THE EFFECT OF DIGITAL MARKETING AND CUSTOMER SATISFACTION ON COMPANY IMAGE AND ITS IMPACT ON CUSTOMER LOYALTY LOCAL WATER SUPPLY UTILITY SEMARANG REGENCY

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ABSTRACT

Water, as a vital element needed by all living entities, including humans, is an irreplaceable staple in today's global ecosystem. Its presence has a crucial role in maintaining human survival. As a result, the responsibility for overall water management falls on the government as the main regulator in this regard. The basis for this research is due to the research gap and to strengthen theories about digital marketing on customer satisfaction and digital marketing and customer satisfaction on company image. The research method used is "explanatory research" which highlights the influence between research factors, through hypothesis testing. Researchers distributed 180 questionnaires to 180 respondents from the draw. One hundred and thirty questionnaires were then examined for completeness until it showed that only 151 questionnaires had data suitable for use for research. The results showed that by increasing PDAM customer loyalty, an appropriate marketing method is needed using digital marketing methods. Customer loyalty is built on two variables, namely customer satisfaction and company image. The increasing number of customer complaints shows a decrease in the level of customer satisfaction of PDAM Semarang Regency. Efforts to reduce customer complaints are carried out through communication with customers.

Keywords: Digital Marketing; Customer Satisfaction; Company Image; Customer Loyalty; Local Water Supply Utility

INTRODUCTION

Water, as a vital element needed by all living entities, including humans, is an irreplaceable staple in today's global ecosystem. Its presence has a crucial role in maintaining human survival. As a result, the responsibility for overall water management falls on the government as the main regulator in this regard. In line with Article 33 paragraph (3) of the 1945 Constitution, which states that "Earth and water and the natural resources contained therein are controlled by the state and used for the greatest prosperity of the people" (Gunawan, Pakendek, & Heryanti, 2023). According to Article 10 of Law No. 22 of 1999 concerning "Regional Government, regions have the authority to manage natural resources in their areas and are responsible for maintaining their sustainability in accordance with laws and regulations". In order to divide the government's duties in the public works sector to the regions, the Regional Government is responsible for the provision of drinking water services. The implementation is then handed over to the Regional Water Supply Company (PDAM) through regional regulations (Miranti, 2022).

In this situation, it is hoped that PDAM Semarang Regency, as one of the BUMDs, can be of great benefit. It should be noted that "only companies that have a globally competitive advantage are able to meet customer needs well and produce quality products at an efficient cost" according to Mulyadi, (2001) in (Junita, 2017). This shows that high PDAM performance is needed so that customer loyalty can continue to increase. In the past decade, many customers in the Ambarawa area easily cut ties with PDAMs because they had an alternative source of water, namely wells. Facing such geographical conditions, it is a challenge for PDAM Semarang Regency to maintain customer loyalty through meeting customer needs for smooth, quality and sufficient flow, as well as good communication through socialization and education on the use of healthier drinking water using PDAM.

Siat (1997) states that customer loyalty is a key for companies to success in business competition, loyal customers are satisfied customers. Based on the statement above, it appears that PDAM customer satisfaction is one of the indicators of the company's success in the field.
of clean water supply services. But over time, consumer complaints managed by the Customer Service Section actually increased in the number and variety of problems. The number of customer complaints is increasing, which indicates a problem and needs to get a solution by a service provider, in this case PDAM Semarang Regency. In other words, customer dissatisfaction in the services received has an impact on the increasing number of customer complaints against PDAM.

Company image is also one of the factors that affect the level of customer loyalty. It is easy for a company to build customer loyalty, if the company has a good image. Research (Hu, 2009) states that "The image of the company has a positive effect on behavioral intentions or loyalty". Research (Lai, 2009) and (III, 2004) states that "Company image has a significant effect on customer loyalty". The image of the company is another element that affects client loyalty. If a company has a positive reputation, gaining customer loyalty is relatively easy. According to research (Hu, 2009), corporate image has a beneficial impact on customer loyalty or behavioral intent. According to research (Lai, 2009) and (III, 2004), company image has a great influence on how loyal customers are (Kim, Yin, & Lee, 2020).

