

THE EMPIRICAL DATA OF DIGITAL MARKETING INFLUENCES CUSTOMER LOYALTY THROUGH CUSTOMER ENGAGEMENT: A CASE STUDY OF TT COMPANY IN CHINA

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ABSTRACT

This research aims to investigate the influence of digital marketing on customer loyalty at TT Company in China through customer engagement. The population consisted of customers of TT Company in China who have purchased products through online platforms more than three times. The sample size used in this research consists of 385 samples. The questionnaire was administered to collect the data. The sampling method employed in this research is non-probability sampling, specifically purposive sampling. Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results found that digital marketing significantly influences customer loyalty through customer engagement, with a statistical significance level of 0.000 and a predictive power of 72.8%.

Keywords: Digital Marketing, Customer Loyalty, Customer Engagement

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INTRODUCTION

Currently, technology is continuously advancing, with the internet serving as a crucial medium for communication and opening opportunities for people to communicate through various channels such as computers, tablets, and smartphones. This caters to the convenience and diversity of usage (Susskind & Susskind, 2015). It is observed that smartphones are the most popular channel due to the convenience of portability and the diverse functionalities, making them a versatile tool for communication, social media use, financial transactions, and online shopping, among others (Wang, Xiang, & Fesenmaier, 2014). This rapid technological change has completely transformed lifestyle patterns, leading to what is known as the 'Digital Society Era'. This is because access to information and communication among all societal groups is heavily reliant on technology, playing a significant role in the way of life and communication in today's world where every piece of information and connectivity is crucial in creating the most digital and livable society ever experienced (Fukuyama, 2018).

Digital marketing is a process that utilizes various digital platforms and technologies to create spaces for trade and promote businesses in the online world. This involves leveraging diverse channels such as websites, social media, email, applications, and many more (Chaffey & Ellis-Chadwick, 2019). This concept of digital marketing has increasingly garnered interest from businesspeople and academics due to its diversity and flexibility, enabling quick measurement and analysis of marketing results. This facilitates continual adjustments to marketing plans in response to market changes or target groups (Charlesworth, 2014). Additionally, the use of internet technology, data analysis, and other tools enhances communication efficiency, customer engagement, and value creation for businesses. These aspects make digital marketing crucial in building and managing customer relationships, generating sales, and establishing a strong brand presence in the challenging and ever-changing online market, influenced by technological changes and consumer behavior (Saura, 2021).

Digital marketing in China has unique characteristics that differ from markets in other parts of the world, owing to China's vast population and widespread use of technology for accessing information and online shopping, particularly through Alibaba Group platforms like Taobao and Tmall, and the use of social media channels to showcase products and services, such as WeChat, Weibo, and Douyin (TikTok), to connect with target groups (Hu, 2020). Furthermore, the expansion of China's digital economy to various countries around the world has positioned China as a major beneficiary of trade through different platforms (Li & Bode, 2020). According to a white paper published by the China Academy of Information and Communications Technology (CAICT), in 2021, the added value of the digital economy in 47 major countries worldwide amounted to \$38.1 trillion, marking a 15.6% increase from the previous year and accounting for 45% of the combined GDP of these countries. Among these countries, the G20 members, which account for 85% of the global GDP, 75% of international trade, and 60% of the global population, the United States leads with a digital economy worth \$15.3 trillion, followed by China with a value of \$7.1 trillion, and the European Union with a digital economy valued at \$6.3 trillion (Zhao, 2023).

Furthermore, digital marketing is closely linked to customer satisfaction, customer engagement, purchasing decisions, and customer loyalty (Bala & Verma, 2018). The use of digital marketing leads to customer engagement, such as following, sharing information, commenting, and interacting, allowing the voice of the consumer to reach businesses and be utilized in the development of products or services. This fosters customer confidence and satisfaction with their purchases (Rasool, Shah, & Islam, 2020). Moreover, customer purchasing decisions are a key indicator related to digital marketing, as they reflect the success of marketing and communication strategies in creating customer appeal and loyalty towards products or services, and also contribute to customer loyalty or satisfaction with the service or product (Wu & Tseng, 2015).

