

Received: August 23, 2024

Revised: December 19, 2024

Accepted: January 26, 2025

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MARKETING | RESEARCH ARTICLE

The Role of Digital Marketing in Shaping Customer Retention: A Mediated Analysis of Perceived Value

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Abstract: This study aims to analyze the effect of digital marketing on customer retention by considering customer perceived value as a mediator. The method used is a quantitative approach with a descriptive-explanatory design, a sample of 250 respondents was collected from customers who interact with the company through digital platforms and analyzed using Structural Equation Modeling (SEM) with SmartPLS. The results show that digital marketing has a significant positive influence on customer retention, with customer perceived value serving as a mediator that strengthens this relationship. The findings indicate that effective digital marketing strategies, such as content personalization and responsive interactions, can increase customer perceived value, with implications for increasing customer loyalty. This research offers original value by emphasizing the importance of local context in the implementation of digital marketing strategies, especially in non-urban areas such as Indragiri Hulu. The implications of these findings suggest that companies should focus on increasing the value perceived by customers through a more personalized and relevant shopping experience. Thus, this study not only provides new insights into the relationship between digital marketing and customer retention but also provides practical recommendations for companies to design more effective marketing strategies, which can ultimately increase customer loyalty and business sustainability.

Keywords: Digital Marketing, Customer Retention, Customer Perceived Value, Role, Customer Loyalty.

JEL Classification Code: M31, M37, D12, L86

1. INTRODUCTION

Today's business world is increasingly connected, and digitally integrated, digital marketing has become a key pillar in the marketing strategy of modern companies (Ilyas et al. 2021). The digital transformation that has taken place in recent years, triggered by the development of internet technology, allows companies to reach a wider audience, personalize marketing, and create more interactive and relevant customer experiences (Touni et al. 2022). According to a report from Statista, by 2023, global spending on digital advertising is expected to reach \$600 billion, reflecting the importance of digital marketing in driving business growth and success (Chiu et al. 2018). Moreover, around 80% of companies stated that they saw a significant increase in sales and customer engagement through the implementation of the right digital marketing strategy (Mohammad 2022). Therefore, digital marketing is not just about attracting consumers' attention, but also about keeping them loyal and engaged with the brand.

One of the main goals of digital marketing is to increase customer retention or customer loyalty (Hanaysha 2018). Customers who remain loyal to a brand tend to make repeat purchases more often, are less influenced by competitors, and act as brand ambassadors through word-of-mouth or recommendations. A study conducted by Harvard Business Review found that increasing the level of customer retention by 5% can increase company profits by 25-95% (Larsson and Broström 2020; Yum



and Kim 2024). This shows how important it is to retain existing customers, especially in a competitive industry. However, while digital marketing has great potential to increase customer loyalty, its impact is not immediate and depends on various factors, one of which is customer perceived value.

Customer perceived value refers to the value perceived by customers based on a comparison between the benefits they receive from a product or service and the costs they incur (Ilyas et al. 2021; Rahayu et al. 2020). In the context of digital marketing, this value can come from a seamless shopping experience, responsive customer service, or even the relevance of the ads received. Previous research shows that customer perceived value can serve as a mediator linking the effect of digital marketing on customer retention. A study conducted by Nguyen, Tran, and Nguyen (2021) found that customers who felt they gained more value from their online shopping experience tended to be more loyal to the brand that offered the experience. Therefore, it is important to understand how digital marketing can create or increase customer perceived value, which in turn encourages customers to remain loyal and continue interacting with brands. In Indonesia, the development of digital marketing is also very rapid, especially in the e-commerce sector. Platforms such as Tokopedia, Bukalapak, and Shopee have successfully built long-term relationships with customers through various effective digital marketing techniques, ranging from discounts, loyalty programs, to personalized product recommendations (Goutam 2020; Siswadi et al. 2023). Data from the Indonesian Internet Service Providers Association (APJII) shows that by 2023, around 77% of Indonesia's population will have internet access, which is a potential market for the implementation of more mature digital marketing strategies (Hidayat et al. 2019). However, while digital marketing can attract many new customers, the biggest challenge for companies is to retain those customers in the long run.

