

# The influence of product quality, prices, and promotions on buyer decisions in the small and medium industry handicrafts of Tanjungpinang City

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## Abstract

**Purpose:** This study aims to analyze the impact of promotions, pricing, and product quality on consumer choices in Tanjungpinang City's small and medium-sized handicraft industry. It seeks to understand how these factors influence consumer decision-making and subsequent purchases.

**Research Methodology:** The research employed a quantitative approach with a census sampling technique, involving 145 respondents of Tanjungpinang City's handicraft consumers. Data were collected using questionnaires and analyzed with Structural Equation Modeling (SEM) using SmartPLS version 4, focusing on product, price, promotion, service quality, and purchase decisions.

**Results:** The findings revealed the significance of these relationships: competence Findings reveal that product quality significantly and positively influences purchase decisions, while price shows a very significant positive effect. Conversely, promotion has no significant effect on consumer decision-making. Service quality also acts as a mediator, strengthening the relationship between product and price with purchasing decisions.

**Conclusions:** Price and product quality are key determinants of consumer purchasing behavior in Tanjungpinang's handicraft sector, whereas promotions play a marginal role. Service quality emerges as a crucial mediating factor that enhances the influence of product and price on consumer decisions.

**Limitations:** Study is limited by the use of a single industry and location, relatively small samples, and reliance on survey data without qualitative triangulation, which may restrict the generalizability of findings.

**Contribution:** The research contributes to understanding consumer behavior in the handicraft SME sector by highlighting the mediating role of service quality. It provides practical insights for entrepreneurs to prioritize product quality and pricing strategies, while using promotions more effectively to strengthen market competitiveness.

**Keywords:** Buyer Decision, Products, Prices, Promotions, Quality of Service

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## 1. Introduction

Business development in Indonesia is increasing daily and continues to grow with time. Entrepreneurs must better understand the needs and desires of their consumers and design strong marketing strategies to create satisfaction for their consumers. The increasing number of competitors requires entrepreneurs to optimize their marketing efficacy. In an effort to attract as many customers as possible, Small and Medium-Sized Industries (SMIs) are also in competition with one another. With so many competitors, entrepreneurs must seize any openings or gaps that present themselves. In the fiercely competitive world of business, entrepreneurs are constantly searching for the best marketing plans for their goods. The development of the Small and Medium Industry (KSM) in the field of handicrafts in the City of Tanjungpinang is carried out by the Ministry of Trade and Industry, the Development Modal Agency, and other entities that can support the KSM handicraft industry. In 2023, it is recorded that there are 145 KSM handicraft industries that have been registered and established by the Ministry of Trade and Industry. This serves as a catalyst for the City of Tanjungpinang to maximize the quality of the KSM handicrafts.

Based on the data, it can be seen that there are still relatively few customers who decide to purchase KSM handicraft products in April, May, and June 2023. A survey indicates that respondents still prefer to buy products that have been considered as solutions to their needs. However, there are several aspects that are considered less satisfactory, such as product quality that is not wet enough, too high prices, less attractive advertising, lack of information, and distribution of products that are not wide enough. Based on the background that has been presented, the research problem is formulated as "The Influence of Product, Price, and Promotion with Service Quality as a Mediating Variable on the Purchase Decision of the Small and Medium Industry (KSM) Handicrafts in the City of Tanjungpinang."

## **1. Literature Review**

### **2.1. Marketing Management**

In this study, the term "Marketing Management" is utilized within the framework of the Middle Theory. The purpose of this theory is to ensure that a company's marketing planning activities are well organized and executed. This requires the formulation of appropriate strategies and skills to determine the nature of the plan ([Rizky, Ramadhani, Husnia, & Saputra, 2021](#)). The role of marketing management in a company is of paramount importance, including developing more innovative products, choosing a target market that is expected to benefit the company, and promoting new products to potential customers. According to [Kotler, Keller, Ang, Tan, and Leong \(2018\)](#), marketing management is a target market for attracting, retaining, and increasing customers by creating and providing good sales quality ([Rozanna, 2023](#)). In this context, the researcher applies the Marketing Management Middle Theory ([Putra & Suprapti, 2019](#)), which is an applied science that is used to keep a business alive through the planning, implementation, and control of a marketing concept development program.

