

The Influence of Digital Marketing and Brand Image on Customer Retention on Hospitality Practice with Customer Relationship Marketing (CRM) as a Mediator

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ABSTRACT

In an increasingly advanced digital era, digital marketing, brand image, and customer relationship marketing have become important elements in a company's marketing strategy. This study aims to analyse the effect of digital marketing and brand image on customer retention at Prasi Hospitality, with customer relationship marketing as a mediating variable. This study involved 70 respondents who were selected using purposive sampling method. Data was collected through questionnaires. To test the hypothesis, data analysis was conducted using SEM-PLS technique using SmartPLS. The results showed that digital marketing and brand image directly have a positive effect on customer retention, and also have an indirect positive effect through customer relationship marketing. Customer relationship marketing can partially mediate the effect of digital marketing and brand image on customer retention. Digital marketing and brand image each have a positive effect on customer relationship marketing, which in turn also has a positive effect on customer retention. It is recommended to develop content that is interactive, provides a personalised experience, and is tailored to customer preferences.

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1. INTRODUCTION

Tourism is one of the sectors that is experiencing rapid development on the island of Bali, considering that Bali is one of the main tourist destinations in Indonesia [1]. Tourism is defined as a temporary trip from one place to another that is done not for a living, but to enjoy the trip, either for recreational purposes

or to fulfil other desires. The rapid development of tourism in Bali is one of the main drivers of the establishment of many hotels in the region. The hotel itself is an inn consisting of several rooms that are rented out to the public for a certain period of time, and provides food and drinks for its guests [2].

The current tight market competition will indirectly require companies to maintain their market share by means of producers having to pay more attention to customer needs and desires. If a company only focuses on replacing customers who have moved by attracting new customers, it will be difficult for the company to grow and gain market share. One method that is effective and has better value in increasing company profitability and gaining market share is to build long-term relationships with customers [3].

Maintaining loyal customers is not an easy task for companies. Although customer loyalty is important, companies must realize that simply having loyal customers is not enough to ensure business continuity. Loyalty itself does not have a significant influence on the company's sales and profit figures. To see the extent of customer loyalty, companies must take concrete action, as explained by [4], namely by carrying out customer retention. According to [5], customer retention measures the length of a company's relationship with customers, by showing the percentage of customers who make repeat purchases within a certain time period. [6] also explains that customer retention reflects the customer's tendency to stick with a product in the future.

One hotel management that understands the importance of customer retention is Prasi Hospitality. Located on Jalan Cempaka Br. Kumbuh Mas Ubud, Prasi Hospitality has several hotels and villas in Bali such as Ubud Inn Cottage, The Cory Villa, Wooden Villa, Harinam Luxury Private Villa, and others. As one of the leading hospitality companies in Ubud, Prasi Hospitality Ubud has built a good reputation and offers a quality and memorable stay experience. By understanding that customer retention is an important factor in maintaining long-term relationships with customers, Prasi Hospitality is committed to continuing to increase customer loyalty. Prasi Hospitality's commitment to continuously increasing customer loyalty has a direct impact on hotel room occupancy rates.

According to [7], a high occupancy rate often indicates customer satisfaction

when staying at a hotel. Satisfying experiences tend to build positive relationships between guests/customers and the hotel, and there is a greater opportunity for customers to return to stay. Observation results related to the occupancy rate at several hotels and villas managed by Prasi Hospitality have decreased in the last two years, as shown in the following table.