From the reasons mentioned above, it is evident that digital marketing plays a crucial role in businesses operating in the online world and on various platforms. It has a significant impact on reshaping modern marketing practices that align with evolving consumer behavior. Additionally, various platforms drive higher customer engagement, leading to increased user accounts, store tracking, feedback, and customer interactions in a company's marketing activities. All these aspects are beneficial for organizations in terms of leveraging data to enhance and develop products and services that meet customer needs, thereby elevating customer satisfaction and loyalty for the future. Consequently, researchers recognize the importance of studying the influence of digital marketing on customer engagement for TT Company in China. This research aims to present this data to executives and marketing managers to guide them in pursuing appropriate strategies for success with sustainable business growth in the future.

This research aims to investigate the influence of digital marketing on customer loyalty at TT Company in China through customer engagement.

LITERATURE REVIEWS

Concepts and theories of digital marketing

The concepts and theories of digital marketing are associated with strategies and marketing techniques used to communicate between organizations and consumers to present products and services using rapidly evolving digital channels or platforms. This transformation in business marketing practices has been driven by technological advancements, which have shifted the global business landscape away from traditional marketing practices (Charlesworth, 2014). Researchers have extensively studied and understood various aspects of digital marketing to explain the phenomena and evolution of digital marketing. This evolution can be traced back to the rise of the Internet and the widespread adoption of digital technologies (Masrianto, Hartoyo, Hubeis, & Hasanah, 2022). The concept of consumer acceptance and technology usage, as described in the TAM Model by David in 1989, has played a significant role in explaining the factors influencing consumer acceptance and usage of digital technology. Consumers recognize the benefits and ease of use, leading them to decide to utilize digital tools and platforms (Silva, 2015). Purnomo (2023) discusses the components of Digital Marketing, emphasizing their significance in the digital age, especially for businesses operating in e-commerce platforms. Digital marketing strategies play a crucial role in boosting sales, online visibility, and reaching actual purchasing customers. The components of digital marketing include: 1) Search Engine Optimization (SEO), 2) Content Marketing, 3) Online communities or social media, 4) Advertising, 5) User Experience Optimization (UXO), 6) Customer Reviews and Testimonials, and so on.

Concepts and theories of customer loyalty

Kandampully, Zhang, and Bilgihan (2015) stated that studying theoretical concepts for analyzing customer loyalty results from post-consumption evaluations of products or services. This can be explained using concepts related to consumer behavior, which refers to the actions of individuals related to decision-making, purchasing, and using various products or services to meet their needs (Zhang, 2015). The components of behavior according to the psychological concept have two types: Overt behavior, which is an action that can be observed and measured by others, and covert behavior, which is an action that occurs within the individual, such as feelings, attitudes, beliefs, and perceptions (Fastoso, Bartikowski, & Wang, 2018). Research on consumer behavior relies on Consumer Process Models that describe how consumer actions are sequenced and influenced by various factors. For instance, Schiffman and Kanuk's model suggests that consumption involves three stages: The input stage, the process stage, and the output stage. In the input stage, consumer decision-making is influenced by external factors driven by marketing activities and societal factors such as family, social reference groups, and

culture. In the process stage, psychological factors related to perception, learning, motivation, personality, attitudes, and lifestyles of consumers play a significant role in awareness of needs, information search, and evaluation of alternatives before purchase. The outcomes of consumption in the output stage can result in satisfaction or dissatisfaction with a product or service, which is remembered as a consumption experience. These experiences can influence the psychological factors of consumers in subsequent interactions (Fasi, 2017). Aldaihani and Ali (2019) have divided customer loyalty into two components: 1) Attitudinal Loyalty refers to loyalty that reflects the favorable attitudes and opinions of customers towards a business or brand. It may manifest in the form of love, fondness, or emotional attachment. 2) Behavioral Loyalty is exhibited through behaviors that indicate a customer's commitment to a business or brand. Examples include repeat purchases, recommending products or services to others, or continued long-term usage.

