# The Effect of Customer Relationship Management on Customer Engagement

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**Abstract**—The fashion industry is one of the potential creative industries in Indonesia, which has recently become profitable because its growth is continuously increasing. At this time, the company must continue providing better service than its competitors to strengthen customer relationships. When a company has a close relationship with customers, customers will not run to other companies, so successful customer engagement is achieved. If a company or brand does not consider or pay attention to customer engagement, it will be seen as underestimating its customers. Customers have been considered the main element for companies to retain customers through satisfaction that exceeds expectations and lasting relationships between the company and customers. In the current scenario, Customer Relationship Management (CRM) is used to achieve this goal. This research was conducted to determine the influence of Customer Relationship Management on Customer Engagement. The method used was an explanatory survey. The sample consisted of 100 respondents, with a non-probability sampling technique; the sampling used was purposive. The results of this research show that Customer Relationship Management influences Customer Engagement.

Keywords—Customer Relationship Management; Customer Engagement; Fashion

## 1. INTRODUCTION

In the current development of the business world, companies are motivated to continue to provide better service to customers than their competitors. One crucial strategy in producing higher company performance is customer engagement. [1]. The concept of customer engagement has received much scientific attention in the last five to seven years [2]. With technological developments and competitive product offerings, customers can switch to any brand according to their needs. This requires companies to establish strong relationships with their customers through a positive image to retain them as loyal customers [3]. Customer Engagement or active customer involvement with various company activities can provide value for the company, where customers who are more involved have better connectedness when compared to customers who are not involved. If a company does not pay attention to customer engagement, it will be considered underestimating its customers [4]. Therefore, companies must maintain good customer relationships to increase profits and company performance [5]. Problems related to customer relations with the company are parts that need to be adequately facilitated by the company so that customers can get good service [6].

The fashion industry is one of the potential creative industries in Indonesia, which has recently become profitable, seeing its ever-increasing growth. Many types of fashion are developing in Indonesia, including the hijab fashion. Currently, the competition in the hijab fashion business is very tight, judging by the indications that there are more and more players in the hijab fashion industry. Several local hijab fashion brands have sales outlets in Indonesia, namely Buttonscarves, Kami Idea, Zoya, and Elzatta. The level of consumer involvement can be seen from the commitment to affective relationships with companies online, and building relationships with customers requires data about customers [7]. Based on Table 1, there is Traffic Statistics data for the 2022 Muslim Fashion Website, which can be seen from Total Visits that Elzatta has fewer visitors than its competitors. More clearly will be presented in the following table:

**Table 1.** Traffic statistics website of Modest Fashion 2022

| Website | Avg. Visit Duration | Bounce Rate | Total Visit |
|---|---|---|---|
| Buttonscarves.com | 03:17 | 46,36% | 149.600 |
| Kamiidea.com | 01:41 | 27,33% | 61.000 |
| zoya.co.id | 00:53 | 34,34% | 52.100 |
| elzatta.com | 01:02 | 46,56% | 31.400 |

### 1.1 Customer Engagement

Customer engagement is a manifestation of customer behaviour toward a company that comes from their interactive experience with the company. The customer will develop a close relationship with the company during the interactive process. This connection encourages customers to buy products or give reviews, write a blog, and spread word-of-mouth recommendations, thereby creating more value for the company [8]. Customer engagement is a psychological state of mind indicating that consumers "engage with brands as an important part of their self-concept" or feel "internal emotions" from brand attachment [9].

There are five potential dimensions capable of forming customer engagement [10], namely:

1. Identification
   The process of customers getting to know the company through criticism or reviews given by other customers to the company.
2. Enthusiasm
   Concerning the extent to which customers are enthusiastic, interested, and passionate about their relationship with the company
3. Attention
   Customer attention to the company: Company-focused customers may want to learn more about the company, pay attention to any aspect of the company, and concentrate on the company.
4. Absorption
   A situation where the customer starts or already recognizes the company
5. Interaction
   Various participation and interactions by customers with companies or other customers offline and online outside of purchases.

