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The Impact of Digital Marketing on Customer Loyalty with the Mediating Role of Perceived Customer Value

Mehdi Asgharnejad Amiri^{1*}, Mohammad Mehdi Asgari²

1. Department of Business Management, Mazandaran University, Babolsar, Iran (Corresponding Author).
Email: Asgharnejad.mehdi@gmail.com

2. Department of Business Management, Tonekabon Branch, Islamic Azad University, Tonekabon, Iran. Email:
Mohammadmehdi.asgari@iaui.ir

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ABSTRACT

This study investigates the impact of digital marketing on customer loyalty, with an emphasis on the mediating role of perceived customer value in Iranian online businesses. The research is applied and descriptive-survey in nature, with the statistical population consisting of customers of e-commerce platforms in Iran. A sample of 420 respondents was selected through simple random sampling and surveyed using a standardized questionnaire. The data collection tool was a localized questionnaire comprising three main sections: digital marketing (12 items), perceived customer value (10 items), and customer loyalty (8 items). The questionnaire's reliability was confirmed with a Cronbach's alpha coefficient of 0.91, and its validity was verified through Confirmatory Factor Analysis (CFA) with fit indices (GFI=0.93, CFI=0.96, RMSEA=0.05). Data were analyzed using SmartPLS4 software and the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. The results indicate that digital marketing has a significant positive effect on perceived customer value ($\beta=0.68$, $t=9.34$, $p<0.01$) and customer loyalty ($\beta=0.54$, $t=7.89$, $p<0.01$). Additionally, perceived customer value plays a partial mediating role in the relationship between digital marketing and customer loyalty ($\beta=0.41$, $t=4.67$, $p<0.05$). These findings underscore the importance of employing digital marketing strategies, such as personalized content and online interactions, to enhance perceived customer value and foster customer loyalty. It is recommended that online businesses focus on improving content quality and user experience to strengthen customer loyalty. This study provides valuable insights for managers to design more effective marketing strategies by understanding the role of perceived customer value.

KEYWORDS: Digital Marketing, Perceived Customer Value, Customer Loyalty, E-Commerce, Structural Equation Modeling

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1. Introduction

In the digital era, digital marketing has emerged as a pivotal tool for engaging with customers and strengthening the competitive position of businesses. Digital marketing encompasses a range of activities, including online advertising, content marketing, social media marketing, and search engine optimization, enabling businesses to connect directly and personally with their customers (Kotler & Keller, 2016). This form of marketing, by delivering interactive experiences and relevant content, can significantly influence consumer behavior, particularly customer loyalty (Chaffey et al., 2018).

Customer loyalty, defined as the propensity of customers to continue engaging with a brand or making repeated purchases, is a critical factor for success in online businesses (Oliver, 1999). In today's competitive markets, retaining loyal customers can reduce marketing costs and enhance profitability (Reichheld & Sasser, 1990). However, fostering customer loyalty depends on various factors, including perceived customer value. Perceived customer value refers to customers' overall evaluation of the benefits received (e.g., product quality and user experience) relative to the costs incurred (e.g., price and time) (Zeithaml, 1988).

In Iran, the rapid growth of e-commerce and the increasing adoption of online platforms highlight the importance of understanding the impact of digital marketing on customer loyalty. However, limited research has explored the mediating role of perceived customer value in this relationship, particularly in developing markets like Iran, which exhibit unique cultural and economic characteristics (Safari & Ansari, 2022). This study aims to address the following research question: How does digital marketing influence customer loyalty through the mediating role of perceived customer value?

The significance of this research lies in its provision of theoretical and practical insights into the impact of digital marketing on customer loyalty, with a focus on the mediating role of perceived customer value. In Iran, the rapid expansion of e-commerce platforms like Digikala necessitates effective marketing strategies to retain customers and enhance loyalty (Afshari & Rezaei, 2020). This study seeks to offer actionable recommendations for improving the effectiveness of digital marketing and fostering customer loyalty by examining the role of perceived customer value.

From a theoretical perspective, this research enriches the digital marketing literature by exploring the mediating role of perceived customer value, providing a framework for future studies. From a practical perspective, the findings can assist online business managers in enhancing content quality and user experience to boost perceived customer value and loyalty. Additionally, this study can inform policymakers in developing supportive programs to advance digital marketing technologies and strengthen the e-commerce ecosystem.