### **2.2. Product**

The aspect that has the most significant impact on product purchase decisions is product quality, as Kotler and Armstrong (2010) explain [Kotler and Armstrong \(2010\)](#). The uniqueness of a product or service contributes to its potential to meet consumer needs. This suggests that product quality is a relative consideration in product purchase decisions, and it is important to consider the quality of the product offered by each company. The product is the final result of the production process carried out by the company and will be misused or sold to consumers. This product can be in the form of goods, namely real objects or services, or non-real products ([Putra, 2022](#)).

### **2.3. Price**

The term price refers to the amount of money deposited for a product or service or the value of goods exchanged by customers to earn profits and use a product or service. Price is expressed in currency, such as dollars and cents, or other monetary units as a means of exchange. Price is considered the value of a product or service determined by the amount of money one or more individuals or companies are willing to pay for it. Companies should set prices appropriately to succeed in selling their products and services. According to [Nurliyanti, Susanti, and Hadibrata \(2022\)](#), price is one of the elements of the marketing mix that generates revenue, while the other elements generate costs. Price is also an element that is easily adjusted to fit the features of the product, distribution channels and communication. A

company must determine the price when it first develops a new product or introduces the product to a new distribution channel or geographic area.

## 2.4. Promotion

Promotion is the dissemination of information, arguments, and reminders about a product to prospective customers to sway their decision or elicit an action ([Pramono & Indriyani, 2019](#)). It is not expected that clients will be able to recognize the bank without promotion. Therefore, promotion is the most effective way to attract and retain clients. Promotion spreads information, influences or persuades, or reminds the target market of the company and its products to be willing to accept, buy, and be loyal to the products offered by the company ([Pramono & Nopritama, 2020](#)). Promotion is part of the communication mix, and all messages are conveyed by the company to consumers about its products ([Rizky et al., 2021](#)). Promotional techniques, especially advertising, must convey the usefulness, characteristics, and benefits of a product. Companies conduct promotions to communicate the benefits of their products and convince consumers to buy them.

## 2.5. Service Quality

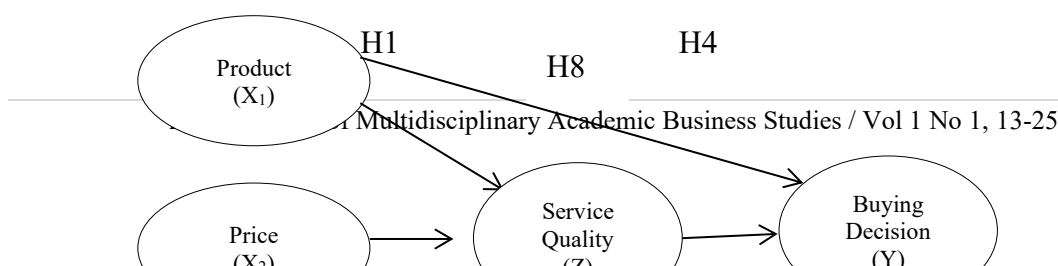
Service quality is the level of quality expected when dealing with consumers. Service quality is not only from the perspective of producers but also from the perspective of consumers who use the service. According to [Ikasari, Suryoko, and Nurseto \(2013\)](#), In order for an organisation or corporation to achieve customer expectations by giving customers what they want, service quality assessment must be focused on and informed by customer expectations ([Pramono & Safarini, 2021](#)). Service quality refers to how well a business uses its methods to determine whether it succeeds in offering high-quality services to its clients, gaining a large market share, and growing profits ([Pramono & Pratama, 2020](#)). The outcomes of a product's service quality approach are crucial to a business's ability to successfully defend itself against competition. Meeting or surpassing expectations for people, processes, goods, services, and the environment constitutes a dynamic state of quality ([Wibowati, 2021](#)). [Garvin \(2020\)](#), lists five different ways to develop high-quality viewpoints. lists five different ways to develop high-quality viewpoints.