Table 1. Development of Hotel & Villa Occupancy Rates By Prasi Hospitality

Hotels & Villas	The occupancy rate		
	2021	2022	2023
Ubud Inn & Spa	75%	70%	75%
Wooden Villa by Prasi	80%	85%	80%
The Sansu Villa	95%	90%	80%
The Cory Villa	90%	85%	80%
Average	85%	82.5%	78.8%

Source: Prasi Hospitality, 2024

Based on Table 1, it shows that the average occupancy rate in 2021 is 85%, while in 2022 it is 82.5%, and in 2023 it is 78.8%. This illustrates that there has been a decline in the occupancy rate, so it can be said that the management Prasi Hospitality has not done its best to retain its customers. This can be caused by customers not being satisfied with the facilities provided. According to [7] hotel room occupancy rates can influence customer retention. If the hotel occupancy rate is high, this shows that the hotel is popular and liked by many guests, this can increase customer satisfaction and it is likely that guests will return to stay at the hotel in the future, on the other hand, if the hotel occupancy rate is low, there is a possibility that there will be Factors such as poor service or incomplete hotel facilities prevent guests from returning. One factor that can influence customer retention is digital marketing.

In the ever-growing digital era, the role of digital marketing in the hotel industry has become very important. Digital marketing not only allows hotels to reach a wider audience, but also has a significant impact on customer retention. According to [8] digital

marketing facilitates better communication with guests. Through social media platforms, email, and hotel websites, hotels can continue to stay in touch with their customers after they leave their place of stay. For example, by sending regular newsletters containing special offers, event updates, or interesting information about nearby destinations, hotels can maintain customer engagement and strengthen ties with the brand.

According to [3] digital marketing allows greater personalization in interactions with customers. By leveraging customer data, hotels can provide more relevant and engaging content, such as recommendations for tourist attractions, dining experiences or special promotions based on individual preferences. This personalization creates a more enjoyable and meaningful experience for guests, which ultimately increases their satisfaction and loyalty to the hotel brand.

The phenomenon related to digital marketing at several hotels & villas under the management of Prasi Hospitality is the existence of negative reviews or low ratings on online platforms. One of them is Ubud Inn & Spa, which has 194 reviews on Google Reviews. With an average overall rating of 4.4, there are still visitors who give it one star, two stars and three stars. Reviews available on the website, namely the health category, are known to have given 12% negative reviews, in the spa category 8% have given negative reviews, in the fitness category 7% have given negative reviews, in the service category 13% have given negative reviews, in the property category 15% have given reviews negative, the bathroom category had 4% negative reviews, the breakfast category had 27% negative reviews, the sleep category had 33% negative reviews, the cleanliness category had 25% negative reviews, the location category had 4% negative reviews, and the AC category had 40% left negative reviews. These negative reviews can make potential guests hesitate to stay at the hotel and choose another hotel that has good reviews.

Previous research related to the influence of digital marketing on customer retention, including [3], [8], [9], revealed that digital marketing has a positive impact on

customer retention. However, different research results, shown in research conducted by [5], [10], [11] reveal that over time there have been changes in competition, changes in customer needs and bad experiences, resulting in the absence of digital influence. marketing on customer retention.

The hotel and villa industry is a highly competitive business, where maintaining satisfied customers is the key to long-term success. One of the key elements in retaining customers is creating and maintaining a positive and compelling brand image. According to [12], a positive brand image creates a sense of trust among customers. When customers feel confident with the quality of service and facilities provided by a hotel or villa, they tend to choose that place again for their next stay.

According to [6], a strong brand image creates positive expectations in the minds of customers. They have high expectations regarding the services and facilities that will be provided by a particular hotel or villa. If these expectations are met or even exceeded, customers will feel satisfied and are likely to return. Conversely, if expectations are not met, this can affect customer retention.

The phenomenon related to the Prasi Hospitality brand image is that the brand image of Prasi Hospitality in Bali has not been able to match several hotel management in Bali such as Marriot, Accor, Archipelago. There are no strong characteristics that differentiate Prasi Hospitality from other hotel management (Source; interview with Prasi Hospital leadership, 10 August 2023).

Based on the results of previous research, it is known on the relationship for brand image with customer retention, namely [6], [13]–[16] revealed that brand image has a significant effect on customer retention. However, different research results were revealed in research conducted by Masoud (2019) which revealed that there is also no significant connection by brand image with customer retention in the hospitality industry. The results of research by [17] which examined fast food restaurants, revealed that there was no effect of brand image on

customer retention.