Indragiri Hulu, located in Riau province, is a relevant location for this research given the growth of the digital economy sector in the area. The district, although better known for its agriculture and plantation sectors, is now also facing significant changes in the consumption patterns of its people who are increasingly dependent on digital technology, especially among the younger generation. Data from APJII shows that internet penetration outside major Indonesian cities, including Riau, is increasing, with 68% of the total population in the area having internet access (APJII, 2024). This opens opportunities for companies to implement better digital marketing strategies to increase customer retention. However, there are not many studies that discuss how digital marketing strategies can be implemented and utilized to increase customer loyalty in non-urban areas, such as Indragiri Hulu. Moreover, in a region like Indragiri Hulu, the challenges of retaining customers are more complicated due to limited access to technology and diverse customer preferences. Therefore, this research aims to fill the knowledge gap on how digital marketing can be adapted to the local context, and how customer perceived value can be leveraged to improve customer retention in the region. This research will examine how digital marketing affects customer retention in Indragiri Hulu through the role of customer perceived value as a mediator. Thus, this research contributes not only to digital marketing theory in general, but also to more specific and contextual marketing practices in Indonesia.

This research focuses on the role of digital marketing in shaping customer retention, by examining how customer perceived value can serve as a mediator in the relationship. Using the Structural Equation Modeling (SEM) method combined with the Smart PLS application, this study aims to comprehensively examine the relationship between digital marketing, customer perceived value, and customer retention. Hopefully, the results of this study can provide deeper insights for companies in designing digital marketing strategies that not only attract customers but also retain them by creating value that matches customer expectations.

2. LITERATURE REVIEW

2.1. Digital Marketing Concept

Digital marketing is a marketing approach that utilizes digital technologies, such as the internet, social media, email, and other digital platforms, to reach and engage audiences (Merisavo 2008). The main elements of digital marketing include SEO (Search Engine Optimization), content marketing,



social media, digital advertising, email marketing, and the use of analytics to evaluate the effectiveness of campaigns (Bui et al. 2023). In the context of customer retention, digital marketing strategies aim to build long-term relationships with customers through personalized communication, loyalty programs, and consistent value delivery (Mohammad 2022). The implementation of email marketing with content tailored to customer preferences, or the use of retargeting through digital advertising to encourage further interaction, can increase loyalty and maintain ongoing relationships with customers (Miao et al. 2022; Sumerta and Kiswara 2022).

2.2. Customer Retention

Customer retention is an important concept in business management that refers to a company's efforts to retain existing customers and build long-term relationships with them (Alhider 2018). The definition of customer retention success can be measured through several indicators, such as customer retention rates, frequency of repeat purchases, and customer satisfaction and loyalty to the product or service provided (Antony, Budi, and Sudaryanto 2023; Bahri-Ammari and Bilgihan 2019). Success in retaining customers can be seen through a low churn rate or customer loss rate, as well as a high customer lifetime value (CLV) which shows the customer's contribution to the company's revenue in the long run (Al-Gharaibah 2020; Yang et al. 2022). The importance of customer retention lies in its role in ensuring business continuity. Keeping existing customers is much more efficient than finding new customers, as the cost of acquiring new customers is generally higher (Khasbulloh and Suparna 2022; Suryadi et al. 2018). In addition, loyal customers tend to give recommendations to others, which in turn can increase word-of-mouth marketing and bring in new customers. Therefore, companies that focus on customer retention can create revenue stability and ensure more sustainable operations.

2.3. Customer Perceived Value

Customer Perceived Value (CPV) refers to customers' perceptions of the benefits they receive from a product or service, compared to the costs they incur to obtain it (Ilyas et al. 2021; Khasbulloh and Suparna 2022). This concept indicates how customers value a product or service based on their experiences, expectations, and preferences, which influence their purchasing decisions and loyalty. Customer Perceived Value refers not only to the functional or practical aspects of the product, but also the emotional and social aspects that shape customer perceptions (Chiu et al. 2018; Yum and Kim 2024). The dimensions of customer perceived value include several main aspects, including functional, emotional, social, and aesthetic (Miao et al. 2022). The functional dimension refers to the practical benefits obtained by customers, such as product quality, efficiency, and price that fits the budget (Matsuoka 2022; Paulose and Shakeel 2022). The emotional dimension relates to the feelings that the product evokes in the customer, such as a sense of satisfaction or happiness when using the product. The social dimension includes how the product or service can improve the customer's social status or be accepted by certain social groups (Rahayu et al. 2020). Finally, the aesthetic dimension touches on the visual and design aspects of the product that can attract attention and create visual satisfaction for customers. Each of these dimensions is interconnected and contributes to how customers assess the overall value of the product or service they use.