## 2.6. Buying Decision

The purchasing decision-making process is a five-stage process that consumers go through, starting with problem recognition, information search, evaluation of alternative solutions, decision-making, and post-purchase behavior. This process ultimately leads to the selection of the best solution, as explained by [Fitriyandi \(2022\)](#). According to [Arlı and Tjiptono \(2014\)](#), the decision-making process starts with the consumer recognizing the problem, searching for information about the product or brand, evaluating the different alternatives to solve the problem, and ultimately making a decision without considering all alternatives. [Gunatirin, Wijanarko, Amaliyah, and Deli \(2023\)](#) defined decision-making as choosing one alternative from two or more alternatives without considering the other alternatives. [Wardani, Jannah, and Setiadi \(2020\)](#) define the purpose of the decision-making process as the process of combining knowledge to evaluate two or more alternative actions and choose one of them. Based on the experts' explanations, it can be concluded that the purchasing decision-making process is a problem-solving process that ultimately leads to the selection of the best alternative solution.

## 2.7. Frame of Mind

The concepts in the framework of thinking are taken from current theories and serve as the foundation for the research that will be done. Three independent variables were used in this study: promotion (X3), price (X2), and product (X1). In this study, the mediating (intervening) variable Service Quality (Z) is paired with the dependent variable Purchase Decision (Y). Thus, the following is a description of the research's conceptual framework.



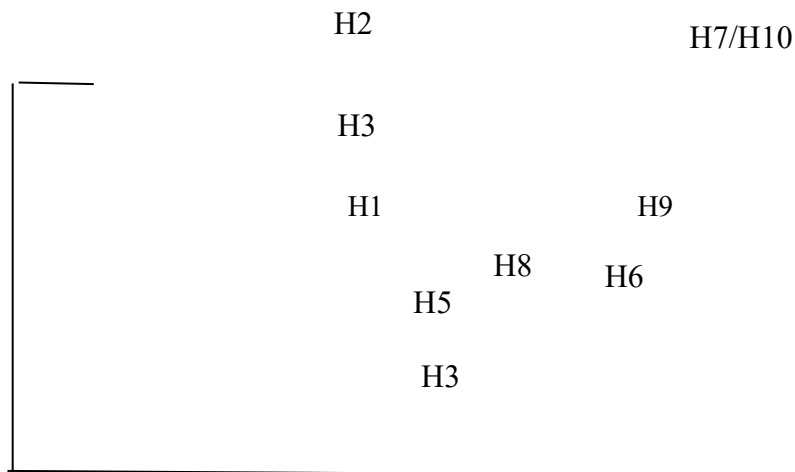


Figure 1: Research Framework

## 2.8. Hypotesis

### 2.8.1. The influence of products on service quality

Based on previous research conducted by [Murnilawati, Hairudinor, and Rasyidi \(2019\)](#), the authors outline the relationship between high-quality services and products. yields a probability of 0.096 and a T statistics value of 1.680. The likelihood was greater than alpha (5%) according to the test results. This indicates that there is no discernible direct relationship between service quality and product quality.

*H1: Product and service quality has a positive relationship.*

### 2.8.2. The effect of price on service quality

Based on previous research conducted by [Murnilawati et al. \(2019\)](#) Given the explanation, the T-statistics value for the influence of price on service quality is 4.132, with a probability of 0.000. According to the test results, the probability was less than alpha (5%). This indicates a notable direct relationship between price and service quality.

*H2: The relationship between cost and the level of service is favorable.*

### 2.8.3. The effect of promotion on service quality

Based on previous research conducted by [Murnilawati et al. \(2019\)](#), a T-statistic value of 6.089 with a probability of 0.000 is produced when the influence of promotion on service quality is explained. According to the test results, the probability was less than alpha (5%). This indicates that promotion has a major direct impact on service quality. A survey of researchers in the field produced a picture that culinary MSMEs in East Bogor use special recipes so that even though the products are the same, they have different tastes, create flavor variants, and even maintain the original taste. from time to time without ignoring consumer tastes and the durability of the product, and considering how it is presented and packaged so that it does not easily go stale/change taste.

*H3 : There is a positif effect between promotion and service quality*

### 2.8.4. Product influence on purchasing decisions

Based on previous research conducted by [Murnilawati et al. \(2019\)](#) outlined how decisions are influenced by product quality. Purchasing had a probability of 0.337 and a T-statistics value of 0.964. The likelihood was greater than alpha (5%) according to the test results. This indicates that decisions about what to buy are not significantly influenced by product quality.