To bridge different research results (research gap), researchers designed a research model using customer relationship marketing (CRM) variables as intervening variables. Customer relationship marketing or CRM is a form of service quality that is measured through commitment, communication and complaint handling. CRM allows businesses to maintain and increase interactions with their customers, through various digital channels such as email, social media, and customer service platforms. With effective communication, businesses can strengthen their brand image and provide added value to customers, which in turn influences customer retention.

CRM makes it possible to analyze customer data with the aim of understanding customer preferences, habits and transaction history. With this information, businesses can provide more personalized and relevant marketing messages to customers. This creates a customized experience, increases positive perceptions of the brand, and influences customers' decisions to remain loyal. CRM allows businesses to respond quickly to customer needs and problems. By providing timely solutions or assistance, businesses show customers that they feel valued and cared for. This of course can strengthen relationships, build trust, and increase customer loyalty. To analyze the influence of digital marketing and brand image on customer retention at Prasi Hospitality with customer relationship marketing as a mediator.

2. LITERATURE REVIEW

2.1 Customer Retention

Customer retention is all forms of activities and activities directed by producers to maintain good and sustainable relationships with customers or consumers in the long term.

2.2 Digital Marketing

Applying digital technology, such as the internet, to traditional communication channels in order to accomplish marketing objectives is

known as digital marketing. the long term.

2.3 Brand Image

Brand image is the result of consumer perceptions of a particular brand, which is based on consideration and comparison with several other brands, on the same type of product.

2.4 Customer Relationship Marketing

Customer relationship marketing is a communication process (especially with consumers) that focuses on attracting new potential consumers and maintaining and even improving the quality of relationships with existing consumers.

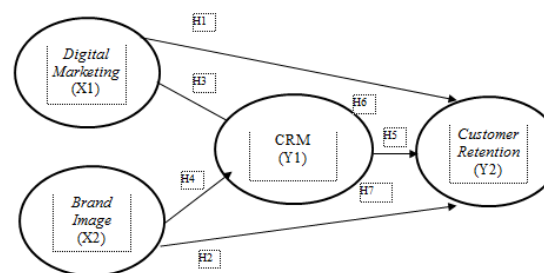
Table 2. Operational Definition Indicator

Variable	Cod e	Indicator	Source
Digital marketing (X1)	X1.1	Interactivity	Dedi Purnawa, et al (2017)
	X1.2	Demassification	
	X1.3	Asynchronous	
Brand Image (X2)	X2.1	Strength	Kotler and Keller (2016:331)
	X2.2	Uniqueness	
	X2.3	Favorite	
Customer relations Marketing (Y1)	Y1.1	Satisfaction	Magasi, C. (2015).
	Y1.2	Commitment	
	Y1.3	Trust	
	Y1.4	Communication	

2.5 Conceptual framework

Based on this explanation, a conceptual framework model can be formed, such as:

2.6 Research Hypothesis



- H1: Digital marketing has a positive effect on customer retention.
- H2: Brand image has a positive effect on customer retention.
- H3: Digital marketing has a positive effect on customer relationship marketing.

- H4: Brand image has a positive effect on customer relationship marketing
- H5: Customer relationship marketing has a positive effect on customer retention.
- H6: Customer relationship marketing mediating digital marketing relationships with customer retention.
- H7: Customer relationship marketing mediates the relationship between brand image and customer retention.

3. RESULTS

3.1 Research Results

- a. Results Description of Digital Marketing Variables
 Assessment of digital marketing variables which are measured using 3 indicators. The description of digital marketing variables is presented in Table 3 as follows:

Table 3. Digital Variable Description Marcheting

Indicator	Response (%)					Mean	Information
	STS	T.S	K.S	S	SS		
<i>Interactivity</i>	0	9	43	43	6	3.46	Good
<i>Demassification</i>	0	16	26	51	7	3.50	Good
<i>Asynchronous</i>	0	7	41	49	3	3.47	Good
Average digital marketing variables						3.48	Good

Table 3 shows that the average value of the digital marketing variable is 3.48, this means that the perception of resThe opinion about Prasi Hospitality's digital marketing is good. *Mark*The highest to lowest averages are demassification (3.50), asynchronous (3.47), interactivity (3.46).