Concepts and theories of customer engagement

Kumar, Rajan, Gupta, and Pozza (2019) describe Customer Engagement as the involvement of consumers with a product, which changes the role of customers in the current business landscape. Companies must collaborate with all stakeholders, including shareholders, distribution partners, employees, and customers, to drive the business in a positive direction. Engaging customers in the development or co-creation of products requires an understanding of the product, quality perception, brand association, and emotional attachment. After developing loyalty towards a product, customers will actively participate in contributing to it. Therefore, companies need to foster customer engagement effectively. Pansari and Kumar (2017) explain that Customer Engagement is a deep, long-term connection customers have with a brand or company. It arises from past experiences with the product or service and can lead to customer loyalty. They also identify key components of Customer Engagement, including understanding, trust, and commitment. So, King, Sparks, and Wang (2016) emphasized the need for both behavioral participation and psychological connection for Customer Engagement to be meaningful. Cvijikj and Michahelles (2013) stated that Customer Engagement is the continuous way in which organizations establish meaningful relationships with customers through interactions, promoting sustained product and service satisfaction. Furthermore, it can also create experiences for consumers. Customer Engagement arises from the connection between businesses and customers on various platforms and involves four components, as follows: 1) Following refers to customers tracking activities or information that businesses or brands disseminate through various channels such as social media, websites, or applications to understand the latest information and activities of the business. 2) Sharing refers to customers sharing content, information, or experiences encountered in various media with others, thereby spreading the information or content of the business or brand. 3) Commenting involves customers expressing opinions or evaluations about products or services or providing feedback on content disseminated by businesses or brands. This can lead to conversations and effectiveness in building relationships with customers. 4) Interaction refers to customers engage and interact with the business or brand, whether it be through social media conversations, responding to online queries, or participating in organized activities.

From the literature review, the conceptual framework can be drawn as shown in Figure 1.

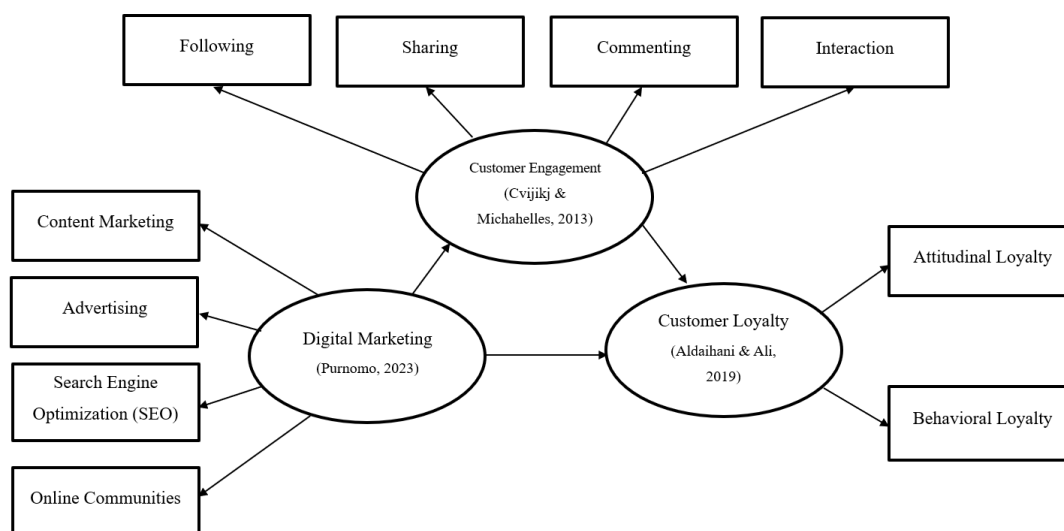


Figure 1 Conceptual Framework

RESEARCH METHODOLOGY

The research population consisted of customers of TT Company in China who have made purchases through online platforms more than three times. The exact size of the population is unknown, but it is large. The sample size used in this research consisted of 385 samples. The sampling method employed in this research is non-probability sampling, specifically purposive sampling, which involves selecting only those customers of TT Company in China who have made more than three online platform purchases.

The research questionnaire was developed based on a comprehensive literature review and related research to ensure that the questions aligned with the research objectives. It was divided into five parts as follows: Part 1 the general information of respondents; Part 2 the questionnaire about digital marketing; Part 3 the customer engagement questionnaire; Part 4 the customer loyalty questionnaire; and Part 5 comments and additional suggestions.

Data analysis encompassed descriptive statistics, including frequency tables, percentages, means, and standard deviations, to provide a preliminary understanding of the data. Inferential statistical analyses were conducted to test research hypotheses, using a significance level of 0.05. These analyses were performed using Partial Least Squares Structural Equation Modeling (PLS-SEM).