2.4. Relationships Between Variables

Digital marketing and customer retention have a close relationship in the context of marketing strategies that aim to retain customers (Alhider 2018). Digital marketing allows companies to reach customers more effectively and personally through various digital channels, such as social media, email, websites and apps (Saputro et al. 2020). Through digital marketing, companies can offer more relevant and targeted experiences for customers, which in turn increases their satisfaction and loyalty. Strategies such as personalized content delivery, exclusive offers, and direct interaction through social media can strengthen the relationship between companies and customers, reduce churn rates, and encourage

customers to stick with the product or service in the long run (Miao et al. 2022; Paulose and Shakeel 2022). Therefore, digital marketing plays an important role in increasing customer retention by creating a more connected and customized experience.

Customer perceived value (CPV) has a significant effect in strengthening the relationship between digital marketing and customer retention (Molinillo et al. 2021). When customers perceive high value in the product or service offered, they tend to be more loyal and more reluctant to move to competitors. Effective digital marketing can help strengthen customer perceived value by delivering clear messages about product benefits, providing the information needed, and touching various dimensions of value, whether functional, emotional, or social (Kungumapriya and Malarmathi 2018). Through social media and email marketing, companies can emphasize product quality, offer emotionally touching experiences, or introduce social communities that connect customers with brands. With increased customer perceived value, customers feel more valued and more motivated to continue interacting with the company, which ultimately increases customer retention.

2.5. Hypothesis Testing

Some of the hypotheses that will be tested in this study using the SEM model are:

1. H1: Digital marketing has a positive effect on customer retention.
2. H2: Digital marketing has a positive effect on customer perceived value.
3. H3: Customer perceived value has a positive effect on customer retention.
4. H4: Customer perceived value mediates the relationship between digital marketing and customer.

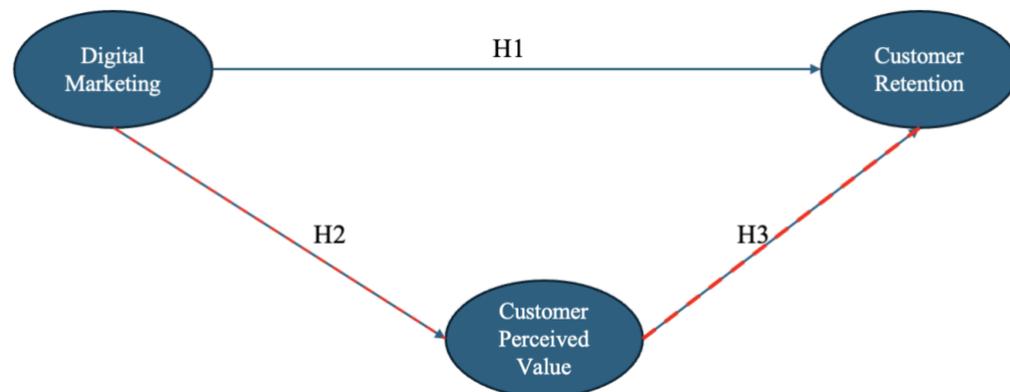


Figure 1. Conceptual Framework

3. RESEARCH METHOD

This research uses a quantitative design with a descriptive-explanatory approach that aims to analyze the effect of digital marketing on customer retention mediated by customer perceived value. The method used to analyze the data is Structural Equation Modeling (SEM), which will be carried out using SmartPLS. SEM allows researchers to explore the relationship between latent variables that cannot be measured directly (Priadana and Sunarsi 2021).

3.1. Research Population

The population in this study is all customers or users of digital services who live in Indragiri Hulu, Riau, which amounts to 462,220 people. This population includes individuals who have interactions with companies that use digital marketing for promotion and retaining customers, such as e-commerce,

mobile applications, or other digital platforms. The characteristics of the population that are expected to meet the research criteria include:

1. Age: 18-55 years old, corresponding to the age range that is most active in using technology and interacting with digital marketing.
2. Digital Platform Users: Individuals who have conducted transactions or interactions directly with the company through digital media (such as apps, websites, or online advertisements).

3.2. Research Sample

In this study, the sample will be selected using purposive sampling or random sampling method that considers the limitations of time, cost, and data accessibility. The sample taken from this population will be more focused on individuals who are exposed to digital marketing from the selected company. The following are the sample selection steps:

3.3. Sample Criteria

1. Digital Service Users: Respondents who have used services from companies that offer digital marketing (e-commerce, apps, or fintech).
2. Active in Interacting with Digital Platforms: Respondents who have interacted or made a purchase through digital media in the past 6 months.
3. Age: Respondents were between 18 and 55 years old.

