

# Customer Experience, Customer Engagement, and Customer Loyalty in Indonesian E-Commerce Online Retail: A Descriptive Study

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## ABSTRACT

E-commerce market growth in Indonesia urges e-commerce players, especially online retailers, to implement strategies which can foster customer loyalty. Customer experience and engagement strategies can be implemented with the support of digital technologies. This research measures the digital technology, customer experience, customer engagement, firm reputation, and customer loyalty in online retailing in Indonesia. This research was conducted descriptively on e-commerce customers who had made transactions in e-commerce platforms with online retailers selling fashion and beauty products. Total respondent in this research is 505 and 400 questioner data are complete to process in statistic tools. The results of this research showed that the first and second most dominant factors of digital technologies in online retailing were interactivity and ease of use, respectively. Meanwhile, personalization still needs some improvement. The first and second most dominant customer experience dimensions were the pragmatic and sensory ones, while the relational dimension contrarily exhibited low performance. Cognitive engagement of customers was the most dominant factor, followed by emotional and behavioral engagement.

## Keywords

digital technology, customer engagement, customer experience, customer loyalty

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## Introduction

By 2025 Indonesia is projected to become a giant market in Asia, with a 52% potential in Southeast Asia [1]. As one of the most populous countries, Indonesia is a potential e-commerce market. This is marked by the continuous growth and development of the e-commerce market per annum [2]. The on-going growth urges companies not only to identify e-commerce capabilities to support their businesses, but also have their management build e-commerce strategies [3]. Currently, in order to stay in competition, companies must be aware that customers hold a prominent position, the market has grown customer-driven, and businesses have become customer-centered [4].

Maintaining and facilitating customer loyalty have become a vital agenda for companies' long-term success [5]. Attracting and retaining customers are no easy tasks. Customers are often confronted by confusion in the face of a plethora of products and services to choose from. Thus, they act on the basis of perceived value [6]. Online companies have implemented numerous strategies to draw and retain customers [7].

Companies must be able to involve customers any time to create loyal customer bases all the time under the present intense competition condition. For them to compete effectively, businesses must take into account customer shopping experience [8]. Building satisfactory customer experience becomes a concern to companies [9]. In managing customer experience, companies must first understand what is meant by customer experience [8].

It is advisable that companies plan their marketing strategies to attract and retain customers, especially the millennials [10]. Customer experience management is inextricably linked to the strategic perspective with a focus on such

issues as to how experience-based businesses can generate growth [9]. From the managerial perspective, reviews of customer experience literature proved the importance of creating customer value, achieving competitive advantage, and increasing the overall business performance [11].

Customer experience management is an indispensable element in the development and retention of customer satisfaction and loyalty. Companies should find ways to ensure that customers are pleased with the products and services they deliver through several touch points [12]. Presently, to create customer experience based on social interactions, companies provide a number of services utilizing various channels and media to deliver positive customer experience [13].

Customer engagement process marks the development of customer loyalty which starts with brand awareness all the way to making repeat transactions, focusing on the development of commitment, engagement, and trust [14]. Customer engagement in a brand has a prominent role in customer-centered marketing approaches, designed to tackle dynamic changes in consumer behaviors, both individually and socially [15]. In the current era of digitalization, companies must be able to reformulate the traditional concept of customer relationship as today's state-of-the-art technologies continuously empower customers, allowing them to get customers engaged emotionally through technologies to build interesting customer experience [16].

Digital technologies become a critical part in the achievement of business goals and initiate major changes to industrial restructuring. Recent studies depict how digital technologies bring massive potentials into product and service innovations which are hard to control and predict [17]. Companies in virtually all industries make initiatives to explore emerging digital technologies and exploit their

benefits [18]. Firm performance can be achieved with effectiveness of information technology use to support and enhance core organizational competencies [19].

The e-commerce transactional growth in the fashion and beauty categories in Indonesia in 2018 and 2019 stood at a rate of 54% [20]. With such an immense growth, the fashion and beauty industries will potentially continue to grow in the next few years. This is supported by the great numbers of searches the Indonesian customers made in purchasing products with the aid of the search engine Google in the categories beauty & personal care, clothing, jewellery, toys, and sporting goods [21].