*H4: Buying decisions and products are positively related.*

### 2.8.5. Price's impact on decisions to buy through service quality

Drawing from earlier studies carried out by [Murnilawati et al. \(2019\)](#); [Putra and Cahyo \(2021\)](#) provided an explanation of how service quality affects pricing in purchasing decisions. Price is known to have a

significant impact on service quality, and service quality is known to have a significant impact on decisions about what to buy. Given the importance of both routes, it can be concluded that price significantly influences decisions about what to buy based on the quality of the services. Consequently, service quality can mitigate the impact of price on purchase decisions about what to buy.

Based on previous research conducted by [Hidayat \(2018\)](#), the hypothesis that "There is a Positive Influence of Price on Purchasing Decisions (Case Study of Palm Palm Sugar Buyers in Simpang Empat Village, Sei Rampah District, Sergai Regency, North Sumatra Province)" is accepted based on the statistical results of the t-test for the price variable, which obtained a calculated t value of 2.445 with a significance value of 0.020 which is less than 0.05 ( $0.020 < 0.05$ ).

*H<sub>5</sub> : There is a positif effect between price, purchasing decision and service quality*

#### 2.8.6 Promotion's impact on decisions to buy through service quality

Drawing from earlier studies, [Murnilawati et al. \(2019\)](#) explained the influence of promotions on purchasing decisions through service quality. Promotions significantly affect service quality, and the quality of services has a significant impact on what people decide to buy. Given the importance of both routes, it can be concluded that promotion has a significant impact on consumers' decisions to buy through service quality. Therefore, service quality can mitigate the impact of promotions on decisions about what to buy ([Pramono & Safarini, 2022](#)).

*H<sub>6</sub>: Promotion, purchasing decision, and service quality have a positive effect.*

#### 2.8.7. The influence of service quality on purchasing decisions

Based on previous research conducted by [Murnilawati et al. \(2019\)](#), the influence of service quality on purchasing decisions produces a T-statistics value of 2.183 with a probability of 0.031. The test results showed that the probability was  $< \alpha$  (5%). This means that there is a significant direct influence of service quality on purchasing decisions.

*H<sub>7</sub> : There is a positif effect between service quality and purchasing decision*

## 2. Research Methodology

The location or place of The subject of this study is Tanjungpinang City's IKM Crafts, a small and medium-sized business. Tanjungpinang City will be the site of this research in 2023. Using a questionnaire instrument, the data collection technique employed variable measurement. A questionnaire was provided to each respondent as a source of variable measurement. Data were gathered by providing respondents with a list of questions or questionnaires. The reason for using this method is that the research subject is the person who knows best about himself, and the subject's statements are true and trustworthy ([Zillah, Husniati, & Aziz, 2022](#)).

The population of this study consisted of 145 samples of Tanjung Pinang City Crafts Small and Medium Industry (IKM) consumers. The samples are a portion of the population's size and makeup (Sugiyono, 2018). In this study, the census technique was used as the sampling method. The census technique was used to select the entire population as the research sample. Thus, this investigation included 145 samples.

This study used a quantitative method to investigate causality. Primary data are used by research respondents. In this research, the target population is consumers or buyers in the Tanjungpinang City Craft Small and Medium Industries (IKM) in the last three months (April, May, and June) taken from three places. The samples taken were 145 samples of Tanjungpinang City Craft Small and Medium Industry (IKM) consumers. The following are the respondents' demographics.

Table 1. Respondents based on gender

No		Frequency	Percent
Gender	Male	49	33.8%



	Female	96	66.2%
TOTAL		145	
Age	< 20 years old	10	6.9%
	20– 30 years old	20	13.8%
	31– 40 years old	40	27.6%
	41 – 50 years old	51	35.2%
	< 50 years old	24	16.5%
Education	Middle School	8	5.5%
	High School	48	33.1%
	Associate Degree /Bachelor	68	46.9%
	Master/Doctor	21	14.5%

### 3.1. Operational Definition of Variables

Anything that can be made available to the market to attract attention, be purchased, used, or consumed to fulfil a need or desire is considered a product. Respondents were required to complete a list of questions and rate their answers on a Likert scale from 1 (strongly disagree) to 5 (strongly agree). The cost of a good or service is expressed as its price (P). or the quantity of value that a client trades in exchange for the advantages of possessing and using a good or service. Respondents were required to complete a list of questions and rate their answers on a Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Marketing communications that enlighten, convince, and remind prospective customers about a product to sway their viewpoint or elicit a response ([Parela, 2022](#)). Answers to the list of questions that respondents must fill in are made using a Likert scale from 1 (strongly disagree) to 5 (strongly agree). Service quality is the expected level of quality ([Putra & Herawati, 2017](#)). Service quality is not only from the perspective of producers but also from the perspective of consumers who use the service. Answers to the list of questions that respondents must fill in are made using a Likert scale from 1 (strongly disagree) to 5 (strongly agree).