According to Kotler (2012), image is a collection of assumptions, opinions, and impressions that a person has about a particular thing. Sofiati (2017) explains an image has four components: reputation, recognition, affinity, and brand loyalty. Referring to the previous explanation, the increasing number of customer complaints shows a decrease in the level of customer satisfaction of PDAM Semarang Regency (Palimbo, Sukamto, & Susanti, 2017). Efforts to minimize customer complaints are carried out by opening communication to customers. Communication to customers can be interactive such as by providing information, criticism and suggestions to PDAM Semarang Regency, one of which is through digital marketing (Budi et al., 2016). Digital marketing is an initiative to make goods or services more widely known by the public by using online channels including social media, websites, YouTube, and e-commerce (Yadav & Rahman, 2017). A system known as "digital marketing" has been integrated into the marketing world in the digital era (for example in 2020). People can easily and quickly access all kinds of information in the digital age (Fitriana, 2019).

The basis for this conducting is due to the research gap and to strengthen theories about digital marketing on customer satisfaction and digital marketing and customer satisfaction on company image. According to research findings (Fadhli & Pratiwi, 2021) digital marketing do not have a clear influence on variables relate to costumer happiness (Chen et al., 2022; McLean & Wilson, 2019). According to (Afrilia, 2018), Socialmedia is the most accessible method of digital marketing campaigns to use to increase the number of consumers. Digital marketing is one aspect that according to research Putri et al., (2018) can increase brand equity of tourism products.

In addition, there are four factors that are very important when doing online promotion, and any ICT-based marketing must pay attention to Content, Trust, Price, and Product (Rewah, 2018). These four factors interact with each other and cannot be supported by ICT-based promotion on Facebook, Twitter, and Instagram itself. Therefore, young business people must balance these four factors (Olugbola, 2017).

Thus, it is expected that the problems faced by customers will immediately get solutions, which are then followed up with improvements that lead to customer satisfaction. However, the effectiveness of using digital marketing through social media to boost customer satisfaction, in fact, needs to be studied more deeply. This became the basis for the birth of the following problem formulation: "How to increase customer loyalty of Semarang Regency Drinking Water Regional Company"

**RESEARCH METHOD**

*Types of research*

The research method used is "explanatory research" which highlights the influence between research factors through hypothesis testing. Although the description includes a
description, the emphasis is on the influence between variables. Research questionnaire as an instrument used to collect responses from respondents given to research participants, especially PDAM Semarang Regency customers. The questionnaire measures customer loyalty, digital marketing, and PDAM satisfaction and image (Afifah & Asnan, 2015).

Population and sample
Semarang Regency PDAM customers totaling 51,467 in total (December 2020) are the population for this study. In practice, sampling is first carried out by giving serial numbers to the entire population of PDAM customer dial numbers, then drawing lots on the serial numbers until 100 respondents are reached. The draw is carried out using Lottery 5.0 software. Researchers distributed 180 questionnaires to 180 respondents from the lottery. One hundred and thirty questionnaires were then examined for completeness to show that only 151 questionnaires had data suitable for use for research (Calearo, Marinelli, & Ziras, 2021).

Data collection
A methodical approach can be used to collect statistical data. Data collection aims to capture the events or traits of some or all of the population constituents. Questionnaires with closed and open questions/statements were used in this study to collect data, where respondents were given a list of questions and asked to provide answers or answers that were already known. Closed questionnaire items were graded on a scale of 1 to 7 to collect interval data (Pérez-Sanagustín, Muñoz-Merino, Alario-Hoyos, Soldani, & Kloos, 2015).

