

# E-Commerce Shopee Indonesia : Empirical Lessons From The Impact Of Digital Marketing, Brand Loyalty On Brand Equity

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## ARTICLE INFO

### Article history

Received

Revised

Accepted

### Keywords

Digital Marketing,

Loyalty, Brand,

E-commerce Shopee

## ABSTRACT

The study aims to provide empirical evidence of the impact of digital marketing, brand loyalty on the brand equity of E-commerce Shopee Indonesia. The research method is a survey study through a quantitative approach, assessment based on numbers using statistical calculations, using simple random sampling techniques and data collection techniques in this study using library research, field research, observation, and questionnaires. The research sample was 100 consumers. Data was processed using SPSS version 26. The results of the study indicate that digital marketing, brand loyalty partially and simultaneously have a positive and significant effect on the brand equity of E-commerce Shopee Indonesia. Based on the coefficient of determination (adjust R Square), the independent variables consisting of digital marketing, brand loyalty can contribute to the influence on brand equity.

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## 1. Introduction

Rapid technological advances require people to adapt, including in terms of online shopping. Social media in this sophisticated modern era has become a part of everyday life. Almost all groups, from parents, adults, teenagers, to children, are familiar with social media. Kemp (2022) on the Data Reportal site stated that in February 2022, 93.3% of internet users in Indonesia aged 16 to 64 years accessed the internet via smartphones. The site also stated that in January 2022 there were 191.4 million social media users in Indonesia or equivalent to 68.9% of the total population in Indonesia. Social media users can access social media through various devices supported by the internet, but social media users tend to access it via smartphones because it is easier to use anywhere and easier to own because the price offered is more affordable compared to other devices, such as computers or laptops. Technological sophistication makes everything easier, including shopping activities, which can now be done anytime and anywhere through e-commerce applications, one of which is Shopee. Shopee is a leading e-commerce platform in Southeast Asia that is very popular in Indonesia.

This application provides various features, such as free shipping, payment processing, and tools to manage orders, product lists, and promotions. For online shopping lovers, Shopee is certainly familiar, because there are various types of goods that can be found easily. Shopee, as one of the leading online shopping platforms, follows this development by implementing a digital marketing strategy through social media. For example, Shopee routinely creates advertisements that are distributed on various social media platforms and utilizes their official accounts to promote products, attracting people's interest in transacting on Shopee. The role of social media is very significant for Shopee, considering that almost all social media platforms are filled with their

advertisements. These advertisements include various attractive promotions, such as discounts and free shipping throughout Indonesia, which directly impact the increase in the number of transactions.

Brand equity is an important element for every business, including Shopee, because potential buyers often use brand equity as a basis for assessing and deciding whether they will make a purchase at a store. However, building brand equity is not an instant thing. It takes time, a mature strategy, and consistency to achieve it. Shopee's efforts to build brand equity have proven effective. Shopee reports an increase in transactions every year, making it one of the three most popular online shopping platforms in Indonesia. On the other hand, the sales ranking and popularity in Shopee e-commerce for the MSMO Brand in 2023 were at the lowest level of popularity and sales of approximately 500,000 products compared to JINISO, ROUGHNECK, and others. This causes the company's sales achievement to be less stable due to the large number of competitors. Along with the emergence of fierce competition and other brands offering more attractive designs, etc., there is a lack of consumers, so in this case it indicates that there is something that needs to be studied, therefore the dependent variable in this study is brand equity. According to Jeon (2017), brand equity refers to the marketing effects that are exclusively associated with the brand. Many factors influence brand equity for the MSMO Brand on E-commerce Shopee Indonesia, including digital marketing and brand loyalty.

