



Implementation of Digital Marketing to Increase Customer Trust and Customer Loyalty of MSME Coffee Shops in Badung Regency

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Abstract. Indonesia ranks third globally in coffee production, with a total output of 794.8 thousand tonnes in 2022, representing a 1.1 percent growth over the previous year. Over time, the growing number of MSMEs in the trade sector in Badung Regency has led to an increase in coffee shop competitors. This study aims to implement digital marketing strategies to enhance customer confidence and loyalty towards MSME coffee shops located in Badung Regency. The sample was selected using a non-probability selection technique called purposive sampling. The participants in the study were individuals who frequented coffee shops, with a sample size of 104 individuals. The data were analyzed using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) approach. The findings of this study indicate that digital marketing exerts a favorable and substantial influence on client loyalty and trust. Customer trust exerts a beneficial and significant impact on customer loyalty. Moreover, customer trust mediates the relationship between digital marketing and client loyalty. The research findings have theoretical implications as they contribute empirically to understanding the relationship between digital marketing characteristics, customer trust, and customer loyalty in management science marketing.

Keywords: Digital Marketing, Customer Trust, Customer Loyalty, Coffee Shop

1 Introduction

Indonesia is predicted to produce 794.8 thousand tonnes of coffee in 2022, an increase of 1.1 percent compared to the previous year. Indonesia is now ranked as the third-largest coffee-producing country in the world. This is because Indonesia is a tropical country; even though it is located on the equator, Indonesia also contains hilly regions that are ideal for cultivating Arabica coffee varieties. Coffee is a significant contributor to the expansion of society's economy. Over time, in Indonesia, there has been a shift in trends that have increased the amount of coffee that people consume. There is a tradition among Indonesians to consume espresso-flavored coffee. At the beginning of the day, Indonesians typically begin their activities by drinking coffee and reading the news or simply engaging in casual conversation with their family and friends. Because of this practice of drinking coffee, there is a significant demand for coffee in Indonesia. The rise in the number of people in Indonesia who consume coffee indicates an increase in the coffee market.

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As the volume of coffee production continues to rise, there may be potential for micro, small, and medium-sized enterprises (MSME) coffee shops to compete in the food and beverage industries on a national and worldwide scale. Consumers now seek coffee shops for a variety of reasons, including a place to complete assignments or to look for inspiration so that they do not become stressed out while working from home or to find a place with a different atmosphere could be a place to chat and meet with friends, could be a place to meet clients, and so on. Lifestyle changes influencing coffee sales in Indonesia are getting more considerable prospects with more significant potential. In Indonesia, particularly in Bali, there is a coffee shop called UMKM. The development of micro, small, and medium-sized enterprises (MSMEs) in the commerce sector in Badung Regency is indicative of the vast number of coffee shop competitors. Increasing customer loyalty is essential for maintaining competitiveness in other coffee shop sectors or business players, both domestically and internationally. This is the reason why it is necessary to increase customer loyalty.

An increase in customer loyalty to the products offered may impact the coffee shop's ability to maintain company continuity. This is because consumers who have a high level of loyalty are loyal enough to return to the coffee shop or coffee shop and use the items that the coffee shop supplies. Additionally, due to the growing number of customers who come to enjoy the product, there will be an increase in the number of customers who purchase the product. The product would inevitably be highly welcomed by customers, resulting in substantial earnings collected by the coffee shop. Business actors in the coffee shop industry must market their products online to satisfy customers' requirements while maintaining the highest possible level of marketing performance.

When marketing or promotional activities for a brand or product, digital marketing refers to using digital media or the Internet. The primary objective of digital marketing is to attract consumers and potential consumers swiftly. Digital marketing is more cost-effective and has the potential to generate a relatively high return on investment. According to Yasmin et al. (2015), businesses can improve their performance by implementing optimization techniques for search engines, search engine marketing strategies, social media marketing strategies, digital advertising strategies, and content marketing strategies. For businesses to raise the superiority of their products and have consumers or visitors with high loyalty, which is the desire for coffee shops or shop owners, digital marketing, mainly through social media, helps companies penetrate consumer networks in product marketing. This is especially helpful for businesses that focus on marketing their products. Akmalia et al. (2022), Pertiwi et al. (2022), and Waluyo et al. (2022) all found that digital marketing methods have a significant impact on improving consumer loyalty than traditional marketing strategies.

