

The Application Of Marketing Psychology To Enhance Msme Competitiveness: Indonesia–Malaysia Collaboration

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Abstract.

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the economy in Indonesia and Malaysia, yet they face challenges in marketing strategies, particularly in understanding consumer psychology. This community service activity, titled “Application of Marketing Psychology to Enhance MSME Competitiveness: Indonesia–Malaysia Collaboration,” aims to improve MSME capacity through understanding consumer behavior, motivation, perception, and attitudes in marketing. The program was conducted in a hybrid format at el Royal Hotel Bandung and via Zoom Meeting, involving MSMEs from both countries as well as students and academics. The methods employed included lectures and interactive Q&A sessions to provide practical understanding. The results indicated increased participant awareness of the importance of brand storytelling, emotional engagement, and effective communication strategies. Participants began to utilize social media more strategically and build emotional connections with consumers. Cross-country collaboration enriched the exchange of experiences, combining creativity and digitalization while strengthening regional competitiveness. In conclusion, applying marketing psychology proved effective in enhancing MSME capacity and confidence to develop sustainable businesses, build strong brand identity, and foster long-term customer relationships..

Keywords: Marketing Psychology; MSMEs; Digital Marketing and Indonesia Malaysia Collaboration.

I. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the economy in many countries, including Indonesia and Malaysia. Both nations share a strong dependence on the MSME sector because it plays a vital role in job creation, drives regional economic growth, and maintains economic stability within society. In Indonesia, MSMEs contribute more than half of the country’s Gross Domestic Product (GDP) and serve as the largest source of employment. Similarly, in Malaysia, this sector significantly supports national economic development and enhances the competitiveness of local industries. However, despite their substantial contributions, MSME actors continue to face numerous challenges that hinder their ability to survive and grow in an increasingly competitive market, especially in today’s digital era. One of the main issues faced by MSMEs is the weakness of their marketing strategies. Many business owners still rely on experience and intuition without deeply understanding how consumers think and make decisions. In practice, marketing strategies often focus solely on selling products rather than on building strong and lasting relationships with customers. In the modern business landscape, however, understanding consumer behavior is crucial. Consumers no longer purchase products merely for functional needs but also for emotional reasons—such as trust, brand image, and overall experience. This concept is known as *marketing psychology*, a discipline that studies how consumer emotions, motivations, and perceptions influence purchasing decisions [1].

Many MSMEs have quality products but fail to attract market attention because they lack the ability to communicate their product value effectively. On the other hand, technological advancements and social media development also bring new challenges. Platforms such as Instagram, TikTok, and online marketplaces offer tremendous opportunities to expand market reach, yet many MSME actors struggle to utilize them effectively. They often focus only on posting product photos without understanding the importance of building a brand story, fostering trust, and creating emotional closeness with consumers. As a result, their marketing strategies have limited impact and struggle to compete with more creative brands that understand consumer psychology. Considering this situation, the community service activity titled “The

Application of Marketing Psychology to Enhance MSME Competitiveness: Indonesia–Malaysia Collaboration” was designed as a concrete effort to help MSME players understand the importance of psychological aspects in business strategy. This activity aims to provide practical knowledge on how psychological principles such as motivation, perception, belief, and attitude can be applied in marketing [2]—from capturing consumer attention, building trust, to creating memorable customer experiences. Moreover, attitudes represent a complex psychological category shaped by consumers’ prior knowledge, expectations, beliefs, emotions, opinions, and desires [3].

Through this approach, MSME players are expected not only to focus on their products but also to interact with consumers in a more empathetic and human-centered way. The collaboration between Indonesia and Malaysia also adds significant value to this initiative. Both countries share many similarities in MSME characteristics, yet also exhibit fascinating differences in cultural backgrounds and consumer behavior. Through this partnership, MSME practitioners, academics, and business experts from both nations can exchange experiences and insights on applying marketing psychology in different contexts, as consumers purchase goods not only to fulfill needs but also to satisfy desires [4]. Indonesia can learn from Malaysia’s more advanced digitalization and business management systems, while Malaysia can draw inspiration from Indonesia’s creativity and diverse MSME products. This cross-country collaboration is expected to strengthen MSME competitiveness in the ASEAN region and open broader opportunities for regional market expansion. The primary goal of this community service program is to enhance MSME capacity and competitiveness through a deeper understanding of marketing psychology. More specifically, the activity aims to help MSME actors understand consumer behavior, design more effective communication strategies, build customer loyalty, and strengthen trust in their brands. This initiative addresses the gap in understanding consumer psychology and how psychological elements can be translated into practical marketing strategies [5].

