

MARKETING | RESEARCH ARTICLE

Digital Marketing Influence on Marketing Performance: The Role of Customer Engagement and Relationship Marketing

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ABSTRACT

This research decisively establishes the influence of digital marketing on the marketing performance of Small and Medium Enterprises (SMEs) in the food sector of Jepara Regency, underscoring the critical mediating roles of customer engagement and relationship marketing. Employing a robust quantitative methodology with Structural Equation Modeling (SEM), analyzed through SmartPLS version 4.0, questionnaires were distributed to 150 SME owners in the food sector. The results indicate that while digital marketing does not directly enhance marketing performance, customer engagement and relationship marketing are vital mediators that significantly strengthen this connection. This reinforces the notion that cultivating high levels of customer engagement and fostering strong relationships are essential for maximizing the effectiveness of digital marketing strategies. Consequently, this research provides crucial insights for SMEs, highlighting the challenges inherent in digital marketing implementation and the urgent need for a comprehensive approach to elevate their marketing performance.

Keywords: Digital Marketing, Marketing Performance, Customer Engagement, Relationship Marketing.

JEL Code: M31, M37, L25, L26.

I. Introduction

SMEs play a vital role in the equitable distribution of wealth and in raising the income levels of Indonesian residents. Generally, the presence of SMEs in Indonesia can be considered a key factor in the economic well-being of its population. As stated by the Ministry of Cooperatives and SMEs, SMEs play a crucial role in ensuring fair wealth distribution and improving the income levels of the Indonesian population. SMEs are often recognized as a fundamental contributor to the country's economic well-being, accounting for around 60% of the Gross Domestic Product (GDP) and providing employment for over 97% of the workforce in Indonesia. By 2024, approximately 65 million SMEs are primarily operating in the trade, manufacturing, and service sectors. However, the COVID-19 pandemic significantly changed Indonesian SMEs (Albert, Mintawati et al., 2023). In the initial stages of the pandemic, SMEs experienced a drastic decline in sales and revenue due to social restrictions. Thanks to rapid adaptation and support from public institutions through various



economic stimulus programs, SMEs gradually improved their Performance (Laksamana, Indra et al. 2022). SMEs in the food and beverage sector face challenges in marketing their products effectively (Chusumastuti, Zulfikri, et al., 2023).

Information from the Central Java Office of Cooperatives and SMEs reveals a total of 191,689 SME business units in the province, with the food sector representing 67,210. Numerous food and beverage SMEs, including those in Jepara Regency, are in areas with high population densities. In recent years, SMEs in Jepara Regency have shown considerable progress. According to data from the Ministry of Industry and Trade, the number of SMEs and medium-sized enterprises in the Jepara region is on the rise, creating jobs and economic opportunities for the local community. This is further supported by data regarding the growth of SMEs in Jepara Regency from 2019 to 2023.

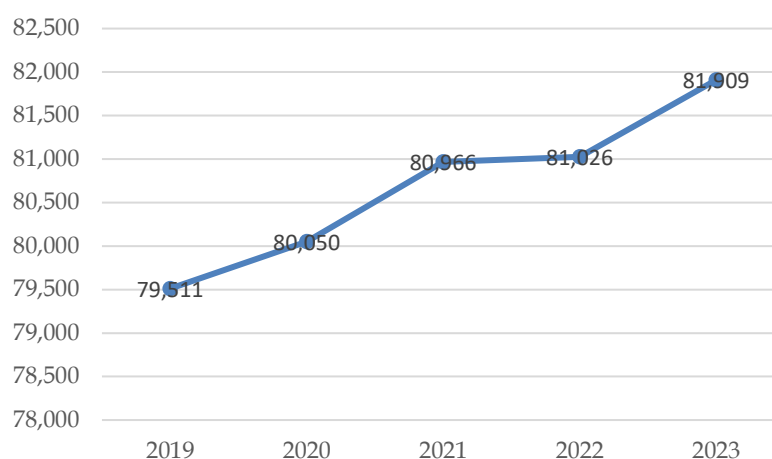


Figure 1. Data on the Development of SMEs in Jepara Regency, Indonesia

Source: Jepara Department of Industry and Trade (Disperindag Jepara)

Figure 1 presents data on the development of SMEs in Jepara Regency from year to year. The graph illustrates a growth trend and an increasing number of businesses operating in Jepara. Although there is positive growth, the graph indicates that not all SMEs can achieve the desired level of development, with some experiencing difficulties in effectively utilizing digital marketing strategies. This information can be used to understand the context and challenges SME actors face in Jepara, and it emphasizes the need to implement digital marketing to improve their performance.