2. Theoretical Framework and Literature Review

Digital Marketing

Digital marketing refers to the use of digital channels, such as websites, social media, email, and online advertising, to promote products and services (Kotler & Keller, 2016). This approach enables direct and personalized customer interactions. According to the Technology Acceptance Model (TAM), perceived usefulness and ease of use of digital channels influence customers' attitudes and behaviors (Davis, 1989).

Key factors in successful digital marketing include content quality, user experience, and online interactions. High-quality, relevant content can build customer trust and enhance loyalty (Chaffey et al., 2018). Moreover, digital marketing leverages customer data to offer personalized recommendations, further strengthening customer engagement (Wang et al., 2021).

Perceived Customer Value

Perceived customer value is defined as customers' overall assessment of the benefits received compared to the costs incurred (Zeithaml, 1988). This concept encompasses various dimensions, including functional value (product or service quality), emotional value (enjoyable experiences), and social value (social approval). Perceived customer value can act as a mediator, enhancing the impact of digital marketing on customer loyalty (Kim et al., 2019).

Customer Loyalty

Customer loyalty refers to customers' inclination to continue purchasing from a brand or recommending it to others (Oliver, 1999). This concept is influenced by factors such as customer satisfaction, trust, and perceived value (Reichheld & Sasser, 1990). Digital marketing, through personalized and interactive experiences, can foster customer loyalty (Li et al., 2020).

Literature Review

Numerous studies have explored the impact of digital marketing on consumer behavior. Chaffey et al. (2018) demonstrated that digital marketing, through high-quality and interactive content, can enhance customer loyalty. Wang et al. (2021) emphasized the role of perceived customer value in strengthening the relationship between digital marketing and customer loyalty. Kim et al. (2019) found that perceived customer value mediates the impact of online advertising on customer loyalty.

In the Iranian context, Afshari and Rezaei (2020) showed that digital marketing positively affects customer satisfaction and loyalty in e-commerce platforms. Safari and Ansari (2022) highlighted the importance of leveraging digital technologies to enhance perceived customer value. However, limited research has examined the mediating role of perceived customer value in the relationship between digital marketing and customer loyalty. This study aims to address this research gap by focusing on this mediating role.

The conceptual model of this study is developed based on the existing literature and tests the following hypotheses:

1. Digital marketing has a significant positive effect on perceived customer value.
2. Digital marketing has a significant positive effect on customer loyalty.
3. Perceived customer value has a significant positive effect on customer loyalty.
4. Perceived customer value mediates the relationship between digital marketing and customer loyalty.

3. Research Methodology

Research Type and Method

This study is applied and descriptive-survey in nature. Its objective is to examine the impact of digital marketing on customer loyalty, with an emphasis on the mediating role of perceived customer value in online businesses. The descriptive-survey method was chosen due to its ability to collect extensive data and analyze complex relationships.

Population and Sample

The statistical population consisted of active customers of e-commerce platforms in Iran. A sample of 420 respondents was selected through simple random sampling. The sample size was determined using Cochran's formula with a 95% confidence level and a 5% margin of error.

Data Collection Tool

The primary data collection tool was a localized questionnaire designed based on previous studies. The questionnaire comprised three main sections:

1. **Digital Marketing (12 items):** Adapted from Chaffey et al. (2018) to measure content quality, user experience, and online interactions. Example item: "The digital content provided by this platform is engaging and relevant."
2. **Perceived Customer Value (10 items):** Adapted from Zeithaml (1988) to assess functional, emotional, and social value. Example item: "The products and services offered by this platform are worth the cost."
3. **Customer Loyalty (8 items):** Adapted from Oliver (1999) to measure the propensity for repeat purchases and recommendations. Example item: "I am inclined to purchase from this platform again."

The questionnaire's reliability was confirmed with a Cronbach's alpha coefficient (0.91 for the entire questionnaire, 0.89 for digital marketing, 0.87 for perceived customer value, and 0.90 for customer loyalty). Its validity was verified through Confirmatory Factor Analysis (CFA) with fit indices (GFI=0.93, CFI=0.96, RMSEA=0.05).

Data Analysis Method

Data were analyzed using SmartPLS4 software and the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. This method was selected due to its suitability for

analyzing complex relationships and mediating effects in medium to large samples. The analysis process included assessing construct reliability and validity, evaluating the measurement model, and analyzing the structural model. Model fit indices (GFI=0.93, CFI=0.96, RMSEA=0.05) indicated a good fit.