- b. Brand Image Variable Description
 The assessment of the brand image variable is measured through respondents' perceptions of 3 indicators. In this case it is measured by 3 statements. A description of the brand image variables is presented in Table 4.

Table 4 Brand Image Variable Description

Indicator	Response (%)					Mean	Information
	STS	T. S	K.S	S	SS		
Strength	0	1	16	71	11	3.93	Good
Uniqueness	0	6	9	73	13	3.93	Good
Favorite	0	0	13	79	9	3.96	Good
Average brand image variable						3.94	Good

Table 4 informs that the respondents' perception of brand image is good, this can be seen from the average value of 3.94. This illustrates that the brand image of Prasi Hospitality is good. The highest to lowest average scores for respondents were strength (3.93), uniqueness (3.93) and liking (3.96).

The assessment of customer relationship marketing variables is measured through respondents' perceptions of 5 indicators. In this case it is measured by 5 statements. Description of customer relationship marketing variables is presented in Table 5.

- c. Description of Customer Relationship Marketing Variables

Table 5 Description of Customer Relationship Marketing Variables

Indicator	Response (%)					Mean	Information
	STS	T.S	K.S	S	SS		
Satisfaction	0	4	24	66	6	3.73	Good
Commitment	0	7	19	66	9	3.76	Good
Trust	0	4	23	67	6	3.74	Good
Communication	0	7	19	66	9	3.76	Good
Handling problems	0	3	19	74	4	3.80	Good
Average of Customer Relationship Marketing variables						3.76	Good

Table 5 informs that the respondents' perceptions about customer relationship marketing at Prasi Hospitality with an average value of 3.76, this shows that respondents consider customer relationship marketing to be good. The highest to lowest average scores for respondents are as follows: problem handling (3.80), commitment (3.76), communication

(3.76), trust (3.74). and satisfaction (3.73).

d. Description of Customer Retention Variables

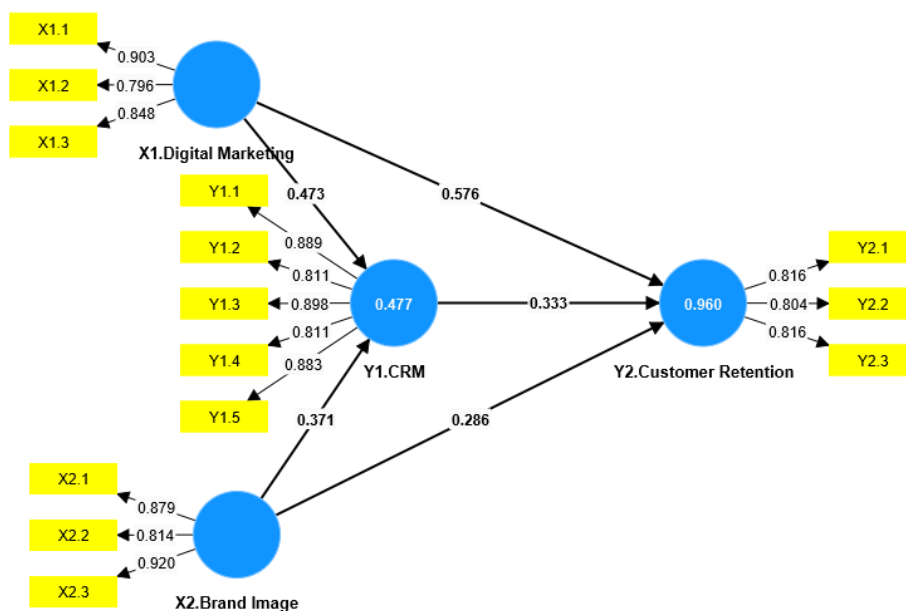
The assessment of the customer retention variable is measured through respondents' perceptions of three indicators. In this case it is measured by 3 statements. A description of the customer retention variable is presented in Table 6.

