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Customer Engagement as a Mediator of Brand Trust and Customer Loyalty: Does It Work?

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Abstract

This study aims to determine and analyze the effect of perceived value and brand trust on customer loyalty through customer engagement as a mediator variable. The sample in this study used the Slovin formula, totaling 93 respondents who were IndiHome customers in Medan Sunggal District, Medan, Indonesia, and we used structural equation modeling (SEM). The study results show that perceived value, brand trust, and customer engagement directly affect customer loyalty, and indirectly, perceived value has a non-significant effect on customer loyalty through customer engagement. In contrast, brand trust indirectly has a significant impact on customer loyalty through customer engagement.

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INTRODUCTION

Literature shows that perceived value has a significant effect on customer loyalty, where the higher the perceived value, the higher level of customer loyalty (Sunaryo et al., 2019; Tugiso et al., 2016). This means that customers can feel the various values derived from the product's benefits and ability to meet customer needs. When a customer gets something that meets his expectations, the customer is satisfied, and the customer will likely repeat the purchase in the future, customer loyalty will be formed (Batubara, 2016; Kurniasari & Ernawati, 2012).

One of the mainstream variables to explain customer loyalty is customer engagement which is the intensity of individual participation and relationship with the organization's offerings (Ajzen, 2020). Customers with high engagement tend to increase their liking for a product, company, or brand, which indicates loyalty to the product (Manggarani, 2018). Brand trust can also strengthen loyalty. Brand trust is an important contributor to the customer's emotional commitment, which leads to long-term loyalty (Aburayya et al., 2020).

Based on the several studies mentioned, there is empirical evidence that customer engagement, perceived value, and brand trust are essential factors driving customer loyalty. However, on the other hand, perceived value also affects customer engagement. Therefore, we place customer engagement as a mediating variable apart from looking for direct impacts. In addition, commonly in literature, brand trust mediates customer engagement and customer loyalty (Aghakhani & Karimi, 2013). In this study, we use the customer engagement variable as a mediating variable for trust and customer loyalty.

RESEARCH METHODS

Sampling from this study used a non-probability sampling technique with purposive sampling. The non-probability sampling technique means that not everyone has the same opportunity to be selected as the sample. The selected sample is only customers who use IndiHome, and we use 93 samples. While the type chosen by the researcher, namely the instrument in this study, using a questionnaire distributed online via Google form to IndiHome customers in Medan City, especially Medan Sunggal District. The questionnaire in this study used a Likert Scale with the answer options strongly agree, agree, disagree, disagree, and strongly disagree. In detail, the indicators in the measurement and preparation of grades can be seen in Table 1.

The method used in this research is the causality research method or the relationship of influence. Thus, to test the hypothesis that the researchers proposed, the research data were analyzed using variant-based analysis simultaneously so that it could test the measurement model as well as test the structural model. The outer model analysis is carried out to ensure that the measurement used is feasible to be used as a measurement (valid and reliable). The outer and inner model analyses follow (Hair Jr et al., 2010).

Table 1. Variable(s) Indicator

Perceived Value(X1)	1. Emotional value 2. Social values 3. Quality value 4.Value for money
Brand Trust(X2)	1. Trust 2. Gotdependable 3. Be honest 4. Security
Customer Loyalty(Y)	1. *Say positive things about the company to others.* 2. *Recommended the company to others who asked for advice.* 3. *Consider that the company is the first choice in purchasing services.* 4. *Do more business or purchases with the company in the next few years.*

Customer Engagement(Z)	1. *Contingency Interactive* 2. *Self-CompanyConnection* 3. *Company Attitude* 4. *Word of Mouth Intentions*

RESULT AND DISCUSSION

Based on Figure 1. The results of the first validity test show that several indicators fail because they do not meet the standard above 0.6, namely the CE2 indicator. After that, the researcher conducted a reliability test, and indicators that had a loading factor value of less than 0.6 had a low level of validity, so the variable indicators needed to be eliminated or removed from the model, so the results showed that each variable was greater than 0.6 (See Figure 2), which means that each variable is a reliable instrument to use in this study, so that hypothesis testing can be carried out.

The effect of perceived value on customer loyalty has a path coefficient of 0.274. This effect has a probability value of below 0.05, meaning that perceived value significantly affects customer loyalty. The impact of perceived value on customer engagement has a path coefficient of 0.249. This effect has a probability value above 0.05, meaning that the perceived value does not significantly impact customer engagement.

The effect of brand trust on customer engagement has a path coefficient of 0.417. It is significant with a 95% confidence level, meaning that brand trust has a convincing influence on customer engagement. Brand trust in customer loyalty has a path coefficient of 0.40 and is significant. This also indicates that brand trust can also be a determining factor for customer loyalty apart from influencing customer engagement.

The effect of customer engagement on customer loyalty has a path coefficient of 0.321. This effect has a probability value (p-value) of 0.000 <0.05, meaning that customer engagement significantly affects customer loyalty for IndiHome customers in Medan Sunggal District.

The effect of perceived value on customer loyalty through customer engagement has a path coefficient of 0.080 and has no significant impact. Meanwhile, the effect of brand trust on customer loyalty through customer engagement has a path coefficient of 0.134 and is significant. Interestingly, our findings prove that customer engagement can mediate brand trust and loyalty; this is quite different from several other studies, which tend to place brand trust as a mediator variable for customer engagement and consumer loyalty. We realize that these findings cannot be generalized because many variables are out of control. Still, these findings can serve as an alternative reference in looking at the relationship between brand trust, customer engagement, and consumer loyalty.