### Research Significance

Survivability and performance of e-commerce companies in Indonesia can be achieved if they implement the right strategies and receive digital technological support. Digital technologies have become an important part in companies' efforts to reach business goals [17]. Scientifically derived evidence on how digital technologies like the cellular phones profusely used by the Indonesians impact on the development, competition, and operations of e-commerce platforms in Indonesia is certainly necessary. As stated by Verhoef et al. [9], marketing and management strategies can optimize interaction between brand and customer and positively impact financial success through all-time customer experience.

The presence of new technologies has revolutionized the way in which companies interact and establish relations with customers. Digital technologies' capability of forming engagement can generate customer trust and emotional investment in companies [16]. This certainly presents a challenge for e-commerce platforms in Indonesia as to how to make the best use of digital technologies and to implement marketing strategies using customer engagement and satisfaction to increase customer loyalty. Companies' managers should have a deeper understanding on the customer experience journey and how such an element is associated with tactical and strategic goals [22].

### Theoretical Frameworks

#### Customer Loyalty

Customer loyalty can be defined as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises [23]. Customer loyalty refers to customer attitude toward a company in the B2C context and their repeat purchasing behavior through a variety of interaction devices [24]. Customer loyalty, according to Srinivasan et al., is linked to the customer behaviors of willingness to pay more and word-of-mouth promotion [25]. Recommendations and the desire to repurchase are important in relation to customer loyalty. Loyal customers have the desire to repurchase the goods offered by a company and say something good about the company under the word-of-mouth mechanism [26].

#### Firm Reputation

Firm reputation can be defined as an overview of the perceptions of all relevant stakeholders of a company, representing the trust of the customers, employees, suppliers, creditors, communities, and media in the aim of the company's establishment and the associations made with it [27]. Firm reputation can be actively managed by involving activities that can improve organization's competencies in creating value. It is worth noting that firm reputation amplifies the impact of organizational competencies in increasing firm performance [28].

#### Customer Engagement

The concept of customer engagement is continuously evolving, and researchers start to explore its role in varying online environment contexts such as e-commerce, social networking sites, and online brand communities [29]. In the last three decades, a current of influential studies highlights the dynamics that arise within the relationship between brand and focal consumers, particularly in the concept of consumer brand engagement [30] (Hollebeek, et al., 2014). According to Eingenraam et al., customer engagement is a psychological condition that is rendered by customer interactive and co-creative experience with a brand [31]. Digital customer engagement as online experience is a behavioral manifestation of customer engagement beyond purchases. As stated by Vivek et al., customer engagement can be manifested cognitively, affectively, behaviorally, and socially. The cognitive and affective elements of customer engagement are related to what is experienced and felt by customers, while the behavioral and social elements capture participation of current and potential customers [32].

#### Customer Experience

Customer experience must be shaped in such a way that it contributes to the value creation for the customers and for the companies themselves [33]. In the midst of the improving global economic condition, retailers now are faced by increasingly empowered and economical customers, commodity goods, fragmented markets, and intense competition. As stated by Doherty and Ellis-Chadwick, improving online customer experience through engagement and interaction by dynamically developing e-commerce technologies logically seems to be a strategic, important decision [34]. Customer experience is a multi-dimensional construct which is focused on customers' emotional, behavioral, sensory, and social reactions to a company's offerings throughout the whole customer purchase journey [13].

#### Digital Technology

Information technology has a potential in transforming an industry to produce new digital products and services [35]. According to Wu and Hsing, online companies provide interactive devices for customers in order to grab customers' attention and provide them with online purchase interaction experience [24]. An interactive device feature which can support interaction becomes a basic material for an

interaction process. With such a condition, customers can use the means to engage in an interaction and gain experience with and perception of an online business. When a customer is attracted and attached to some of the interactive devices provided by an online business, this is a good reason for the company to capture the attention of the customer, which eventually will affect the customer loyalty [24].

## Research Methods

This research is a descriptive study, a type of study which is aimed to figure out the condition of each variable used. In this research, the variables used were Digital Technology, Customer Experience, Customer Engagement, Firm Reputation, and Customer Loyalty. This research was conducted by the descriptive survey method, with individuals as unit analysis and become as customers of Indonesian e-commerce companies who had made at least a transaction (purchase) serving as observation unit. In this research we use non-probability - purposive sampling for distribution the questioner. The survey method was employed to elicit information on the research object, while the descriptive method was employed to gain data which could offer an explanation of the condition of the research object. The data used in this research were of the quantitative type, derived from primary data sources. The questions asked to measure five research variable, digital technology, customer experience, customer engagement, firm reputation, and customer loyalty. Primary data were collected from the empirical data from the questionnaire survey conducted on customers of e-commerce companies (i.e., e-commerce companies listed as members of the Indonesian e-Commerce Association) who had made at least a transaction in the fashion and beauty categories.