Table 6 Description of Customer Retention Variables

Indicator	Response (%)					Mean	Information
	STS	T.S	K.S	S	SS		
Competitiveness	0	3	23	60	14	3.86	Good
Comfort value	0	1	21	53	24	4.00	Good
Price	0	1	21	66	11	3.87	Good
Average Customer Retention variable						3.91	Good

Table 6 informs that the respondents' perception of customer retention is with an average value of

3.91. This illustrates that Prasi Hospitality has good customer retention. The highest to lowest



average values for respondents were comfort (4.00), price (3.87) and competitiveness (3.86).

Figure 1 Structural Model (Inner Model)

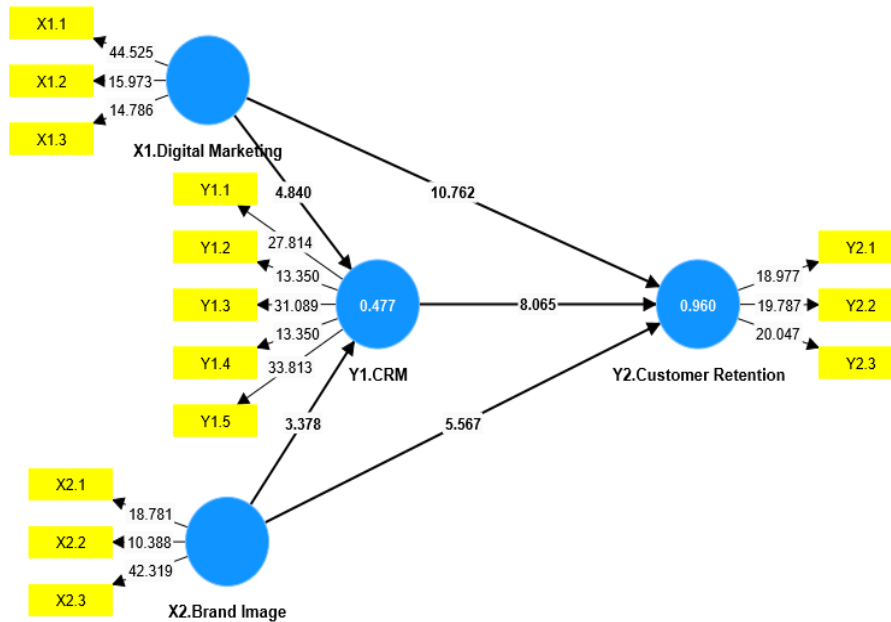


Figure 2 Full Structural Model (PLS Bootstrapping)

3.2 Research Hypothesis

a. Digital Marketing On Customer Retention

Digital marketing can help companies to increase brand awareness among consumers. The higher the brand awareness, the more likely consumers are to remember and purchase products or services from that company. Digital marketing can be used to develop a more personalized engagement with consumers. Companies can use various digital channels to interact with consumers, in particular social media, email [3].

Digital marketing can be used to offer a better customer experience. Companies can use digital technology to make the purchasing process easier and more convenient for customers. Digital marketing can be an effective strategy for increasing customer retention. By implementing the right

digital marketing strategy, companies can build stronger relationships with customers and encourage them to make repeat purchases [18].

Several studies have shown that Digital marketing also has a direct positive affect on customer retention. [4] shows that the application of digital marketing has a positive impact on customer retention with a projection rate of 57.4%. [19] also shows that the application of digital marketing and customer relationship marketing has a positive influence on customer satisfaction and repurchase intention. [20] shows that digital marketing and customer relationship marketing have a positive influence on consumer loyalty, [3], [5], [8] reveal that digital marketing has a significant effect on customer retention. Based on the results of previous research, the following hypothesis can be made;

- H1 Digital marketing has a positive effect on customer retention.
- b. Brand Image on Customer Retention.