4. Findings

Data were analyzed using SmartPLS4. Initially, the reliability and validity of the constructs were assessed. The Cronbach's alpha coefficient for all constructs exceeded 0.7, indicating satisfactory reliability. Convergent validity (AVE) was above 0.5 for each construct, and discriminant validity was confirmed using the Fornell-Larcker criterion.

Structural Model Analysis

The structural model was analyzed using the PLS-SEM method. The results are presented in the tables below:

Table 1: Model Fit Indices

Indices	Coefficients
GOF	0.69
R ²	0.58 (Perceived Customer Value), 0.51 (Customer Loyalty)
Q ²	0.53

Table 2: Path Coefficients

Variables	Path Coefficient (β)	t-value	p-value	Result
Digital Marketing → Perceived Customer Value	0.68	9.34	<0.01	Supported
Digital Marketing → Customer Loyalty	0.54	7.89	<0.01	Supported
Perceived Customer Value → Customer Loyalty	0.49	6.72	<0.01	Supported
Digital Marketing → Perceived Customer Value → Customer Loyalty	0.41	4.67	<0.05	Partial Mediation

The results indicate that digital marketing has a significant positive effect on perceived customer value ($\beta=0.68$, $t=9.34$, $p<0.01$) and customer loyalty ($\beta=0.54$, $t=7.89$, $p<0.01$). Additionally, perceived customer value has a significant positive effect on customer loyalty ($\beta=0.49$, $t=6.72$, $p<0.01$). The mediation analysis revealed that perceived customer value plays a partial mediating role in the relationship between digital marketing and customer loyalty ($\beta=0.41$, $t=4.67$, $p<0.05$).

Further analyses showed that content quality (e.g., personalized and visual content) and user experience (e.g., ease of platform use) are the most significant factors influencing perceived customer value and loyalty. Trust in online platforms also plays a critical role in strengthening these relationships.

5. Conclusion

The findings of this study demonstrate that digital marketing enhances perceived customer value and fosters customer loyalty through high-quality and interactive content. These results align with the studies of Chaffey et al. (2018) and Wang et al. (2021), which showed that engaging digital content and positive user experiences positively influence consumer behavior. The mediating role of perceived customer value highlights the importance of delivering tangible (e.g., product quality) and intangible (e.g., emotional experience) benefits to customers (Kim et al., 2019).

The study also found that content quality, personalization, and online interactions are key drivers of successful digital marketing. These findings are consistent with the research of Li et al. (2020) and Afshari and Rezaei (2020), which emphasized the significance of high-quality content and user experience. However, limitations such as the high costs of implementing digital technologies, the need for advanced infrastructure, and a shortage of skilled personnel may hinder the full realization of this potential (Safari & Ansari, 2022).

From a practical perspective, this study suggests that online businesses should focus on producing personalized content and improving user experience to enhance perceived customer value and loyalty. From a theoretical perspective, it contributes to the digital marketing literature by examining the mediating role of perceived customer value, providing a framework for future research.

Recommendations

Practical Recommendations

1. Online businesses should focus on producing high-quality, personalized, and interactive content to enhance perceived customer value and customer loyalty.
2. Investment in digital technologies, such as artificial intelligence and big data analytics, is recommended to improve user experience.
3. Training employees to effectively use digital marketing tools is essential.

Research Recommendations

1. Future research could explore the impact of contextual factors such as age, gender, education level, and platform type on customer loyalty.
2. Investigating the impact of specific digital technologies, such as generative artificial intelligence, on perceived customer value and loyalty is recommended.
3. Examining the role of organizational culture and technological infrastructure in adopting digital marketing in online businesses could be beneficial.
4. Comparative studies across different countries to explore cultural differences in the impact of digital marketing on customer loyalty are suggested.

Research Limitations

1. The sample was limited to Iranian customers of e-commerce platforms, which may restrict the generalizability of the results to other countries.
2. Lack of access to real-world data on the extent of digital technology implementation in online businesses.

3. Focus on specific variables (digital marketing, perceived customer value, and customer loyalty) without examining contextual factors such as age, gender, or platform type.

This study confirms that digital marketing has a significant positive effect on customer loyalty, with perceived customer value partially mediating this relationship. Content quality, personalization, and user experience are critical factors in enhancing perceived customer value and loyalty. Online businesses can strengthen customer loyalty by improving digital marketing strategies and investing in advanced technologies. These findings highlight the importance of investing in technological infrastructure and workforce training to leverage digital tools effectively.

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ETHICAL CONSIDERATION

Authenticity of the texts, honesty and fidelity has been observed.

CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.