### 1.2 Customer Relationship Management

The company achieved several milestones, such as profit maximization, sales growth, higher customer loyalty and retention, increased customer satisfaction, and acquisition of new customers due to the effective utilization of customer relationship management (CRM) [11]. Customer Relationship Management (CRM) is a business approach to managing customer relationships. Customer Relationship Management focuses on what customers value more than the products the company wants to sell. Through the implementation of Customer Relationship Management, companies are expected to be able to build good communication and relationships with their customers so that in producing a product, it does not only sell and market a product with good quality or competitive prices but can also fulfil the wants and needs of consumers [12].

There are four dimensions of Customer Relationship Management [13] including:

1. Customer orientation
   Covers the company's focus on customers, such as providing superior service and added value for customers,
2. CRM Organization
   Companies must pay attention to important elements in the organizational structure. Because success in attracting and retaining customers depends on the commitment of the company's elements,
3. Knowledge management
   Knowledge of customers is critical to successful Customer Relationship Management. Information about customers must be gathered through interactions or touch points across all functions of the company so that a customer view can be established, maintained and continuously updated,
4. Technology based CRM
   Technology-based Customer Relationship Management helps companies collect, analyze, and distribute information to improve communication and sales percentages.

Customer Relationship Management is a company's effort to maintain customers with all forms of customer interaction, be it by telephone, e-mail, input on the site or the results of conversations with staff and marketing sales. With Customer Relationship Management, companies can maintain relationships with their customers. This is one of the strategies for creating Customer Engagement without any obstacles [14]. CRM (Customer Relationship Management) involves customers in the emotional interaction between the company and its customers [15]. Usually, in business, customer interaction is only seen as a process rather than a long-term relationship. Customer Relationship Management is a company solution in order to be able to maintain and maintain relationships with customers so that customers do not switch to other companies [16].

Customers have been considered the main element for the company. Therefore, Customer Relationship Management (CRM) has a role as a strategy used to maintain customer relationships. Using Customer Relationship Management, companies analyze their customers' needs to be met to increase customer satisfaction and maintain the brand over a long period. Customer engagement in Relationship Management campaigns provides an opportunity for companies to gain more information about their customers' preferences, decision-making, beliefs and attitudes. Therefore, this information can provide a basis for companies to design more successful Customer Relationship Management campaigns and execute more focused marketing strategies for their existing customers. [17]. Several studies have found that Customer Relationship Management makes the right contribution to Customer Engagement [18] [19].

This study aimed to obtain findings regarding the description of customer engagement and customer relationship management for Elzatta customers and the influence of customer relationship management on customer engagement for Elzatta customers.
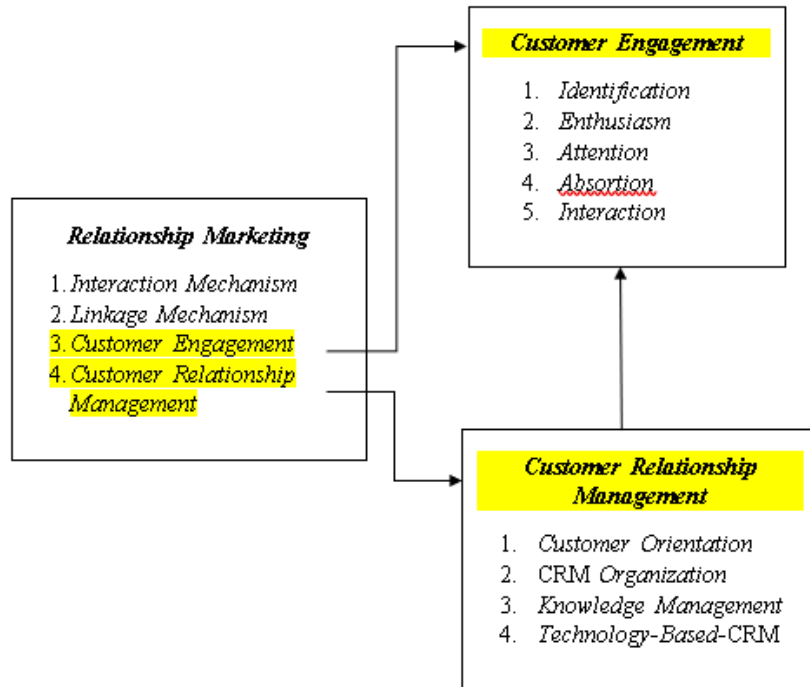
### 1.3 Framework



