
CUSTOMER EXPERIENCE, CUSTOMER ENGAGEMENT, AND SOCIAL MEDIA ADVERTISING ON CUSTOMER LOYALTY: THE MEDIATING ROLE OF CUSTOMER SATISFACTION AT BU RUDY SURABAYA



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Abstract

The Indonesian souvenir industry, especially culinary-based small and medium enterprises, continues to grow in response to rising tourism activity. limited research integrates customer experience, customer engagement, and social media advertising within a single model to explain consumer loyalty, particularly while examining the mediating role of customer satisfaction. This study addresses that gap by investigating how these three marketing variables influence loyalty, customer satisfaction serving as the intervening factor, using Bu Rudy Surabaya as the research context. A quantitative (associative) design was applied, involving 100 respondents selected through convenience sampling. Data were processed using SmartPLS to evaluate both measurement and structural components. The findings reveal that customer experience and customer engagement enhance customer satisfaction, which then mediates their impact on loyalty. Social media advertising does not generate a significant effect on either satisfaction or loyalty. Customer experience emerges as the most influential determinant of consumer responses. The study offers an integrated empirical perspective on consumer behavior in culinary-based small and medium enterprises and provides practical recommendations for improving loyalty through strengthened experiences and meaningful customer engagement.

Keywords: Customer Experience, Customer Engagement, Social Media Advertising, Customer Satisfaction, Consumer Loyalty

INTRODUCTION

The Indonesian souvenir industry exhibits substantial structural growth driven by rising domestic and international tourist mobility. Culinary-based souvenir products have evolved into strategic economic instruments that contribute to regional competitiveness and the strengthening of local creative ecosystems. The expansion of more than 4.85 million food and beverage enterprises in 2023 signals a broader transformation in which culinary SMEs function not only as cultural representations but also as economic actors responding to shifting consumer expectations and intensified market competition.

Consumer behavior demonstrates a marked transition toward experience oriented and emotionally grounded decision-making. Current literature emphasizes that consumers evaluate products not merely through functional utility but through integrated experiences that occur across physical and digital touchpoints. Gahler, Klein, and Paul (2023) demonstrate that omnichannel experiences enhance psychological attachment and long-term satisfaction, while De Keyser et al. (2015) and Homburg, Jozić, and Kuehnl (2017) identify experience management as a fundamental driver of loyalty formation. These perspectives indicate that experience centered value creation constitutes a central domain in contemporary consumer behavior theory.

Customer engagement emerges as an additional mechanism that deepens the emotional and psychological bond between consumers and brands. Harmeling et al. (2017) conceptualize engagement as a multidimensional construct that shapes co-creative behavior, while Sartika and Ressa (2024) provide empirical evidence that digitally facilitated engagement strengthens loyalty. These studies collectively imply that engagement extends beyond transactional interactions and forms a behavioral manifestation of psychological attachment, thereby influencing satisfaction and post-purchase decisions.

Digital advertising on social media platforms introduces further complexity to consumer evaluation processes. Duffett (2015) reports that credible and interactive digital advertising enhances attitudes and purchase intentions, whereas Situngkir and Astuti (2024) argue that social media interactions affect satisfaction and loyalty through varying intensity. Haidar et al. (2025) provide evidence that digital promotion contributes to satisfaction but show that its influence on loyalty does not consistently align with findings across industries. These inconsistencies highlight the need to reassess the actual contribution of social media advertising within integrated behavioral models.

Theoretical and empirical literature across customer experience, engagement, and social media advertising suggests three central patterns: experience and engagement generally demonstrate robust associations with satisfaction; social media advertising shows varied effects; and satisfaction frequently appears as a psychological mechanism linking marketing stimuli and loyalty. Despite these patterns, academic inquiry in Indonesia rarely integrates these variables into a single comprehensive model, particularly within the culinary SME context. The mediating role of customer satisfaction has been proposed but remains insufficiently justified due to inconsistent results and limited evidence in local creative industries. This gap raises the need for empirical verification to determine whether satisfaction effectively bridges marketing strategies and loyalty formation in culinary-based souvenir businesses.

Bu Rudy Surabaya represents a relevant empirical context to address this gap. The brand has evolved from a home-based enterprise into an iconic East Javanese culinary institution known for sambal and various snack products. The organization has undertaken digital transformation initiatives, including collaborations on TikTok and the development of three digital applications in 2025, signaling strategic efforts to enhance customer experience and digital engagement. The absence of empirical evaluation regarding how these initiatives influence satisfaction and loyalty presents a substantive research opportunity within the SME literature.

