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The Effect of Instagram Marketing and Customer Experience on Customer Loyalty through Customer Engagement in Mili Kopi Pematang Siantar, Indonesia

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Abstract

Using social media, such as Instagram, to market products is believed to be more effective and efficient in reaching consumers. The use of social media is closely related to the phenomenon of posting, which is a profitable opportunity for businesses because it can indirectly attract consumers to visit. In addition to social media marketing, creating a good customer experience is crucial as it allows consumers to bond emotionally with the product, ensuring their loyalty. This study aimed to determine and analyze the effect of Instagram Marketing and Customer Experience on customer loyalty, with Customer Engagement as the mediating variable. An associative quantitative method was used with the help of the SPSS program. This research also employed path analysis. The sample of this study consisted of 115 respondents who met the criteria of having visited and bought Mili Kopi Café products. The data were collected using questionnaires. The findings suggest that Instagram Marketing and Customer Experience positively affect Customer Loyalty. This study also found that customer engagement is proven to mediate Instagram marketing and customer experience on customer loyalty.

1. Introduction

On the basis of the International Coffee Organization, Indonesia is the second largest coffee-exporting and consuming country in the world after Brazil. Indonesia could also produce 186 thousand tons of coffee, or 10.69% of world production in 2019 (Central Bureau of Statistics, 2020). The Indonesian Coffee Exporters and Industry Association (AEKI) and the Specialty Association (SCA) also stated that over the past four years, the consumption of coffee commodities in Indonesia has increased by 50%. The high demand for coffee has increased coffee sales in Indonesia.

As a result, coffee shops have become one of the businesses in great demand by business actors in North Sumatra, particularly in Pematang Siantar City. Mili Kopi is a coffee shop business located in the city of Pematang Siantar. This shop implements an effective marketing strategy to compete with other coffee shops in Pematang Siantar. Mili Kopi always pays attention to the quality of products and services so that consumers are satisfied every time they visit the shop. With the satisfaction felt by consumers, it is hoped that they will become loyal and can tell positive things to others (Ammurabi, 2020). If consumers have trusted the coffee shop, their desire to make repeat purchases will increase (Pine & Gilmore, 2011).

Over time, Mili Kopi Pematang Siantar has been facing problems such as declining revenue and product sales. This is inversely proportional to what is expected by Mili Kopi Pematang Siantar.

Table 1. Mili Kopi Revenue Data for September 2021 – April 2022

Month	Sale Product
September	363
October	1,182
November	945
December	1,335
January	1,404
February	1010
March	2076
April	1869

Using pre-survey data conducted on Mili Kopi Pematang Siantar consumers, several consumers stated that they did not visit again because more and more coffee shops had opened in Pematang Siantar, even though Mili Kopi products met their expectations. Some felt enthusiastic about revisiting the shop. Loyal customers are an asset to a company. With the development of coffee shops in Pematang Siantar and considering that young people quite favor coffee beverage products, Mili Kopi must continue to do Instagram Marketing to compete with its competitors. It must improve the emotional Customer Experience so that Customer Engagement increases. Increasing Mili Kopi's Customer Engagement is expected to help increase Customer Loyalty. Therefore, the researchers sought to determine the influence of Instagram Marketing and Customer Experience on Customer Loyalty, with Customer Engagement as the mediating variable.

2. Literature Review

2.1. Social media marketing

Social media is an interaction between people creating, sharing, and exchanging information and ideas in virtual communities and networks. Social media relies on mobile and web-based technologies to create highly interactive platforms where individuals and communities share, co-create, discuss, and modify user-generated content (Schiffman & Wisenblit, 2019). Another opinion expressed by Elby (2020) stated that social media marketing is the use of social media sites and social systems for articles and government organizations. Social media marketing helps companies' approach and connect with existing customers.