**Fig. 1** Based on the research framework and paradigm that has been described previously, a hypothesis or initial conclusion can be drawn, namely that there is an influence of Customer Relationship Management on Customer Engagement

## 2. METHODOLOGY

This research was conducted to determine the effect of customer relationship management on customer engagement. The analysis technique used is simple regression. The population in this study is Elzatta's customers, whose number is unknown, so that it can be categorized as unlimited. The Lemeshow formula determines the number of samples in an infinite population. Based on the calculation results, the minimum number of samples needed is 96 respondents, which will be rounded up to 100 respondents. The sampling technique used in this study is a non-probability sampling technique, where this collection technique does not provide equal opportunities for each element or member of the population to be selected as a sample by purposive sampling. The data sources used consist of primary data derived from respondents' responses to the Customer Relationship Management dimensions of Customer Engagement for Elzatta customers and secondary data from several literatures and libraries. The data collection technique used was a questionnaire study.

## 3. RESULTS

### 3.1 Normality test

The results of data calculations through normality testing on the Customer Relationship Management variable for customer engagement obtained a significance value of 0.200 > 0.05. These results indicate that the data is normally distributed.

| **One-Sample Kolmogorov-Smirnov Test** | |
|---|---|
| | Unstandardized Residual |

| | | |
|---|---|---|
| N | | 200 |
| Normal Parameters[a,b] | Mean | .0000000 |
| | Std. Deviation | 11.18368284 |
| Most Extreme Differences | Absolute | .050 |
| | Positive | .048 |
| | Negative | -.050 |
| Test Statistic | | .050 |
| Asymp. Sig. (2-tailed) | | .200[c,d] |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

## 3.2 Linearity test

The results of data calculations have been carried out through linearity testing on the Customer Relationship Management variable for customer engagement; a significance value of 0.54 means that 0.54 > 0.05. These results indicate that there is a significant linear relationship between Customer Relationship Management and customer engagement

### ANOVA Table

| | | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|---|
| CE * CRM | Between Groups | (Combined) | 5427.246 | 33 | 164.462 | 1.299 | .146 |
| | | Linearity | 1555.517 | 1 | 1555.517 | 12.285 | .001 |
| | | Deviation from Linearity | 3871.729 | 32 | 120.992 | .956 | .541 |
| | Within Groups | | 21018.149 | 166 | 126.615 | | |
| | Total | | 26445.395 | 199 | | | |

## 3.3 Linear regression test

### Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .531[a] | .282 | .278 | 7.446 |

a. Predictors: (Constant), CRM

The table above shows that the influence of the Customer Relationship Management variable on the Customer Engagement variable is 28.2%, while the remaining 71.8% is influenced by variables not examined.

## 3.4 F test

### ANOVA[a]

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1724.528 | 1 | 1724.528 | 14.063 | .000[b] |
| | Residual | 24280.347 | 198 | 122.628 | | |
| | Total | 26004.875 | 199 | | | |

a. Dependent Variable: CE

b. Predictors: (Constant), CRM

From the output, it is known that the fcount value is 14,063 with a significance level of 0.000 <0.05, so the regression model can be used to predict the Customer Relationship Management variable, or in other words, there is an influence of Customer Relationship Management on Customer Engagement.

## 4. DISCUSSION

The results of testing the hypothesis in this study indicate that the hypothesis proposed is acceptable. The results of hypothesis testing show a significant direct effect of customer relationship management on customer engagement. Customer relationship management is important in increasing customer engagement in a company, especially Elzatta products. Customers involved with a product or service can have an emotional attitude toward the company while driving those customers to be more loyal than those not involved. Not only that, customer engagement changes customer relationships from short-term relationships to long-term relationships, even close relationships. Companies with loyal customers can have a competitive advantage over their competitors. The results of this study indicate that the relationship between the company and its customers is an important factor that needs to be considered in every implementation of the company's activities. By improving the relationship with customers in the long term, customers will likely continue to survive [20]. CRM is starting to mature in the minds of the business world as an important strategic tool for maintaining relationships with customers and increasing Customer Engagement [21].

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