This study aims to analyze the effects of customer experience, customer engagement, and social media advertising on consumer loyalty toward Bu Rudy Surabaya products, with customer satisfaction conceptualized as an intervening variable. The research contributes theoretically by offering an integrated behavioral model situated within the digital-era culinary SME sector, and contributes practically by providing insights for local business actors to formulate customer-centric marketing strategies that strengthen sustainable loyalty.

REVIEW OF LITERATURE

Customer Experience

Customer experience describes consumers' overall perceptions of all interactions with a company, which, according to Klaus and Maklan (2013), is a holistic evaluation, while De Keyser et al. (2015) emphasize the cognitive, emotional, sensory, and social aspects of the customer journey. The EXQ model by Klaus and Maklan (2013), which consists of product experience, outcome focus, moments of truth, and peace of mind, is often used to measure experience comprehensively. Research by Bagasworo (2019), Sartika and Ressa (2024), and Listyorini and Nugraha (2022) shows consistency that positive experiences increase satisfaction and loyalty, while earlier studies such as Bagasworo (2016) and Santoso (2023) reinforce that customer experience not only directly affects satisfaction but can also mediate the influence of digital marketing on repeat purchases. Thus, this variable has strong relevance in the context of the culinary industry, such as Bu Rudy, where taste, service, and atmosphere are the main components that shape customer value.

Customer Engagement

Customer engagement reflects consumers' emotional, cognitive, and behavioral involvement in interacting with a brand (Harmeling et al., 2017), and is viewed by Bowden (2009) as a psychological process that links satisfaction and trust to emotional commitment and loyalty. Engagement indicators that include conscious attention, enthusiastic participation, social connection, and identification describe multidimensional engagement. Research by Chandra and Indrawati (2023) and Darmadia et al. (2021) shows that digital engagement strengthens emotional closeness and brand image, while Fahmi et al. (2024) explain that engagement acts as a mediator in increasing satisfaction and purchasing decisions. These findings are in line with Vinerean and Opreana (2021), who confirm that engagement has a significant effect on loyalty. Therefore, in the context of Bu Rudy, active consumer engagement through social media such as Instagram or TikTok can be a major driver of customer loyalty.

Social Media Advertising

Social media advertising (SMA) is a promotional strategy that utilizes interactive digital content to reach consumers in a personalized manner (Duffett, 2015) through indicators of entertainment, informativeness, credibility, irritation, and customization. Research by Lubis et al. (2024) proves that SMA has a significant effect on satisfaction and loyalty if the content is relevant and credible, while Damayanti and Indrawati (2023) emphasize that e-WOM and information quality are important factors in the effectiveness of digital advertising. Santoso's (2023) study shows that SMA encourages engagement and experiences that increase repeat purchases, so that SMA not only acts as a promotional tool but also as a shaper of customer perceptions and experiences. In the context of Bu Rudy, the effectiveness of SMA is crucial, considering that souvenir products are highly dependent on brand visibility, consumer reviews, and viral marketing to attract new customers and retain old ones.

Customer Satisfaction

Customer satisfaction is the emotional response of consumers after comparing their expectations with their actual experiences (Oliver, 1997), which Tjiptono (2019) measured through product suitability, transaction experience, repurchase intention, and willingness to recommend. Research by Ningsih and Pratama (2022) confirms that satisfaction mediates the influence of service quality and price on loyalty, while studies by Fahmi et al. (2024) and Bagasworo (2016) show that satisfaction functions as a key variable linking experience, engagement, and loyalty. The consistency of these research results shows that satisfaction is an important outcome of the entire marketing process and customer interactions. In the context of Bu Rudy, satisfaction is a vital component because the quality of taste, service, and store atmosphere directly influences repurchase decisions.

Customer Loyalty

Customer satisfaction is the emotional response of consumers after comparing their expectations with their actual experiences (Oliver, 1997), which Tjiptono (2019) measured through product suitability, transaction experience, repurchase intention, and willingness to recommend. Research by Ningsih and Pratama (2022) confirms that satisfaction mediates the influence of service quality and price on loyalty, while studies by Fahmi et al. (2024) and Bagasworo (2016) show that satisfaction functions as a key variable linking experience, engagement, and loyalty. The consistency of these research results shows that satisfaction is an important outcome of the entire marketing process and customer interactions. In the context of Bu Rudy, satisfaction is a vital component because the quality of taste, service, and store atmosphere directly influences repurchase decisions.