Customers tend to choose brands that have a good and trustworthy image. Customers will feel it is more comfortable and confident to transact with brands that have built a positive reputation in the minds of customers. When customers have a positive perception of a brand, customers tend to be more loyal and choose to return to using products or services from that brand. Customers have confidence that they will get consistent quality and a satisfying experience every time they interact with the brand [6]. Research conducted by [11], [13], [16]. Based on the results of previous research, the following hypothesis was created:

- H2 Brand image has a positive effect on customer retention.
- c. Digital Marketing on Customer Relationship Marketing

Digital marketing is the process of marketing the product or a service by using digital media, such as the internet, social media, and mobile. Meanwhile, CRM is a business strategy that focuses on building and maintaining strong relationships with customers. Digital marketing is a product or service marketing system utilizing digital media, such as the internet, social media, and mobile [18].

Meanwhile, CRM is a business strategy that focuses on building and maintaining strong relationships with customers. The influence of digital marketing on CRM can be seen from several aspects, including: increasing brand awareness. Digital marketing may help businesses reach a greater number of potential customers and increase brand awareness. This can be done via various digital channels, for example, social media, search engines, and email marketing [3].

Digital marketing can help businesses to collect more accurate and comprehensive customer data. This data can be used to improve a business's understanding of its customers and develop a more effective CRM strategy. Digital marketing is a powerful tool to improve CRM. By using digital marketing, businesses can reach more customers, improve interactions with customers, collect customer data, and increase customer satisfaction [20]. Research conducted by [21] shows that digital marketing has a positive and significant effect on CRM. This means that the use of digital marketing can help businesses to build stronger relationships with customers. Based on the results of previous research, the following hypothesis is made.

- H3 Digital marketing has a positive effect on customer relationship marketing.
- d. Brand Image on Customer Relationship Marketing

Brand image is the perception or view of customers regarding what they feel about the product being offered. If a company offers quality products and can meet customer needs, of course customer perceptions of the product brand will be good. Customers who have a positive perception of a company's brand image will be more likely to trust that company. This is because they believe that the company can provide quality products and services [9].

Based on a study conducted by [21], brand image has a positive and significant influence on customer relationship marketing. This means that a strong brand image can help businesses to build stronger

relationships with customers. Based on the results of previous research, the following hypothesis was created.

H4 Brand image has a positive effect on customer relationship marketing.

e. Customer Relationship Marketing on Customer Retention

Customer relationship marketing (CRM) is a business strategy that focuses on building and maintaining strong relationships with customers. CRM can be done in various ways, such as providing quality customer service, offering customer loyalty programs, and collecting customer data to understand their needs. Effective CRM can help businesses to increase customer loyalty. This is because customers who are satisfied and trust the business will be more likely to make repeat purchases [21].

Based on a study conducted by [21], CRM has a positive and significant influence on customer retention. This means that an effective CRM can help businesses to retain old customers and increase sales. Based on the results of previous research, the following hypothesis can be made.

H5 Customer relationship marketing has a positive effect on customer retention.

f. Marketing In Digital Marketing Relationships with Customer Satisfaction

Customer relationship marketing is a marketing strategy that focuses on building relationships period long with customers to increase their loyalty and retention. Customer relationship marketing can

help companies face intense competition in the digital era, where customers have many choices and easy access to information. One way to implement customer relationship marketing is to use digital marketing, namely marketing that uses digital media such as the internet, social media, email and mobile applications to reach and interact with customers [21].

Digital marketing can help companies collect customer data, deliver messages that suit customer needs and preferences, provide fast and responsive service, and provide a pleasant and satisfying experience for customers. With digital marketing, companies can increase customer retention, namely the company's ability to retain existing customers so that they continue to make transactions and are loyal C.

Customer retention important because it can save new customer acquisition costs, increase company profitability, and create brand advocacy from satisfied customers. Some of the benefits of customer relationship marketing in increasing customer retention are strengthening customer loyalty and increasing retention rates. Customer relationship marketing can make customers feel valued, trusted and cared for by the company [21].