According to (Lucyantoro and Rachmansyah, 2017), digital marketing utilizes information and online technology to complement and enhance traditional marketing activities. However, this definition is too focused on traditional marketing as a whole. Digital marketing can also create new markets previously hampered by limited distance, Communication options, and time. This proves that digital marketing increases visibility, allows penetration into larger markets, and offers opportunities for businesses to grow and succeed in a highly competitive environment. Some SMEs in Jepara have implemented digital marketing, such as e-commerce and social media, to expand markets and boost the local economy. (Fachrunnisa, Adhiatma et al. 2020). However, many SME actors have not realized the importance of digital marketing and have not fully developed their businesses in digitization and sales optimization through digital marketing. (Kitsios, Kyriakopoulou, et al., 2022). SMEs must implement digital technologies and enhance entrepreneurship (Novitasari, 2021). Implementing digital marketing has become an effective strategy for SMEs to boost their sales. They can utilize a range of digital marketing strategies, including search engine marketing, content marketing, influencer marketing, social media marketing, and email marketing, to promote their products, consequently enhancing their sales performance (Mitrega, Forkmann, et al. 2012, Hongyun, Kankam et al. 2019, Sugiana, Rahayu et al. 2023). By implementing digital marketing, SMEs can increasingly adapt to market

changes, create unique value for customers, and ultimately increase their income through the effectiveness of their marketing performance (Liliyan, 2020).

According to Abshariena and Fitria (2019), improving marketing performance in food and beverage SMEs is crucial because it directly impacts business success and growth. Effective marketing strategies help SME actors penetrate broader markets, attract new customers, and increase the loyalty of existing customers. According to (Pomirleanu, Schibrowsky, et al. 2013) Digital marketing is defined as marketing activities involving branding through various web-based platforms, including websites, emails, blogs, social networks, and AdWords. One crucial factor that can influence the success of digital marketing is customer engagement. High customer engagement can increase customer loyalty and satisfaction, positively impacting sales. However, in Jepara, some SMEs still have not realized the importance of creating close relationships with customers through digital platforms. Another challenge SMEs face in Jepara is the lack of knowledge and skills in implementing relationship marketing. According to research by Peppers and Rogers (2016), effective relationship marketing can help businesses build customer loyalty and increase retention. However, many business actors in Jepara have not implemented these principles, thus neglecting opportunities to build better customer relationships. (Ramdan, Siwiyanti et al., 2023).

Numerous previous studies have yielded mixed and inconsistent conclusions regarding the impact of digital marketing on marketing performance. (Leeflang, Verhoef et al. 2014), (Royle and Laing 2014), (and Järvinen, Tollinen, et al. 2012) Digital marketing does not have a significant effect on marketing performance. Conversely (Ryan and Jones 2009) and (Morris 2009) Content that digital marketing does indeed have a significant influence on marketing performance. (Ramadhani, Kusumah et al. 2022) Also, it states that digital marketing does not substantially affect marketing performance, while (Suwarno 2020) Argues that digital marketing significantly affects marketing performance. The urgency of this study lies in the need to understand how digital strategies can enhance the effectiveness of food sector SMEs in Jepara. This research aims to investigate the impact of digital marketing on the marketing performance of food SMEs in the region while also examining the mediating roles of customer engagement and relationship marketing in driving business growth. Given the existing business phenomena in the food sector SMEs in Jepara and the gaps in previous research, the title of this study is "Digital Marketing Influence on Marketing Performance: The Role of Customer Engagement and Relationship Marketing." This study is also expected to provide in-depth insights into applying digital strategies to increase customer loyalty, expand market reach, and stimulate the growth and interest of SMEs in Jepara Regency.

II. Literature Review and Hypothesis Development

2.1. Digital Marketing

Digital marketing involves contemporary strategies that leverage digital technologies and online platforms to engage with and reach consumers. It encompasses promotional activities conducted through digital media, including social media, the Internet, mobile devices, and various other tools rooted in digital or information technology. This concept has evolved in response to advancements in information technology and shifts in consumer behavior, as users of digital platforms increasingly seek information and make purchases of goods or services through these channels (Noviani, Pratiwi et al. 2020). According to Kartajaya, Kotler et al. (2019), digital marketing enables businesses to collect more detailed data on consumer preferences and behaviors, facilitating the personalization of marketing messages. Digital marketing strategies encompass a variety of channels, including SEO, social media marketing, email marketing, content marketing, and digital advertising. Digital marketing offers a broader global outreach and generally lower costs (Lestari, 2023). The advancement of internet-based communication technologies and mobile technology catalyzes the growth of digital marketing. With the advent of mobile technology, anyone with an internet connection can easily access accurate information anywhere and anytime, all within the palm of their hand (Aulianda & Sudarmiatin, 2021). Digital marketing enables companies of all sizes to compete in the

digital market with relatively affordable investments. Digital transformation fundamentally changes how companies communicate with customers, business models, and marketing strategies (Ryan, 2016). Six indicators can be used to measure digital marketing, including ease of use, interaction ability, ability to promote, trust, disruptions that occur, and ability to provide information (Fadilah & Nuvriasari, 2024).