Analysis Methods
Data analysis in this study will use structural equation modeling (SEM). SEM was chosen as a data analysis technique because the model in this study is structural and not a direct influence but there is also an indirect influence involving intervening variables. The SEM approach method in this study is to use AMOS (Jain & Raj, 2016).

Validity in Confirmatory Factor Analysis (CFA) is done by analyzing statistical forms and overall variable models. The statistical model will look at the probability value \( p < 0.05 \) for the validity of each indicator and the validity of the discriminant is done by examining the fit model for each variable, the model fit indicator if more than 4 indicators are fit (Hair et al., 2014).

The calculation of the reliability of each variable is carried out using the following formula (Hair et al., 2014):

\[
\rho = \frac{(\sum \lambda)^2}{(\sum \lambda)^2 + \sum(\hat{\sigma})}
\]

Information:
- \( \rho \) = composite reliability
- \( \lambda \) = loading indicator
- \( \hat{\sigma} \) = standar error

When the reliability value obtained exceeds 0.6 \( (\rho > 0.6) \) then the variable is declared reliable.

RESULT AND DISCUSSION
At the beginning of the analysis of the SEM model, it is necessary to test the measurement model to avoid complex models that cannot be described. Measurement model testing is performed on each latent variable using confirmatory factor analysis (Bentler & Chou, 1987).

Exogenous Variable Construct
The construct of exogenous variables is formed on one latent variable, namely digital marketing with a total of 4 indicators. In accordance with the feasibility results of the
exogenous construct model that has been tested, Probability (P) produces a value above the significance of $\geq 0.05$, which is 0.115, so it is declared fit. CMIN/DF is in the good category with a resulting output of 1.947 where the classification is met with a value of $\leq 2.0$. GFI has a good value where at a signification value of $\geq 0.90$ the processed data produces an output of 0.986 (Singla, Ahuja, & Sethi, 2018). The AGFI criteria show the results of the fit evaluation with a value of 0.928; where it is below with a value classification of $\geq 0.90$. NFI and IFI have values of 0.988 and 0.984 respectively; with a value that meets both $\geq 0.90$. Likewise, CFI and TLI, each showed good evaluation results with sequential values of 0.984 and 0.981 which were in accordance with their respective classifications of $\geq 0.95$. Finally, RMSEA produces good output with a value of 0.068 with an expected classification of $\leq 0.08$. So it can be concluded that the results of the Goodness-of-fit test analysis of exogenous construct confirmatory factors have good average results (Haruna, 2014).

**Endogenous Variable Constructs**

Endogenous variable constructs are formed on three latent variables, namely customer satisfaction, company image and customer loyalty with a total of 13 indicators (Askariazad & Babakhani, 2015). Based on the results of the feasibility of the endogenous construct model that has been tested, probability (P) produces a marginal value where at a signification value of $\geq 0.05$ the processed data produces an output of 0.015. CMIN/DF produces a good value with a resulting output of 1.502; The value has been classified as $\leq 2.0$. GFI has a good value where at a signification value of $\geq 0.90$ the processed data produces an output of 0.932. The AGFI criteria showed good evaluation results with a value of 0.869; where it does not match the respective classification of $\geq 0.90$. TLI and CFI each showed good evaluation results with sequential values of 0.976 and 0.986 where it was stated to have been in accordance with the respective classification of $\geq 0.95$. Likewise, NFI and IFI are declared good with values of 0.959 and 0.986 respectively because they are classified $\geq 0.90$. Lastly on RMSEA produced a good output of 0.058 with an expected classification of $\leq 0.08$; then it can be concluded that the results of the Goodness-of-fit test of exogenous construct confirmatory factor analysis have good average results.

**SEM Model Full Analysis**

SEM (Structural Equation Modeling) was used to process the data in this study. SEM analysis measures the presence or absence of influence and the degree of relationship of factors that are subsequently identified indicators. Hypothesis testing is based on the value of *critical ratio* and significant level of *regression weight*, seen from the value of $c.r. \geq 1.96$ and significant $\leq \alpha = 0.05$. The statement indicates that the conditions of the hypothesis are accepted.

