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# IMPROVING MARKETING PERFORMANCE THROUGH CUSTOMER ENGAGEMENT BUILDING

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***ABSTRACT***
***Introduction:*** *This study aims to examine the effect of the Customer Engagement dimension on Marketing Performance using the SEM model, as well as provide information in the form of analysis results that can be used by private banking companies to improve marketing team performance through customer engagement.* ***Method:*** *This research is quantitative research with the help of Lisrel software. The data collection technique was carried out by survey method. The data collection instrument was a questionnaire which was distributed online to 400 customers of private banks in the Greater Jakarta area.* ***Result:*** *The results show that all hypotheses are acceptable, the four dimensions of customer engagement namely Absorption, Dedication, Vigor, and Interaction have a significant effect on customer engagement. Customer engagement has a significant effect on marketing performance. Marketing performance has a significant effect on the company's financial and non-financial profits.* ***Conclusion:*** *This research has the meaning of being able to provide information in the form of analysis results that can be used by private banking companies to improve the performance of the marketing team through customer engagement.*
***Keyword:*** *Customer Engagement, Marketing Performance, Lisrel, SEM*

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## INTRODUCTION

The expansion of the Indonesian economy, particularly the financial and banking industry sectors, has been impacted by economic globalization, which has altered how businesses behave. The national banking system must immediately adapt to carry out its duties and obligations to the community due to the swift development of the national or global economy, which is accompanied by challenges of increasing importance. The role of banking has a significant impact on a nation's financial operations. One may say that banks are the lifeblood of a nation's economy. A gauge of a country's growth can also be found in the development of one of its banks. The importance of controlling a country increases with its level of development. In addition to being a part of a nation's financial system and payment system, banks are also a part of the global financial and payment systems in the modern era of globalization (Regaer et al., 2016).

Along with the many competitors, to maintain the existence of a Bank, good performance is needed from various aspects such as strategy, product innovation, and competitive ability. The corporate strategy explains why a company is essential in the marketplace by defining its approach to creating superior customer value. It represents an organizational commitment to pursuing multiple choices about how to compete. Strategy can help companies to gain legitimacy and improve performance. The company's ability to perform better is influenced by a unique organizational structure, proven systems and processes aligned with its resources (Wibowo & Handika, 2017). One strategy that the company can improve is its marketing strategy (Kartawinata & Wardhana, 2015).

Marketing strategy includes the choice of market share and customers, the identification of customer needs for products, and designing and integrating marketing programs to create, deliver, and communicate product offerings. The marketing strategy also includes realizing the goals the company wants to achieve in the future and the means used to achieve them (Morgan et al., 2019). The company's primary objective is to establish a distinct brand that captures the attention of potential customers and devoted customers offline and online while representing the company's beliefs and characteristics. When these two worlds connect, the organization can achieve its full potential in financial and nonfinancial rewards (Schwarzl & Grabowska, 2015). Customer Relationship Management (CRM) has evolved from a mere point of customer data collection to an enterprise-wide support and integrated process for the entire customer relationship process. The business management process is changing from services and data management to creating business information systems as strategic business management tools. Overall, the business model has become more customer-oriented through an e-business model based on a network of information systems related to prospective customer data in the future. Through this new business model, the same products are sold with the support of more detailed customer information that can drive business success and add a sustainable competitive advantage (Alawiyah & Humairoh, 2017). Due to these circumstances, engagement marketing, or the company's conscious effort to motivate, empower and measure the customer's contribution to its marketing function outside its core, transactional economy. Customer relationship management uses client information to help clients with post-purchase assistance and client retention (Harmeling et al., 2017).

One of the most important research issues of the day is customer participation or involvement. It can be described as the psychological process that a customer goes through before developing loyalty. Second, the expression of customer behaviour toward the brand or business results from the motivating factor but does not include actual transactions. Third, the degree of zeal, commitment, engrossment, and interaction are indicators of psychological condition. An offline and online environment can be used for customer involvement (Greve, 2014). A specific indirect brand contact's level of cognitive, emotional, and behavioural activity is utilized to gauge the client's level of motivating, brand-related, context-dependent state of mind. Cognitive process (e.g. level of concentration and brand attachment). Emotional involvement Personality characteristics, such as the degree of brand-related inspiration and pride (e.g. level of energy used in interacting with the focused brand) (Hollebeek, 2011). (Absorption represents cognitive aspects, Dedication represents emotions and Vigor, and interaction reflects behavioural aspects (Patterson & Robots, 2015; Raeisi & Lingjie, 2017). Customers become emotionally invested in a company's brand and are more interested in its goods and services when engaged (Bansal & Chaudhary, 2020). This study aims to examine the effect of the Customer Engagement dimension on Marketing. This research has implications for providing information in the form of analysis results that private banking companies can use to improve the marketing team's performance through customer engagement.