## Results And Discussion

This research was conducted on Indonesian e-commerce customers under the fashion and beauty categories who had made at least one transaction on 36 e-commerce sites in Indonesia and had been registered as members of the Indonesian e-Commerce Association (IDEA). Some questions were presented to measure five variables—Digital Technology, Customer Experience, Customer Engagement, Firm Reputation, and Customer Loyalty—with a 4-point Likert scale from 1 through 4. As many as 505 respondent data were collected, of which 105 (20.8%) were incomplete or irrelevant (for all the questions were given the same answer) while the other 400 (79.2%) were complete and applicable for data processing. The respondents' conditions were descriptively analyzed as follows:

a) This research focused on e-commerce companies in the fashion and beauty categories. A little more than a half of the respondents (n = 216, 54%) were female, with a slight difference of 8% from their male counterparts. This suggests that males, too, frequently made transactions in the fashion and beauty categories with on e-commerce platforms.

b) The majority of the respondents were within the 26–35 age range (n = 192, 48%), and the others belonged to the 36–45 age range as the second most dominant group (n = 93, 23%). This suggests that the respondents who completed

the questionnaire in this research were in the productive age group (working age) and were of the millennial generation who were accustomed to using gadgets.

c) The majority of the respondents worked as private employees (n = 304, 76%). Some other respondents were self-employed persons (n = 34, 9%), students (n = 32, 8%), and housewives (n = 21, 5%). These variation of jobs suggests that those who made transactions on e-commerce platforms in Indonesia were of a wide range of occupations.

d) The most frequently visited site or application by the respondents was Lazada (n = 137, 34%), followed by Blibli (n = 129, 32%), Zalora (n = 101, 25%), and Berrybenka (n = 18, 5%). This suggests that the respondents had made transactions on the e-commerce platforms widely recognized by e-commerce customers in Indonesia.

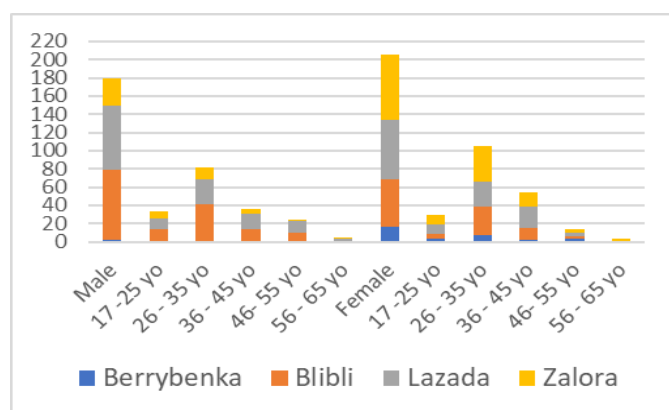
e) In conducting e-commerce transactions for fashion and beauty products, most of the respondents accessed only mobile applications (n = 208, 52%). A small portion of them used both mobile applications and websites (n = 74, 18.5%). Some others accessed only websites to conduct e-commerce transactions (n = 118, 29.5%). This finding confirms that mobile devices play a considerable role in the community's daily life today.

f) In terms of experience, the majority of the respondents had been active in e-commerce for 2–4 years (n = 201, 50%). As many as 101 respondents (25%) had been using e-commerce for less than 2 years, and 98 (25%) had been doing so for 5 years.

g) Most of the respondents spent an average of less than Rp1 million on e-commerce shopping per month (n = 276, 69%). The respondents spending Rp1–2 million per month accounted for 24% of all the respondents (n = 95), those spending 3–4 million per month did 4% (n = 15), and those spending over Rp4 million per month did 4% (n = 14).