RESEARCH RESULTS

The data analysis results reveal that the majority of respondents in the questionnaire are female (72.7%), aged between 31 and 40 years old (41.8%). A significant portion of the participants have attained education at the undergraduate level (59.2%). Furthermore, a substantial percentage of them are employed in private sector companies (28.3%). Additionally, the average monthly income falls within the range of 6,001 to 8,000 Baht (29.1%).

Table 1 shows the mean and standard deviation of digital marketing.

Digital marketing	\bar{X}	S.D.	Level of opinion
Content	3.68	0.47	Agree
Advertising	3.75	0.51	Agree
Search Engine Optimization (SEO)	3.70	0.52	Agree
Online communities	3.82	0.51	Agree
Total	3.74	0.40	Agree

Table 2 shows the mean and standard deviation of customer engagement.

Customer engagement	\bar{X}	S.D.	Level of opinion
Following	3.68	0.63	Agree
Sharing	3.56	0.58	Agree
Commenting	3.98	0.40	Agree
Interaction	4.10	0.59	Agree
Total	3.83	0.42	Agree

Table 3 shows the mean and standard deviation of customer loyalty.

Customer loyalty	\bar{X}	S.D.	Level of opinion
Attitudinal loyalty	3.94	0.55	Agree
Behavioral loyalty	4.03	0.55	Agree
Total	3.99	0.52	Agree

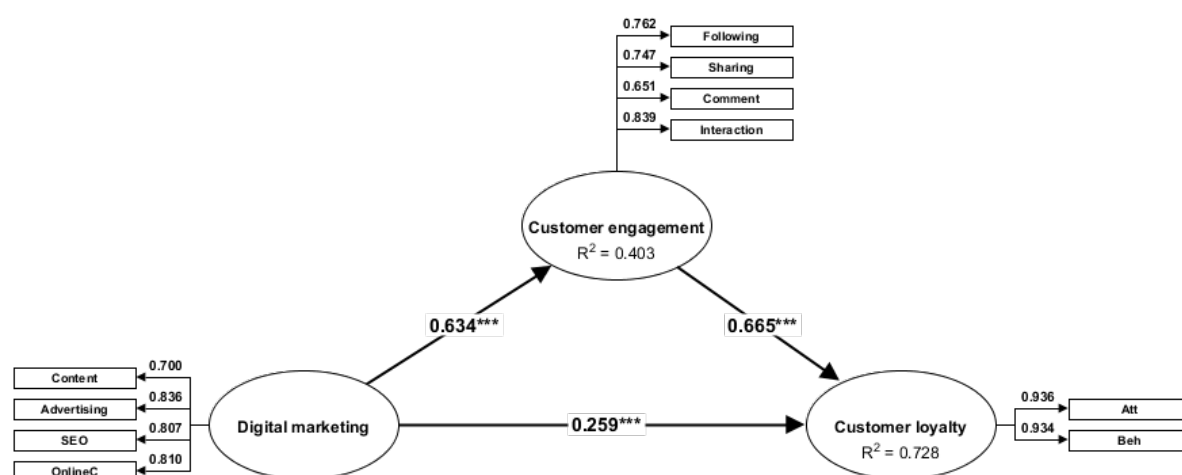


Figure 2 shows the results of hypothesis testing.

Table 4 shows the effects between digital marketing and customer engagement on customer loyalty

Effects	Beta	t-test	p-value	Cohen's F2
Digital marketing on Customer engagement	0.634	24.129	.000***	0.674
Digital marketing on Customer loyalty	0.259	8.699	.000***	0.148
Customer engagement on Customer loyalty	0.665	23.922	.000***	0.973

*** Statistical significance at the .001 level

** Statistical significance at the .01 level

* Statistical significance at the .05 level

From Table 4, it can be seen that digital marketing ($\beta = 0.634$) directly affects customer engagement, with a statistical significance of 0.000 and a predictive power of 40.3% ($R^2 = 0.403$). Additionally, digital marketing ($\beta = 0.259$) and customer engagement ($\beta = 0.665$) directly affect customer loyalty, with statistical significances of 0.000 respectively, and a predictive power of 72.8% ($R^2 = 0.728$).