**METHOD**

This study uses quantitative methods. In this work, a statistical analytic tool called structural equation modelling (SEM) was applied. There will be various relationships between the latent variables in this study, which include several latent variables, dimensions, and indicators. SEM effectively enables path analysis using latent variables (Arya Pering, 2020). Lisrel is used to analyze the relationship between latent variables, measured by a set of observed variables, to understand customer behaviour. The number of samples in this study was determined using the solving formula.

$$n = \frac{N}{1 + N(e)^2}$$

n states the number of samples, N represents the total population, and e represents the significant allowance due to errors in the study. Researchers use a 5% allowance. Four hundred samples have been counted, representing the population of private bank customers in the Jabodetabek area. The sample in this study was selected by random sampling technique. The estimation method used for this study uses the Maximum Likelihood (ML) estimation method. Data for measurement using the ML method is usually continuous (Ramadiani, 2010). The data collection technique was carried out by the survey method. The instrument for data collection is a questionnaire distributed online to 400 private bank customers in the Jabodetabek area. The solving formula carried out the determination of the research sample. The variables in this study are Absorption, Dedication, Vigor, Interaction, Customer Engagement, Marketing Performance, Nonfinancial Performance and Financial Performance. The conceptual framework of this research can be seen in Figure 1.

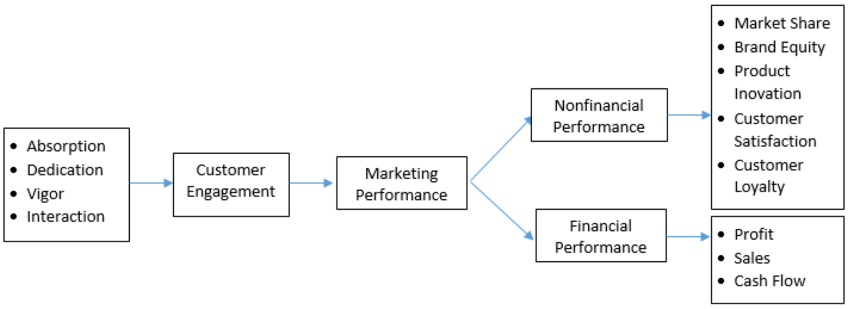


**Figure 1. Conceptual Framework**

Data analysis in this study was carried out in 2 stages; the first stage was checking each variable's validity and construct reliability. The second stage is hypothesis testing. The hypotheses in this study include the following:

H1 : Customer Engagement has a positive effect on Marketing Performance
H2 : Absorption has a positive effect on Customer Engagement
H3 : Dedication has a positive effect on Customer Engagement
H4 : Vigor has a positive effect on Customer Engagement
H5 : Interaction has a positive effect on Customer Engagement
H6 : Marketing Performance has a positive effect on Nonfinancial Performance
H7 : Marketing Performance has a positive effect on Financial Performance