On the other hand, it was discovered that digital marketing did not significantly impact customer loyalty (Mohammad et al., 2022). This finding can be attributed to the average data of the responses provided by the respondents. To acquire customer loyalty, it is necessary to have online marketing equipped with internet search sites and trustworthy businesses that are easy to contact online. We employ the customer trust variable as a mediating variable since the research results between digital marketing and customer loyalty are inconsistent. This is because the customer trust variable is used. Increasing the use of digital marketing directly impacts the level of trust that customers have in a company. According to Christa et al.'s research from 2020, trust is

a desire founded on competence, integrity, honesty, and willingness. According to Rosdiana and Haris (2018), consumer trust encompasses all of the information consumers possess and all of the inferences consumers draw regarding products, characteristics, and advantages. Trust is always positioned as a catalyst in various interactions between sellers and buyers to ensure that customer satisfaction can be realized following the consumer's expectations. For businesses to maximize the use of digital marketing in product marketing, they must first earn and maintain the trust of their customers. This will allow the digital marketing programs put into place to function for a more extended period. Research conducted by Theresia and Andriya (2023) on client trust in digital marketing validates this assertion. Customers will feel more satisfied with the product or service they have gotten, which will lead to customers feeling loyal to the product in the future (Wang and Chien, 2016). Trust can achieve a commitment from consumers to purchase a product or service, and consumers will feel more satisfied with the product or service they have received. According to research on customer loyalty conducted by Verli et al. (2022) and Reska et al. (2024), this is corroborated by a consumer trust study.

2 Methodology

This study uses quantitative data, which is then carried out using an associative analysis. During this investigation, a non-probability sampling methodology was utilized to collect samples using a purposive sampling method. This method is a strategy that is utilized to determine samples by taking into consideration specific factors. These studies were carried out in the city of Denpasar. For this study, the population consists of all of the customers in Badung Regency who have purchased from coffee shops within the past half year, with the quantity being entirely unknown (unlimited). Because this study uses thirteen different indicators, the required sample size is 104 respondents. Descriptive and inferential statistical analyses are used to analyze the data, and the Smart-PLS software is used for the study.

3 Result and Discussion

3.1 Result

As a result of the characteristics of the persons who participated in this study, it was discovered that most customers who frequent coffee shops are males, with 54 individuals accounting for 51.9 percent of the total. This indicates that male customers of coffee shops are more likely to purchase coffee or to choose to hang out with their buddies at the coffee shop. There are 67 persons, or 64.4%, who are coffee shop customers between the ages of 22 and 26. This demographic is the largest among the others. According to this phenomenon, coffee shop customers between the ages of 22 and 26 are the most likely to purchase coffee from coffee shops. Then, the most prevalent responders had an S1 education, which accounted for 71 individuals, or 68.3 percent of the total. According to this phenomenon, customers who have reached the level of a bachelor's degree are the ones who purchase the majority of their coffee from coffee shops. Compared to students, civil servants, self-employed workers, and other

workers (BUMN employees, contract employees, and freelancers), private employees make up the largest group of customers at coffee shops, accounting for sixty individuals or 57.7 percent of the total. According to this phenomenon, employees working in the private sector have a significant demand for customers who frequent coffee shops.

Table 1. Direct effect test results

	Path coefficient	t statistics	P values	Explanation
Digital Marketing (X ₁) → Customer Loyalty (Y ₂)	0.241	2.623	0.009	Significant
Digital Marketing (X ₁) → Customer Trust (Y ₁)	0.774	25.973	0.000	Significant
Customer Trust (Y ₁) → Customer Loyalty (Y ₂)	0.589	6.937	0.000	Significant