Additionally, the program serves as an economic empowerment platform, particularly for MSMEs from lower socioeconomic backgrounds. Through training and mentoring, participants are expected to grow their businesses sustainably by adopting strategic, psychology-based marketing approaches. Ultimately, this community service activity is not merely focused on improving knowledge but also on transforming the way business owners perceive their consumers. By understanding marketing psychology, MSME actors can realize that business is not just about selling products—it is about building relationships, creating trust, and delivering meaningful value to customers. Through Indonesia–Malaysia collaboration, this program aspires to foster synergy between nations in empowering MSMEs, strengthening community economic resilience, and cultivating innovation and collaboration across the ASEAN region.

II. METHODS

This community service activity was conducted in a hybrid format, held both at el Royal Hotel Bandung and via Zoom Meeting. The target participants of this program included MSME actors under the guidance of Rumah BUMN Kota Bandung and Kabupaten Bandung, Malaysian MSMEs, as well as students from Indonesian University of Informatics and Business, Malaysia Terengganu University, and Malaya University. The methods used in this activity were the Lecture Method and the Question-and-Answer Method [6]. The Lecture Method was implemented using clear and easily understandable language to ensure participants could grasp the concepts effectively.

Meanwhile, the Question-and-Answer Method was applied to create an interactive and engaging atmosphere, allowing participants to be actively involved and preventing the session from becoming monotonous. In implementing the community service program, the organizing team followed several stages. The first stage involved the Lecture Method, in which speakers were given the opportunity to present material on “*The Application of Marketing Psychology to Enhance MSME Competitiveness.*” The second stage involved the Question-and-Answer Method, conducted after the lecture sessions to give participants the chance to explore the topics more deeply and clarify any issues related to the material presented during the lectures.

III. RESULT AND DISCUSSION

The community service activity titled “*Application of Marketing Psychology to Enhance MSME Competitiveness: Indonesia–Malaysia Collaboration*” successfully brought tangible benefits to the participants involved. This program served as a collaborative platform that not only connected MSME actors from Indonesia and Malaysia but also created an inspiring space for dialogue among academics, students, and business practitioners. Conducted in a hybrid format—both face-to-face at el Royal Hotel Bandung and online via Zoom Meeting—the activity provided flexibility and wider accessibility, allowing participants from both countries to engage actively.

Participants came from diverse backgrounds, including MSME entrepreneurs under Rumah BUMN Bandung City and Bandung Regency, Malaysian MSMEs, and students from the Universitas Informatika dan Bisnis Indonesia (UNIBI), Universiti Malaysia Terengganu, and Universiti Malaya. This diversity enriched the discussions, as each participant brought different perspectives and business experiences. The enthusiasm was evident throughout the sessions, as many participants found the topic of marketing psychology not only new but also highly relevant to the challenges of running a business in today’s digital era.

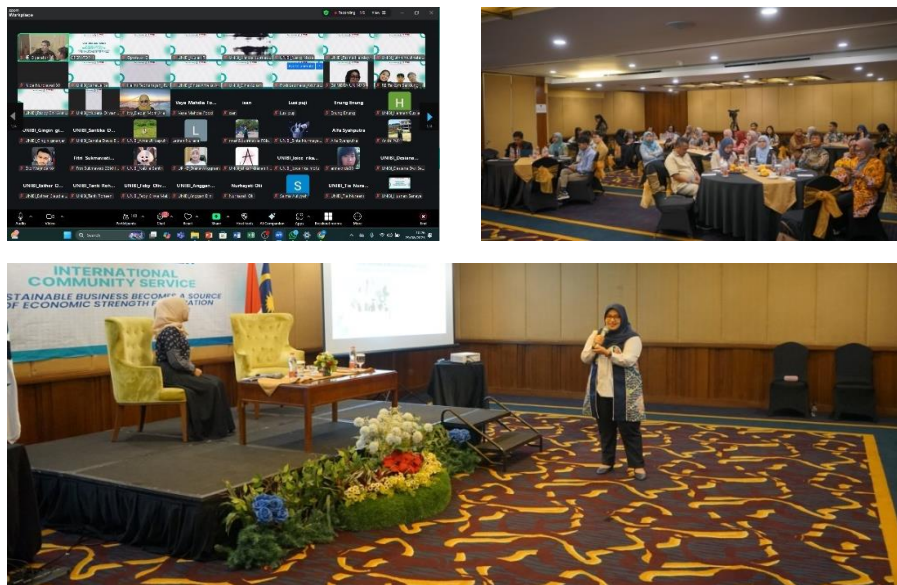


Fig 1. community service activities at el Royal Hotel Bandung and via Zoom Meeting

During the sessions, it became clear that most MSME owners were still focused primarily on technical aspects such as product quality and pricing, with less attention paid to the psychological dimensions of consumer behavior. Many had not yet realized how emotions, perceptions, and motivations influence purchasing decisions. Through presentations and case discussions, participants began to understand that in the modern marketplace, consumers buy not only to fulfill a need but also to satisfy emotional desires such as trust, belonging, and identity. This realization underscored the importance of marketing psychology in shaping effective strategies that resonate with consumers on a deeper level. One of the most significant outcomes of this activity was the increased awareness among participants of the importance of *brand storytelling* and *emotional engagement* in building customer loyalty. Participants learned to see their products not merely as goods for sale but as representations of meaning and personal connection. For example, MSME owners producing traditional foods discovered how to tell stories about their ingredients, heritage, and cultural values, transforming their products into meaningful experiences rather than just consumable items. Such approaches help build emotional attachment, making customers feel proud and connected to the brand.