## RESULTS AND DISCUSSION

### Model Fit Test

A model fit test is carried out to assess whether the data collected is consistent and fits the model. If the model does not match the data, it is necessary to find the cause in the model and find a way to modify the model to obtain a better data fit (Ramadiani, 2010). Figure 2 shows the results of the lisrel output in the measurement of model fit.

```
Minimum Fit Function Value = 0.065
Population Discrepancy Function Value (F0) = 0.036
90 Percent Confidence Interval for F0 = (0.0096 ; 0.081)
Root Mean Square Error of Approximation (RMSEA) = 0.067
90 Percent Confidence Interval for RMSEA = (0.035 ; 0.10)
P-Value for Test of Close Fit (RMSEA < 0.05) = 0.17

Expected Cross-Validation Index (ECVI) = 0.12
90 Percent Confidence Interval for ECVI = (0.095 ; 0.17)
ECVI for Saturated Model = 0.11
ECVI for Independence Model = 4.46

Chi-Square for Independence Model with 15 Degrees of Freedom = 1765.61
Independence AIC = 1777.61
Model AIC = 48.22
Saturated AIC = 42.00
Independence CAIC = 1807.55
Model CAIC = 113.11
Saturated CAIC = 146.82

Normed Fit Index (NFI) = 0.99
Non-Normed Fit Index (NNFI) = 0.98
Parsimony Normed Fit Index (PNFI) = 0.53
Comparative Fit Index (CFI) = 0.99
Incremental Fit Index (IFI) = 0.99
Relative Fit Index (RFI) = 0.98

Critical N (CN) = 361.75

Root Mean Square Residual (RMR) = 0.036
Standardized RMR = 0.036
Goodness of Fit Index (GFI) = 0.98
Adjusted Goodness of Fit Index (AGFI) = 0.95
Parsimony Goodness of Fit Index (PGFI) = 0.37
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**Figure 2. Output-Model Fit**

If the model matches the data, it is correct and suitable according to the goodness of fit. Each estimate is reviewed by referring to the goodness of fit (GOF), which can be seen in table 1.

**Table 1. Goodness of Fit**

| Indicator | Criteria Goodness of Fit | The goodness of Fit Test Results | Conclusion |
|---|---|---|---|
| RMSEA | $\leq 0.08$ | 0.067 | Goodness of Fit |
| NFI | $\geq 0.9$ | 0.99 | Goodness of Fit |
| NNFI | $\geq 0.9$ | 0.98 | Goodness of Fit |
| CFI | $\geq 0.9$ | 0.99 | Goodness of Fit |
| IFI | $\geq 0.9$ | 0.99 | Goodness of Fit |
| RFI | $\geq 0.9$ | 0.98 | Goodness of Fit |
| RMR | $\leq 0.05$ | 0.036 | Goodness of Fit |
| GFI | $\geq 0.9$ | 0.98 | Goodness of Fit |
| AGFA | $\geq 0.9$ | 0.95 | Goodness of Fit |

Table 1 shows nine indicators to see the fit of the model. Each indicator has criteria. The results showed that all indicator criteria were met, and it could be concluded that the tested data were consistent and matched the model.

**Validity and Reliability Test**

If the overall model fit test has been successful, the evaluation of the measurement model's applicability can proceed. Each concept is subjected to a separate examination, which looks at the reliability and validity of the construct. Checking the value of the factor load or Coefficient in the model is the first step in the validity evaluation. The assessment of the factor load of each variable must be > 0.70 to prove that the indicator variables are significantly related and can represent the underlying building concept. In other words, the designed model has a pretty good validity to the construct.

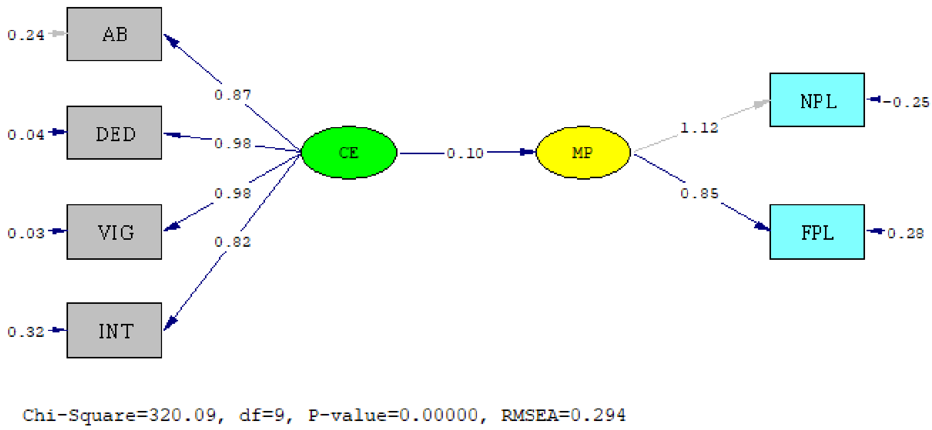


**Figure 3. Output Score Loading Factor and Error Measurement**

Figure 3 shows the results of the score loading factor and error measurement of latent variables. The latent variable is declared if it has a common loading value > 0.5. The results of the validity test on each latent variable in this study can be seen in table 2.