Researchers use purposive random sampling techniques to select samples that match the predetermined criteria. Based on calculations using Slovin's Formula, the sample size required for a population of 462,220 with a 5% margin of error is around 400 respondents. Based on guidelines for quantitative research and SEM, the recommended sample size ranges from 200 to 300 respondents. In this case, the estimated sample size is 250 respondents (Machali 2021). This size is sufficient to provide reliable and valid results in SEM analysis, given the large and heterogeneous population.

3.4. Data Collection

Data collection in this study will be conducted through a questionnaire distributed to respondents using various digital platforms, such as email or online surveys, to ensure wider accessibility, particularly in Indragiri Hulu. This questionnaire consists of four main sections. The first section will include demographic questions, such as age, gender and education, to understand the profile of respondents. The second section will assess respondents' perceptions of digital marketing through questions about marketing strategies implemented by the company, such as online advertising, email marketing, and mobile applications. The third section focuses on customer perceived value, which measures the dimensions of value that customers feel towards a product or service, including product quality, price, and shopping experience. Finally, the fourth section will measure customer retention, which is the level of customer willingness to continue to buy, reuse products, or recommend the company to others. All statements in the questionnaire will use a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree) to obtain quantitative data regarding customer perceptions and loyalty to the implemented digital marketing.

3.5. Data Analysis and Hypothesis Testing

To test the research model and hypotheses proposed, this study use Structural Equation Modeling (SEM), which involves two stages of analysis, namely the Measurement Model and Structural Model. This analysis process is carried out using SmartPLS software. In the Measurement Model, the first step is to test the validity and reliability of the constructs (latent variables) used in the study. Convergent

validity is tested with Average Variance Extracted (AVE), which shows how much the latent variable can explain its indicator variable, with an expected AVE value of more than 0.5. Furthermore, construct reliability is measured by Composite Reliability (CR), which describes the internal consistency of the construct, with an expected CR value of more than 0.7 (Roosinda et al. 2021). In addition, discriminant validity is tested using the Fornell-Larcker Criterion and the Heterotrait-Monotrait Ratio (HTMT), which aims to ensure that different constructs are sufficiently separated from each other. Once the measurement model is valid, the analysis proceeds to the Structural Model, which is used to test hypotheses and relationships between variables in the model. The structural model analysis stage includes hypothesis testing, which is carried out by testing the significance of the path coefficients using a bootstrapping t-test with 5000 subsamples (Hanafi Azman Ong and Puteh 2017). In addition, the R-Square (R^2) test is used to measure how much the independent variable can explain the dependent variable and mediator. Finally, a mediation test is conducted using the Sobel Test or bootstrapping to test whether customer perceived value acts as a significant mediator in the relationship between digital marketing and customer retention.

The analysis process in this study was carried out through several systematic steps to ensure the accuracy and validity of the results obtained. The first step is questionnaire data validation and data normality test. The validation of the questionnaire data was carried out to ensure that the data obtained was valid and representative, while the normality test aimed to test whether the data distribution met the normality assumptions required for further statistical analysis. The second step includes confirmatory analysis, which is used to test the validity and reliability of the indicators used in the research model. This analysis will ensure that each indicator used to measure latent variables in this study truly describes the intended construct. Furthermore, the third step is the structural model test using SmartPLS, which includes hypothesis testing related to direct and indirect relationships between variables. At this stage, an analysis will be carried out to test how much influence between the variables studied, as well as the role of mediation that may exist. The fourth step is the interpretation of results and discussion, which will focus on the direct and mediating effects found in the research model. Here, the results will be thoroughly analyzed, discussing the relationship between digital marketing, customer perceived value, and customer retention, as well as the implications of the findings for theory and practice in marketing.