2.2. Customer experience

Customer Experience is a cognitive or perceptual recognition that can stimulate the customer's motivation. Customer recognition or perception can increase the value of a company's products or services (Chen & Lin, 2014). Experience (Customer Experience) is an action that is felt when visiting a product or service and is also a consideration for today's customers in choosing goods or services. For this reason, companies must consider customer experience to satisfy their customers and win the competition. It is hoped that customers can distinguish products and services from one another because they can feel and gain experience directly before and when getting a product or service (Wahyono, 2017).

2.3. Customer engagement

Customer engagement is a relationship between customers and a product or service. By having good engagement with a product or service, customers will have a sense of recognition, which can create a competitive advantage because an advantage must be recognized by customers to truly become an advantage (Andi & Darmayanti, 2016). Customer engagement is also defined as any effort to involve customers in emotional interactions between the company and its customers.

2.4. Customer loyalty

According to a statement from Kotler and Keller (2016), loyalty is an effort to create close relationships with customers over a long period so that customers do not switch to other products or services. Loyalty is a strong commitment to buy a product or service regularly and continue to subscribe despite the influence of situations that have the potential to cause behavioral switching. Referring to the statement of Tjiptono (2015), customer satisfaction can provide several benefits, such as establishing a harmonious relationship between customers and the company. Satisfied customers will make repeat purchases, recommend products or services the company offers to others, and even create Customer Loyalty. Customer loyalty is a reliable measure for predicting sales growth and loyalty, which can also be defined based on consistent purchasing behavior (Griffin, 2010).

2.5. Conceptual framework

In quantitative research, the framework is a conceptual model of how theory relates to various factors identified as important problems (Sugiyono, 2019). The framework of this study is presented in the following.
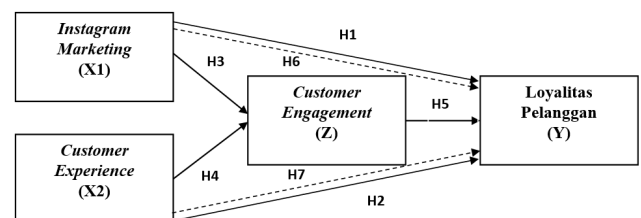

Figure 1. Conceptual Framework

3. Materials and Methods

This study is designed using causal associative research. This type of research investigates the relationship between two or more variables (Sugiyono, 2018). This research forms a causal relationship, namely a causal relationship pattern. This research was also quantitative because statistical procedures processed the data in numbers. This research was conducted at the Pematang Siantar Mili Kopi café with a sample size of 115 respondents.

This study used primary and secondary data obtained through documentation studies and a list of questions whose measurements used an interval scale. A statement is valid if the r-stat value is higher than r-table. In this study, the value of the r-stat was higher than the r-table (0.361). So, all statements on the variables of customer value, customer satisfaction, trust, and

customer loyalty were valid. Validity shows how much a measuring instrument measures what it wants to measure (Situmorang, 2017).

The reliability test used in this study was Cronbach Alpha with decision-making criteria. According to Hair et al. (2013), if the Cronbach Alpha coefficient is higher than 0.60, the questionnaire is declared satisfactory (reliable). In this research, the Cronbach Alpha values on Instagram Marketing, Customer Experience, Customer Engagement, and Customer Loyalty were 0.665, 0.800,

0.748, and 0.831 respectively. All values were higher than 0.6, so the questionnaire was reliable.