**Table 2. Validity and Reliability Test**

| Variable | std loading | error | CR≥ 0.7 | VE≥ 0.5 | Result |
|---|---|---|---|---|---|
| AB | 0.87 | 0.24 | 0.8 | 0.4 | Valid and Reliable |
| DED | 0.98 | 0.04 | 1.0 | 0.5 | Valid and Good reliability |
| VIG | 0.98 | 0.03 | 1.0 | 0.5 | Valid and Good reliability |
| INT | 0.82 | 0.32 | 0.7 | 0.4 | Valid and Reliable |
| NP | 1.12 | 0.25 | 0.8 | 0.5 | Valid and Good reliability |
| FP | 0.85 | 0.28 | 0.8 | 0.4 | Valid and Reliable |

The reliability test was carried out to show good measurement consistency in our model. The construct reliability and variance extracted values should be 0.70 and 0.50. The CFA test in this study contained 3-factor loads whose values were <0.50, namely the variables AB (Absorption), INT (Interaction) and FP (Financial Performance). The researcher does not delete it because it refers to Wijanto (2008), which indicates that the linked variable can be regarded as not to be deleted if the common factor load value is less than 0.50 but still 0.30. But if the common factor load value is <0.30, the related variable can be removed from the model (Rakafathia et al., 2015). Table 2 shows that all variables are valid based on the standard loading value (std. Loading) above 0.70. The value of construct reliability on all variables also shows the result of 0.70. It can be concluded that all variables are valid and reliable.

**Confirmatory Factor Analysis Test**

Confirmatory factor analysis is used to empirically verify or confirm a model (measurement of the model) or a number of manifest variables. The goal of the confirmation factor analysis is to construct a test measurement model, not a model, based on theoretical research. This is a model measurement test on all variables without any effect lines simultaneously (Wiryanto et al., 2019). The CFA test output on the Absorption, Dedication, Vigor and Interaction dimensions can be seen in Figure 4.

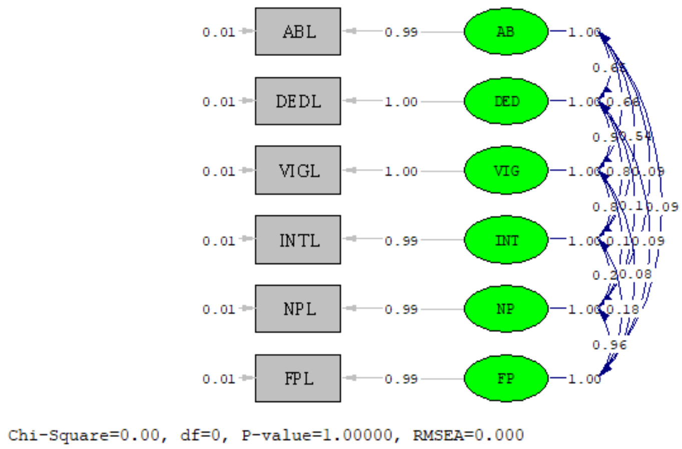


**Figure 4. CFA Customer Engagement Dimension**

**Hypothesis Test**

The last stage is to test the hypothesis. Hypothesis testing is done by comparing the value of t. The hypothesis can be accepted if the T value 1.96. At the same time, the hypothesis is rejected if the T value obtained is 1.96. The T value between variables can be seen in Figure 5, while the standard Coefficient can be seen in Figure 5.

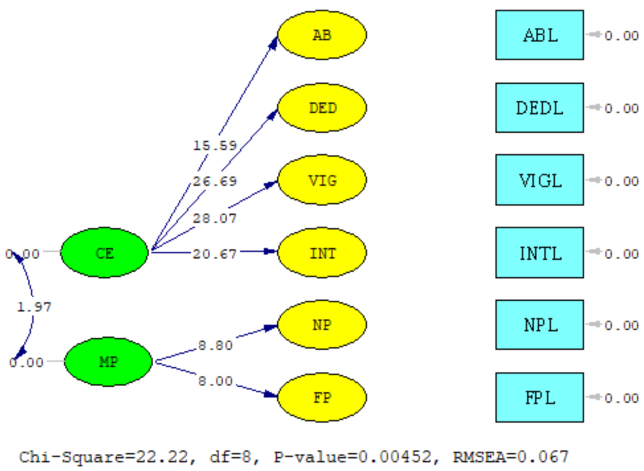


**Figure 5. Output-T Value**

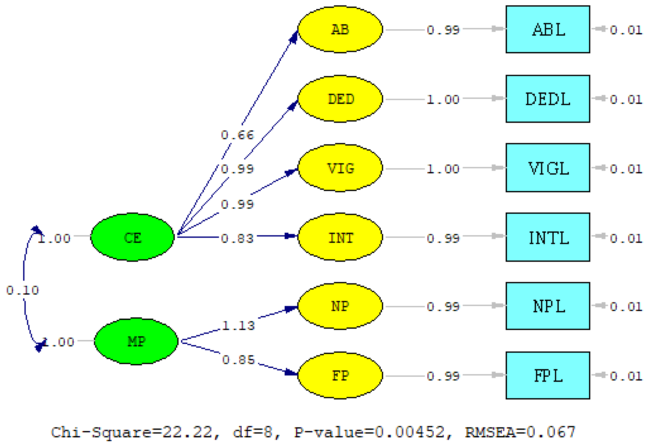


**Figure 6. Output Standart Coefficient**

Figure 5 shows if the T value between variables meets the criteria above 1.96. The description of the T value obtained can be seen in the following table:

**Table 3. Hypothesis Test**

| Hypothesis | Relationship between variables | T value | Standard Coefficient | Result |
|---|---|---|---|---|
| H1 | CE --> MP | 1.97 | 0.1 | H1 is accepted because the T value ≥1.96 |
| H2 | AB --> CE | 15.59 | 0.66 | H2 is accepted because the T value ≥1.96 |
| H3 | DED --> CE | 26.69 | 0.99 | H3 is accepted because the T value≥ 1.96 |
| H4 | VIG --> CE | 28.07 | 0.99 | H4 is accepted because the T value≥ 1.96 |
| H5 | INT --> CE | 20.67 | 0.83 | H5 is accepted because the T value≥ 1.96 |
| H6 | MP --> NP | 8.8 | 1.13 | H6 is accepted because the T value≥ 1.96 |
| H7 | MP --> FP | 8 | 0.85 | H7 is accepted because the T value≥ 1.96 |

Table 3 shows the results of hypothesis testing between variables. There are seven proposed hypotheses with the following details:

H1 : Customer Engagement has a positive effect on Marketing Performance
H2 : Absorption has a positive effect on Customer Engagement
H3 : Dedication has a positive effect on Customer Engagement
H4 : Vigor has a positive effect on Customer Engagement
H5 : Interaction has a positive effect on Customer Engagement
H6 : Marketing Performance has a positive effect on Nonfinancial Performance
H7 : Marketing Performance has a positive effect on Financial Performance

The t value obtained from the analysis results shows 1.96. It can be concluded that all proposed hypotheses 1 to 7 are accepted.

Customer engagement has become one of the essential strategies that customers must consider company managers in recent years for the company's success. Customer engagement with a business is a fundamental process for running that business. Customer engagement can provide valuable insights by creating influential relationships between customers, brands and organizations. The four customer engagement aspects in this study favourably impact customer engagement. The first dimension is absorption, which is the psychological state of the customer that is directly related to how to interact with the company. The second dimension is Dedication. Dedication is a sense of pride and loyalty that customers have for the brand. The third dimension of Vigor is a great sense of customer enthusiasm in the form of tremendous customer interest and interest in the brand. The fourth dimension of interaction is a form of customer participation in a brand. Strong customer engagement and service innovation are advantageous, according to a study by Raeisi & Lingjie (2017), demonstrating a strong relationship between stakeholders and the company.

Customer engagement can create long-term relationships between customers and the company (Handayaningrum, 2019). Customer engagement can be seen from consumers who feel accepted, listened to and cared for through social relationships even though they do not make purchases (Ridanasti, 2021). Customer engagement is essential in marketing strategy because it is directly related to customer loyalty. Relationship marketing practices focus on increasing customer attractiveness to the company's products and building further relationships with these customers to achieve the desired economic goals (Vinerean & Opreana, 2021). The perceived business benefits of the company are not only in the form of financial benefits. Long-term consequences like market share, customer happiness, customer loyalty/retention, brand equity, and innovation are also influenced by nonfinancial profits (Gao, 2010). Customers can contribute to the company's innovation process, create shared value, and work together to develop competitive strategies (Bijmolt et al., 2010).

**CONCLUSION**

Based on the data analysis that has been done, it can be concluded that the four dimensions of customer engagement, namely Absorption, Dedication, Vigor, and Interaction have a significant effect on customer engagement. Customer engagement has a significant effect on marketing performance. Marketing performance has a significant effect on the company's financial and non-financial profits. This research has the meaning of being able to provide information in the form of analysis results that can be used by private banking companies to improve the performance of the marketing team through customer engagement.

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