Table 1. Variables and Indicators

Variables	Indicator
Digital Marketing (DM)	<ol style="list-style-type: none"> 1. DM1- Use of online advertising (Google Ads, Facebook Ads) 2. DM2- Use of email marketing for 3. DM3- Marketing through social media (Instagram, Twitter) 4. DM4- Use of mobile applications for promotion
Customer Perceived Value (CPV)	<ol style="list-style-type: none"> 1. CPV1- Perceived product quality (functional and emotional) 2. CPV2- Perceived price (whether the product is perceived to be worth the price paid) 3. CPV3- Social value (the social influence of using the product) 4. CPV4- Customer satisfaction with the digital marketing experience
Customer Retention (CRM)	<ol style="list-style-type: none"> 1. CRM1- Frequency of repurchase of products or 2. CRM2- Willingness to continue using the product or service in the 3. CRM3- Recommendation of products or services to others 4. CRM4- The level of loyalty to the brand

4. RESULT AND DISCUSSION

4.1. Analysis Result

The purpose of this study is to analyze the effect of digital marketing on customer retention with the role of customer perceived value as a mediator, specifically in the Indragiri Hulu region, Riau. The

author analyzes the demographics of respondents to provide context for the responses given by respondents, as well as provide further insight related to market segmentation and its potential influence on customer loyalty in the digital marketing sector. The demographic information of the respondents has been taken from a total research sample of 250 individuals who have met the research criteria. This data provides basic information that will be used to further analyze the relationship between digital marketing, customer perceived value, and customer retention in the local context in Indragiri Hulu.

Table 2. Demographic Information of Respondents (N = 250)

Measurement	Item	Frequency	Percentage
Gender	Female	143	37.24
	Male	107	62.76
Age	18-25 years old	60	24.0
	26-35 years old	100	40.0
	36-55 years	90	36.0
Education	Diploma	50	20.0
	Bachelor	150	60.0
	PhD	10	4.0
	Teacher	40	16.0

Table 1 shows the demographic profile of the respondents in this study, which consists of 250 individuals. Based on the data recorded, most respondents were male, with 241 people or around 62.76%, while women amounted to 143 people or 37.24%. In terms of age, the 26-35 age group recorded the highest number of 100 people (40%), followed by the 36-55 age group which reached 90 people (36%), and the 18-25 age group with 60 people (24%). In terms of education, most respondents have a bachelor’s degree, with 150 people (60%), followed by 50 people (20%) who have a Diploma, and 40 people (16%) who work as Teachers. Only 10 people (4%) have a PhD degree.

Referring to quantitative research guidelines and the use of Structural Equation Modeling (SEM), the ideal sample size to provide valid and reliable results usually ranges from 200 to 300 respondents. In the context of this study, with an estimated sample size of 250 respondents, this size is considered sufficient to ensure that the results obtained will have a high level of accuracy and representation, given the large and diverse population (Rahman 2016). Smart PLS was used to evaluate the validity and reliability of the data through Partial Least Squares (PLS) analysis, which has been shown to be superior to other methods in this kind of analysis (Cordeiro et al., 2010). This evaluation process involves measurement using several indicators, namely Cronbach’s alpha, Composite Reliability (CR), and Average Variance Extracted (AVE), the results of which can be seen in Table 3.

Table 3. Measurement Model Validity and Reliability Assessment

Variables	Indicators	Outer Loading	Cronbach’s alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Customer Perceived Value	CPV1	0.896	0.891	0.893	0.932	0.821
	CPV3	0.900				
	CPV4	0.922				
Customer Retention	CRM1	0.861	0.870	0.879	0.911	0.720
	CRM2	0.805				
	CRM3	0.848				
	CRM4	0.878				
Digital Marketing	DM2	0.874	0.791	0.809	0.875	0.701
	DM3	0.813				
	DM4	0.823				

Table 3 presents the evaluation results regarding validity and reliability for the three main variables in this study, namely Customer Perceived Value (CPV), Customer Retention (CRM), and Digital Marketing (DM). Each variable was tested using different indicators, all of which showed excellent results in terms of measurement quality. For Customer Perceived Value, indicators such as CPV1, CPV3, and CPV4 have very high Outer Loading values of 0.896, 0.900, and 0.922, indicating a significant contribution to the construct. Cronbach's Alpha for CPV reached 0.891, which indicates excellent internal consistency, higher than the recommended 0.7 threshold. In addition, Composite Reliability (rho_a) of 0.893 and Composite Reliability (rho_c) of 0.932 further confirm the reliability of this construct. The Average Variance Extracted (AVE) for CPV is 0.821, which is greater than 0.5, indicating that this construct has excellent convergent validity. For Customer Retention, indicators CRM1, CRM2, CRM3, and CRM4 show Outer Loadings ranging from 0.805 to 0.878, which also contribute strongly to the construct. Cronbach's Alpha for CRM was 0.870, and Composite Reliability (rho_a) reached 0.879, with rho_c of 0.911, indicating excellent reliability. The AVE for CRM of 0.720 also confirmed the accepted convergent validity. Meanwhile, for Digital Marketing, indicators such as DM2, DM3, and DM4 have Outer Loadings values that range from 0.813 to 0.874, indicating that they contribute significantly to the measurement of this construct. Cronbach's Alpha for DM of 0.791 and Composite Reliability (rho_a) of 0.809 and rho_c of 0.875 indicate good reliability, while the AVE for DM of 0.701 ensures acceptable convergent validity. These results indicate that the three constructs in this research model have excellent reliability and validity, with all indicators and validity measures meeting the suggested criteria, so they can be relied upon to measure the relationship between digital marketing, customer perceived value, and customer retention. The results of the analysis of the measurement model of this study can be shown in Figure 2.

