion on Purchase Frequency with Economic Condition as a moderating variable. The background of this study is the stagnation experienced by Micro Small and Medium Enterprises (MSME/*UMKM*) in Ciamis Regency. This study employs a quantitative approach, distributing questionnaires to MSME owners and analyzing the data using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) method. The results indicate that Social Commerce, Customer Service Quality, and Sales Promotion have a positive and significant impact on Purchase Frequency. Additionally, Economic Condition was found to moderate the relationship between Sales Promotion and Purchase Frequency, however it did not moderate the relationship between Social Commerce or Customer Service Quality and Purchase Frequency. These findings confirm that digital marketing strategies, quality customer service, and effective promotions can increase customer purchase frequency, especially when tailored to current economic conditions. Furthermore, this study provides valuable insights for SMEs in optimizing their marketing strategies based on consumer behavior and external factors.

Keywords: Social commerce; Customer Service Quality; Sales Promotion; Purchase Frequency; and Economic Condition.

INTRODUCTION

Micro Small and Medium Enterprises (MSMEs/*UMKM*) play an important role in the Indonesian economy, contributing more than 60% to the gross domestic product (GDP) and employing the majority of the workforce. However, medium-scale MSMEs in Ciamis Regency experienced stagnation during the 2019–2023 period, particularly in terms of digitalization penetration and business growth. Amidst the national digital transformation, this phenomenon has become an urgent issue to analyze, given that digitalization holds great potential to enhance efficiency and expand markets.

This study aims to analyze the influence of Social Commerce, Customer Service Quality, and Sales Promotion on Purchase Frequency among medium-sized SMEs in Ciamis Regency, with Economic Condition as a moderating variable. This study contributes theoretically by enriching the literature on digital marketing strategies and moderating factors in consumer behavior, particularly in the SME sector in regional areas. Practically, the research findings provide strategic recommendations for SME operators and local governments to enhance the effectiveness of digital marketing strategies to boost purchase frequency.

The novelty of this study lies in its simultaneous analysis of three marketing variables (Social Commerce, Customer Service Quality, and Sales Promotion) moderated by economic conditions in the context of medium-sized MSMEs, which has rarely been studied, especially in local areas such as Ciamis Regency. The results of the study indicate that all three independent variables have a significant influence on purchase frequency. However, only Economic Condition was found to moderate the influence of Sales Promotion on Purchase Frequency. The practical implications of these findings are the importance of aligning promotional strategies with consumers' economic conditions, as well as optimizing the role of social media and customer service to enhance loyalty and repeat purchases.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

This study is based on consumer behavior theory, which explains that purchasing decisions are influenced by various factors, both internal (attitudes, perceptions) and external (social and economic environment) (Kotler & Keller, 2016). In the context of MSME digitalization, there are several key variables that are relevant, namely Social Commerce, Customer Service Quality, and Sales Promotion, which are believed to influence Purchase Frequency. Social Commerce is an evolution of e-commerce that utilizes social media to facilitate purchases through social interaction. Previous studies (Renardy & Abdillah, 2018; Adam et al., 2022) have shown that social commerce has a positive influence on purchasing decisions and consumer loyalty. Customer Service Quality plays a crucial role in creating satisfaction and encouraging repeat purchases. Zeithaml et al. (2018) suggest that dimensions such as reliability, responsiveness, assurance, and empathy can enhance the consumer experience. Sales Promotion encompasses various tactics to encourage short-term purchases, such as discounts, gifts, or loyalty programs.

Research by Kaveh et al. (2021) confirms that customer engagement through promotions can increase purchase intensity. Purchase Frequency refers to how often customers make purchases within a specific time period, serving as an indicator of consumer loyalty. By understanding consumer purchasing patterns, companies can tailor products and offers to meet the evolving needs of the market (Buason et al. 2020). Economic Condition acts as a moderating variable that can strengthen or weaken the influence of independent variables on Purchase Frequency. Good economic conditions allow consumers to respond more actively to promotions, while in times of crisis, purchasing power tends to decline (Wardani & Indriyanti, 2022).
H1: Social commerce has a positive effect on purchase frequency.
H2: Customer Service Quality has a positive effect on Purchase Frequency.
H3: Sales Promotion has the positive effect on Purchase Frequency.
H4: Economic conditions moderate the influence of social commerce on purchase frequency.
H5: Economic conditions moderate the influence of customer service quality on purchase frequency.
H6: Economic conditions moderate the influence of sales promotion on purchase frequency.