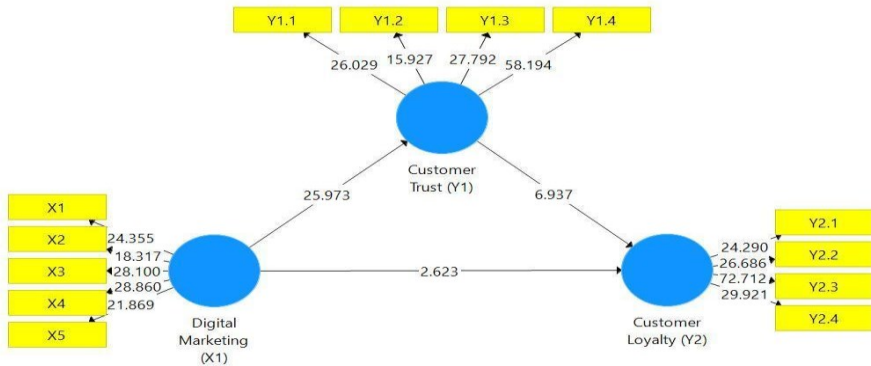


Figure 1. Smart PLS analysis results

Table 2. Recapitulation of Mediation Variable Test Results

Variable relationships	Effect				Explanation
	(A)	(B)	(C)	(D)	
Digital Marketing (X ₁) → Customer Loyalty (Y ₂)	0.456	0.241	0.774	0.589	Partial mediation
Customer Trust (Y ₁) → Customer Loyalty (Y ₂)	(Sig.)	(Sig.)	(Sig.)	(Sig.)	

Description: Significance (Sig.) = *t*-statistic > 1,96 on α = 5%

Indirect influence of exogenous variables (X₁) on endogenous variables (Y₁)

Direct influence of exogenous variables (X₁) on endogenous variables (Y₂)

Direct influence of exogenous variables (X₁) on endogenous variables (Y₁)

Direct influence of endogenous variables (Y₁) on endogenous variables (Y₂)

Table 3. Direct effect, indirect effect, total variable effect, and VAF calculation

Variable	Direct influence	
	Path coefficient	t-Statistics
Digital Marketing (X ₁) → Customer Loyalty (Y ₂)	0.241	2.623
Digital Marketing (X ₁) → Customer Trust (Y ₁)	0.774	25.973
Customer Trust (Y ₁) → Customer Loyalty (Y ₂)	0.589	6.937
Variable	Indirect influence	
	Path coefficient	t-Statistics
Digital Marketing (X ₁) → Customer Trust (Y ₁) → Customer Loyalty (Y ₂)	0.456	6.572
Variable	Total influence	
	Path coefficient	t-Statistics
Digital Marketing (X ₁) → Customer Loyalty (Y ₂)	0.698	12.130
Digital Marketing (X ₁) → Customer Trust (Y ₁)	0.774	25.973
Customer Trust (Y ₁) → Customer Loyalty (Y ₂)	0.589	6.937
VAF → Indirect Influence / Direct Influence (0.456/ 0.698)	0.653	

Evaluating the mediation effect can rely on the value of VAF (variance accounted for). If the value of the VAF is more excellent than 80%, then the mediation variable is considered to have complete mediation. If the VAF is less than or equal to 80% but greater than 20%, then the mediation variable is considered to have partial mediation. If the VAF is less than 20%, the mediation variable is not considered a mediator. Table 3 can be used to illustrate the results of the indirect impact test.

The role of the Customer Trust variable as a mediator is demonstrated in Table 3. The first coefficient value for the direct impact of Digital Marketing on Customer Loyalty was 0.241. Including the Customer Trust variable as a mediating factor has a distinct effect on the overall influence of Digital Marketing and Customer Loyalty. According to Table 3, the VAF value is 0.653. The mediation value of 65.3 percent is between 20 percent and 80 percent. This indicates that the variable in question is categorized as a partial mediating variable. Ultimately, the findings of this study suggest that Customer Trust has a limited role in mediating the impact of Digital Marketing on Customer Loyalty.

