



## Proposed Marketing Strategy to Improve Customer Loyalty of Brand XYZ

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### How to Cite :

Apsari, M.S.A., (2023). Proposed Marketing Strategy to Improve Customer Loyalty of Brand XYZ. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 12(2). doi: <https://doi.org/10.37676/ekombis.v12i2>

### ARTICLE HISTORY

Received [29 December 2023]

Revised [25 March 2024]

Accepted [24 April 2024]

### KEYWORDS

Fashion, Local Bags, Brand Image, Customer Engagement, Customer Satisfaction, Customer Loyalty

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### ABSTRACT

This research aims to provide strategies to increase customer loyalty from brand XYZ. This research was conducted using the variables brand image, customer involvement, and customer satisfaction. Internal analysis using Marketing Mix, STP, and VRIO as well as external analysis, namely PESTLE, Porter's Five Forces, Competitor Analysis, and Customer Analysis in this research are used to find out what the internal and external conditions of brand XYZ are. In this research, primary data and secondary data are used to support the analysis to be carried out. The primary data used was obtained from interviews with brand XYZ, as well as questionnaire surveys distributed to brand XYZ customers which will then be processed using Structural Equation Modeling Partial Least Square (SEM PLS). Secondary data is used in this research to support analysis in the form of theory from sources relevant to this research. The results of internal and external analysis as well as the results of the hypothesis in this research are that brand image and customer engagement have a significant and positive influence on customer loyalty, but customer satisfaction does not have a significant influence on customer loyalty. Based on the results of the analysis that has been carried out, a marketing strategy recommended by the author to increasing customer loyalty.

### INTRODUCTION

The world of fashion is not free from various models and brands, be it bags, clothes, gadgets or others related to fashion. The existence of a bag for a woman is currently a must. With the development of increasingly modern fashion, it will continue to affect the design of bags on the market (Saputra, 2022). The bag industry in Indonesia is growing every year. Technological developments encourage the growth of the bag industry by around 10% per year. One city that has a rapidly developing fashion scene is Bandung, which is the capital of West Java

province. Creative industry entrepreneurs opened their businesses in the city of Bandung by setting up factory outlets, distros and so on. One of the local brands from Bandung that is currently developing is brand XYZ.

Changes that occur very quickly in current fashion trends that have an impact on consumer behavior make producers in the fashion industry must be able to build attachments with consumers which will increase consumer loyalty to brands (Cho & Fiore, 2015). (Shaw & Hamilton, 2016) state that customer loyalty is the result of a positive emotional experience that is consistently felt by customers. This loyalty results from satisfaction based on aspects that can be felt by customers. Efforts that can be made to make a customer loyal to our brand are with brand image and customer engagement.

Brand image according to (Mitra & Jenamani, 2020) is everything that exists in the minds of customers through the liking, strength, and also the uniqueness of the product, so that the product can continue to be remembered when there is something that intersects with other products. According to (Haris & Lasika, 2019), brand image is a very strong value because if the brand image has more value in the hearts of its customers compared to other competing products, it can make the brand continue to stick in the hearts of customers. According to Wardani et al., (2023) concluded that brand image has an effect on customer loyalty. Other research that is in line, namely research conducted by (Oliviana et al., 2017) also states the same thing, in his research it was found that brand image has a positive relationship with customer loyalty.

According to (Limandono, 2017) customer engagement is a step towards customer loyalty, where at this stage the emotional connection between the company and the customer is very well established. Customer engagement is an effort to create, build and improve customer relationships with companies through various platforms. According to (Neselia & Loisa, 2022) concluded that customer engagement has a positive and significant effect on customer loyalty. Other research that is in line, namely research conducted by (Dharmayanti & Suseno, 2015) states that there is a positive influence on customer engagement on customer loyalty.

(Balinado et al., 2021) define customer satisfaction as an individual's degree of satisfaction following a comparison of perceived performance or results with his expectations. In order to maintain a customer's loyalty to a company's product or service, customer happiness is crucial. Therefore, customer loyalty to a product or service is significantly influenced by satisfaction. Based on research findings (Yusnara & Soepatini, 2023) that demonstrate a favorable and strong relationship between customer happiness and customer loyalty, this hypothesis was developed.