The stage of the decision-making process where consumers actually make a purchase is known as the purchase decision. A consumer's decision to purchase a combination of two or more available alternatives is influenced by several factors, such as location, promotion, quality, price, convenience, and service ([Sulistyawati, Setyadi, & Nawir, 2022](#)). Answers to the list of questions that must be filled in by respondents are made using a Likert scale with 5 being strongly agree and 1 being strongly disagree.

### 3.2. Test of Validity and Reliability

Before data analysis was performed, the quality of the data obtained was tested using the following steps:

#### 3.2.1 Validity Test

Ridwan ([Umar, 2003](#)) explained that validity refers to a dimension that indicates the level of reliability or authenticity of an instrument used to collect data. If an instrument is deemed valid, it indicates that the tool is capable of measuring the things it is designed to measure, and thus, it can be used to obtain valid data. As [LESTARI \(2019\)](#) states, an instrument that is deemed valid must have both internal and external validity. An instrument that has internal validity or rationality is considered valid if the criteria that exist within the instrument show what is intended to be measured. Meanwhile, an instrument that has external validity or empirical validity is deemed valid if it is based on empirical facts that have been proven through comparison with established standards and consultation with experts as a means of validity testing.

There are two types of internal validity: construct validity, which is developed based on relevant theory with consultation and validation by experts, and content validity, which is developed based on planning

or a program that has been made with comparison and consultation with experts as a means of validity testing. Meanwhile, external validity or empirical validity is developed based on empirical facts that have been proven through comparison with established standards and analysis of facts as a means of validity testing. Researchers often use external validity to test the validity of instruments at a certain level of the research subject ([Oktarendah & Putri, 2023](#)).

### 3.3. Data Analysis Technique

Analysis was conducted using SmartPLS version 4, a Partial Least Squares (PLS) software commonly used in social science research. PLS is a structural equation modeling (SEM) technique with more flexibility in connecting theory and data, suitable for small samples, and can perform path analyses with variable latency. It is used to confirm theories, explain relationships, and analyze constructs formed by reflective and formative indicators. The choice of PLS was based on the presence of six latent variables formed by reflective indicators and variable lengths. In this context, the reflective model assumes that construct or variable latency affects the indicator, with a second-order causal relationship between the construct and the indicator. Therefore, confirming the relationship between latent variables is essential.

## 3. Results and discussions

The Two stages of evaluation are the outcome of data analysis using partial least squares (PLS): assessment of the measurement model (outer model) and assessment of the structural model (inner model). The measurement model was evaluated by comparing each variable's cross-loading value with the reflexive indicator criteria as determined by discriminant validity measurements. A latent construct is said to predict a measure in a block more accurately than a measure in another block if its correlation with a measurement item is higher than that of other measurement items. Discriminant validity is used to ensure that every concept from every latent model is distinct from other variables. The goal of discriminant validity is to determine if a construct variable's indicator is legitimate or If the Heterotrait - Monotrait Ratio of Correlation (HTMT) value is less than 0.90, the variable is considered to have good discriminant validity.

Table 2. Discriminant Validity

	Price X2	Purchase Decision Y	Service Quality Z	Product X1	Promotion X3
Price X2					
Purchase Decision Y	0,108				
Service Quality Z	0,938	0,092			
Product X1	0,433	0,241	0,423		
Promotion X3	0,449	0,106	0,461	0,365	

Price was positively correlated with purchasing decisions and service quality variables. Service quality was positively correlated with product and promotional variables. Positive product correlation with promotional variables.

### 4.1 Analysis of the Measurement Model (Outer Model)

The outer model, sometimes referred to as the prediction model, is used to define the relationship between the latent variables and the model's indicators. The PLS algorithm was used in the outer model specification test. Internal consistency analysis is a reliable method for evaluating the consistency of the construction of an exam's entire item. A composite reliability criterion was used in the internal consistency testing, and a variable was deemed reliable if its composite reliability was higher than 0.600. ([Youp, 2021](#)).