RESEARCH METHOD

This study applies a quantitative explanatory method to examine the effects of customer experience, customer engagement, and social media advertising on consumer loyalty toward Bu Rudy Surabaya, with customer satisfaction as the mediating variable. Data were collected using an online and offline questionnaire distributed to consumers who had purchased at least twice, using a Likert scale. A total of 100 respondents were selected through convenience sampling due to accessibility considerations (Hardani et al., 2020). The measurement of variables was based on established theories: customer experience from Klaus and Maklan (2013), customer engagement from Harmeling et al. (2017), social media advertising from

Duffett (2015), customer satisfaction from Tjiptono (2019), and consumer loyalty from Griffin (2005). This study utilized both primary data from questionnaires and secondary data from literature and business reports. Data were analyzed using Structural Equation Modeling with Partial Least Squares (PLS), which is suitable for small samples and non-normal data (Hair et al., 2021), covering the outer model (validity and reliability) and inner model (R^2 , Q^2 , and hypothesis testing through bootstrapping). Limitations were addressed by acknowledging that convenience sampling may reduce representativeness, the minimum sample size of 100 must be interpreted cautiously for a five-construct PLS model, indicators were adapted from prior studies without justification of quantity, and potential common method bias was not explicitly tested.

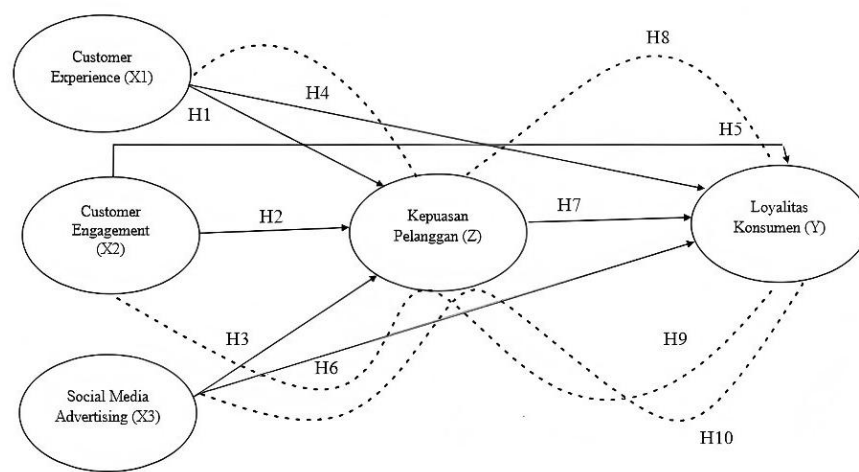


Figure 1.
Research Framework

RESULTS AND DISCUSSION

Tabel 1
Respondent Characteristics

Characteristics	Category	Amount	Persentase
Gender	Man	47	47%
	Woman	53	53%
	Total	100	100%
Age	15 – 24 Years	23	23%
	25 – 34 Years	48	48%
	35 – 44 Years	18	18%
	>45 Years	11	11%
	Total	100	100%
Purchase Frequency	Very often (more than 3 times per month)	36	36%
	Frequently (2–3 times per month)	31	31%
	Quite often (1 time per month)	24	24%
	Rarely (once in 3 months)	9	9%

Characteristics	Category	Amount	Persentase
	Total	100	100%

Source: Processed Data, 2025

The respondents were predominantly female (53%), indicating a potential gender bias in the response patterns. The majority were in the productive age group of 25 - 34 years (48%), so the research findings tend to reflect the perspectives of young adults and adults. In addition, the relatively high purchase frequency, with 67% of respondents shopping at least twice a month, indicates that the sample is dominated by active consumers. This condition needs to be taken into account as it may affect the interpretation of the results, especially regarding consumption behavior that may not represent the population with low purchase intensity.