Based on previous theories and research, a conceptual framework was developed linking Social Commerce, Customer Service Quality, and Sales Promotion as independent variables to Purchase Frequency, with Economic Condition as a moderating variable. This model aims to explain the relationship between digital marketing and the purchasing behavior of MSME consumers in the context of a dynamic local economy.

RESEARCH METHODS

This study adopts a survey method with a quantitative approach. Survey research itself is a type of research used to explain the causal relationship between independent variables (Social Commerce, Customer Service Quality, and Sales Promotion) and the dependent variable (Purchase Frequency), with Economic Condition as a moderating variable, and to test hypotheses. This design combines surveys through the distribution of questionnaires and data analysis using Partial Least Squares - Structural Equation Modeling (PLS-SEM). This method was chosen because it is suitable for testing relationships between latent variables in complex models and does not require normal distribution assumptions.

The population in this study was all medium-scale MSMEs operating in Ciamis Regency. Based on the criteria of Government Regulation No. 7 of 2021, medium-scale MSMEs are businesses with capital of IDR 5–10 billion or annual turnover of IDR 15–50 billion. The sample in this study is a total sample or the entire population. This is because the research conducted is a census study, where this method is applicable when the population is relatively small or easily accessible. The sample in this study consists of medium-scale MSMEs in Ciamis Regency, totaling 140 MSMEs. Primary data was collected through a Likert scale questionnaire (1–5). The questionnaire was distributed online using Google Forms. The research instrument was developed based on indicators from previous theories and studies that had been validated through validity and reliability tests, both statistically and through outer loading, AVE, and composite reliability tests in PLS-SEM model testing.

The data were analyzed using SmartPLS software version 4.0. The analysis process was carried out in two stages, namely: Measurement Model Evaluation (Outer Model): To test the validity of indicators against constructs. Structural Model Evaluation (Inner Model): To test the relationships between constructs and the moderating effects using Moderated Regression Analysis (MRA). Additionally, bootstrapping tests were conducted to assess the significance of relationships between variables. R^2 and Q^2 values were used to evaluate the predictive power of the model on the dependent variable.

RESULTS AND DISCUSSION

A. Results: Outer and Inner Model Testing, and Testing Hypotheses Results

Outer model testing aims to assess the validity and reliability of constructs in the measurement model. Based on the analysis results, all indicators have a factor loading value above 0.70, which indicates excellent indicator validity. The Average Variance Extracted (AVE) value for all constructs is above 0.50, thus meeting the convergent validity criteria. Meanwhile, the composite reliability and Cronbach's alpha values for each variable also exceed 0.70, meaning that the constructs used in the model are internally reliable.

Table 1. Summary of Outer Model Results

Construct	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)	Description
Social Commerce	0.934	0.936	0.958	0.884	Valid and Reliable
Customer Service Quality	0.956	0.997	0.965	0.845	Valid and Reliable
Sales Promotion	0.950	0.975	0.964	0.869	Valid and Reliable
Economic Condition	0.948	0.948	0.963	0.866	Valid and Reliable
Purchase Frequency	0.946	0.946	0.965	0.903	Valid and Reliable

In addition, discriminant validity testing using the Fornell-Larcker method showed that the AVE square root value of each construct was greater than its correlation with other constructs, confirming that each construct was able to distinguish itself from other constructs.

Inner model testing was conducted to evaluate the relationship between constructs and the model's ability to explain dependent variables. The R^2 value for the Purchase Frequency construct was 0.614, which means that 61.4% of the variation in Purchase Frequency can be explained by the variables of Social Commerce, Customer Service Quality, and Sales Promotion. The Q^2 predictive relevance value was positive, indicating that the model has good predictive relevance. Bootstrapping testing shows that all direct relationships between independent variables and Purchase Frequency are significant. Meanwhile, the moderating effect of Economic Condition is only significant in the relationship between Sales Promotion and Purchase Frequency.