2.2. Customer Engagement

Customer engagement fosters strong relationships between customers, brands, and other customers, focusing on understanding and addressing customer needs and desires in distinctive and memorable ways. (Hasibuan and Najmudin, 2024). It refers to the ongoing interactions between customers and a brand, which can strengthen customers' emotional and psychological bonds with that brand. (Chaffey and Smith, 2022). Customer engagement focuses on customer satisfaction, which is achieved by providing better value than competitors and building loyal customers who tend to collaborate with trust and dedication in enduring relationships. (Sashi 2012). Involved customers are inclined to work with vendors to create value that meets their and other customers' desires. In e-marketing, customer engagement aims to increase customer attention and time spent on a brand's website and social media platforms. Social media interactions can enhance customer engagement and improve communication between sellers and buyers. There are five key steps to creating effective customer engagement: Interaction, attention, absorption, identification, and enthusiasm. (Van Tonder and Petzer, 2018).

2.3. Relationship Marketing

(Bramastra, Komunikasi et al. 2020) Relationship marketing is a form of marketing in which companies build marketing communications relevant to the target consumer. Relationship Marketing is the introduction of each customer more closely by creating two-way Communication. Communication must be effectively managed to foster a relationship between the customer and the company. This relationship should be viewed as a partnership rather than a simple seller-buyer dynamic. The goal is cultivating a long-term connection that leads to sustainable profits through customer loyalty. (Saâ, Komaryatin, et al. 2022). Relationship marketing defines activities that focus on relationships between sellers with short- and long-term characteristics, and both clauses have the same meaning in the form of symbiosis. (Tyas and Sari, 2023). To achieve this, a deep understanding of the customer's situation, needs, behavior, and preferences is required so that relationship marketing can focus on building good relationships with customers. Relationship marketing aims to create, maintain, and manage relationships between two parties to improve Performance. Because business is long-term, marketing emphasizes relationship marketing. (Putri and Terengganu 2020). According to (Larasati and Utomo 2021) Relationship marketing is creating, enhancing, and maintaining strong relationships between companies, their customers, and other stakeholders. Companies must continue to strive hard to retain existing customers and establish profitable long-term relationships. According to (Sudari and Pambreni 2024), three indicators can be used to measure relationship marketing: Commitment, Trust, and Communication. Meanwhile, according to (Mujahidin, Yusuf et al. 2022), there are two indicators, namely Complaint handling and participation simplicity.

2.4. Marketing Performance

Marketing performance reflects a company's success in increasing the effectiveness of its activities, expanding market share, and increasing profitability. In a business context, placing consumers as the top priority means that companies strive to provide added value to customers, which is desired to create a long-term competitive advantage and higher profits (Arifin & Ali, 2023). Marketing performance is a measuring tool to assess the overall results of the strategies implemented, including sales growth and profitability. The definition of marketing performance can vary depending on the perspective. Marketing performance can vary

according to people and goals. Performance reflects an organization's work, from processes to the final results. Marketing performance, in particular, measures how well a company's marketing activities achieve its objectives. Through this marketing performance analysis, every company strives to evaluate its success in a competitive market (Irfandi, Halim, et al. 2025). Historically, experts thought marketing effectiveness could be assessed solely by growth and profitability. However (Grønholdt & Martensen, 2006) argue that a combination of financial metrics, customer sentiment, marketing outcomes, and customer behavior insights can serve as marketing performance indicators. This perspective enables businesses to enhance their marketing expenditures, use resources more efficiently, and concentrate on delivering the highest value to the organization. (Dewanto, Febrian, et al., 2023). Three indicators for measuring marketing performance (Ferdinand, 2011) are sales volume, customer growth, and profitability. Then, there are two additional indicators to measure marketing performance, according to (Martin et al., 2024), namely, the Effectiveness of strategy and competitiveness.

This research investigates how digital marketing impacts marketing performance, focusing on the importance of customer engagement and relationship marketing. The study is built upon the following hypotheses:

- H1: Digital marketing positively and significantly affects customer engagement in food SMEs in Jepara Regency.
- H2: Digital marketing positively and significantly affects relationship marketing in food SMEs in Jepara Regency.
- H3: Digital marketing positively and significantly affects marketing performance in food SMEs in Jepara Regency.
- H4: Customer engagement positively and significantly affects marketing performance in food SMEs in Jepara Regency.
- H5: Relationship marketing positively and significantly affects marketing performance in food SMEs in Jepara Regency.