Table 2. Result

	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	P Values
X1 –>Y	0.274	0.265	0.105	0.009
X1 –>Z	0.249	0.243	0.137	0.070
X2 –> Y	0.402	0.402	0.104	0.000
X2 -> Z	0.417	0.432	0.124	0.001
Z -> Y	0.321	0.329	0.073	0.000
X1- Z– Y	0.080	0.083	0.054	0.139

X2– Z - Y	0.134	0.142	0.052	0.009

Figure 1. First Structural Model

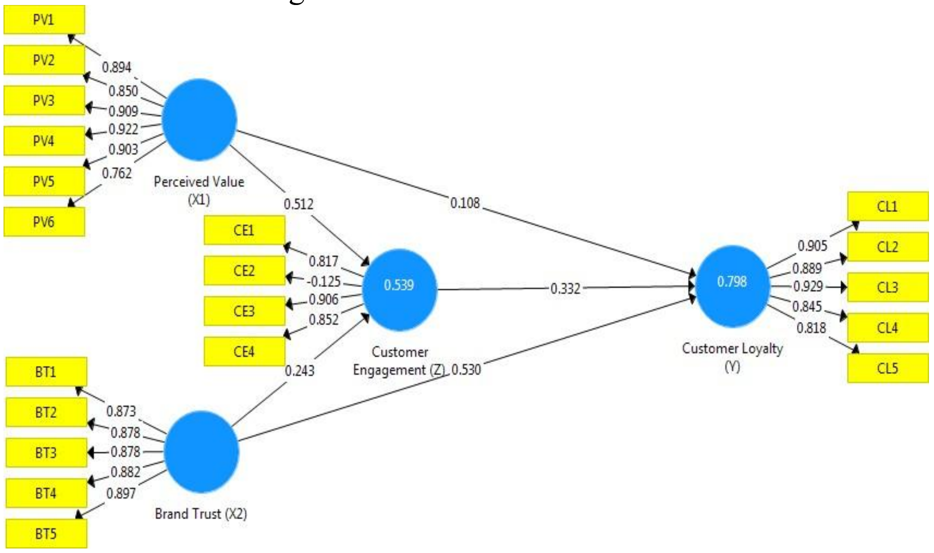
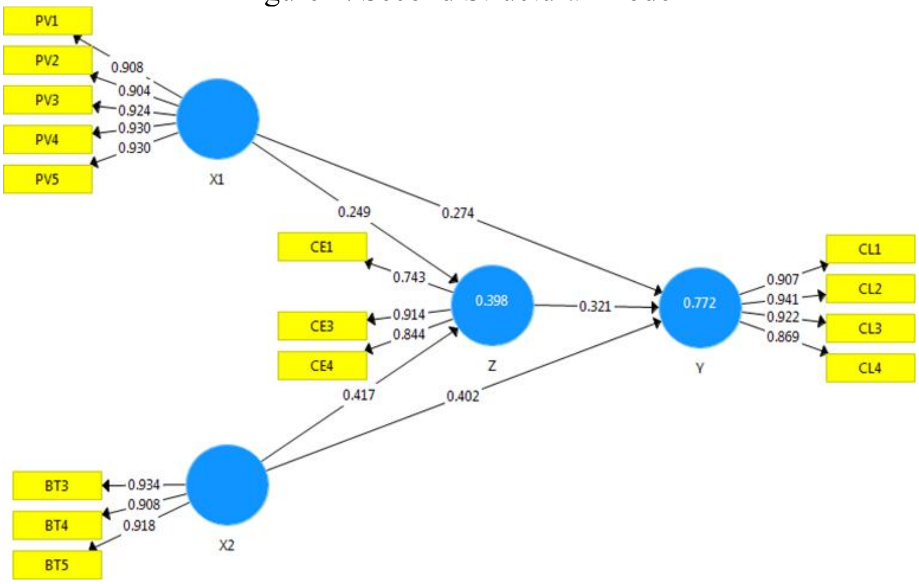

PV1
PV2
PV3
PV4
PV5
PV6
0.894
0.850
0.909
0.922
0.903
0.762
Perceived Value (X1)
0.512
0.108
CE1
CE2
CE3
CE4
0.817
-0.125
0.906
0.852
0.539
Customer Engagement (Z)
0.332
0.243
0.530
BT1
BT2
BT3
BT4
BT5
0.873
0.878
0.878
0.882
0.897
Brand Trust (X2)
0.798
Customer Loyalty (Y)
0.905
0.889
0.929
0.845
0.818
CL1
CL2
CL3
CL4
CL5

Figure 2. Second Structural Model


PV1
PV2
PV3
PV4
PV5
0.908
0.904
0.924
0.930
0.930
X1
0.249
0.274
CE1
CE3
CE4
0.743
0.914
0.844
0.398
Z
0.321
0.772
Y
0.907
0.941
0.922
0.869
CL1
CL2
CL3
CL4
0.417
0.402
BT3
BT4
BT5
0.934
0.908
0.918
X2

CONCLUSION

To improve the performance of the IndiHome brand, companies need to find strategies so that customers can be bound and involved with IndiHome products, leading to increased customer loyalty. To retain existing customers, IndiHome is always expected to be responsive to what customers want; not only is the quality of information is improved, but the quality of service also needs to be improved using IndiHome showing interest in solving customer problems. IndiHome should not make excessive promises to customers; some of them are not fulfilled properly. IndiHome employees need to respond more quickly to customer complaints and provide certainty to service consumer complaints so that they continue to remain IndiHome customers for future researchers to increase the number of variables that affect customer loyalty and increase the number of samples. This study recommends that future researchers test services similar to IndiHome with a wider scope.

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