Table 5 shows the direct, indirect, and overall impacts.

Variables	Effect	Organizational commitment	Employee performance
Digital marketing	DE	0.634	0.259
	IE	-	0.422
	TE	0.634	0.681
Customer engagement	DE	-	0.665
	IE	-	-
	TE	-	0.665

From Table 5, it can be observed that digital marketing directly affects customer engagement with an impact coefficient of 0.634. Additionally, digital marketing and customer engagement directly affect customer loyalty, with impact coefficients of 0.259 and 0.681, respectively. Moreover, digital marketing indirectly affects customer loyalty through customer engagement, with an indirect impact of 0.422. Consequently, the total effect of digital marketing on customer loyalty is 0.681.

DISCUSSION & CONCLUSION

Digital marketing channels, such as social media, email, and online advertising, empower businesses to directly engage with their audience. By delivering targeted and personalized content, companies can capture the attention of potential customers, encouraging them to interact, provide feedback, and participate in discussions. Real-time engagement metrics enable marketers to assess the effectiveness of campaigns, facilitating adjustments for better resonance. The direct nature of these interactions fosters a sense of community and involvement, thereby deepening the connection between the brand and its audience. According to the findings of Kaihatu (2020) in a quantitative research study titled “Purchase Intention of Fashion Products as an Impact of Digital Marketing, Mediated by Customer Engagement in Generation Z”, data were collected from a sample group of 236 individuals. The research findings indicate that the digital marketing model, which influences customers’ purchase intentions through customer engagement, aligns well with empirical data. Digital marketing directly influences customer engagement and consumers’ purchase intentions. Consequently, customer engagement acts as a partial mediator. Therefore, digital marketing should not overlook its role in stimulating customer participation, such as following, liking, sharing information, commenting, and providing ratings or feedback to organizations, as it leads to an increased purchase intention.

The relationship between digital marketing, customer engagement, and loyalty forms a continuous cycle. Effective digital marketing strategies not only attract customers but also establish the foundation for sustained engagement. Loyalty is nurtured through ongoing, meaningful interactions facilitated by digital channels. For example, loyalty programs delivered through mobile apps or personalized email campaigns provide tangible benefits that reinforce a customer’s commitment to the brand. The interactive nature of digital marketing enhances the customer journey, creating positive experiences that contribute to a lasting sense of loyalty. According to the findings of Susanti, Ananda, and Silvia (2022) in their study titled “Digital Marketing and Entrepreneurial Marketing in Optimizing Customer Loyalty,” conducted through quantitative research with data gathered from a sample group of 100 online shoppers, digital marketing has a significant positive impact on customer satisfaction. Simultaneously, digital customer satisfaction significantly affects customer loyalty, emphasizing the paramount importance of digital marketing in enhancing customer loyalty. This relationship is mediated by customer satisfaction, driving greater customer loyalty.

While digital marketing directly engages customers, its impact on loyalty is often indirect. Engaged customers, who have positive interactions with the brand through digital channels, are more likely to become loyal advocates. Their experiences contribute to a positive brand perception, fostering trust and reliability. This emotional connection, developed through sustained engagement, becomes a powerful driver of loyalty. Digital marketing, by facilitating these positive interactions and experiences, indirectly shapes customer loyalty by creating a favorable environment for long-term relationships to flourish.

In summary, digital marketing serves as the catalyst for building and nurturing customer relationships. The direct and indirect effects on engagement and loyalty highlight the multifaceted role of digital strategies in shaping a brand's connection with its audience. According to the findings of Moncey and Baskaran (2020) in their study titled "Digital Marketing Analytics: Building Brand Awareness and Loyalty in the UAE," which utilized a quantitative research approach and collected data through questionnaires from a sample group of 80 individuals, survey respondents were identified as advanced internet users utilizing different digital platforms. It was found that online users had better brand awareness through the internet, positively impacting brand loyalty. Therefore, digital marketing provides marketers with increased opportunities to efficiently enhance customer engagement and cost-effectiveness. Customers are becoming more receptive to marketers and are communicating their needs and preferences for products or services. Digital marketing helps various brands change their customer perception. Marketers can efficiently influence online customer purchasing decisions to provide the best shopping experience and maximum value.

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