Based on this description, this study aims to test, find out and analyze how brand image, customer engagement, and customer satisfaction affect customer loyalty in the local brand XYZ.

## LITERATURE REVIEW

### Brand Image

Brand image is a critical feature that influences customers' decisions to purchase or not to purchase the brand, as well as their repurchase behavior (Bian & Moutinho, 2014). (Hartanto, 2019) defines brand image as a collection of associations that customers of certain brands perceive. Three measures exist for brand image, which are as follows:

1. Consumer perceptions of businesses that provide goods and services are referred to as a company's image, or corporation image.
2. The associations that customers have with users of a product or service make up the consumer image, also known as the user image.
3. A product's image is the collection of associations that buyers have with it.

(Cho & Fiore, 2015) developed a holistic brand image measure that encompasses cognitive (mystery), sensory (sensuality), and emotional (intimacy) associations as important intangible components in forming a passionate relationship between consumers and brands. They also expanded on the conceptualization of brand image for fashion-related products. The sensory aspects of brand image were for the first time captured by this new scale, which also highlighted the influence of sensory cues on attitudes and perceptions of fashion-related goods and services.

According to (Kotler, 2000), items with a better brand image are viewed as less dangerous, whereas those with a worse brand image are viewed as more dangerous. Positive brand perceptions influence consumers' opinions about the product's quality, gain their trust (Lin, 2015), affect their propensity to buy the product, strengthen their loyalty to the brand, and strengthen the positive effects of public relations.

### **Customer Engagement**

According to (Irene et al., 2015), customer engagement refers to the degree to which a person participates and connects with the company's offerings and activities, whether at the request of the company or on its own.

For the purposes of this study, the comprehensive conceptualization of customer experience (CE) developed by (Kumar et al., 2015) is employed. It includes customer purchases, customer recommendations, customer influence, and customer knowledge.

1. Customer purchases is when customers immediately add to the firm's worth when they buy goods or services from it.
2. Customer reference is when they assist in drawing clients that the conventional marketing channel would not be able to draw. It's not always the case that the customers who make the most purchases also offer the most referrals. On the other hand, they might influence other consumers or offer businesses feedback, which would increase total customer engagement.
3. Customer influence customer influence on social media is quantified by the impact the customer creates. Users of social media have the ability to "influence" other users' behavior on social networking sites. Customers have recently made great use of social media channels to share information about brands and products.
4. Customer knowledge is when a company's present customers actively participate in offering feedback or suggestions for improvements to the products or services, this is known as customer knowledge. Additionally, customers can benefit businesses by helping them understand their preferences and by taking part in the process of knowledge growth.

Despite customer engagement's recent emergence as a significant marketing construct, its function in the development of customer loyalty has only been briefly examined in empirical studies.

### **Customer Satisfaction**

A person's sentiments of pleasure or disappointment that arise from contrasting their observation with their expectations are known as satisfaction (Kotler, 2000). According to (Buttle, 2006), discontent is an unpleasant completion response whereas satisfaction is a pleasure one. A party exhibiting positive and emotive behavior as a result of evaluating every facet of the other parties' working relationship is said to be satisfied. In the meantime, a number of favorable results are likely to occur in the commercial realm as long as the company maintains a positive relationship with its clients. Managers should prioritize customer happiness as one of the key

characteristics. The company's competitive edge was exceeding customers' demands and desires and providing greater customer service than its competitors. According to (Jamal et al., 2002), one important outcome of marketing activity was customer satisfaction, which served as a link between the different stages of the purchasing process. According to (Kotler & Keller, 2016), customer satisfaction refers to the satisfaction or dissatisfaction that customers feel as a result of a discrepancy between the performance of a product or service and their expectations.