Table 3. Internal Consistency Analysis

	Cronbach' s alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Price X2	0,944		0,951	0,564

<b>Purchase Decision Y</b>	0,975	0,988	0,948	0,743
<b>Service Quality Z</b>	0,953	0,955	0,958	0,605
<b>Product X1</b>	0,970	0,973	0,972	0,617
<b>Promotion X3</b>	0,969	0,974	0,972	0,701

Based on the internal consistency analysis data in the table above, all variables are reliable because they have a value of 0.600.

#### **4.2 Structural Model Analysis (inner Model)**

Testing the interdependence between latent variables with latent variables—whether exogenous or endogenous—is the fundamental idea behind the structural (inner) model principle. Hypothesis testing is another term for model testing. When testing a model, one looks at the explained variance percentage of the dependent (endogenous) variable under study is examined. Another examines the impact of the independent (exogenous) variable, which has a large coefficient of structural links and a small Stone-Geisser Q square test. Statistical tests obtained through bootstrapping were used to assess the stability of the estimated parameters.

#### **4.3 Coefficient of Determination (R Square)**

To assess how well predictions are made for a variable, one can use the Coefficient of Determination (R Square). In other words, the relationship between changes in the independent variable's value and changes in the dependent variable's value in a path model is assessed.

Table 4. Coefficient of Determination

	<b>R-square</b>	<b>R-square adjusted</b>
<b>Purchase Decision Y</b>	0,958	0,946
<b>Service Quality Z</b>	0,765	0,723

This study's R-square test demonstrated the impact of independent factors on purchasing decisions and service quality, including product, price, and promotion. The coefficient of determination (R<sup>2</sup>) of the Buy Quality variable is 0.946, meaning that 94% of the variance in the dependent variable—Purchase Decisions—can be explained by the independent variable. The dependent variable, service quality, had an R<sup>2</sup> value of 0.723, meaning that 72% of the variance in the dependent variable could be explained by the independent variable. Other factors not included in the research model accounted for the remaining amount.

#### **4.4 Hypothesis Testing Product Influence on Purchasing Decisions**

An increase in the value of the product variable will be followed by an increase in the Purchasing Decision variable owing to the direct influence of the product variable on the Purchasing Decision variable, which has a path coefficient of 0.305 (positive). The p-value for the influence of products on decisions to buy is  $0.003 < 0.05$ , indicating a highly significant influence of products on decisions to buy. The results of the analysis of products and purchasing decisions showed that products had a positive and significant effect on purchasing decisions. The better the quality of the products offered by the Tanjungpinang City Craft Small and Medium Industries (IKM), the better the purchasing decisions will be. It can be seen from the respondents' responses regarding products and purchasing decisions in the good category. This is in accordance with the conditions where the products offered by the Tanjungpinang City Small and Medium Handicraft Industry (IKM) have their own uniqueness and are not found anywhere else, thus making customers interested in purchasing them. Discussion about the importance of products can influence attitudes in running a business within the scope of a business organization; thus, if the product is of good quality, it will influence buyers' decisions.

#### **4.5 The influence of price on purchasing decisions**



The direct influence of Price on Purchasing Decisions has a path coefficient of -0.536 (negative), so that an increase in Price value is followed by an increase in Purchasing Decisions. The influence of price on purchasing decisions has a P-value of  $0.000 < 0.05$ ; therefore, it can be stated that the influence of price on purchasing decisions is significant. The analysis of price and purchasing decisions showed that the product had a positive and significant effect on purchasing decisions. The better the prices offered by the Tanjungpinang City Craft Small and Medium Industries (IKM), the better the purchasing decisions. Respondents' responses regarding price and purchasing decisions were in the good category. This is in accordance with conditions where the prices of products offered by small and medium craft industries (IKM) vary and are affordable to consumers. Consumers are satisfied with the prices of the products offered by the Tanjungpinang City Small and Medium Handicraft Industry (IKM). Discussion about the prices of products in the Tanjungpinang City Crafts Small and Medium Industries (IKM) is reasonable compared to the products that consumers receive. Consumers are also satisfied with the discounts and promotions provided by the Kot Craft Small and Medium Industries (IKM) in Indonesia.