The first factor that influences brand equity is digital marketing. Digital marketing is an activity of marketing or promoting a brand or product using digital media or the internet. The goal of digital marketing is to attract consumers and potential consumers quickly. Almost everyone now also prefers to make transactions online. The media used for digital marketing include communication channels that we actually encounter almost every day, either via the internet or telephone. Digital marketing has several strategies, depending on the media used. Whether digital marketing is expensive or not depends on the type used by the company. If digital marketing such as SEO and content certainly does not spend a lot of budget. There is an influence of social media marketing on brand equity due to differences of opinion. Godey et al., (2016); Koay et al., (2021) stated that social media marketing has a positive influence on brand equity, while the results of previous research from Hafez (2021) stated that there was no influence of social media marketing on brand equity.

The second factor that influences brand equity is brand loyalty. Brands create product identities and certain perceptions in the minds of buyers. Products with well-known brands and good reputations tend to give buyers a sense of trust, making it easier for them to decide to buy the product. Conversely, products with lesser-known brands may find it difficult to attract buyers' attention even though they have good quality. Brands and products are two important factors that can influence customer choices in an era of increasingly fierce competition. The brand name tells consumers something about the quality of the product (Fatmaningrum, et.al., 2020). Previous research states that Brand loyalty partially affects Brand Equity (Setiawan & Harris, 2020).

## **Literature Review And Hypothesis Development**

### **The Influence of Digital Branding on Brand Equity**

Digital marketing plays an important role in building and strengthening brand equity. Brand equity is the value perceived by consumers towards a brand, which includes brand awareness, brand associations, consumer loyalty, and perceived quality. Digital marketing, through platforms such as social media, search engines, and digital advertising, allows brands to reach a wide audience effectively. Digital campaigns provide the flexibility to convey stories, values, or brand identities through creative content. Digital marketing facilitates direct communication between brands and consumers through social media, email, and messaging applications. Through digital marketing, brands can display social proof such as reviews, testimonials, or endorsements from influencers. Digital marketing allows consumers to share their experiences quickly through online reviews or social media. Digital marketing utilizes analytics to understand consumer needs and offer personalized experiences. Many brands use similar strategies, making differentiation difficult. Digital content that is inauthentic or perceived as manipulative can damage brand equity. Digital marketing has a significant impact on brand equity by increasing awareness, forming positive associations, driving loyalty, and strengthening perceptions of quality. However, its effectiveness depends on the brand's ability to deliver relevant, authentic, and valuable messages to consumers. With the right strategy, digital marketing can be a key tool in building a strong brand in the modern era. Research by Utami et al. (2022) states that the increasing use of social media marketing can

increase the magnitude of brand equity, thus indicating a positive influence of social media marketing on brand equity. Research conducted by Daya et al. (2022) also concluded that social media marketing can have a positive influence on brand equity, so the temporary assumption forms the following hypothesis: H1: digital marketing has an effect on brand equity.

### The Influence of Brand Loyalty on Brand Equity

A brand is an identity that distinguishes a product or service from other products in the market. Kotler & Keller (2016), a brand is not just a name or logo, but also includes associations, images, and perceptions that consumers have of the product. Brands serve to provide trust, quality, and value to consumers, which in turn influence purchasing decisions. A strong brand can create customer loyalty and influence consumer perceptions of a product, even though similar products may be available on the market. consumer loyalty is when consumers repurchase a product with the same brand that has been purchased previously (Luan & Lin, 2003) Previous research states that Brand loyalty partially affects Brand Equity (Setiawan & Harris, 2020). H2: Brand loyalty affects brand equity.

## 2. Method

This study uses a quantitative approach. The data collection method for this study uses a survey research method, the data analysis technique for this study uses regression analysis with statistical analysis using the SPSS version 26 program. The population and sample in this study were students at Private University "X" in the city of Semarang as consumers who have experience making e-commerce purchases Shopee for the MSMO Brand. The technique used in this study is the Simple Random Sampling Technique. The sample in this study uses the Lemeshow formula (1997), because the population is unknown. Here is the formula:

$$n = z^2 p (1 - p) / d^2$$

Description:

n = Number of samples

z = Standard value = 1.96

p = Maximum estimate = 50% = 0.5

d = alpha (0.10) or sampling error = 10%

Then the minimum number of samples needed in this study is 96 respondents (rounded up to 100 respondents). The type and source of data used in this study are primary data. For this purpose, the researcher used a questionnaire. The data collection method used in this study is a questionnaire. The method used in this study is multiple linear regression analysis with a descriptive statistical model, using a Likert scale, Test tools in the form of tests: normality, multicollinearity, coefficient of determination ( $R^2$ ), hypothesis (t test and F test).