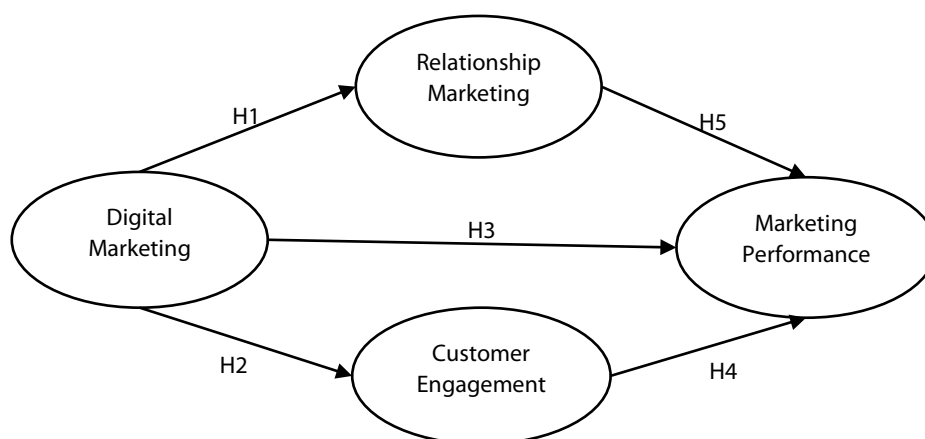


Figure 2. Conceptual Framework

III. Research Method

3.1. Research Design

This study employs a quantitative approach with an associative causal design. This design evaluates how digital marketing influences marketing performance and explores the mediating roles of customer engagement and relationship marketing. Using statistical analysis, this research will explain the relationships between these variables and their impact on the resulting marketing performance.

3.2. Research Location and Time

This study focuses on SMEs in the food sector located in Jepara Regency, which encompasses 16 sub-districts. Representative samples were taken from various sub-districts. The research period began in September and lasted until December 2024 to obtain relevant and up-to-date data on the developments and challenges SME actors face in the food sector post-pandemic.

3.3. Population and Sample

The population in this study consists of 8,503 food SME actors in Jepara Regency. The sample was selected through probability sampling using simple random sampling. (Hair 2010) States that the minimum sample size is 5–10 times the number of indicators. If the number of variable indicators is 21, then the minimum sample size can be calculated as follows:

$$\begin{aligned} n \text{ minimum} &= 6 \times (\text{number of latent variables} + \text{number of indicator variables}) \\ &= 6 \times (4 + 21) \\ &= 150 \end{aligned}$$

The sample was determined to be 150 respondents to meet the minimum requirements for data analysis through SEM. According to Sugiyono (2019), simple random sampling is the selection of a sample from a population carried out randomly without considering stratification within that population. Each member of the population has an equal opportunity to be selected as a sample so that this method can produce a representative sample. (Purba, Tanjung et al. 2021).

3.4. Data Collection

Data was collected through questionnaires with a Likert scale of 1 to 10 and distributed online via Google Forms, allowing respondents to assess various statements about the factors influencing their business. (Roosdhani, Arifin, et al., 2023). In addition, direct interviews were also conducted with several SME actors to obtain additional and in-depth information related to their experiences and challenges in running their food businesses.

3.5. Data Analysis

Data was analyzed using Structural Equation Modeling (SEM) with SmartPLS 4 software. This test consists of inner, outer, and hypothesis testing. With the SEM method, researchers can analyze various factors' direct and indirect effects on the variables studied, providing deeper insights into the interactions between variables in a theoretical model.

3.6. Ethical Considerations

In this study, ethical considerations are critical to ensure that all respondents provide information voluntarily and that the data collected remains confidential. The researcher also ensures that participation in this study does not negatively impact respondents and that all research methods comply with applicable research ethics standards.

IV. Results and Discussion

4.1. Demography of Respondent and Data

Table 1. Characteristics of Respondents Based on Gender

Gender	Frequency	%
Woman	68	45.3
Man	82	54.7
Total	150	100.0

Table 2. Characteristics of Respondents Based on Age

Age (Years)	Frequency	%
< 20	2	1.3
21-25	44	29.3
26-28	58	38.7
> 28	46	30.7
Total	150	100.0

Table 3. Characteristics of Respondents Based on Education

Education Level	Frequency	%
Primary School	2	1.3
Junior High School	4	2.7
Senior High School	81	54
Diploma	20	13.3
Bachelor	43	28.7
Total	150	100.0

Table 4. Characteristics of Respondents Based on Position in the Business

Position	Frequency	%
Owner and Manager	75	50
Owner	38	25.3
Manager	37	24.7
Total	150	100.0