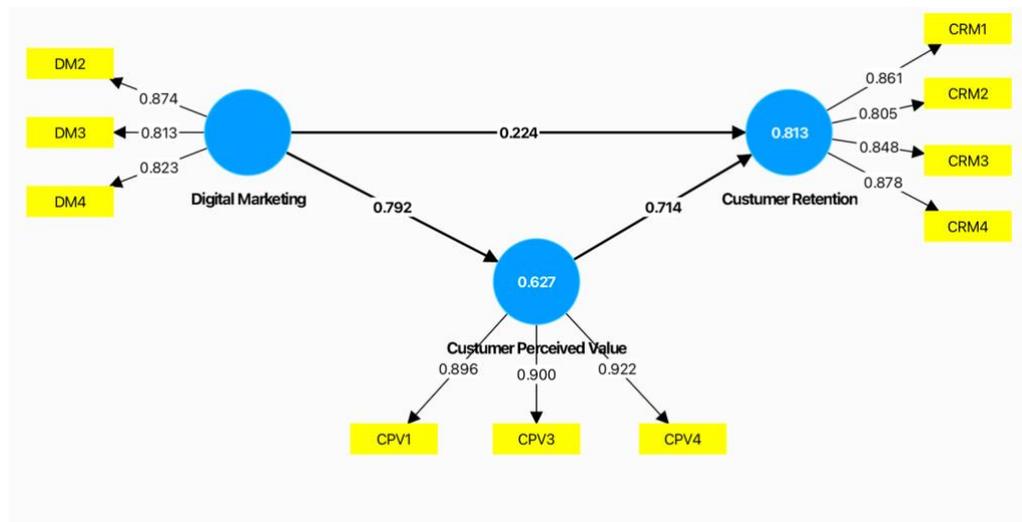


Figure 2. Measurement Model

Discriminant validity was tested in this study using the Fornell-Larcker criterion, which is a general method for ensuring that each construct in the measurement model can be significantly distinguished from other constructs (Carnevale et al. 2017). Discriminant validity is measured by comparing the average root of the variance extracted (AVE) for each construct with the correlation between constructs in the model. According to this criterion, for each construct, the root value of the AVE must be greater than the correlation value between that construct and other constructs in the model. The results of the discriminant validity test in this study can be seen in table 4.

Table 4. Discriminant Validity- Fornell Larcker Assessment

	Customer Perceived Value	Customer Retention	Digital Marketing
Customer Perceived Value	0.906	-	-

	Customer Perceived Value	Customer Retention	Digital Marketing
Customer Retention	0.891	0.849	-
Digital Marketing	0.792	0.789	0.837

Based on the Fornell-Larcker criteria for measuring discriminant validity, table 3 shows that the three constructs in this research model, Customer Perceived Value (CPV), Customer Retention (CRM), and Digital Marketing (DM), have good discriminant validity. Discriminant validity measures the extent to which each construct can be distinguished from other constructs, which is determined by comparing the Average Variance Extracted (AVE) value for each construct with the correlation value between constructs (Zakariah, Afriani, and Zakariah 2020). For Customer Perceived Value (CPV), the AVE value of 0.906 is greater than the correlation with Customer Retention (0.891) and Digital Marketing (0.792), which indicates that CPV has excellent discriminant validity. Similarly, Customer Retention (CRM) with an AVE value of 0.849 indicates that this construct has good discriminant validity, although the correlation between Customer Retention and Customer Perceived Value is slightly higher (0.891), the AVE value is still greater than the correlation between other constructs. Finally, Digital Marketing (DM) with an AVE value of 0.837 also meets the criteria for good discriminant validity, because its AVE value is greater than the correlation between Digital Marketing and Customer Perceived Value (0.792) and Customer Retention (0.789). These three constructs show that their AVE values are greater than the correlations between constructs, indicating that each construct is well differentiated and has sufficient discriminant validity.