### **Customer Loyalty**

According to (Hurriyati, 2012), a company's ability to recruit and retain consumers is largely dependent on their loyalty, as doing so improves financial performance and ensures the company's existence. The decision to continue using or purchasing the favored good or service in the future is firmly rooted in customer loyalty. Nonetheless, consumers may be persuaded to alter by marketing initiatives and situational impact. Loyal clients are inclined to make repeat purchases, buy at different prices, and recommend the company's goods and services to others. Furthermore, based on a very positive attitude and demonstrated by persistent repeat purchases, customer loyalty is a customer's commitment to a retail brand or provider (Arif et al., 2020). Consumer loyalty is defined as a relationship between a company and a customer in which a satisfaction is created so that it provides a good basis for making a repurchase of the same item and forming a word of mouth recommendation.

### **METHODS**

According to (Neuman, 2014), finding patterns in data, such as recurring behaviors, items, stages, or concepts, is known as data analysis. After a pattern has been found, it must be interpreted in light of a social theory or the context in which it occurred. This data analysis aims to simplify the data, making it easy to interpret and read. The data that has been collected, both primary data and secondary data, will be processed using several analyzes that have been adjusted to the needs of this study. Data analysis carried out in this study was carried out manually and also using applications that can assist in data processing. In this study, researchers used a combination of two data analysis methods, namely qualitative methods and quantitative methods. The qualitative analysis methods used in this research are VRIO analysis, STP, Marketing Mix, PESTLE, Porter's 5 Forces, Competitor Analysis, and Customer Analysis. Meanwhile, the quantitative analysis method used in this research is data collection obtained from distributing questionnaire surveys to all PEAU customers. The questionnaire survey data that has been collected will then be analyzed using SEM PLS.

According to (Sugiyono, 2018), a validity test is used to determine the validity of a questionnaire. If the questions on a questionnaire may be used to determine what the questionnaire is measuring, then the questionnaire is considered legitimate. The validity test's goal is to ascertain how accurate the data given by the researcher is compared to the data that actually occurs on the item. Convergent validation is the degree of construct convergence needed to explain the variance of its elements. A statistic called Average Variance Extracted (AVE) is used to evaluate the convergent validity of a concept for all items on each construct. A minimum of 0.50 is the acceptable AVE value. When the AVE is 0.50 or greater, it means that the construct accounts for at least 50% of the variation among its component parts (Hair JR et al., 2009)

The reliability test is a method used to assess reliability in which participants are included in the same scale's scope under identical conditions twice (Neuman, 2014). A reliability test gauges how consistently and steadily respondents provide answers to topics linked to the question structures. If a measuring device yields the same results when used to remeasure the

same thing, it can be considered trustworthy. A variable's dependability can be evaluated using the Cronbach alpha coefficient. According to (Hair et al., 2014), the minimal Cronbach alpha value for confirmatory research is 0.7, while the minimum value for exploratory research is 0.6

Researchers can concurrently model and estimate complex interactions among numerous dependent and independent variables by using structural equation modeling, or SEM. The ideas that are being discussed are usually not observable and are gauged indirectly using a variety of indications. SEM takes measurement error in the observable variables into consideration when estimating the relationships.

PLS-SEM is a statistical modeling technique that is continually evolving. PLS-SEM looks for a relationship or influence between the constructs in order to assess the predictive relationship between them.

## RESULTS

Presenting data in an easily accessible, comprehensible format is the primary goal of descriptive statistics (Neuman, 2014). Using sample or population data, descriptive statistics are used to characterize or give an overview of the subject of investigation (Sugiyono, 2014).

**Table 1. Average Variance Extracted (AVE)**

Variable	Average Variance Extracted (AVE)
Brand Image	0.885
Customer Engagement	0.856
Customer Satisfaction	0.892
Customer Loyalty	0.569

The table 1. above shows the Average Variance Extracted (AVE) value of each variable used in this study. In this table, it can be seen that all variables have an AVE value above 0.5, and it can be said that all variables are valid.

**Table 2. Cronbach;s Alpha**

Variable	Cronbach's Alpha
Brand Image	0.993
Customer Engagement	0.986
Customer Satisfaction	0.990
Customer Loyalty	0.848

The table 2. above shows the Cronbach;s Alpha value of each variable used in this study. In the table it can be seen that the Cronbach's Alpha value of all variables is more than 0.5, and it can be said that all variables are reliable.