Table 5. Characteristics of Respondents Based on Type of Business

Types of Culinary Business	Frequency	%
Snack/Dessert/Street Foods	57	38
Restaurants/Cafe	65	43.4
Meatballs	12	8
Satay	8	5.3
Drinks	8	5.3
Total	150	100.0

Table 6. Characteristics of Respondents Based on Business Duration

Length of Business (Years)	Frequency	%
1 - 3	43	28.7
4 - 6	37	24.7
7 - 9	52	34.6
> 10	18	12
Total	150	100.0

4.2. Partial Least Squares (PLS) Analysis

The measurement model (outer model) has two main tests: the Validity Test and the Reliability Test.

a. Convergent Validity

This test ensures that the indicators used truly reflect the concept to be measured. An indicator is considered valid if it has a loading factor above 0.7 and an Average Variance Extracted (AVE) value greater than 0.5 (Latifah and Roosdhani 2024). This means the indicator has good convergent validity and can explain its latent construct.

Table 7. Convergent Validity

Variable	Indicator	Outer Loading	AVE	Result
Digital Marketing	DM 1	0.747	0.601	Valid
	DM 2	0.769		
	DM 3	0.807		
	DM 4	0.757		
	DM 5	0.805		
	DM 6	0.764		
Relationship Marketing	RM 1	0.846	0.732	
	RM 2	0.865		
Customer Engagement	CE 1	0.807	0.652	
	CE 2	0.836		
	CE 3	0.831		
	CE 4	0.772		
	CE 5	0.789		
Marketing Performance	MP 1	0.828	0.674	
	MP 2	0.809		
	MP 3	0.808		
	MP 4	0.832		
	MP 5	0.825		

Source: Primary data processed with SmartPLS version 4.0.

Based on the convergent validity test results, all indicator values in this study are above 0.7, and the AVE values for each variable are above 0.5. Therefore, all indicator values measuring the variables of digital marketing, customer engagement, relationship marketing, and marketing performance show valid results.

b. Reliability Test

Composite Reliability and Cronbach's Alpha are reliability measures used to assess a variable's internal consistency. Both metrics have a value range between 0 and 1, where higher values indicate better reliability. A variable is considered reliable if Composite Reliability and Cronbach's Alpha values exceed 0.7. This means that the indicators within the variable are mutually consistent and can be relied upon to measure the same construct.

Table 8. Composite Reliability and Cronbach's Alpha Values

Variable	Composite reliability	Cronbach's alpha	Result
Digital Marketing	0.090	0,869	Reliable
Relationship Marketing	0.845	0,635	Not Reliable
Customer Engagement	0.903	0,867	Reliable
Marketing Performance	0.912	0,879	Reliable

Source: Primary data processed with SmartPLS version 4.0.

The variables Digital Marketing, Customer Engagement, and Marketing Performance are proven reliable based on Composite Reliability and Cronbach's Alpha values exceeding 0.7. Conversely, the Relationship Marketing variable shows inconsistency because the Composite Reliability value meets the reliability requirement (>0.7), but the Cronbach's Alpha value does not (<0.7). Therefore, an in-depth evaluation of the indicators used to measure the Relationship Marketing construct is needed to ensure its validity and reliability.

c. R-Square

In this analysis, R-Square measures how much of the variation in the dependent variable can be explained by the independent variables studied. The R-Square value indicates the strength of this influence: a value above 0.67 indicates a strong influence, a value around 0.33 indicates a moderate impact and a value around 0.19 or lower indicates a weak influence. Thus, R-Square helps us understand the proportion of the variance in the dependent variable that can be predicted from the independent variables used in the model.

Table 9. R-Square

Variable	R-Square	R-Square Adjusted
Customer Engagement	0.124	0.118
Marketing Performance	0.265	0.250
Relationship Marketing	0.051	0.045

Source: Primary data processed with SmartPLS version 4.0.

The analysis results show that digital marketing only makes a relatively small contribution to changes in customer engagement, marketing performance, and relationship marketing. Specifically, Digital Marketing can explain 12.4% of the changes in Customer Engagement (R-square = 0.124, Adjusted R-square = 0.118), 26.5% of the changes in Marketing Performance (R-square = 0.265, Adjusted R-square = 0.250), and only 5.1% of the changes in Relationship Marketing (R-square = 0.051, Adjusted R-square = 0.045). Thus, it can be concluded that the influence of Digital Marketing on these three dependent variables is considered weak, and the majority of the changes are explained by other factors outside of this research model.

4.3. Inner Model

The inner or structural model describes the causal relationships between variables that cannot be measured directly (latent variables) and the underlying hidden constructs. A visualization of this inner model, as shown in Figure 3, provides a clear graphical representation of how the latent variables relate to and influence each other within this research model.