3.2 Discussion

The impact of digital marketing on consumer loyalty. The investigation findings indicate that Digital Marketing has a favorable and substantial impact on Customer Loyalty. Consequently, an enhanced digital marketing strategy for coffee shop consumers directly correlates with increased customer loyalty towards the cafe brand. Conversely, the more inferior the digital marketing, the more diminished the customer loyalty towards coffee shop products will be. These findings suggest that the principles and strategies of Digital Marketing can enhance Customer Loyalty among consumers in Coffee Shops. Digital Marketing measurement depends on key performance indicators (KPIs) such as Search Engine Optimisation (SEO), Content Marketing,

Native Advertising, Affiliate Marketing, and Social Media Marketing. This research suggests that higher proficiency in Digital Marketing leads to increased customer loyalty and greater participation through social media at the Coffee Shop. The findings of this study align with the outcomes of the research conducted by Yasmin et al. in 2015. A study revealed that employing digital marketing, mainly through social media platforms, enables companies to reach and engage with consumer networks in product marketing effectively. This, in turn, enhances the competitiveness of their products and fosters strong customer loyalty, which is a desirable outcome for coffee shop owners. Digital marketing tactics play a substantial role in enhancing client loyalty, as demonstrated by Akmalia et al. (2022), Pertiwi et al. (2022), and Waluyo et al. (2022).

The impact of customer trust on customer loyalty. The investigation reveals that customer trust has a favorable and substantial impact on customer loyalty. Consequently, there is a positive correlation between the level of customer trust among Coffee Shop consumers and their degree of loyalty. Similarly, as customer trust decreases, customer loyalty also decreases. These findings suggest that customer trust enhances customer loyalty among consumers of Coffee Shops. Customer trust is assessed using competence, good service, reliability, and honesty indicators. This research suggests a positive correlation between consumer trust and their inclination to repurchase from the Coffee Shop through social media. This study's findings align with previous research findings [9]. Trust can lead to a consumer's commitment to purchase a product or service, resulting in increased satisfaction with the obtained product or service. Consequently, this satisfaction fosters consumer loyalty towards the product in the long run. This is corroborated by a consumer trust study on customer loyalty conducted by Verli et al. (2022) and Reska et al. (2024).

Customer trust is crucial in implementing digital marketing strategies to enhance customer loyalty. The investigation findings indicate that customer trust can mediate the impact of digital marketing on customer loyalty. The research suggests that customer trust is partially mediated by digital marketing on consumer social media. This means that when customers purchase Coffee Shop products online through social media platforms or offline stores, better digital marketing can enhance customer trust, increasing repurchase intention. The findings of Akmalia et al. (2022), Pertiwi et al. (2022), and Waluyo et al. (2022) indicate that digital marketing exerts a favorable and substantial impact on customer trust. The research findings on the impact of customer trust on customer loyalty are corroborated by studies conducted by Verli et al. (2022) and Reska et al. (2024).

4 Conclusion

Digital marketing exerts a beneficial and substantial impact on client loyalty. Therefore, the more influential the digital marketing efforts of the Coffee Shop are, the greater the level of client loyalty toward the Coffee Shop will be. Digital marketing exerts a favorable and substantial impact on client confidence. Consequently, the more influential the digital marketing efforts of coffee shop consumers are, the greater customer trust will be. Customers' trust level in a company has a solid and meaningful impact on loyalty. Therefore, there is a positive correlation between the level of customer trust among Coffee Shop consumers and the overall level of customer trust.

The influence of digital marketing on customer loyalty of Coffee Shop consumers can be mediated by customer trust. This demonstrates that implementing digital marketing strategies targeted towards Coffee Shop consumers will substantially influence client loyalty. The level of digital marketing and customer trust heavily influences customer loyalty to Coffee Shop consumers. This indicates that customers' trust in the Coffee Shop plays a significant role in their loyalty.

To enhance customer loyalty among Coffee Shop patrons, Coffee Shop vendors should disseminate concise product information through social media platforms and employ captivating captions to entice clients. To enhance customer confidence among Coffee Shop patrons, Coffee Shop vendors should deliver exceptional service, ensuring a positive consumer experience. Consequently, this will foster continued faith in the Coffee Shop's products. Coffee Shop vendors should offer testimonials on new products to enhance digital marketing for customers. This will enable vendors to obtain feedback and recommendations on novel product advancements.

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