Description of Data Analysis Results Outer Loading

Table 2
Outer Loading

Indicator	Outer Loading	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
X1.1	0.921	0.898	0.930	0.768
X1.2	0.936			
X1.3	0.850			
X1.4	0.792			
X2.1	0.906	0.850	0.902	0.704
X2.2	0.907			
X2.3	0.576			
X2.4	0.981			
X3.1	0.900	0.924	0.943	0.768
X3.2	0.912			
X3.3	0.880			
X3.4	0.893			
X3.5	0.792			
Z1	0.919	0.921	0.944	0.809
Z2	0.878			
Z3	0.912			
Z4	0.889			
Y1	0.906	0.903	0.932	0.775
Y2	0.859			
Y3	0.888			
Y4	0.867			

Source: Processed Data, 2025

Analysis of the Outer Loading results indicates that all indicators used in this study meet the required convergent validity criteria, as every loading value exceeds 0.5, with most indicators, particularly those in variables X1, X2, X3, Z, and Y, showing strong measurement strength above 0.80. The AVE values for all constructs are also above 0.50 (X1 = 0.768, X2 = 0.704, X3 = 0.768, Z = 0.809, Y = 0.775), confirming that each latent variable is capable of explaining more than half of the variance of its indicators. Reliability tests further demonstrate robust internal consistency, as reflected in Cronbach's Alpha values for X1 (0.898), X2 (0.850), X3 (0.924), Z (0.921), and Y (0.903), all of which surpass the minimum

threshold of 0.70. Composite Reliability values are similarly strong: X1 (0.930), X2 (0.902), X3 (0.943), Z (0.944), and Y (0.932), indicating that the measurement model is highly reliable. Overall, these results confirm that all constructs in this study exhibit solid validity and reliability, ensuring that the data is appropriate for further structural analysis.

Discriminant Validity Test (Fornell-Larcker Criterion)

Discriminant validity serves to confirm that each construct within the empirical model is conceptually distinct from the others. This assessment is carried out using the Fornell-Larcker criterion, which involves comparing the square root of the Average Variance Extracted (AVE) of each construct with its correlations to all other constructs in the model.

Table 3
Discriminant Validity

Variable	X2	X1	Z	Y	X3
Customer Engagement (X2)	0.839				
Customer Experience (X1)	0.836	0.877			
Customer Satisfaction (Z)	0.879	0.927	0.900		
Customer Loyalty (Y)	0.858	0.890	0.922	0.880	
Social Media Advertising (X3)	0.886	0.916	0.892	0.875	0.876

Source: Processed Data, 2025

Based on the results shown in the table above, the bold diagonal values, which represent the square root of the Average Variance Extracted (AVE) for each construct, are higher than the correlations between constructs in their corresponding rows and columns. This outcome demonstrates that each construct exhibits strong discriminant ability, indicating the absence of overlap among constructs within the model.

Therefore, it can be inferred that discriminant validity has been established. In other words, all latent variables in this study empirically measure distinct theoretical concepts. This finding confirms that the measurement model satisfies the discriminant validity requirements as proposed by Fornell and Larcker (1981) and Hair et al. (2019). After confirming discriminant validity, the analysis proceeds to the next stage, testing for multicollinearity using the Variance Inflation Factor (VIF) to ensure that no high linear relationships exist among the independent variables in the model.

Multicollinearity Test (VIF)

The multicollinearity test was conducted to ensure that the indicators within each construct do not exhibit excessively high correlations. This test was performed by examining the Variance Inflation Factor (VIF) values. According to Hair et al. (2019), VIF values below 5.0 indicate that there are no multicollinearity issues among the indicators forming the constructs.

Table 4
Collinearity Statistics (VIF)

Indicator (CE)	VIF	Indicator (CENG)	VIF	Indicator (SMA)	VIF	Indicator (Z)	VIF	Indicator (Y)	VIF
CE1	3.998	CENG1	3.447	SMA1	3.947	Z1	3.604	Y1	3.125
CE2	4.474	CENG2	3.420	SMA2	4.380	Z2	2.698	Y2	2.349
CE3	2.226	CENG3	1.274	SMA3	2.935	Z3	3.382	Y3	2.641
CE4	1.918	CENG4	3.241	SMA4	3.244	Z4	2.802	Y4	2.461
				SMA5	1.990				

Source: Processed Data, 2025

Based on the test results, all indicators exhibited VIF values below 5, suggesting that no excessive correlations exist among them. This implies that each indicator is able to independently represent and explain its corresponding latent variable. Consequently, it can be concluded that the measurement model in this study is free from multicollinearity issues and fulfills the necessary assumptions to proceed with the evaluation of the structural (inner) model.

Structural Model Evaluation (Inner Model)

After confirming that the measurement model (outer model) is both valid and reliable, the subsequent phase involves evaluating the structural model (inner model). This evaluation is intended to examine the relationships among the latent constructs specified in the research framework and to determine the extent to which the independent variables account for the variation in the dependent variables.