Table 5. Assessment of Path Coefficient and t-values

Hypothesis	Relationship	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics	P values	Result
H1	Digital Marketing -> Customer Retention	0.224	0.230	0.084	2.657	0.008	Significant
H2	Digital Marketing -> Customer Perceived Value	0.792	0.796	0.053	14.951	0.000	Significant
H3	Customer Perceived Value -> Customer Retention	0.714	0.708	0.078	9.145	0.000	Significant

The results of hypothesis testing in this study, which include the relationship between Digital Marketing, Customer Perceived Value, and Customer Retention. The first hypothesis (H1) tests the effect of Digital Marketing on Customer Retention, with an original sample (O) value of 0.224. The T statistics value for this relationship is 2.657, which is greater than the 1.96 threshold, indicating that this relationship is statistically significant. In addition, the P value of 0.008, which is smaller than 0.05, further corroborates that the effect of Digital Marketing on Customer Retention is significant. The second hypothesis (H2) tested the relationship between Digital Marketing and Customer Perceived Value, with an original sample (O) value of 0.792. The results show a highly significant relationship, with a T statistic of 14.951, which is much greater than 1.96. The P value for this relationship is 0.000, which is also less than 0.05, indicating a very strong influence between Digital Marketing and Customer Perceived Value. The third hypothesis (H3) tested the effect of Customer Perceived Value on Customer Retention, with an original sample (O) value of 0.714. The T statistics value for this relationship is 9.145, which is much greater than 1.96, indicating a highly statistically significant relationship. With a P value of 0.000, which is smaller than 0.05, the relationship between Customer Perceived Value and

Customer Retention can be considered highly significant. The results of this analysis show that Digital Marketing not only has a direct influence on Customer Retention but also affects customer retention through increasing Customer Perceived Value, which strengthens the relationship between the two variables.

Table 6. Total Indirect Effect

Hypothesis	Relationship	Original sample	Sample mean	Standard deviation	T statistics	P values	Result
H4	Digital Marketing -> Customer Perceived Value -> Customer Retention	0.565	0.564	0.078	7.273	0.000	Significant

Hypothesis testing results for the indirect relationship, Digital Marketing -> Customer Perceived Value -> Customer Retention, which examines the indirect effect between Digital Marketing and Customer Retention through Customer Perceived Value as a mediator. The Original sample (O) value found is 0.565, indicating that Customer Perceived Value has a significant influence in connecting Digital Marketing with Customer Retention. The sample mean (M) value is 0.564, which shows consistency between the original value and the sample mean. With a Standard deviation (STDEV) value of 0.078, the variation detected between samples is relatively small, indicating good data stability. Furthermore, the high T statistics value of 7.273 far exceeds the threshold 1.96, indicating that the indirect effect is highly statistically significant. Coupled with the very small P value of 0.000, which is much lower than the 0.05 threshold, further confirms that the relationship between Digital Marketing, Customer Perceived Value, and Customer Retention is significant. Based on these results, it can be concluded that Customer Perceived Value acts as a strong mediator in the relationship between Digital Marketing and Customer Retention, which means that the effect of Digital Marketing on customer retention is strengthened by increasing the perceived value perceived by customers.

4.2. Discussion

This study examines the role of digital marketing in increasing customer retention by considering customer perceived value as a mediator that connects the two variables. In the growing digital era, companies are not only required to attract new customers, but also to maintain long-term relationships with existing customers. Digital marketing has proven to be a very effective tool in building strong relationships between companies and customers. With the development of various digital platforms such as social media, email, and online advertising, companies can now reach a wider audience and interact directly with their customers. One of the main strengths of digital marketing lies in its ability to provide a more personalized experience for customers. Loyalty programs, special discounts, and personalized product recommendations are some of the strategies that can increase customer perceived value. The higher the value perceived by customers, the more likely they are to remain loyal to the brand and interact further with the products or services offered. Therefore, digital marketing is not just about attracting the attention of new customers, but also about maintaining long-term relationships with existing customers, which in turn contributes to increased customer retention. Previous research also shows that digital marketing plays an important role in building customer loyalty through the right digital-based marketing strategy. For example, a study on the influence of digital marketing on Go-Jek's customer satisfaction and loyalty in Indonesia found that the use of digital platforms greatly influenced customer satisfaction, which led to increased customer loyalty and retention (Siswadi et al. 2023). This research supports the finding that digital marketing not only serves to attract new customers but also retain existing customers through a more personalized and relevant customer experience.