4. Results

Most respondents in this study were male. Their ages ranged from 21 to 34; on average, they bought the products twice. This study used a mediation test with the path analysis method. The processing results for path analysis are as follows:

Table 2. Results of the effect of Instagram marketing and customer experience on customer engagement

Variable(s)	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4,475	1.117		4.006	0.001
Instagram marketing	0.241	0.081	0.342	2.967	0.004
Customer experience	0.239	0.065	0.425	3.690	0.000
Adj. R Square	0.530				
F- stat	65,335				
Prob.	0.000				

Dependent variable: Customer engagement (Z)

Table 2 shows that the Instagram marketing variable is 0.004, smaller than 0.05. These results indicate that the path coefficient I, the Instagram marketing variable, has a positive and significant effect on the customer engagement variable. The significance of the customer experience variable is 0.000, which is smaller than 0.05. These results indicate that the path coefficient I, the customer experience variable, has a significant positive

effect on the customer engagement variable. The value of Adj R-square is 0.530. This shows that the effect of Instagram marketing and customer experience on customer engagement is 53%, while the remaining 47% is the contribution of other variables outside this research model. On the basis of the results of the regression analysis, the result can be seen as follows:
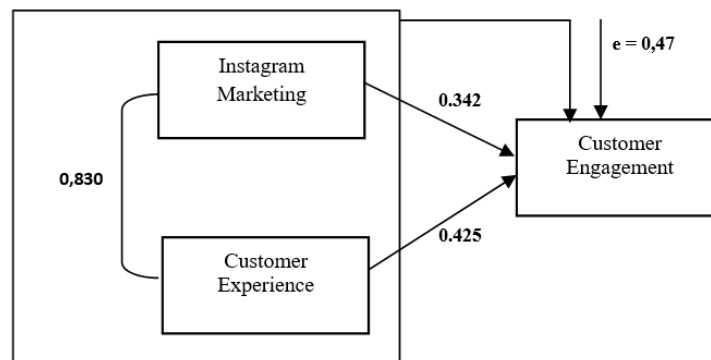

Figure 2. Results of path analysis of the effect of Instagram marketing and customer experience on customer engagement

Table 3. Results of the effect of Instagram marketing and customer experience on customer loyalty

Variable(s)	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.438	1,169		0.374	0.709
Instagram Marketing	0.233	0.083	0.278	2,820	0.006
Customer Experience	0.199	0.067	0.297	2,959	0.004
customer engagement	0.402	0.092	0.338	4,349	0.000
Adj. R Square	0.682				
F- statistics	82,333				
Prob.	0.000				

Note: Dependent variable: Customer loyalty

The significance of the Instagram marketing variable (0.006), customer experience (0.004), and customer

engagement (0.000) was smaller than 0.05. These results indicate that path coefficient II, namely the

Instagram marketing variable, customer experience, and customer engagement, significantly affects the customer loyalty variable. The value of Adj R-square is 0.682, suggesting that the effect of Instagram marketing, customer experience, and customer engagement on customer loyalty is 68.2%. In comparison, the remaining 31.8% is the contribution of other variables outside this research model. On the basis of the results of the second path coefficient analysis, the path coefficient II image is presented as follows:
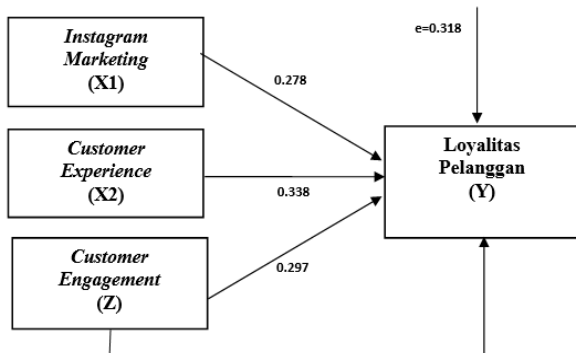

Figure 3. Results of path analysis (direct effect).