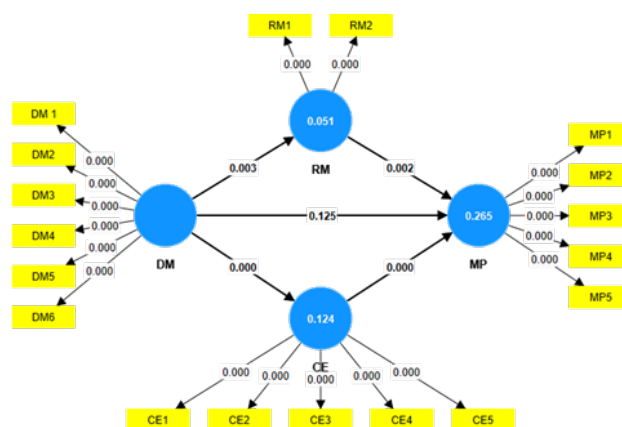


Figure 3. Structural Model

4.4. Mediation Test

Mediation has three scenarios: non-mediation, complete mediation, and partial mediation. The results of the bootstrapping test with SmartPLS 4.0 show an indirect effect based on the P-value: $P > 0.05$, which indicates a negative influence. In contrast, $P < 0.05$ indicates a positive impact.

Table 10. Specific Indirect Effects

Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
DM → CE → MP	0.112	0.118	0.038	2.954	0.003
DM → RM → MP	0.055	0.056	0.026	2.118	0.034

Source: Primary data processed with SmartPLS version 4.0.

- a. The Influence of Digital Marketing on Marketing Performance Through the Mediation of Customer Engagement

Table 10 shows that the Specific Indirect Effect of Digital Marketing on Marketing Performance, mediated by Customer Engagement, has a positive relationship because the P-value = 0.003 < 0.05. Therefore, it can be categorized as Full Mediation. This means that customer engagement not only functions as a link but also enhances the impact of digital marketing on marketing performance. In this context, customer engagement is essential in improving the interaction between SMEs and customers, thereby increasing customer loyalty and satisfaction.

- b. The Influence of Digital Marketing on Marketing Performance Through the Mediation of Relationship Marketing

Table 10 shows that the Specific Indirect Effect of Digital Marketing on Marketing Performance, mediated by Relationship Marketing, has a positive relationship because the P-value = 0.034 < 0.05. Therefore, it can be categorized as Full Mediation. This indicates that relationship marketing can enhance the positive effect of digital marketing on the market. Through effective relationship marketing strategies, SMEs can build long-term relationships with customers, which is crucial in creating a competitive advantage in the market.

4.5. Hypothesis Test

Hypothesis testing is carried out by evaluating the T-statistics and P-value generated for each path coefficient. A hypothesis is supported or accepted if the obtained P-value is less than 0.05. For this purpose, Path Coefficient analysis was performed using the Bootstrapping technique in Smart-PLS version 4.0 software.

Table 11. Path Coefficient

Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
CE → MP	0.139	0.323	0.076	4.198	0.000
DM → CE	0.352	0.366	0.072	4.914	0.000
DM → MP	0.127	0.131	0.083	1.534	0.125
DM → RM	0.226	0.235	0.077	2.939	0.000
RM → MP	0.241	0.240	0.078	3.083	0.000

Source: Primary data processed with SmartPLS version 4.0.

a. The Influence of Customer Engagement on Marketing Performance

The analysis results demonstrate customer engagement's significant and positive impact on marketing performance within food SMEs in Jepara Regency. This conclusion is backed by a path coefficient of 0.139, a t-statistic of 4.198, surpassing the critical value of 1.655, and a p-value of 0.000 below the 0.05 threshold. Therefore, the hypothesis regarding the effect of customer engagement on marketing performance is accepted.

b. The Influence of Digital Marketing on Customer Engagement

Digital marketing has been shown to positively and significantly affect customer engagement in food SMEs in Jepara Regency. This conclusion is supported by a path coefficient of 0.352 and a t-statistic of 4.914, well above the critical value of 1.655. The p-value is 0.000, which satisfies the significance criterion ($p < 0.05$). As a result, the findings reinforce the hypothesis that digital marketing impacts customer engagement.

c. The Influence of Digital Marketing on Marketing Performance

Unlike the earlier two hypotheses, the analysis findings do not offer enough evidence to confirm a notable impact of Digital Marketing on Marketing Performance in food SMEs located in Jepara Regency. While the path coefficient indicates a positive value of 0.127, the t-statistic is 1.534, below the critical threshold of 1.655, and the p-value of 0.125 is above the significance level of 0.05. Therefore, the hypothesis proposing a relationship between Digital Marketing and Marketing Performance is rejected.