## 3. Results and Discussion

### 3.1. Normality Test

The results of the normality test with the Normal P-P Plot show that the probability figures are around a linear or straight line, meaning that all variables that influence purchasing decisions (Y) used in the study have random data that is normally distributed, so that further statistical testing, namely the regression test, can be carried out.

### 3.2. Multicollinearity

**Table 1. Multicollinearity Coefficients<sup>a</sup>**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Digital Marketing	.642	1.994
Brand Loyalty	.727	1.735

a. Dependent Variable: Brand Equity

Interpretation of these results is as follows:

VIF Digital Marketing (X1) = 1.994

VIF Brand Loyalty (X2) = 1.735

Based on the data above, it can be concluded that the proposed regression model does not show symptoms of multicollinearity.

### 3.3. Multiple Coefficient Test Results

**Table 1.** Multiple Coefficient Test Results

Model	Coefficients <sup>a</sup>			
	Standardized Coefficients		T	Sig.
	Beta			
1	(Constant)		5.458	.000
	Digital Marketing	.475	2.937	.001
	Brand Loyalty	.346	2.144	.000

**Dependent Variable: Brand Equity**

Based on the results of table 2, the regression equation formula can be obtained as follows:  $Y = 0.475X_1 + 0.346X_2 + e$

The meaning of these numbers is as follows:

- 1) The regression coefficient of the digital marketing variable (X1) of 0.475 is positive, meaning that if the digital marketing variable increases, brand equity will increase, assuming that other variables remain constant.
- 2) The regression coefficient of the brand loyalty variable (X2) of 0.346 is positive, meaning that if the brand loyalty variable increases, brand equity will increase, assuming that other variables remain constant.

### 3.4. Determinant Coefficient (R<sup>2</sup>)

**Table 3. Determinant Coefficient (R<sup>2</sup>)**

Model	Model Summary <sup>b</sup>			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.856 <sup>a</sup>	.721	.685	3.00081

**a. predictors: (constant), Brand Loyalty, Digital Marketing**  
**b. dependent variable: Brand Equity**

The coefficient of determination (Adjust R Square) is 0.721 or 72.1%, which means that the independent variables consisting of digital marketing and brand loyalty can contribute 72.1% to brand equity, while the remaining 27.9% is influenced by other factors not discussed in this study.

### 3.5. t-Test (Partial)

#### 1) Marketing Communication Variable (X1)

Based on the output of table 2 above, the t-count for the digital marketing variable (X1) is 2.937. By using the t-distribution table searched at  $\alpha = 5\%$ :  $2 = 0.025$  (2-sided test) with df (degree of freedom)  $n-k-1$  or  $100-2-1 = 97$ , the results obtained for the t-table are 1.985 because the t-count value  $>$  t-table ( $2.936 > 1.985$ ) with a value (sig) of  $0.000 < 0.05$ , then  $H_0$  is rejected, meaning that digital marketing (X1) partially has a positive and significant effect on towing equity (Y).

#### 2) Brand Loyalty Variable (X2)

Based on the output of table 2 above, the t-count for the brand loyalty variable (X2) is 2.144. By using the distribution table, the results obtained for the t-table are 1.985 because the t-count value  $>$  t-table ( $2.144 > 1.985$ ) with a value (sig) of  $0.000 < 0.05$ , then  $H_0$  is rejected, meaning that brand loyalty (X2) partially has a positive and significant effect on brand equity (Y).