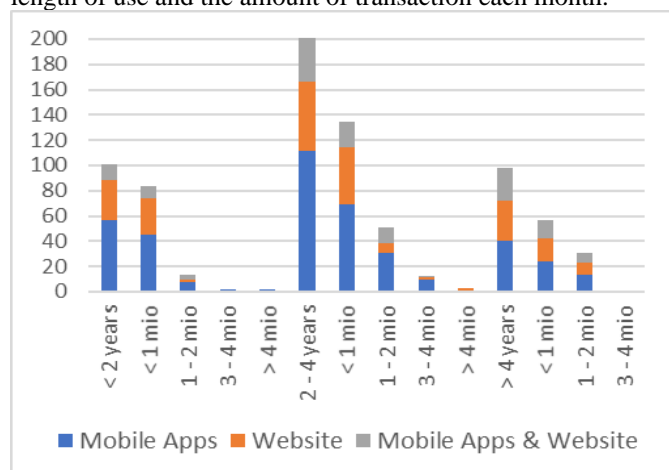
h) In terms of monthly purchase frequency, the majority of the respondents made purchases fewer than 3 times per month (n = 285, 71%). Those who did 3–4 times per month made up 18% of all the respondents (n = 70%), and those who did more than 4 times per month 11% (n = 45).

i) In terms of choosing online retail there are different preferences between male and female. Most of female respondents chose Zalora to make transaction for buying fashion and beauty products. Insignificant proportion of female respondents chose Berrybenka to make online transactions. Zalora and Berrybenka are online retailers that specifically sell fashion products for both male and female. Meanwhile, most of male respondents chose Blibli to make online transaction for buying fashion and beauty products. Figure 1 presents data on online retail choices based on gender and age.



**Figure 1.** Online Retail Preferences Based on Gender and Age

j) Most of respondents chose mobile apps as a media for making transaction with online retailer. Experience in using internet transaction does not affect the choice of transaction media used. Based on length of use and spend per month in all groups, mobile apps media is the choice for the most of respondents in making transaction for buying fashion and beauty products. The following Figure 2 presents data on media used for making transaction based on length of use and the amount of transaction each month.



**Figure 2** Media Use for Making Transaction Based on Length of Use and Spend Each Month

### Digital Technology, Customer Experience, Customer Engagement, Firm Reputation, and Customer Loyalty Conditions

#### a) E-Commerce Companies' Digital Technology Condition

Digital technology in Indonesian e-commerce refers to the systems applicable to e-commerce customers which is with ease of use for the interaction established between customers and online retailers. Interactivity is the ability customers perceive in the digital technology used based on its responsiveness, speed, relevant and appropriate responses provided, and relevant and useful information delivered. Personalization in digital technology is the ability to understand needs, deliver contents of preference, give attention, offer recommendations, and acknowledge customers' wants. Meanwhile, ease of use is the ability

perceived by customers to be easy to be adapted and be easy to learn with a little requirement of effort and time. All the indicators in the three dimensions above scored high means in the performance scale (2.50–3.25), showing that the respondents in using e-commerce mobile apps or websites experienced high levels of interactivity, personalization, and ease of use.

Interactivity scored a mean value of 3.12 (scoring highly in the performance scale), higher than the mean values gained by personalization and ease of use. e-Commerce companies should be noted to maintain this good level of interactivity, given that the customers, when interacting, perceived the mobile apps and websites they used as responsive, fast, and generating appropriate and relevant responses and relevant information. The mean values gained from all the indicators in this dimension stood as high as 3.09–3.14 in the performance scale.

The mean value for the personalization dimension was 2.89, lower than the mean values of the interactivity and ease-of-use dimensions. Within the performance scale, the personalization dimension exhibited a high performance, and so did all the indicators within this dimension. The means obtained ranged from 2.89 to 2.98. This definitely reflects that e-commerce customers in the fashion and beauty categories in Indonesia, when interacting with their mobile apps and websites, felt that these e-commerce companies understood their needs, delivered contents suiting their preferences, gave them attention, offered them with recommendations, and recognized their wants. The recommendation-giving indicator gained a mean value below the other indicators' values (2.82).

The mean value of ease of use was 3.05, which in the performance scale belonged to the high category. All the indicators in this dimension performed highly in the performance scale with mean values ranging between 2.88 and 3.19. This indicates that e-commerce customers in the fashion and beauty categories, when interacting, found that their mobile apps and websites were easily adaptable, easy to learn, and demanding of them only a little effort and time. Mobile apps allow interactivity by which to connect customers with a product in real time within an immersive environment [36]. Personalization in retail transactions is a strategy that helps convince customers to choose a product or service and directs them into a purchasing process [7]. Ease of use is still in need of attention, especially in the case of customers who have little time to learn how to use an application or seek the information they need [37].