This can increase customer loyalty, namely the tendency of customers to consistently choose a particular brand and recommend it to others. Customer loyalty can have a positive impact on retention rates, namely the percentage of customers

who continue to transact with the company within a certain period. Based on the results of previous research, the following hypothesis can be made.

H6 Customer relationship marketing mediating digital marketing relationships with customer retention.

g. Customer Relationship Marketing in The Relationship Between Brand Image And Customer Retention

Brand image is the perception or view of customers towards what they feel it of the products offered. If a company offers quality products and can meet customer needs, of course customer perceptions of the product brand will be good.

Customer retention is the ability of a company to retain its customers. Loyal customers will be more likely to make repeat purchases, which can increase company sales and profits.

Customer relationship marketing (CRM) is a business strategy that focuses on building and maintaining strong relationships with customers. CRM can be done in various ways, such as providing quality customer service, offering customer loyalty programs, and collecting customer data to

understand their needs. Effective CRM can help businesses to increase customer loyalty.

This can increase customers' positive perceptions of the company's brand image, which can increase customer retention, in other words. A strong brand image can increase customer retention directly, and CRM can improve the relationship between brand image and customer retention indirectly. In research conducted by [21], it was found that brand image has a positive and significant influence on customer retention, both directly and indirectly through CRM. This shows that brand image and CRM are two important factors that can increase customer retention. Based on the results of previous research, the following hypothesis can be made.

H7: Customer relationship marketing mediates the relationship between brand image and customer retention.

3.3 Research Design

Research design is a plan for collecting, measuring, and analyzing data based on research questions [22]. The purpose of this study is to analyse the effect of digital marketing and brand image on customer retention at Prasi Hospitality with customer relationship marketing (CRM) as a mediator variable. This research uses quantitative methods.

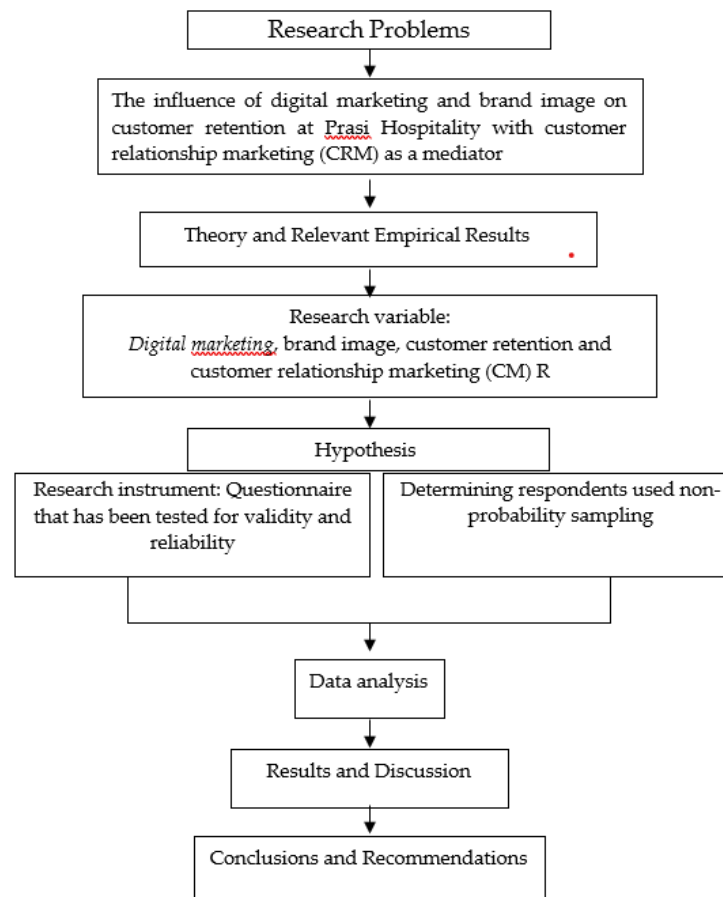


Figure 3. Research Design

3.4 Hypothesis Test

Hypothesis testing is using t-statistics by doing sequencing for direct effect testing.