### 3.6. F Test (Simultaneous)

The F test is used to test whether all independent variables (digital marketing, brand loyalty) simultaneously have a positive and significant influence on the dependent variable (brand equity). The basis for making the F test decision is carried out with a significance level of  $\alpha = 0.05$ , degree of freedom 1 ( $df$ ) =  $k-1$ , where  $k$  is the number of all variables (independent variables and dependent variables). And degree of freedom 2 ( $df$ ) =  $n-k$ , where  $n$  is the number of samples. The results of degree of freedom 1 ( $df$ ) =  $3 - 1 = 2$  and degree of freedom 2 ( $df$ ) =  $100 - 3 = 97$ . With  $F_{table}$  of  $97 = 3.09$ .

**Table 4. F Test (Simultaneous)**  
ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	330,066	2	87,597	8,402	,001 <sup>b</sup>
Residual	764,842	96	9,010		
Total	1094,908	98			

a. Dependent Variable: Brand Equity

b. Predictors: (Constant), Brand Loyalty, Digital Marketing

From table 4 above, the F-calculation value is greater than the F-table of 8.402 with a significance value smaller than the probability value of 0.001 by looking at the F table, namely the degree  $df_1 = k-1$  ( $2-1$ ) and  $df_2 = n-k$  ( $100-3$ ) = 97 at a significance level of 0.05, the F-calculation value is obtained  $> F_{table}$  or  $8.402 > 3.09$  and significant  $< 0.05$  ( $0.001 < 0.05$ ), then  $H_a$  is accepted, which means that the digital marketing variables ( $X_1$ ), and brand loyalty ( $X_2$ ) together or simultaneously have a positive and significant effect on the brand equity variable ( $Y$ ).

## Discussion

### Digital Marketing and Brand Equity

Based on the first hypothesis test conducted, it is known that digital marketing has an effect on brand equity for students at private university "X" in Semarang city as consumers who have experience making e-commerce purchases on Shopee for the MSMO Brand. This result is in line with research conducted by Daya et al. (2022) which states that building strong brand equity can be done by providing a good experience through social media marketing, meaning that consumers will buy products that are known and trusted, so social media marketing has a positive and significant effect on brand equity. However, this result is not in accordance with research by Ramdhani & Masnita (2023), Hafez (2021), that social media marketing does not affect brand equity. In the context of marketing, one of the important components in building relationships between businesses and customers is digital marketing. With an effective digital marketing strategy, companies can convey value, advantages, and benefits to the target market. This increases brand awareness and how customers act when making their purchasing decisions. Effective digital marketing is not just about attracting attention, but also encouraging action. Customer based brand equity (CBBE) is the differential effect of consumer responses to brand knowledge in the marketing of product brands to be sold by the company (Kotler, 2013).

### 3.7. Brand Loyalty and Brand Equity

effect on brand equity brand equity in students at private university "X" in the city of Semarang as consumers who have experience making e-commerce purchases on Shopee for the MSMO Brand Consumers who are loyal to a brand will perceive that the quality of a product is certainly of high quality. Brand loyalty is related to the repurchase of a product by users over time with a positive evaluation of a particular brand (Jagdish & C.W, 1974). (Jacob & Issac, 2008) stated that students, namely young consumers, are the highest contributors to increasing smartphone sales. They are the main users of social media and search for various product brands. The benefits of the internet are increasingly felt by its users who are inseparable from the world of the internet (Febriyantoro & Arisandi, 2018). These results are in accordance with research conducted by

Setiawan & Harris (2020) that there is a significant and positive influence between brand loyalty and brand equity.

#### 4. Conclusion

- 1) There is a positive and significant partial influence between digital marketing on brand equity.
- 2) There is a positive and significant partial influence between brand loyalty on brand equity.
- 3) There is a positive and significant influence of digital marketing and brand loyalty simultaneously on brand equity.

#### Suggestions

- a. Improving digital marketing, namely companies need to maximize the use of digital media such as: social media, video-based content, and data-based marketing. The message delivered must be relevant, interesting, and able to reach the target audience in a more personal and interactive way.
- b. Integrating digital marketing and brand loyalty, namely companies need to ensure that product marketing strategies and brand management are designed in an integrated manner to create optimal synergy.

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