Customer perceived value (CPV) serves as a mediator that connects the influence of digital marketing on customer retention. The value perceived by customers towards a product or service is influenced by many factors, such as product quality, the price paid, and the experience gained when

interacting with the brand. In the context of this research, customer perceived value has a very important role because the higher the value perceived by customers, the more likely they are to remain loyal and even recommend the brand to others. This suggests that companies need to focus on increasing customer perceived value through a more personalized and relevant approach in their communications and interactions with customers. For example, marketing campaigns that target values that are important to customers, such as quality, convenience, or the emotional aspects of products, can strengthen customer loyalty and retention. Other research also confirms that customer perceived value acts as a very important mediator in the relationship between marketing strategies and customer loyalty. For example, research in the online entertainment industry shows that customer perceived value plays a role in linking customer experience quality and satisfaction, which in turn increases their loyalty to the brand (Yum and Kim 2024). In this case, focusing on increasing perceived value through relevant marketing is essential to maintaining a strong relationship with customers. While digital marketing offers various opportunities to expand markets and improve customer retention, challenges remain, especially in non-urban areas such as Indragiri Hulu. While internet penetration in Indonesia, including in the region, continues to increase, companies are still faced with a wide diversity of customer preferences as well as limited access to technology. Therefore, this research highlights the importance of adapting digital marketing strategies to the local context to achieve optimal results. For example, in areas with limited access to technology or low digital literacy, companies may need to simplify their approach or use platforms that are more accessible to local customers. This also includes selecting the most relevant media and the effectiveness of using mobile apps or websites to reach a wider audience and understand the preferences and habits of local customers.

A further study analyzed the effect of e-marketing on customer loyalty reinforced by customer perceived value, focusing on how product quality and good service are optimized through digital marketing strategies (Alkufahy et al. 2023). This shows the importance of developing digital marketing strategies tailored to the characteristics of non-urban areas to improve customer retention, despite technological limitations. The findings of this study have very important implications for marketing practices in Indonesia. Companies need to develop a more mature and integrated digital marketing strategy, with a focus on increasing customer perceived value. This will enable companies to create better, relevant and satisfying shopping experiences for customers. By understanding customer needs and preferences, companies can increase their customer loyalty and retention. As explained by (Liao et al. 2024), higher customer engagement through personalized experiences will significantly increase customer retention. Thus, this research not only enriches the understanding of the role of digital marketing in improving customer retention but also provides practical insights for companies to design more effective and locally appropriate marketing strategies, to increase customer loyalty in a sustainable manner.

5. CONCLUSION

Based on research conducted on the role of digital marketing in shaping customer retention, it can be concluded that digital marketing has a significant role in improving customer retention. The results of the analysis show that there is a strong and significant relationship between digital marketing and customer retention, with the P value showing significance below 0.05, which confirms that the digital marketing strategy implemented by the company can directly affect the level of customer retention. In addition, this study also highlights the importance of the role of customer perceived value as a strong mediator in the relationship between digital marketing and customer retention. The value perceived by customers for the products or services offered through digital marketing strategies greatly influences their decision to remain loyal to the brand, which suggests that companies need to pay attention to and increase the perceived value of customers to retain them. This research also emphasizes the importance of adapting digital marketing strategies to the local context, especially in non-urban areas such as Indragiri Hulu. By understanding the preferences and needs of customers in these regions, companies can design more effective and relevant strategies to increase customer loyalty. This shows that companies that want to be successful in increasing customer retention must adapt their approach to

local conditions and customer habits in each region. The findings from this study provide practical insights for companies to develop a more integrated digital marketing strategy that focuses on increasing customer perceived value. By doing so, companies can create a better and more relevant shopping experience, which in turn will sustainably increase customer retention. This research confirms that digital marketing is not only a tool to attract new customers, but also an important strategy to retain existing customers. Through increasing customer perceived value, companies can strengthen customer loyalty and ensure long-term profitable relationships, which is essential in an increasingly competitive business environment.

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