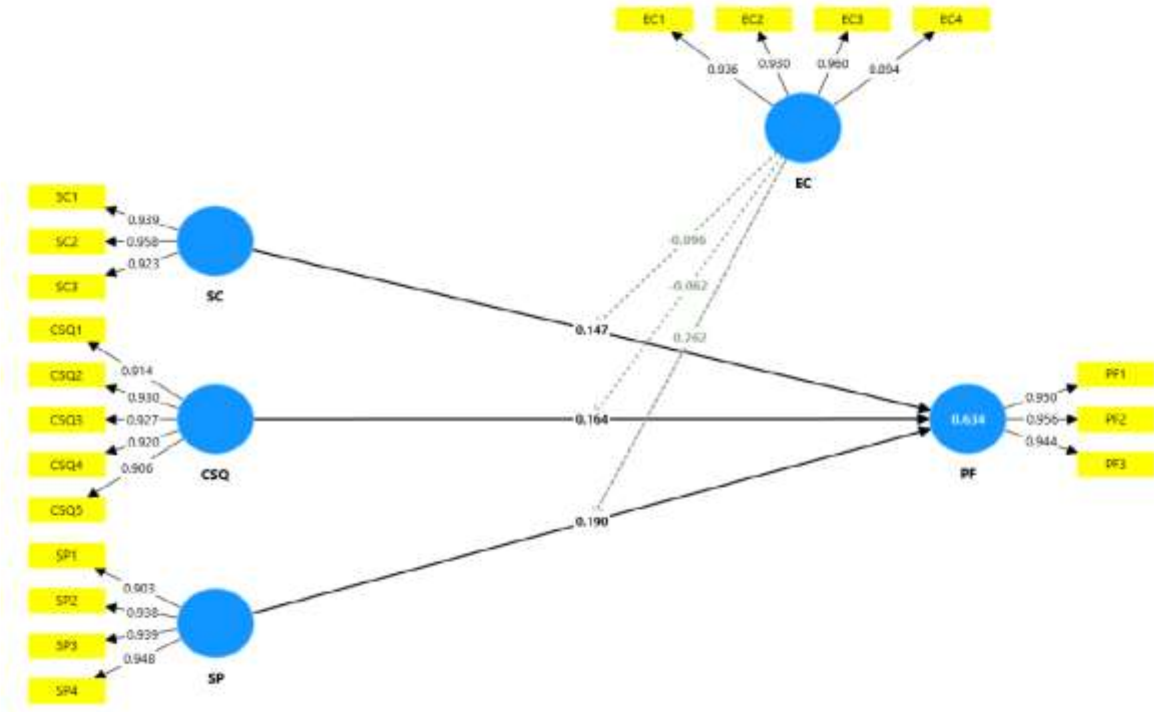

Figure 1 SEM-PLS Model Structure

This study reveals that the three independent variables, namely Social Commerce, Customer Service Quality, and Sales Promotion, have a significant influence on Purchase Frequency in medium-scale MSMEs in Ciamis Regency. These findings were obtained based on the results of PLS-SEM analysis and hypothesis testing, which showed significance values below 0.05 for each direct relationship. Meanwhile, the moderating variable Economic Condition was found to only play a role in strengthening the influence of Sales Promotion on Purchase Frequency, but was not significant in moderating the relationship between Social Commerce or Customer Service Quality and Purchase Frequency. These key findings can be seen in the following graphs and tables:

Table 1. Direct Effect of Independent Variables on Purchase Frequency

Variable	Coefficient	significance	Description
Social Commerce	+	< 0.05 (0.042)	Significant
Customer Service Quality	+	< 0.05 (0.028)	Significant
Sales Promotion	+	< 0.05 (0.031)	Significant

Table 2. Moderating Effect of Economic Conditions

Moderated Relationship	significance	Description
Sales Promotion → Purchase Frequency	< 0.05 (0.002)	Significant moderation (Quasi Moderation)
Social Commerce → Purchase Frequency	> 0.05 (0.149)	Moderate significance (Moderator Predictor)
Customer Service Quality → Purchase Frequency	> 0.05 (0.302)	Moderate significance (Moderator Predictor)

B. Discussion

The results of this study explicitly answer the research questions and problems. It can be concluded that digital-based marketing strategies through social commerce, good customer service quality, and effective sales promotion can increase the purchase frequency of MSME consumers in Ciamis Regency. In addition, economic conditions can strengthen the impact of promotion on purchasing behavior, but not on other variables.

1. The Influence of Social Commerce on Purchase Frequency

Social commerce has been shown to increase customer interaction and engagement. This is in line with the findings of Hajli (2015) and Liang & Turban (2011), who state that engagement through social media increases trust and purchasing decisions. These results confirm that integrating social media into marketing strategies has a positive impact on loyalty and purchase frequency.

2. The Influence of Customer Service Quality on Purchase Frequency

Customer service quality has a significant positive impact on purchase frequency, indicating that a good customer experience can encourage repeat purchases. These findings support Kotler & Keller's (2016) theory and Parasuraman's SERVQUAL model, which emphasize the importance of reliability, responsiveness, and empathy in MSME services.