1. Test Hypothesis 1 (The Relationship of Digital Marketing with Customer Satisfaction)

Based on the test results, obtained C.R. *Digital marketing* to customer satisfaction amounted to 12,477. This value has qualified $> 1.96$ with sig. 0.000 $< 0.05$; so it is concluded that hypothesis 1 which states *Digital marketing* has an effect on customer satisfaction is accepted.

2. Test Hypothesis 2 (The Relationship of Digital Marketing with Company Image)

Based on the test results, obtained C.R. *Digital marketing* to the company's image amounted to 5,027. This value has qualified $> 1.96$ with sig. 0.000 $< 0.05$; so it is concluded that hypothesis 2 which states *Digital marketing* affects the company's image is accepted.

3. Test Hypothesis 3 (Relationship of Customer Satisfaction with Company Image)

Based on the test results, C.R. customer satisfaction with the company's image was obtained at 2,051. This value has qualified $> 1.96$ with sig. 0.040 $< 0.05$; so it is concluded
that hypothesis 3 which states customer satisfaction affects the company's image is accepted.

4. Test Hypothesis 4 (Relationship of Customer Satisfaction with Customer Loyalty)
   Based on the test results, C.R. customer satisfaction with customer loyalty was 3.071. This value has qualified > 1.96 with sig. 0.002 < 0.05; so it is concluded that hypothesis 4 which states customer satisfaction has an effect on customer loyalty is accepted.

5. Test Hypothesis 5 (The Relationship of Company Image with Customer Loyalty)
   Based on the test results, C.R. obtained company image to customer loyalty of 2.042. This value has qualified > 1.96 with sig. 0.041 < 0.05; so it is concluded that hypothesis 5 which states the company's image has an effect on customer loyalty is accepted.

Indirect Effects Analysis
   The strength of influence between variables is indirectly demonstrated through indirect analysis (Najaf et al., 2018). Intervening variables arise due to indirect influences. In this study, corporate image connects digital marketing, customer satisfaction, perceived behavioral control, and consumer company image with customer loyalty.

Indirect Value

<table>
<thead>
<tr>
<th>Variable Relationships</th>
<th>Digital marketing on customer loyalty</th>
<th>Customer satisfaction towards customer loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect</td>
<td>0.913</td>
<td>0.108</td>
</tr>
</tbody>
</table>

Source: Processed primary data, 2023

Based on the test results, there is an intersection between digital marketing and customer loyalty. There is an indirect relationship between digital marketing and customer loyalty through company image and customer satisfaction of 0.913. Based on the test results, there is an intersection between customer satisfaction and customer loyalty. There is an indirect relationship from customer satisfaction to customer loyalty through company image 0.108. From these results it is known that there is an indirect relationship between the independent variable (digital marketing) and the dependent variable (customer loyalty). These results prove that customer satisfaction and company image mediate the influence of digital marketing on customer loyalty to continue subscribing to PDAM Tirta Moedal Semarang.

Discussion

The Effect of Digital Marketing on Customer Satisfaction
   Based on the test results in this study, it was concluded that digital marketing has a positive and significant influence on customer satisfaction (Lucyantoro & Rachmansyah, 2017). Digital marketing has a significant impact on the level of customer satisfaction because it can offer various additional benefits to consumers, such as information and online transactions (Ling et al., 2016) provided by PDAM, in addition to the same fundamental advantages as other types of marketing. In this situation, it is very appropriate to advertise goods through digital marketing because of the development of the era where the internet has integrated with people's lives so that customers can also get product information offered by PDAM in the form of social networks (Purwana et al., 2017).
The Effect of Digital Marketing on Company Image

Based on the test results in this study, it was concluded that digital marketing has a positive and significant influence on the Company's image (Laksana & Dharmayanti, 2018). According to Chambers (2008), buying intangible goods and services has a higher level of risk, making consumers increasingly dependent on personal recommendations and online word of mouth. Digital marketing can help companies to increase brand awareness. Digital marketing platforms such as social media and search engines can help companies to reach a large audience and increase brand awareness (Astuti et al., 2020).