R Square Value

The R Square Value serves as an indicator of the proportion of variance in the dependent construct that is explained by the independent constructs within the model. A higher R^2 value reflects a stronger explanatory and predictive capability of the structural model.

Table 5
R Square

Endogenous Variable	R Square	R Square Adjusted
Customer Satisfaction (Z)	0.895	0.891
Customer Loyalty (Y)	0.869	0.863

Source: Processed Data, 2025

Based on the results shown in the table above, the R^2 value for Customer Satisfaction (Z) is 0.895, indicating that 89.5% of the variance in customer satisfaction is explained by Customer Experience (X1), Customer Engagement (X2), and Social Media Advertising (X3), while the remaining 10.5% is attributed to other factors outside the research model.

Similarly, the R^2 value for Consumer Loyalty (Y) is 0.869, signifying that 86.9% of the variance in consumer loyalty is explained by Customer Satisfaction (Z), Customer Experience (X1), Customer Engagement (X2), and Social Media Advertising (X3).

According to Hair et al. (2019), an R^2 value equal to or greater than 0.67 is considered strong, implying that the structural model in this study possesses excellent explanatory power for the dependent variables under investigation.

Path Coefficient Test (Direct Relationships)

Based on the results of testing the direct relationships among the variables in the structural model, the path coefficient values, t-statistics, and p-values were obtained, as presented in the table above. The interpretation of each relationship is explained in detail as follows:

Table 6
Path Coefficient

Relationship Variables	Between	Original Sample	T Statistics	P Values	Description
X1 → Z		0.626	3.532	0.000	Significant
X1 → Y		0.154	1.335	0.182	Not Significant
X2 → Z		0.340	3.991	0.000	Significant
X2 → Y		0.141	1.364	0.173	Not Significant
X3 → Z		0.018	0.108	0.914	Not Significant
X3 → Y		0.121	0.814	0.416	Not Significant
Z → Y		0.547	3.233	0.001	Significant

Source: Processed Data, 2025

Interpretation:

1. **Customer Experience (X1) → Customer Satisfaction (Z)**

The results indicate an Original Sample value of 0.626 with a p-value of 0.000 (< 0.05), signifying that Customer Experience has a positive and significant impact on Customer Satisfaction. This finding implies that the more favorable and seamless the customer’s experience during brand interactions, the greater their level of satisfaction. These results are consistent with the experiential marketing theory advanced by Schmitt (1999) and further supported by Kotler and Keller (2016), which posits that enjoyable, consistent, and meaningful customer experiences generate emotional value and substantially enhance overall satisfaction.

2. **Customer Experience (X1) → Consumer Loyalty (Y)**

The Original Sample value of 0.154 with a p-value of 0.182 (> 0.05) indicates that Customer Experience does not have a significant direct effect on Consumer Loyalty. This finding suggests that positive customer experiences alone are insufficient to directly foster loyalty unless they first lead to customer satisfaction. Accordingly, Customer Experience appears to exert an indirect influence on loyalty through Customer Satisfaction (Z). This conclusion is consistent with the findings of

Homburg et al. (2017), who argue that customer experience serves as a fundamental antecedent of satisfaction, which subsequently drives the development of loyalty.

3. **Customer Engagement (X2) → Customer Satisfaction (Z)**

The Original Sample value of 0.340 with a p-value of 0.000 (< 0.05) demonstrates that the relationship between Customer Engagement and Customer Satisfaction is both positive and statistically significant. This implies that a higher degree of customer engagement in brand-related activities such as interacting with the brand, providing feedback, or participating in brand communities leads to greater customer satisfaction. These findings are in line with the results of Brodie et al. (2011) and Hollebeek (2011), who assert that customer engagement strengthens emotional attachment and enhances perceived brand value, thereby increasing overall satisfaction levels.

4. **Customer Engagement (X2) → Consumer Loyalty (Y)**

The Original Sample value of 0.141 with a p-value of 0.173 (> 0.05) indicates that Customer Engagement does not exert a significant influence on Consumer Loyalty. This finding suggests that although customers may actively engage with a brand, such engagement alone is not sufficient to establish loyalty unless it is reinforced by consistent satisfaction with the product or service. This result aligns with the perspective of Vivek et al. (2012), who emphasize that engagement operates as a psychological construct that requires customer satisfaction as a mediating factor to translate into behavioral loyalty.