Figure 1. PLS SEM Model

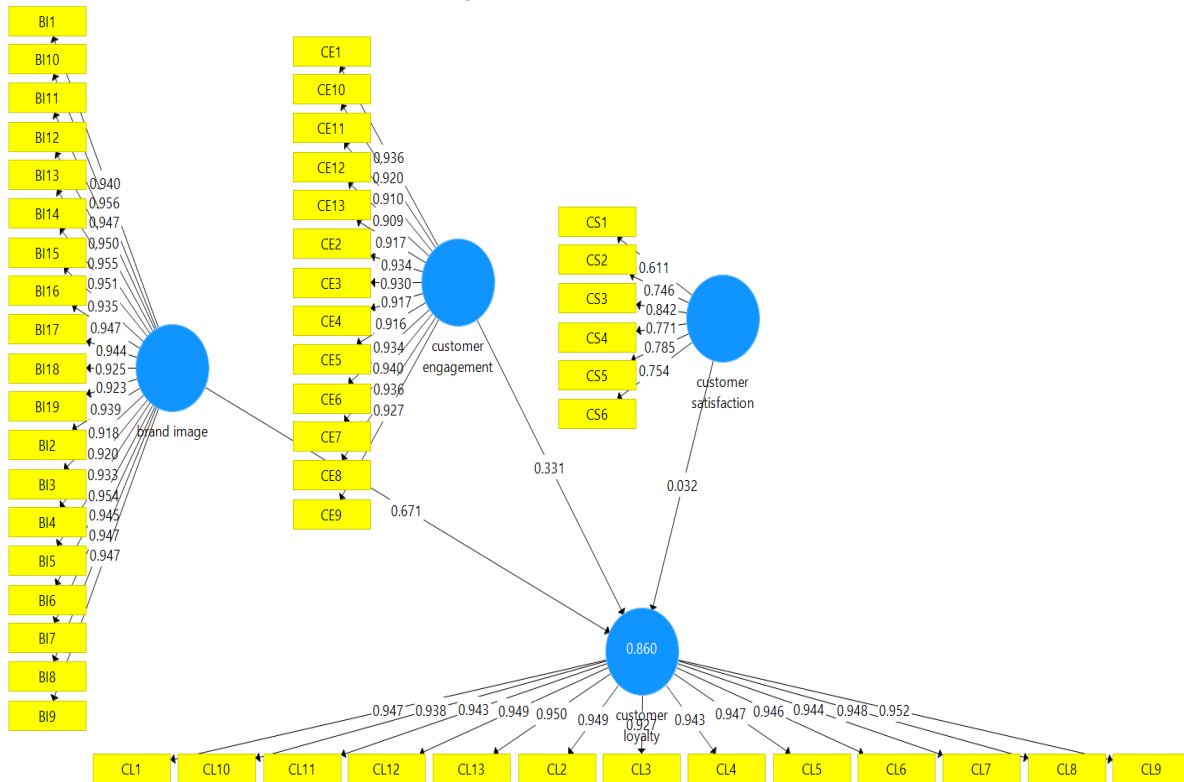


Table 3. The Results Of Hypothesis Testing Using SEM PLS

Variable	Original Sample	P-Value
Brand Image → Customer Loyalty	0.671	0.000
Customer Engagement → Customer Loyalty	0.331	0.000
Customer Satisfaction → Customer Loyalty	0.032	0.229

The table 3. above shows the results of hypothesis testing using SEM PLS. a hypothesis is said to be accepted when the value of the P-Value is below the error value, where in this study the error value used is 5%. With these criteria, based on the results of the hypothesis testing that has been carried out, H<sub>3</sub> is rejected while the other hypotheses, namely H<sub>1</sub> and H<sub>2</sub>, are accepted.

1. H<sub>1</sub> accepted, this means that brand image has a significant influence on customer loyalty.
2. H<sub>2</sub> accepted, this means that customer engagement has a significant influence on customer loyalty.
3. H<sub>3</sub> rejected, this means that customer satisfaction does not have a significant influence on customer loyalty.