#### ***4.6 Promotion's Impact on Consumer Decisions***

With a path coefficient of 0.076 (positive) for the Promotion variable's direct influence on Purchasing Decisions, an increase in the Promotion variable's value will be followed by an increase in the Purchasing Decision variable. With a P-Value of  $0.399 > 0.05$ , the influence of the promotion variable on the purchasing decision variable is not significant, indicating that the relationship between the two variables is not very strong. The product had a favorable and negligible impact on purchasing decisions, according to the analysis's findings regarding promotions and purchase decisions. The better the promotions offered by Tanjungpinang City's Small and Medium Handicraft Industries (IKM), the better the purchasing decisions. It can be seen from the respondents' responses regarding promotions and purchasing decisions in the good category. This is in accordance with the conditions where the appearance of advertisements on social media is attractive and easy to remember in introducing small and medium industry (IKM) handicraft products. Many consumers are interested in buying new products from promotions carried out by the Tanjungpinang City Craft Small and Medium Industries (IKM). Tanjungpinang City Small and Medium Industries (IKM) must often promote themselves at certain annual events. (Birthday, Eid al-Fitr, Christmas, New Year, etc..) Experience.

#### ***4.7. Influence of Products on Service Quality***

With a positive path coefficient of 0.036 (Positive) for the direct relationship between the Product and Service Quality variables, an increase in the product variable's value will be accompanied by an increase in the Service Quality variable. It is possible to conclude that there is no significant relationship between the product variable and Service Quality because the P-Value of  $0.564 > 0.05$  indicates that the relationship is not significant. The examination of the relationship between the quality of the product and services revealed empirical evidence that the product positively and marginally impacted the quality of the services. The better the quality of the products offered by the Tanjungpinang City Craft Small and Medium Industries (IKM), the better the quality of service. Respondents' responses regarding product and service quality were in the good category in accordance with the conditions where the products available in small and medium craft industries (IKM) never expired. Small and Medium Industries (IKM) Crafts provide convenience for consumers in making bill payment transactions for product purchases and have a variety of similar products at varying prices according to customer requirements. The products sold by small and medium handicraft industries (IKM) are Halal certified, and existing small and medium handicraft industrial products (IKM) are in accordance with the regulations.

#### ***4.8. Effect of Price on Service Quality***

An increase in the price will be followed by an increase in Service Quality due to the direct influence of the price on the latter, which has a path coefficient of 0.858 (positive). Given that the Price variable has a p-value of  $0.000 < 0.05$ , it can be concluded that Price has a significant impact on Service Quality. Price had a positive and significant impact on service quality, according to the empirical findings revealed by the analysis of price and service quality. The better the quality of the products offered by the Tanjungpinang City Craft Small and Medium Industries (IKM), the better the quality of service. Respondents' responses regarding price and service quality were listed as good, in accordance with the

condition of the Small and Medium Industry (IKM) rooms, which were neatly arranged and clean. The neat appearance of the employees and good room supervision indicate that good customer supervision can be provided. Moreover, the prices offered at small and medium craft industries (IKM) are in line with people's purchasing power and are similar to the prices offered by other galleries. This research is in line with that conducted by Murnilawati, Hairudinor, M Nor Rasyidi in Jurnal

#### ***4.9. Promotion's Impact on Service Quality***

With a path coefficient of 0.058 (positive) for the direct relationship between promotion and service quality, an increase in the value of the promotion variable will be accompanied by an increase in the service quality variable. It can be concluded that the influence of promotion on service quality is not significant because the p-value of the promotion variable on service quality is  $0.137 > 0.05$ .

Pricing significantly and favorably affects service quality, according to an empirical study on the relationship between promotions and service quality. The service quality level increases with the quality of promotion provided by Tanjungpinang City's Small and Medium Industry (KIC). This is in line with the respondents' feedback on promotion and service quality, which was generally positive. The KIC regularly updates information about the products being promoted through its website. KIC regularly renews its products to meet consumer needs. Every day, it conducts effective promotions through radio, online, and print media, which can positively impact service quality.