During the Q&A sessions, Indonesian MSME participants openly discussed their struggles in using social media effectively. Many admitted that they typically posted product photos without any clear marketing strategy or understanding of how to build brand trust. From these discussions, they realized that success in digital marketing requires more than aesthetic visuals—it demands consistency, authenticity, and a clear emotional message. By applying psychological principles such as *trust building*, *perceived value*, and

social proof, participants learned how to craft digital content that could engage audiences more effectively and create a sense of reliability and connection [7]. Meanwhile, the Malaysian MSME participants who took part in this activity demonstrated similar capabilities in utilizing technology and digital platforms. They are accustomed to using more integrated e-commerce systems and digital payment solutions. However, they also acknowledged the need to further develop emotional connections with customers and strengthen their brand identity. In this context, the collaborative activity served as a mutual learning platform. Indonesian and Malaysian MSME players exchanged experiences, combining creativity with the digital systems and strategies from both countries. This synergy illustrates that cross-country collaboration can generate significant added value in the development of MSMEs. Evaluation results from the program showed overwhelmingly positive feedback. More than 85% of participants reported gaining new and applicable knowledge from the workshop. Many expressed renewed motivation to revamp their marketing strategies, particularly in communication and customer engagement. Some planned to immediately apply what they had learned, such as improving their social media branding, creating campaigns that emphasize human values or local stories, and building more personal interactions with their customers.

Beyond knowledge transfer, the program also fostered a strong sense of community and collaboration. The discussion forums that emerged during the activity served as a bridge for participants to exchange ideas, strategies, and insights about consumer behavior in different cultural contexts. This exchange helped participants realize that cultural differences between Indonesia and Malaysia should not be seen as barriers but as opportunities for mutual learning and innovation. Together, they envisioned how ASEAN MSMEs could build stronger, more culturally aware marketing strategies. From an academic standpoint, this program contributed to developing a new model of MSME training based on marketing psychology. The approach proved effective in enhancing entrepreneurs' understanding of customer behavior and in developing more human-centered communication strategies. By recognizing psychological factors such as perception, motivation, and attitude, MSMEs can build long-term, meaningful relationships with customers—going beyond mere transactional interactions. Overall, this community service activity successfully bridged the gap between theoretical knowledge and real-world application. The material was delivered in a practical, engaging manner, making it easier for participants to grasp concepts that are often considered abstract or complex. The event also demonstrated how academia and industry collaboration can produce tangible impacts on community empowerment. Through the Indonesia–Malaysia partnership, the program not only strengthened participants' business capacities but also encouraged regional cooperation in developing competitive, adaptive, and customer-oriented MSMEs.



Fig 2. Discussion and Q&A session, followed by a group photo at the end of the activity

By understanding marketing psychology, MSME owners now realize that business success is not only about having the best product—it's about understanding people: their feelings, perceptions, and motivations. The real strength of an MSME lies not in how much it sells, but in how deeply it connects with its customers. This shift in perspective represents the heart of marketing psychology—creating value, building trust, and nurturing relationships that last.

IV. CONCLUSION

The community service activity titled “*Application of Marketing Psychology to Enhance MSME Competitiveness: Indonesia–Malaysia Collaboration*” has proven to be an effective and impactful initiative for empowering small business owners in both countries. Through this program, participants gained not only theoretical knowledge about consumer behavior but also practical insights into how psychological principles can be applied in everyday marketing strategies. The results showed that many MSME owners began to realize that business success is not solely determined by product quality or pricing strategies, but by how well they understand and connect with their consumers emotionally. By integrating elements such as motivation, perception, trust, and attitude into marketing efforts, MSMEs can create stronger brand identities and more sustainable customer relationships. Moreover, the collaboration between Indonesia and Malaysia became a valuable platform for mutual learning—where creativity, digitalization, and cultural understanding blended harmoniously. This activity not only strengthened MSME competitiveness but also fostered a spirit of innovation, empathy, and regional solidarity. Ultimately, the program demonstrated that marketing psychology is not merely an academic concept but a practical approach that can drive real transformation in how small businesses communicate, grow, and sustain their market presence.

V. ACKNOWLEDGMENTS

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