#### b) E-Commerce Companies' Customer Experience Condition

Customer experience is a strategy the Indonesian e-commerce companies in the fashion and beauty categories can tap to build customer reaction in multidimensional, sensory, pragmatic, and relational manners to the interactions they are engaged in with a given object or brand. The sensory dimension is the experience perceived by customers in the forms of interesting design, attention to esthetic aspects, complete features, and strong and interesting impression sensorially when interacting with a website or mobile app. The pragmatic dimension is the experience directly acquired by customers when interacting



with a website or mobile app in terms of utility, ease of use, comfort, and ease of understanding. Lastly, the relational dimension is the experience gained through interactions with a website or mobile app in socializing and interacting with other customers, being part of a community, and improving social life.

The mean value for sensory experience was 3.05, which belonged to the high category in the performance scale. This indicates that when interacting on e-commerce platforms in the fashion and beauty categories the customers sensorially felt that the designs of the websites and mobile apps were interesting, the esthetics were well-maintained, the features were complete and in accordance with their needs, and the websites and mobile apps left strong and interesting impressions on them. The indicators in this dimension scored highly in the performance scale with mean values ranging from 2.98 to 3.15.

The mean value for pragmatic experience was 3.19, which was high in the performance scale and the highest of all the experience types in that. This certainly informs e-commerce companies in the fashion and beauty categories that when interacting with their websites and mobile apps customers directly experienced that the websites and mobile apps were easy to use, comfortable, and easy to understand. The indicators in this pragmatic dimension ranged between 3.16 and 3.22, suggesting high performances.

The mean value for relational experience was 2.39, which was low a performance. This indicates that when interacting via websites and mobile apps customers had yet to experience interaction and socialization with other customers. Neither did they feel the sense of belonging in community nor any improvement in social life. The indicators in the relational dimension had mean values in the range 2.29–2.48, which were low in the performance scale.

Managing customer experience becomes an important element to build and maintain customer satisfaction and loyalty. Companies need to look for ways to ensure that customers are pleased with the products and services they receive at each touch point from them [12]. Currently, creating superior customer experience constitutes a chief goal within the retailing environment [9].

#### **c) E-Commerce Companies' Customer Engagement Condition**

Customer engagement is a customer's psychological condition in cognitive, emotional, and behavioral forms due to interactions with object or brand of an e-commerce company, in this case the website or mobile app. The cognitive dimension is the condition in which a customer stays focused, feels attracted, keeps their attention, has an interest in finding out more, and feels that time passes by fast. The emotional dimension is a condition in which customers build emotions such as they feeling strong bonds, enjoying time, feeling happy, feeling proud, and feeling very positive. Meanwhile, the behavioral dimension is the effort made and the energy spent by customers to make time, keep trying, and do something again and again (multiple times).

The mean for the cognitive dimension was 2.85. This value belonged to the high category, and higher than the values of the emotional and behavioral dimensions in that. This indicates that e-commerce companies in the fashion and

beauty categories had successfully established engagement cognitively through interactions between customers and their websites or mobile apps. The engagement which was successfully built cognitively stimulated customers to stay focused, attracted them, grabbed their attention, made them interested in finding out more, and made them feel that time passed by fast. The indicators in this dimension scored mean values in the range 2.82–2.92, which were high in the performance scale.

The mean value for the emotional dimension was 2.69, which was categorized as high in the performance scale. This suggests that in the fashion and beauty categories e-commerce companies had successfully made their customers feel strong bonds, enjoy time, feel happy, and feel very positive when interacting with their websites and mobile apps. The mean values of the indicators in this emotional dimension ranged between 2.44 and 2.92. There was one indicator which fell to the low category in the performance scale (2.44), namely the sense of pride indicator, meaning that customers did not take pride in interacting with online retailers' websites or mobile apps.

The mean value for the behavioral dimension was 2.60, which was categorized as high in the performance scale. This value suggests that in the fashion and beauty categories e-commerce companies had successfully driven their customers to keep trying and often interact via their websites and mobile apps. With means of 2.56 and 2.79, the two indicators belonged to the high categories in the performance scale. However, in this dimension, companies failed to make their customers spare their time to interact via their websites and mobile apps, as shown by a mean of 2.45, putting this indicator to the low category in the performance scale.