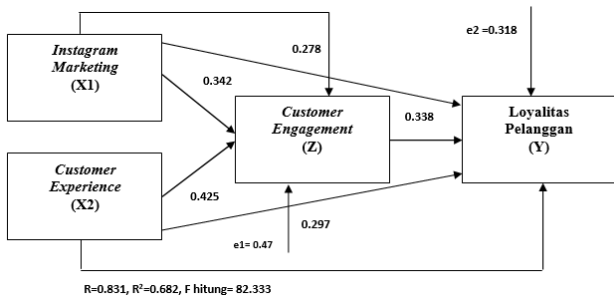Figure 3 explains the overall path analysis coefficient model, which can be seen in the following Figure:

Figure 4: Results of path analysis (indirect effect)

The regression results of paths I and II show that the coefficient value of Instagram marketing on customer engagement is 0.342 with a standard error of 0.081 and a significance value of 0.004. Furthermore, the coefficient value of customer experience on customer engagement is 0.425, with a standard error of 0.065 and a significance value of 0.000. The coefficient value of customer engagement on customer loyalty is 0.338, with a standard error of 0.092 and a significance value of 0.000. Mediation analysis in this study was performed using the Sobel test analysis.

The Sobel test determines if a relationship exists through a mediating variable and if the variable can act as a mediator. In this study, the Sobel test was used to test the strength of the indirect effect of Instagram marketing and customer experience variables on customer loyalty, where customer engagement acted as a mediating variable. Using the Sobel test, the indirect effect value on path I is 2.771 with a significance value of 0.005. This figure was obtained from the calculation

of the coefficient value and standard error of the independent variable, namely Instagram marketing, on the dependent variable, namely customer loyalty, and the coefficient value of the mediating variable, the customer engagement, on the dependent variable, namely customer loyalty. The indirect effect value on the second path is 3.202, with a significance value of 0.001.

This figure was obtained from the calculation of the coefficient value and standard error of the independent variable, namely customer experience on the dependent variable, namely customer loyalty, and the coefficient value of the mediating variable, the customer engagement on the dependent variable, namely customer loyalty. Since the significant value of the indirect effect obtained from both paths is smaller than the value of 0.05 or 5%, it proves that customer engagement can mediate Instagram marketing and customer experience on customer loyalty. The following table explains the total joint effect after the Sobel test analysis:

Table 4. Results of Direct, Total, and Simultaneous Effects

Variable(s)	Effect		Simultaneous
	Direct	Total	
X1 --> Z	0.342	0.342	-
X2 --> Z	0.425	0.425	-
X1 --> Y	0.278	0.278	-
X2 --> Y	0.297	0.297	-
Z --> Y	0.338	0.338	-
X1--> Z --> Y	-	-	2.771
X2--> Z --> Y	-	-	3.202

5. Discussion

5.1. Instagram marketing on customer experience

This study found that Instagram marketing positively and significantly affects customer engagement. By looking at the resulting beta coefficient value of 0.342, the relationship between Instagram marketing and customer engagement is positive/direct. This study's findings align with research from Giska and Marheni (2020), which states that social media marketing variables significantly affect customer engagement on Tokopedia's Instagram account.

5.2. Customer experience on customer engagement

The results of data analysis and SPSS tests show a t-statistic value of 3.690 (> 1.981) and a p-value of 0.000 (<0.05) on customer engagement. Therefore, the customer experience variable positively and significantly affects customer engagement. The resulting beta coefficient value is 0.425, shows a positive relationship between customer experience and engagement.

This is supported by research by Zollo et al. (2020), which states that customer experience motivates customers to buy products or services and share positive experiences

related to brands. Consumers who feel satisfied with their experience will establish a feeling of engagement with the brand. As a result, they will voluntarily provide positive information related to the product.

5.3. Instagram marketing on customer loyalty

This study indicates that the Instagram marketing variable positively and significantly affects customer loyalty. The resulting beta coefficient value of 0.278 shows that the relationship between Instagram marketing and customer loyalty is positive/direct. Various empirical studies support the positive relationship between Instagram marketing and customer loyalty. Giska and Marheni (2020) found a significant positive relationship between social media marketing activities and customer loyalty. Bilgin (2018) also discovered that the social media marketing component significantly influences brand loyalty.