3. The Influence of Sales Promotion on Purchase Frequency

Effectively designed sales promotions have been proven to increase purchases. Relevant and moderate promotions create a psychological urge for customers to make more frequent purchases. This is consistent with research by Belch & Belch (2018), which shows that attractive promotions can accelerate the consumer purchasing cycle.

4. Role of Economic Condition as Moderating Variable

Economic conditions have been shown to moderate the influence of sales promotions on purchase frequency. In favorable economic conditions, consumers are more responsive to promotional incentives. However, economic conditions do not moderate the effects of social commerce and customer service quality, indicating that these two variables are more stable in influencing purchasing decisions, regardless of fluctuations in economic conditions.

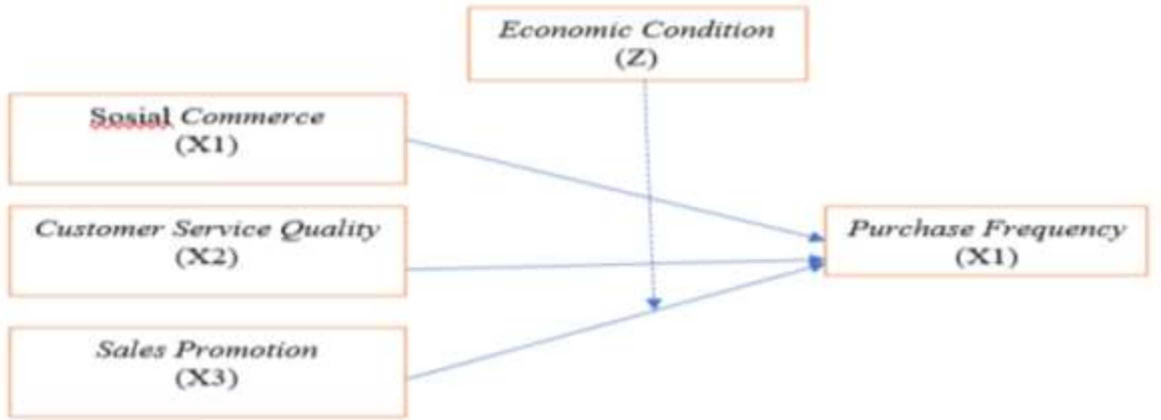

Figure 2. Novelty of the Model

5. Theoretical and Practical Implications

Theoretically, the results of this study reinforce the digital marketing model based on social interaction and service quality as important factors in increasing customer loyalty. This study also provides new evidence that economic conditions can act as a moderator, particularly in promotional strategies. Practically speaking, MSME actors in Ciamis Regency are advised to further optimize social media as an interactive tool, maintain customer service quality, and develop promotional strategies that are adaptive to economic conditions. Local governments can also use these findings as a basis for developing digital-based MSME development policies

CONCLUSION

This study aims to analyze the influence of Social Commerce, Customer Service Quality, and Sales Promotion on Purchase Frequency, with Economic Condition as a moderating variable in medium-scale MSMEs in Ciamis Regency. Based on the results of the analysis using the PLS-SEM method, it was concluded that Social Commerce, Customer Service Quality, and Sales Promotion significantly and positively influence Purchase Frequency. The Economic Condition variable acts as a significant moderator in strengthening the influence of Sales Promotion on Purchase Frequency, but does not moderate the influence of Social Commerce or Customer Service Quality on Purchase Frequency.

This study has important implications for SME actors and local governments. SME actors are advised to optimize the use of social commerce platforms and improve customer service quality as strategies to enhance loyalty and purchase frequency. Promotion strategies should be tailored to consumers' economic conditions to be more targeted and effective in driving purchase decisions. Local governments can use the results of this study as a basis for designing digital-based SME development programs that are responsive to economic conditions.

This study has several limitations that should be noted. Data was collected from only one region, Ciamis Regency, so generalizing the results to other areas should be done with caution. The study used a quantitative approach, so it did not delve deeply into the perceptions or subjective experiences of SME operators. The focus of the study was limited to medium-sized SMEs that have implemented digitalization, so it did not include micro and small businesses. Given these limitations, several recommendations for future research include conducting similar studies in other regions or cities to expand the generalization of results, combining quantitative and qualitative approaches to gain a more comprehensive understanding of SME consumer behavior, and adding other variables such as customer loyalty, customer satisfaction, or perceived value as mediators in the relationships between variables.

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