The Effect of Customer Satisfaction on Company Image

Based on the test results of this study, customer satisfaction variables have a positive and significant influence on the company's image. Research conducted by Hui (2009) and Lai (2009) in (Kadarisman & Ariyani, 2021) highlights the importance of service quality in influencing customer satisfaction levels and company image. The quality of services provided by a company or organization can be a critical factor in shaping a customer's perception and assessment of the company as a whole. Good service quality contributes to the improvement of the company's image, while high customer satisfaction enhances the Company's reputation (Prabowo, 2018).

The Effect of Customer Satisfaction on Customer Loyalty

The results of this research test state, customer satisfaction variables have a positive and significant influence on customer loyalty variables. The main condition that must be met is satisfaction (Supriyanto et al., 2021). Consumer satisfaction has a significant influence on consumer loyalty. Satisfied customers are more likely to buy back a company, recommend the company to others, and forgive mistakes. Conversely, dissatisfied customers tend to turn to competitors, spread negative word of mouth, and forgive mistakes less. Satisfied customers feel valued and respected. When customers are satisfied with a company's product or service, they feel valued and respected. This makes them more likely to continue doing business with the company. Satisfied customers have a positive emotional connection with the Company (Pradiani, 2018).

The Effect of Company Image on Customer Loyalty

The results of this research test state, the company image variable has a positive and significant influence on customer loyalty variables (Wai Lai, 2019). Business image positively influences consumer loyalty or behavioral intentions. The company's image has a significant influence on customer loyalty (Yu et al., 2021). Customers are more likely to be loyal to companies that have a positive image of them. A positive company image can be created through several factors, customers tend to be more loyal to companies that provide high-quality products and services (Iman, 2010). Customers are more likely to be loyal to companies that provide excellent customer service. Customers are more likely to be loyal to companies with strong brand reputations (Ridho, 2013).

CONCLUSION

The conclusions that can be drawn according to the results of the research and discussion are as follows: H1: Digital marketing has a significant effect on customer satisfaction. From the results of data processing, the values of CR (Critical Ratio) and P (Probability) for the relationship between variables from digital marketing to customer satisfaction show qualified results. Thus it can be concluded that hypothesis 1 of the study is accepted. H2: Digital marketing has a significant effect on the company's image. From the
results of data processing, the values of CR (Critical Ratio) and P (Probability) for the relationship between variables from digital marketing to the company's image show qualified results. Therefore it can be concluded that hypothesis 2 of the study is accepted. **H3: Customer satisfaction has a significant effect on the company's image.** From the results of data processing, the values of CR (Critical Ratio) and P (Probability) for the relationship between variables from customer satisfaction to company image show qualified results. Thus it can be concluded that hypothesis 3 research from this is accepted. **H4: Customer satisfaction has a significant effect on customer loyalty.** From the results of data processing, the values of CR (Critical Ratio) and P (Probability) for the relationship between variables from customer satisfaction to customer loyalty show qualified results. Thus it can be concluded that hypothesis 4 of this study is accepted. **H5: Company image has a significant effect on customer loyalty.** From the results of data processing, the values of CR (Critical Ratio) and P (Probability) for the relationship between variables from company image to customer loyalty show qualified results. Thus it can be concluded that hypothesis 5 of this study is accepted.

Based on these conclusions, in increasing PDAM customer loyalty, an appropriate marketing method is needed using digital marketing methods. Customer loyalty is built on two variables, namely customer satisfaction and company image. The increasing number of customer complaints shows a decrease in the level of customer satisfaction of PDAM Semarang Regency.

**REFERENCES**