5.4. Customer experience on customer loyalty

This study found that the customer experience variable positively and significantly affects customer loyalty. By looking at the resulting beta coefficient value of 0.297, the relationship between customer experience and customer loyalty is positive. Customer experience can shape customer loyalty. If consumers have a good experience with a service or product, they will become loyal to the product and make repeat purchases. It is supported by research by Tanti et al. (2020), which proves that customer experience significantly affects customer loyalty. Dewi et al. (2020) also prove that the customer experience variable influences consumer loyalty. When a consumer experiences a good thing with a product or service, they will be loyal and most likely make repeat purchases.

5.5. Customer engagement on customer loyalty

The results of data analysis and SPSS tests show a t-statistic value of 4.349 (>1.981) and a p-value of 0.000 (<0.05) on customer loyalty. Therefore, the customer engagement variable positively and significantly affects customer loyalty. By looking at the resulting beta coefficient value, which is 0.338, the relationship between customer engagement and customer loyalty is positive. Giska and Marheni's research (2020) results state that customer engagement significantly affects customer loyalty. As found in research from Murchardie et al. (2016), customer engagement has a significant influence on customer loyalty. Engagement that occurs regularly can retain consumers and can also create loyal consumers. With good engagement, customers can show a better attitude towards the brand and will feel loyal.

5.6. Instagram marketing on customer loyalty through customer engagement

According to the results of data analysis and SPSS testing with the path analysis method using the Sobel test, the mediation value is 0.01392, smaller than 0.05. Hence, customer engagement is proven to mediate the relationship between Instagram marketing and customer loyalty. Previous research found that the influence of social media communication with brands refers to consumers' emotional and time involvement with brands, highlighting the activation process (Samala & Khatam, 2019). Using social media as a marketing medium can enable companies to engage customers and build brand loyalty (Amalina, 2016).

5.7. Customer experience on customer loyalty through customer engagement

Based on the results of data analysis and SPSS testing with the path analysis method using the Sobel test, the mediation value is 0.00490, smaller than 0.05. So, customer engagement is proven to mediate the relationship between customer experience and customer loyalty. Consumer engagement is essential in the consumer experience (Risitano et al., 2017). In today's competitive business environment, creating memorable experiences and emotional relationships with consumers to achieve long-term consumer loyalty is essential. Research conducted by Junaid et al. (2019) has found that consumers who have a positive experience and are interested in a brand will be more likely to engage with the brand. Bilro et al. (2019) also show engaged consumers interact with the brand.

6. Conclusions

This study concludes that Instagram marketing positively and significantly affects customer loyalty. Customer experience has a positive and significant effect on customer loyalty. Instagram marketing has a positive and significant effect on customer engagement. Customer experience has a positive and significant effect on customer engagement. Customer engagement has a positive and significant effect on customer loyalty. Instagram marketing positively and significantly affects customer loyalty through customer engagement as a mediating variable. Experience positively and significantly affects customer loyalty through customer engagement as a mediating variable.

Besides that, this study suggests that Mili Kopi must continue to pay attention to every shared upload, focusing on exciting and creative content in each post tailored to consumer desires. Furthermore, Mili Kopi must pay attention to the customer experience regarding product taste, facilities, prices, and services. To improve a good consumer experience, Mili Kopi is advised to add a coffee shop design that is Instagram and eye-pleasing, balanced with furniture that gives an aesthetic impression that dramatically affects the atmosphere of hanging out. Lastly, Mili Kopi is advised to provide a special member coupon or loyalty card for every customer who visits the shop.

The social media platform used. This study only looked at the effect of social media marketing activities on the

Instagram social media platform. With the many options of social media that business actors can use for marketing activities, it is necessary to conduct further research using other social media such as YouTube, Facebook, and the currently popular TikTok. Regarding scientific investigations in the field and literature, the authors suggest that for further research, this research model can be developed by adding some research objects so that it is not limited to one company. Finally, regarding the methodology, the authors suggest using the Structural Equation Modeling (SEM) analysis tool.

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