In addition to the P-Value, there is an original sample value written in the table above. This original sample value is the coefficient used to build the PLS SEM model. the model built is written as follows:

$$CL = 0.671P_1 + 0.331P_2 + 0.032P_3 + E_1 \tag{1}$$

where:

$CL$  = Customer Loyalty

$P_1$  = Brand Image

$P_2$  = Customer Engagement

$P_3$  = Customer Satisfaction

$E_1$  = Error for Customer Loyalty model

**Table 4. R-Square value**

Model	R-Square
Customer Loyalty	0.860

To find out whether the model in equation (1) can explain what is sought from this research, the R-Square value in the table above shows the results related to the accuracy of the exogenous variables used whether it affects the endogenous variables.

## DISCUSSION

In equation (1), brand image, customer engagement, and customer satisfaction variables can contribute 86% in building the customer loyalty model. The equation for model (1) has the following interpretation:

1. Based on equation (IV.1), the conclusion obtained for  $H_1$  is that brand image has a significant and positive effect on customer loyalty. With this, brand image contributes by increasing customer loyalty by 0.671 for each increase in brand image, assuming other factors remain. The results of this hypothesis are in line with research conducted by (Wardani et al., 2023) and (Oliviana et al., 2017) which states that brand image has a significant and positive effect on customer loyalty. The result indicates that Because there is a significant and positive influence from brand image to customer loyalty, brand image can be said to be important for a brand to increase customer loyalty.
2. The conclusion for  $H_2$  states that customer engagement has a significant and positive influence on customer loyalty. With this, customer engagement contributes by increasing customer loyalty by 0.331 for each increase in customer engagement, assuming other factors remain. The results of the conclusions in this hypothesis are in line with research compiled by (Neselia & Loisa, 2022) and (Dharmayanti & Suseno, 2015) which says that customer engagement has a significant and positive influence on customer loyalty. From these results, customer engagement carried out by brand XYZ through some of the content they create on social media which aims to improve the relationship between the brand XYZ brand and its customers can be said to have a good effect. This is because customers feel connected to brand XYZ and also they feel that they have an attachment to the brand XYZ brand.
3. For  $H_3$ , the results of the questionnaire survey that has been conducted show that customer satisfaction has no effect on customer loyalty. This is in line with research conducted by (Haeruddin & Haeruddin, 2020) which states that customer satisfaction has no significant effect on customer loyalty. The lack of effect of customer satisfaction on customer loyalty can be due to other factors. In this study, customers can be said to be satisfied with brand XYZ, but they do not want to make repeat purchases. Good service and also products that are in accordance with customer orders can cause customers to feel satisfied with our brand. In this case, it can be said that brand XYZ has provided good service and also the

products they offer to customers are well received and in accordance with the wishes and expectations of customers. However, customer satisfaction is not always followed by customer loyalty, this is due to other possible factors such as although brand XYZ products are of high quality, the prices are too expensive, they does not have a variety of model, the model does not suit customer taste, and also slow courier.

## CONCLUSION

Brand XYZ is a local bag brand from Bandung that has been established since 2017. This brand focuses on providing products in the form of women's bags made with genuine cow leather for each product. brand XYZ has sales that have increased from year to year, but the comparison between the number of customers and customers who make repeat purchases can be said to be far different. It can also be said that brand XYZ does not have many loyal customers or lack of customer loyalty. This research was prepared by looking at the extent of the influence of brand image, customer satisfaction, and customer engagement on customer loyalty from brand XYZ.

The results of the analysis in this study show that brand XYZ must improve its performance to increase customer loyalty. Some of the marketing strategies proposed by the researcher based on the results of the overall analysis in this study are: increase product range; build more partnership with influencers and brand; launch social media content strategy to align messaging across channels; create online community using social media to strengthen relationship between brand XYZ and their customer; and establish customer loyalty program for customers with the aim that they want to repurchase products from brand XYZ when compared to products from other brands (competitors).

## Suggestion

This research was conducted to provide solutions to brand XYZ companies to increase their customer loyalty. The results of this study indicate that the variables used have a significant and positive effect on customer loyalty, except customer satisfaction, this is due to several factors, as well as 205 respondents. For further research, it can be done using other variables or with a larger number to get maximum results.

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