According to Hollebeek, Srivastava, and Chen, companies hoping to get engaged with customers in digital practices must be able to ensure that customers periodically think of them. Emotional engagement is strongly linked to pleasing experience. This certainly makes the experience of pleasure the most effective factor for customers. Behavioral engagement is associated with the extent to which customers are concerned with product use and constantly wish to get updated about the products and services offered [31].

Customer engagement has cognitive, affective, behavioral, and social manifestations. Cognitive and affective manifestations are elements of customer engagement in relation to customer experience and feeling, while behavioral and social manifestations are elements which capture participation of current and potential customers in situations of exchange [32].

#### **d) E-Commerce Companies' Firm Reputation Condition**

Firm reputation is customer acknowledgment of e-commerce companies' performance, in this case the performance of the websites and mobile apps of the past and the future. The firm reputation perceived by customers here was based on whether the websites and mobile apps were of high quality, assessed as good, widely known, trusted, and liked. The mean values of the indicators of firm reputation ranged from 2.96–3.28, meaning that all of the indicators were within the high category in the performance scale. The

highest mean value (3.28) achieved by the trust indicator indicates that the websites and mobile apps had successfully built customer trust.

Firm reputation influences how customers behave toward a company. Basically, reputation management may take the form of management of what is going on internally within an organization to influence external perceptions [27]. Firm reputation refers to collective judgment based on financial, social, and environmental conditions in relation to an organization from time to time [38].

#### e) E-Commerce Companies' Customer Loyalty Condition

Customer loyalty is the strong commitment demonstrated by e-commerce customers in terms of repeat purchases and good testimonies of the e-commerce websites or mobile apps in the form of word-of-mouth promotion. The willingness to repeat purchases dimension is a condition in which customers, via websites or mobile apps, make repeat transactions, revisit, maintain interaction, become loyal customers, make periodical purchases, and wish to make transactions in other occasions. The word-of-mouth dimension is the spread of information, or recommendations, customers do with regard to the website or mobile app of an e-commerce company by way of recommending, disseminating, saying something positive, and suggesting to use.

The mean value of the willingness to repurchase was 2.95, which was categorized as high in the performance scale. This suggests that e-commerce companies had successfully made customers make repeat transactions, revisit, maintain interaction, become loyal customers, make periodical transactions, and wish to make other transactions. The indicators in this dimension had mean values of 2.66–3.20, which belonged to the high category in the performance scale.

The mean value of the word-of-mouth dimension was 3.03, which was high a performance, and higher than the willingness to repurchase in that. This indicates that e-commerce customers in the fashion and beauty categories did word-of-mouth promotion more than they did repurchase to demonstrate their loyalty. In performing word-of-mouth promotion customers made recommendations, shared the good experiences they earned, said something positive, and suggested the use of the e-commerce websites and mobile apps to other customers. The indicators in the word-of-mouth dimension scored 3.00–3.05 on average, putting them within the high category in the performance scale.

Customer loyalty can be defined as a combination of customer's attitude benefitting to a company and repeat purchases via various interactive media [24]. It is one of the keys to the success of marketing relations which takes the form of repurchases and word-of-mouth promotion [29]. Loyal customers have increased word-of-mouth activity, in which case loyalty has a stronger positive effect on personal word-of-mouth involvement [39].

## Conclusion and Further Research

To build a business strategy e-commerce companies can tap the advantages of digital technologies which have interactivity, personalization, and ease of use capabilities. Customers engagement strategies can be adopted by e-commerce companies in Indonesia as they have a focus on building customer trust and loyalty by maximizing personalization and customer experience [40]. Engagement strategies can be applied by building cognitive, emotional, and behavioral engagement. Customer experience strategies, on the other hand, can be used as supporting or complementary strategies to customer engagement. These strategies become important for an organization as they give rise to the sustainability of competitive advantages [41]. Customer experience strategies must take into account pragmatic and sensory factors when customers are interacting through websites and mobile apps. Further research needs to be done on the online retail e-commerce environment with other product categories, non fashion and beauty product. So it can be concluded whether there are differences in e-commerce customer behavior based on the product purchased. Conducting further research to determine the factors that are antecedent to customer experience and customer engagement besides digital technology, especially to determine the characteristics and behavior of e-commerce customers in Indonesia.

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