#### ***4.10. The Impact of Service Quality on Decisions about What to Buy***

The quality of service offered by Tanjungpinang City's Small and Medium Industries (IKM) has a positive and significant influence on purchasing decisions, according to the empirical data analysis. Customers are more likely to make purchasing decisions when the service quality is better. This aligns with the respondents' opinions regarding the factors influencing purchasing decisions, specifically price and product quality. Respondents reported that they would purchase again because of the high quality of the products and would recommend the industry to others.

Furthermore, the research results align with a study carried out by Murnilawati, Hairudinor, and M Nor Rasyidi. This study examined the influence of price, promotions, and product quality on purchasing decisions at the "Andina" restaurant in Muara Teweh, North Barito, Central Kalimantan, using service quality as an intervening variable. The study found a T-statistics value of 2.183 and a probability of 0.031.

### **5. Conclusions**

The following section describes the outcomes of the data analysis and the hypothesis testing.

1. The decision to buy is heavily influenced by the product's quality; therefore, the more variations and higher quality products that the Small and Medium Industries (IKM) of Handicrafts in Kota Tanjungpinang, the more consumers will make a purchasing decision.
2. Promotions do not significantly impact purchasing decisions, which means that the more consistent the promotional activities conducted by IKM on social media, radio, and television, the more consumers will become familiar with the products offered by IKM and eventually make a purchasing decision.
3. The quality of service has a significant impact on the purchasing decision, where the better the quality of service provided by IKM, starting from clean and fast outlets and professional staff, the more consumers will decide to purchase the products offered.
4. The product does not have a significant impact on the quality of service, where the better and more variations of products offered by IKM, the better the quality of service provided by IKM, which can make the staff happy and confident to offer the products.
5. Price has a significant impact on service quality, where IKM provides promotional prices for new products that can make consumers feel happy and appreciated. Additionally, if the price offered is suitable for the quality of the product, it can improve the quality of service provided by IKM.
6. Because Promotion rarely attends specific events or bazaars hosted by the city government, it has no discernible impact on Service Quality, as measured by the SMI. To guarantee the calibre and

proficiency of staff members in providing products, the offered goods must undergo a routine testing procedure.

7. In this study, Purchase Quality was assessed as an independent variable. According to the coefficient of determination ( $R^2$ ), the dependent variable, the purchase decision, can account for 94% of the variance. With a coefficient of determination ( $R^2$ ) of 0.723, the variable related to service quality accounts for 72% of the variance in the dependent variable, service quality. The residual 38% variation.

### **5.1 Implications**

The implications of this study are as follows. First, theoretically, purchasing decisions will involve product, price, and promotion aspects in developing the substance study concept to improve service quality. In small-to-medium industries, products, promotions, and prices are the benchmarks. By having good quality products, prices that match the products offered, and carrying out promotions that are right on target, good purchasing decisions can be made. Low or high purchasing decisions can be assessed based on several factors, including product, price, promotion, and service quality. Second, in practice, there is a relationship between products, prices, promotions, service quality, and purchasing decisions. This proves that product, price, and promotion are factors that determine purchasing decisions. Finally, the use of the causality method is credible, but errors in causal reasoning often occur. Therefore, it is hoped that other studies can use more credible data to produce more accurate results.

### **5.2 Research Limitations**

This research has several limitations that may influence the results, such as limitations in the relevance of the research model and analysis used, small samples in causality analysis, limitations in the availability of references in the latest year, and several questions that have not been carefully completed in the questionnaire. In addition, the primary research data are not strong enough, and an interview stage is needed to identify the problem with each variable.

### **5.3 Suggestion**

Small and Medium Industries (IKM) Tanjungpinang City Crafts are responsible for maintaining and upholding the quality of their products. They should continuously innovate and improve the products, ideas, designs, and other innovations that have emerged in their products, such as adding unique products to the Kota Tanjungpinang product line, which gives the product a differentiated appearance compared to competitors. The price of the product should be reasonable and consistent with the characteristics, specifications, and capabilities of the product, which are dependent on the ability of the product to meet consumer needs (product quality). If the product is of premium quality (good and attractive), it can be offered at a slightly higher price. To increase sales and promote products and outlets, Tanjungpinang City Crafts IKM should frequently conduct product promotions and participate in social media. They should also actively participate in and follow up on the bazaars frequently held by the local government of Tanjungpinang so that the products and outlets of IKM Crafts Kota Tanjungpinang are better known by the general public.

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