Table 7 Hypothesis Testing Results

Variable	Original Sample (O)	T Statistics (O/STDEV)	P Values
Digital marketing ->CRM	0.473	4,840	0,000
Digital marketing -> Customer retention	0.576	10,762	0,000
Brand image -> CRM	0.371	3,378	0.001
Brand image -> Customer retention	0.286	5,567	0,000
CRM -> Customer retention	0.333	8,065	0,000

Table 8 Recapitulation of Mediation Variable Test Results Customer Relationship Marketing

No	Mediation Variable Customer relationship marketing (Y1)	t count	Sig	Variance Accounted For (VAF) (%)	Note
1	Digital marketing -> Customer relationship marketing -> Customer retention	4,018	0,000	21.41	Partial Mediation
2	Brand image -> Customer relationship marketing -> customer retention	3,008	0,000	30.07	Partial Mediation

Table 9 Calculation of Direct, Indirect and Total Effects

No	Variable Relationships	Immediate Effect	Indirect Effects	Total Effect
1	Digital marketing-> Customer retention	0.576	0.157	0.733
2	Brand image-> Customer retention	0.286	0.123	0.409
3	Customers relationship marketing (CRM) -> Customer retention	0.333	-	0.333
4	Digital marketing-> Customer relationship marketing (CRM)	0.473	-	0.473
5	Brand image-> Customer relationship marketing (CRM)	0.371	-	0.473

4. CONCLUSION

Based on the research results, it can be concluded that digital marketing and brand image have a positive effect on customer retention through customer relationship marketing at Prasi Hospitality. Digital marketing increases customer retention with a path coefficient of 0.576 and brand image with a coefficient of 0.286. In addition, digital marketing and brand image also increase customer relationship marketing with a coefficient of 0.473 and 0.371 respectively. Customer relationship marketing itself contributes positively to customer retention with a coefficient of 0.333. Furthermore, customer relationship marketing can mediate the effect of digital marketing and brand image on customer retention with a coefficient of 0.157 and 0.123, respectively.

4.2 Suggestion

Drawing on these results, the next recommendation is made:

1. In the digital marketing variable, what needs to be improved is the perceived interactivity indicator with the lowest average value. Efforts that can be made are by developing interactive content, for example creating customer service content, cooking content, service at bars, restaurants, hotel and villa accommodation facility content, as

well as content that allows for interaction between customers and Prasi Hospitality management.

2. In the brand image variable, what needs to be improved is the liking indicator which has the lowest average value. Efforts that can be made are to provide experiences that are personal and tailored to individual preferences. By collecting information about customers, such as food or drink preferences, activities or special interests, Prasi Hospitality can provide experiences such as providing services from the customer's arrival at the accommodation to activities while the customer is at the accommodation and various traditional Balinese activities such as making prayer facilities, cooking traditional food, religious ceremonies and the sacredness of Balinese culture and make customers feel appreciated and cared for.
3. In the customer relationship marketing variable, it is known that the indicator of perceived satisfaction has the smallest average value. For this reason, efforts that can be made

- are to improve the quality of communication with customers. Efforts that can be made are to maintain communication channels that are easily accessible and fast response, such as by telephone, email, or live chat, and responsive to questions, requests, or problems expressed by customer.
4. In the customer retention variable, it is known that the perceived competitiveness indicator has the smallest average value. Efforts that can be made are strengthening loyalty programs to encourage customer retention. by offering discounts or exclusive benefits (privileges) to guests who frequently stay or become members of the loyalty program.
 5. Future researchers can utilize other statistical applications such as Amos, WarpPLS, or LISREL for research other than the Hospitality sector, such as in educational and training institutions, agriculture, manufacturing, or automotive publicity.

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