d. The Influence of Digital Marketing on Relationship Marketing

Data analysis reveals that Digital Marketing positively and significantly impacts Relationship Marketing within food SMEs in Jepara Regency. This conclusion is supported by a path coefficient of 0.226, a t-statistic of 2.939, surpassing the critical threshold of 1.655, and a p-value of 0.003, which satisfies the significance requirement ($p < 0.05$). Consequently, it can be inferred that digital marketing enhances relationship marketing for food SMEs.

e. The Influence of Relationship Marketing on Marketing Performance

Strong evidence indicates a noteworthy and significant relationship between Relationship Marketing and Marketing Performance in food SMEs in Jepara Regency. This conclusion is bolstered by a path coefficient of 0.241, a t-statistic of 3.083, which considerably surpasses the critical threshold of 1.655, and a p-value of 0.002, well below the 0.05 mark. Therefore, the hypothesis concerning the impact of Relationship Marketing on Marketing Performance is affirmed.

4.6. Discussion

a. The Influence of Customer Engagement on Marketing Performance

Customer engagement refers to customer interaction with products or services a business offers. (So, King et al. 2016). Positive interactions between SMEs and customers can build closer relationships, which in turn can potentially increase customer satisfaction and encourage loyalty. (Hofacker, Golgeci et al. 2020). This study found that customer engagement positively and significantly impacts marketing performance in food SMEs in Jepara Regency. This finding aligns with literature emphasizing the importance of customer interaction in improving company performance. (Kumar and Pansari 2016). Furthermore, field findings show that SMEs that actively interact with customers through social media and other marketing activities experience increased sales and customer satisfaction. For example, SMEs conducting customer satisfaction surveys and asking for product feedback show that consumers feel more valued and are more likely to make

repeat purchases. This confirms that efforts to improve customer engagement can be an effective strategy to drive the growth and success of SMEs.

b. The Influence of Digital Marketing on Customer Engagement

Digital marketing encompasses various strategies and techniques to promote products or services through digital platforms. (Chaffey and Smith, 2022). More than just increasing visibility, digital marketing facilitates better interaction between businesses and customers, which is crucial in building strong relationships and increasing loyalty. (Dwivedi, Ismagilova et al. 2021). This study found that digital marketing positively impacts customer engagement in food SMEs in Jepara Regency. This finding is consistent with literature showing that social media and relevant content can strengthen the relationship between brands and consumers, encouraging customer engagement. (Santoso 2020). In Jepara Regency, food SME actors have utilized digital platforms such as Instagram, Facebook, and WhatsApp to introduce their products. Some provide direct feedback through social networks, allowing a deeper understanding of customer needs and preferences. This confirms that implementing effective digital marketing strategies can be key to increasing interaction and customer engagement in SMEs.

c. The Influence of Digital Marketing on Marketing Performance

Digital marketing is an essential strategy in modern marketing, utilizing digital technology to reach customers and increase product awareness and market reach. (Armstrong, Adam et al., 2018). However, the effectiveness of digital marketing in improving marketing performance is highly dependent on various factors, including the understanding of SME actors regarding digital strategies and their ability to implement them effectively. (Tiago and Verissimo 2014). This study found that digital marketing does not positively and significantly affect the marketing performance of food SMEs in Jepara Regency. This finding aligns with the resource-based view, which states that business organizations must be able to manage and utilize all of their resources to achieve a competitive advantage. (Barney 1991). These resources include the skills, abilities, knowledge, information, and other types of knowledge that the organization needs. (Ramadhani, Kusumah et al., 2022). Although digital marketing offers potential benefits to SMEs, many SMEs in the food sector in Jepara have not utilized it optimally. A major obstacle is a lack of IT expertise to implement digital marketing. In addition, the age profile of the respondents (dominated by ages 26-28 years) and education level (dominated by high school) may also influence the results of this study, as these factors may limit the respondents' ability to utilize digital marketing to its full potential. A lack of sensitivity and knowledge of digital technology developments also challenges SME actors. Thus, investment in improving digital literacy and IT skills training is essential to empower SMEs in Jepara Regency to harness the potential of digital marketing effectively.

d. The Influence of Digital Marketing on Relationship Marketing

Digital marketing is an effective instrument for building and strengthening relationships between business actors and customers. In this context, customer relationship management (CRM) focuses on building long-term relationships through effective Communication and ongoing interaction. (Buttle and Maklan 2019). Digital marketing supports CRM by providing a direct Communication platform and better personalization. (Khan Khan et al., 2023). This study found that digital marketing positively and significantly impacts relationship marketing in SMEs. This finding aligns with engagement marketing, emphasizing the importance of active interaction between brands and customers to build strong relationships. (Hollebeek, Glynn et al. 2014). By leveraging social media and other digital channels, SMEs can interact more closely with their customers, potentially increasing their loyalty and satisfaction. The strategic implementation of digital marketing can facilitate meaningful dialogue, personalization of offers, and rapid response to customer needs, thereby strengthening the emotional bond between SMEs and their customers.

