The Effect of Brand Experience and Customer Engagement on Brand Loyalty in the Marketplace in Indonesia

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Abstract. This research aims to analyze the effect of brand experience and customer engagement on brand loyalty in the marketplace in Indonesia. The sample in this study amounted to 367 respondents, using purposive sampling. The variables of this study consist of brand experience dimensions (sensory, affective, behavioral, and intellectual), customer engagement dimensions (sensory, affective, and cognitive), and brand loyalty. Hypothesis testing was carried out using the structural equation model (SEM) method with the help of AMOS software. The results showed that sensory brand experience and behavioral brand experience had a positive and significant effect on affective and behavioral engagement. While intellectual brand experience only shows a positive and significant influence on affective engagement. Then, the results show that affective engagement, behavioral engagement, and brand experience positively and significantly affect customer brand loyalty in the future. Marketplace managers can increase brand loyalty by improving brand experience and customer engagement.

Keywords: Brand Experience, Brand Loyalty, Customer Engagement.

1 Introduction

Information and communication technology has recently shown significant developments in digital form and online mobility [1]. All the conveniences offered by technology allow anyone to access a variety of desired information via the internet in seconds[2]. The presence of the internet was widely used by people in Indonesia of all ages and was considered an active user. In January 2021, Indonesia's population was 274.9 million people, with internet users as many as 202.6 million and online shopping users as many as 214.9 million or 78.2% of Indonesia's population [3]. This shows a considerable opportunity for the growth of the digital economy in Indonesia and for business actors to expand their target consumers in the online environment. In addition, the data also indicates that Indonesian people are starting to use technology a lot in their daily lives.

The rapid growth of technology opens up great opportunities and challenges for many business sectors and actors to go directly into the online world. Support for easy access to

all information only in the grip of a smartphone connected to the internet has resulted in the emergence of many online buying and selling platforms, which were often referred to as businesses online or online shops. One of the online buying and selling platforms favored by the Indonesian people today is the marketplace. In the era of globalization, the marketplace plays an important role as an economic driver in many countries, including Indonesia. A marketplace is a system or container where buyers (buyers) and business actors (sellers) gather to communicate the specifications of the products being traded, including prices, variants, Etc. [4]. The marketplace is easy and profitable for both the seller and the buyer. The marketplace is a mainstay and attraction because it offers a contactless transaction method to create a feeling of security for its users, especially during the COVID-19 pandemic, when social restrictions were imposed.

The increasingly competitive market conditions have forced business actors to implement various profitable marketing strategies for the company. The company tries to maintain brand loyalty, which is a considered aspect of creating competitive advantage and brand existence for a long time [5]. In building brand loyalty, two important concepts include customer engagement and brand experience [6] and [7].

Customer engagement has three dimensions: affective, behavioral, and cognitive, which will predict the extent to which a customer will be loyal to a brand [8]. Customers with positive interactions and constant involvement with a brand will tend to recommend the brand to others [9]. Supported by the results of the Rather et al. study (2018), it was proven that there is a significant relationship between customer engagement and brand loyalty.

In addition to customer engagement, [10]another variable that also encourages the realization of brand loyalty is the brand experience [11]. Experience would be formed when there is an interaction between customers and the marketplace. Of course, the experience would differ from traditional transaction methods that require face-to-face interaction [12]. Customers will be motivated to engage in marketplace activities when they experience a unique experience [13], which can attract their attention. Marketplaces are not only limited to offering the fulfillment of individual needs and desires but also online transaction arrangements when searching for products and services[14]. A well-targeted and optimal brand experience can be used as a company strategy because it will create a competitive advantage and brand loyalty [15]. Customers tend to remember the positive experience they received from a brand, and it can be a competitive means that benefits the company to attract new customers [16]. However, the findings in the studies of [17] and [18] are different from the research of [11] and [5], which state that brand experience does not have a significant relationship to brand loyalty. In addition, the research of [8] and [6] did not examine the direct effect of brand experience on brand loyalty. Therefore, it is necessary to conduct further studies to answer the relationship between these two variables.