e. The Influence of Relationship Marketing on Marketing Performance

Relationship marketing is a strategic method aimed at cultivating enduring customer relationships. These relationships are essential for boosting customer loyalty and satisfaction while generating sustainable business profits. For small and medium-sized enterprises (SMEs), adopting this strategy facilitates a deeper understanding of customer preferences, enabling the delivery of personalized services. This aligns with Gronroos' (1994) assertion that the primary objective is to create value for customers and the organization through ongoing Communication. The findings from this research analysis indicate a strong positive relationship between relationship marketing and the marketing performance of SMEs in the food sector of Jepara, corroborating previous empirical studies. This research aligns with Tyas and Sari's (2023) conclusions, which suggest that effective relationship marketing practices are associated with enhanced marketing performance for SMEs, as robust customer relationships heighten satisfaction and foster product endorsements, positively affecting sales. Additionally, this study supports Arraniri's (2022) research, highlighting the beneficial impact of customer relations on marketing performance via increased customer satisfaction. This study reinforces the crucial importance of relationship marketing within SMEs, especially in Jepara's food sector. It emphasizes that strategies such as loyalty programs and actively considering customer feedback can improve marketing outcomes.

f. The Influence of Digital Marketing on Marketing Performance Through Customer Engagement Mediation

Digital marketing, which has the potential to increase customer interaction and personalize the experience, can be optimized through customer engagement, which serves as a bridge to achieving better marketing performance through increased customer loyalty and satisfaction. (Ashley and Tuten 2015). Although this study shows that the direct influence of digital marketing on the marketing performance of SMEs is not significant, further analysis reveals that the indirect influence through customer engagement is substantial. This finding aligns with the Uses and Gratifications (U&G) theory, which explains that consumers use media and technology to meet needs and obtain certain gratifications. (Ruggiero 2000). In digital marketing, high engagement reflects the fulfillment of consumer needs and satisfaction, positively impacting marketing performance. Thus, this study confirms that the synergy between digital marketing and customer engagement is key to achieving optimal results because only by creating relevant and satisfying experiences can digital marketing efforts produce a significant impact.

g. The Influence of Digital Marketing on Marketing Performance Through Relationship Marketing Mediation

Digital marketing plays a vital role in contemporary marketing strategies, enabling companies to connect with customers more efficiently across various digital platforms, enhance product visibility, and foster stronger relationships (Erwin, Ardyan, et al., 2023). Relationship marketing emphasizes the importance of cultivating long-term connections to boost customer loyalty and satisfaction (Gronroos, 1994), acting as a link between digital marketing initiatives and enhanced marketing outcomes. The findings suggest that although the direct impact of digital marketing on marketing performance is minimal, its indirect effect via relationship marketing is notably significant. This finding aligns with service-dominant logic, which emphasizes the importance of collaboration and co-creation of value between companies and customers in creating a competitive advantage. (Vargo and Lusch 2008). Thus, digital marketing efforts focused on building and maintaining strong customer relationships have the potential to generate better marketing performance.

V. Conclusion

This study examines the influence of digital marketing on marketing performance in food sector SMEs in Jepara Regency, with customer engagement and relationship marketing as mediating variables. The results of the study show that direct digital marketing does not have a significant influence on marketing

performance. However, the mediating role of customer engagement and relationship marketing has proven critical in improving marketing performance. This indicates that the effectiveness of digital marketing depends not only on the implementation of digital technology but also on the ability of SMEs to build and maintain good relationships with customers and create meaningful engagement through digital platforms.

This study provides practical direction for food sector SMEs in Jepara Regency. Business actors are advised not to be fixated solely on using digital platforms in marketing. More than that, it is crucial to integrate digital marketing strategies with proactive efforts to build customer engagement and implement relationship marketing principles. This means that SMEs must create engaging and relevant content, establish active customer interaction, offer personalized loyalty programs, and respond to customer feedback quickly and effectively. In addition, investment in digital skills training for human resources is also key to maximizing the potential of digital marketing and integrating it with existing traditional marketing strategies. Theoretically, this study provides empirical support for relationship marketing theory. It clarifies the mediating role of customer engagement and relationship marketing in bridging the relationship between digital marketing and marketing performance. These findings deepen the understanding of how digital marketing can be optimized in the context of SMEs, particularly in the food sector. The results of this study open opportunities for further studies on effective digital marketing strategies in various other SME sectors.

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