Previous research focused on the effect of the brand experience dimension on customer engagement, which will form brand loyalty [6]. In this study, the researcher divides customer engagement into three dimensions to see whether this variable has the same influence as previous research. In addition, looking at the gap between brand experience and brand loyalty with contradictory results in several previous studies, the relationship between brand experience and brand loyalty still needs to be clarified. Moreover, an earlier study by [6] did not examine the relationship between brand experience and loyalty. Therefore, further research is needed to bridge the inconsistencies

and gaps in previous research. In this study, the researcher will examine the relationship between these three variables, namely brand experience and customer engagement on brand loyalty.

2   Literature Review

A series of processes that customers go through, from seeking information about products and buying decisions to using or consuming a product or service, is an experience gained from a brand [6] and [15]. The definition of brand experience includes subjective sensory, affective, cognitive, and behavioral according to customer perceptions personally [19] and [20]. A stimulus related to the brand encourages the formation of a brand experience. The brand experience felt by the customer is a driving factor in involving customers in marketing activities and shaping customer interest in the brand. Research [21] proved that brand experience influences customer engagement. Customer engagement involves interactions between individuals and companies based on the brand experience customers perceive from the company's offerings and activities [22].

The research of [23] explained that enthusiasm reflects an individual's interest in the brand and the level of excitement influenced by sensory brand experiences. The research results by [8] prove that sensory brand experience positively and significantly affects three dimensions of customer engagement: affective, cognitive, and behavioral. When customers are satisfied with the sensory brand experience, they will actively participate in brand-related activities. This involvement can be seen from the effort, time, and energy that customers sacrifice when interacting with the brand [24]. Based on the theoretical explanation above, this study proposes the following hypothesis:

H1a. There is a significant positive relationship between Sensory Brand Experience and Affective Engagement

H1b. There is a significant positive relationship between Sensory Brand Experience and Behavioral Engagement

H1c. There is a significant positive relationship between Sensory Brand Experience and Cognitive Engagement

The research results by [6] show that practical brand experience positively and significantly affects customer engagement. This research was supported by the study of [8], which proves that affective brand experience has a positive and significant effect on affective engagement, behavioral engagement, and cognitive engagement. Based on the explanation of the theory above, this study proposes the following hypothesis:

H2a. There is a significant positive relationship between Affective Brand Experience and Affective Engagement

H2b. There is a significant positive relationship between Affective Brand Experience and Behavioral Engagement

H2c. There is a significant positive relationship between Affective Brand Experience and Cognitive Engagement

[6] research shows that behavioral brand experience positively and significantly affects customer engagement. However, there is a slight difference with the results of the [8] study, which describes that not all dimensions of customer engagement were significantly and positively influenced by behavioral brand experience, including cognitive and

affective engagement. Physical activity triggered by interactions between customers and brands refers to the behavioral brand experience [25]. The behavioral brand experience felt by the customer can form engagement related to the customer's emotional level [26]. Behavioral brand experience relates to physical activity stimulated by the brand, which leads to behavioral engagement with the brand and activities related to the brand [8]. When customers feel a positive behavioral brand experience and are satisfied with the marketplace, customers will be encouraged to learn about the features of the market. Based on the explanation of the theory above, this study proposes the following hypothesis:

H3a. There is a significant positive relationship between Behavioral Brand Experience and Affective Engagement

H3b. There is a significant positive relationship between Behavioral Brand Experience and Behavioral Engagement

H3c. There is a significant positive relationship between Behavioral Brand Experience and Cognitive Engagement

[6] research shows that intellectual brand experience positively and significantly affects customer engagement. However, there is a difference with the results of the [8] study, which describes that not all dimensions of customer engagement were significantly and positively influenced by intellectual brand experience, namely affective engagement. The customer experience from the thinking aspect was called intelligent or cognitive brand experience. This experience is very dependent on the thoughts that arise from the brand offering [27]. Intellectual brand experience can increase customer engagement by stimulating the customer's thought process through the functional attributes of the brand [28]. Customers are more likely to connect with brands when customers also experience a positive intellectual brand experience [6]. Based on the explanation of the theory above, this study proposes the following hypothesis:

H4a. There is a significant positive relationship between Intellectual Brand Experience and Affective Engagement

H4b. There is a significant positive relationship between Intellectual Brand Experience and Behavioral Engagement

H4c. There is a significant positive relationship between Intellectual Brand Experience and Cognitive Engagement

Purchasing decisions, the quality of customer relationships with brands, and brand loyalty can be strengthened or enhanced by customer engagement [24], [29]. Attitudes and customer preferences will be formed along with continuous interaction with the brand [24], making the bond between the two grow so that loyalty will be strengthened through this relationship [20]. Likewise, the study of [10] reveals that positive attitudes tend to be formed when customers are involved with the brand rather than those not involved. This attitude will benefit the company and increase loyalty [30].

Based on the explanation of the theory above, this study proposes the following hypothesis:

H5a. There is a significant positive relationship between Affective Engagement and Brand Loyalty

H5b. There is a significant positive relationship between Behavioral Engagement and Brand Loyalty

H5c. There is a significant positive relationship between Cognitive Engagement and Brand Loyalty

A unique and memorable brand experience makes customers not hesitate to visit repeatedly and develop brand loyalty [14]. Reinforced by the findings of [31], to realize brand loyalty, it is essential to form and manage a unique brand experience. The desire for repeated use can be created if the perceived experience is positive, in the study of [32] in banking services.

The study's results of[18] also stated the same thing, namely that brand experience had no significant effect on brand loyalty. It was strengthened by the research of [33], which proves that there is no relationship between brand experience and brand loyalty. The research results from the two variables above are contradictory, making the relationship between brand experience and brand loyalty still blurry, so further research is needed to bridge the gap. Based on the explanation of the theory above, this study proposes the following hypothesis:

H6. There is a positive significant relationship between Brand Experience and Brand Loyalty

3   Methods

This study used hypothesis testing as the research design to examine the effect of brand experience and customer engagement on brand loyalty. Brand experience is measured by four dimensions, namely Sensory Brand experience, Affective Brand experience, Behavioral Brand experience, and Intellectual Brand experience. Each dimension is measured by three statement items adopted from [6]. Customer Engagement was measured by three dimensions: Affective Engagement, Behavioral Engagement, and Cognitive Engagement. Four items measure affective engagement, while Behavioral Engagement and Cognitive Engagement are each measured by three items adopted from [34] and [6].

This study uses primary data obtained from distributing questionnaires conducted during March-April 2021. Using the purposive sampling method, the research sample was obtained from as many as 367 respondents who had met the criteria for the research sample, had a marketplace account, and had made transactions more than once in the last six months in the same marketplace. Respondents consisted of 57.2% of women and 42.8% of men. A total of 64.3% of respondents are over the age of 30 years. Product categories often purchased through the marketplace are fashion products 38.1%, Gadgets, Electronics and accessories 18.5%, and food and beverages 16.6%. Hypothesis testing in this study uses statistical methods using structural equation model (SEM) analysis.

4   Results & Discussion

Based on the results of data processing that has fulfilled the validity and reliability test requirements and the model used has met the goodness of fit criteria, the following hypothesis test results are obtained:

Table 1. Hypothesis test results

Hypothesis	*Estimate*	*p-value*	Decision
H1a: There is a positive significant relationship between s*ensory Brand experience* and *Affective Engagement*	0,129	0,013	*Supported*
H1b: There is a significant positive relationship between *Sensory Brand experience* and *Behavioral Engagement*	0,390	0,000	*Supported*
H1c: There is a positive significant relationship between *Sensory Brand experience and Cognitive Engagement*	-0,130	0,009	*Not supported*
H2a: There is a positive significant relationship between *Affective Brand experience* and *Affective Engagement*	-0,085	0,415	*Not supported*
H2b: There is a positive significant relationship between *Affective Brand experience* and b*ehavioral Engagement*	-0,774	0,000	*Not supported*
H2c: There is a significant positive relationship between *Affective Brand experience* and *Cognitive Engagement*	0,153	0,103	*Not supported*
H3a: There is a significant positive relationship between *Behavioral Brand experience and Affective Engagement*	0,693	0,000	*Supported*
H3b: There is a positive significant relationship between *Behavioral Brand experience* and *Behavioral Engagement*	1,171	0,000	*Supported*
H3c: There is a significant positive relationship between *Behavioral Brand experience* and *Cognitive Engagement*	0,148	0,151	*Not supported*
H4a: There is a positive significant relationship between *Intellectual Brand experience* and *effective Engagement*	0,267	0,000	*Supported*
H4b: There is a positive significant relationship between *Intellectual Brand experience* and b*ehavioral Engagement*	-0,089	0,401	*Not Supported*
H4c: There is a significant positive relationship between *Intellectual Brand experience* and *Cognitive Engagement*	0,796	0,000	*Supported*
H5a: There is a positive significant relationship between *Affective Engagement* and Brand *Loyalty*	0,314	0,001	*Supported*
H5b: There is a significant positive relationship between *Behavioral Engagement* and *Brand Loyalty*	0,577	0,000	*Supported*
H5c: There is a significant positive relationship between *Cognitive Engagement* and *Brand Loyalty*	0,046	0,568	*Not Supported*
H6: There is a significant positive relationship between *Brand Experience* and *Brand Loyalty*	0,732	0,000	*Supported*

Source: Data processed using AMOS

The results of this study indicate that sensory brand experience has a positive and significant effect on affective and behavioral engagement. This finding was supported by [8]. The study also said that customer engagement could be increased by having an excellent visual impression that will stimulate the customer's senses and form an interest in the brand. An attractive marketplace display can give customers a solid visual appearance, making them spend more energy and time visiting and using the marketplace when buying products online. The results of hypothesis testing indicate that sensory brand experience has no significant effect on cognitive engagement. The findings in this study are different from [8] research, which focuses on resort research, which, of course, in terms of atmosphere or environmental conditions, is very different from the marketplace.

The results showed that H2a, H2b, and H2c were not supported. Furthermore, testing the Behavioral Brand experience positively affects Affective and Behavioral Engagement. The research of [6] supported this finding. [35] revealed that a strong emotional response is created through a superior brand experience, the ability to commit, and customer satisfaction for the brand. Intellectual Brand experience test results positively affect affective engagement and cognitive engagement.

In line with[8], customers who are satisfied with an intellectual brand experience will develop an emotional bond with the brand. Therefore, it is important to stimulate customer curiosity, making customers think about the market. Furthermore, research on brand loyalty found that affective and behavioral engagement has a positive and significant effect on brand loyalty. The findings in this study were supported by [36] and [8]. Affective involvement reflects the customer's feelings or emotions toward the brand [34]. When customers develop an affective engagement that reflects positive feelings toward the brand, brand loyalty begins to be instilled in customers [37]. According to [29], customer engagement is important in determining brand loyalty. Customers will return to the same brand when behavioral engagement is high. When customers invest and devote their time, energy, and efforts to a brand, brand loyalty is formed [34].

The results of hypothesis testing on brand experience showed a positive and significant effect on brand loyalty. The findings in this study are supported by [14], [19], and [38]. Through the marketplace, transaction methods, generally done offline or face-to-face, have switched to online. New experiences create increased customer curiosity, so customers will be motivated to think and understand how the market works. Experience will increase along with market understanding, and loyalty will also increase.

5   Conclusion and Recommendations

This research provides useful information and several implications that could be used as options for managers to build and realize long-term solid relationships with customers.

Managers can increase affective engagement and behavioral engagement by increasing the behavioral brand experience. The marketplace is an online shopping site that has provided a new experience for people, especially in Indonesia. Changing people's habits from shopping offline to online is not a trivial thing. It requires confidence and certainty in the security of online transactions. Managers can increase brand loyalty by improving the brand experience. Marketplace managers can communicate their brand to customers

by designing a platform that presents a unique theme that can reflect the personality and story of the marketplace brand.

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