5. **Social Media Advertising (X3) → Customer Satisfaction (Z)**

The Original Sample value of 0.018 with a p-value of 0.914 (> 0.05) indicates that Social Media Advertising has no significant effect on Customer Satisfaction. This finding implies that the mere presence of social media advertisements is insufficient to directly enhance customer satisfaction. Such an outcome may be attributed to the informational and awareness-oriented nature of social media advertising, which typically lacks the depth of experiential and emotional engagement required to foster satisfaction. These results align with the findings of Alalwan (2018), who emphasizes that the effectiveness of social media advertising largely depends on the relevance of its content and the perceived credibility of the messages delivered to consumers.

6. **Social Media Advertising (X3) → Consumer Loyalty (Y)**

The Original Sample value of 0.121 with a p-value of 0.416 (> 0.05) also indicates that Social Media Advertising does not have a significant impact on Consumer Loyalty. This suggests that social media advertising, by itself, is insufficient to directly foster customer loyalty toward a brand. The finding implies that loyalty is more strongly driven by sustained positive experiences and satisfaction rather than by mere exposure to promotional content. This result is consistent with Rahim et al. (2022), who contend that in the digital era, consumer loyalty is primarily shaped by the overall customer experience journey and the level of trust in the brand, rather than through social media promotional activities alone.

7. **Customer Satisfaction (Z) → Consumer Loyalty (Y)**

The relationship yields an Original Sample value of 0.547 with a p-value of 0.001 (< 0.05), indicating that Customer Satisfaction has a positive and significant impact on Consumer Loyalty. This finding suggests that satisfied customers are more likely to

repurchase, recommend the brand to others, and sustain long-term commitment. These results are consistent with Oliver’s (1999) theory, which posits that satisfaction serves as the fundamental basis of customer loyalty and acts as a key determinant in maintaining enduring customer-company relationships.

Specific Indirect Effect

Based on the results of the indirect effect test presented in the table above, three mediating relationships were identified through Customer Satisfaction (Z). This analysis is conducted to assess whether Customer Satisfaction (Z) functions as a mediating variable between the exogenous constructs (X1, X2, X3) and the endogenous variable (Y).

Table 7
Specific Indirect Effect

Indirect Relationship	Original Sample	T Statistics	P Values	Description
X1 → Z → Y	0.343	2.156	0.032	Significant
X2 → Z → Y	0.186	2.612	0.009	Significant
X3 → Z → Y	0.010	0.127	0.899	Not Significant

Source: Processed Data, 2025

Interpretation:

1. Indirect Effect of Customer Experience (X1) on Consumer Loyalty (Y) through Customer Satisfaction (Z)

The results reveal that the indirect effect of Customer Experience (X1) on Consumer Loyalty (Y) through Customer Satisfaction (Z) is significant, with an Original Sample value of 0.343, a T-statistic of 2.156, and a p-value of 0.032 (< 0.05). This finding indicates that enhanced customer experiences lead to higher levels of satisfaction, which in turn increases customer loyalty toward the brand or product. These outcomes are consistent with Homburg et al. (2017) and Schmitt (1999), who highlight that consistent and emotionally meaningful customer experiences cultivate positive perceptions and promote long-term attachment. Thus, Customer Satisfaction serves as a key mediating mechanism linking Customer Experience to Consumer Loyalty, demonstrating that the effect of Customer Experience on loyalty is indirect through satisfaction.

2. Indirect Effect of Customer Engagement (X2) on Consumer Loyalty (Y) through Customer Satisfaction (Z)

The indirect effect of Customer Engagement (X2) on Consumer Loyalty (Y) through Customer Satisfaction (Z) is also significant, with an Original Sample value of 0.186, a T-statistic of 2.612, and a p-value of 0.009 (< 0.05). This finding indicates that active customer engagement through interactions, participation, or social support can enhance satisfaction, which subsequently promotes loyalty. These results are in line with the perspectives of Brodie et al. (2011) and Vivek et al. (2012), who describe engagement as an emotional conduit that strengthens the customer–brand relationship. In this context, Customer Satisfaction functions as a critical mediating variable, reinforcing the effect of engagement on loyalty. In other words, customer engagement alone does not guarantee loyalty unless it leads to positive experiences and satisfaction.

3. Indirect Effect of Social Media Advertising (X3) on Consumer Loyalty (Y) through Customer Satisfaction (Z)

In contrast to the previous two variables, the results show that the indirect effect of Social Media Advertising (X3) on Consumer Loyalty (Y) through Customer Satisfaction (Z) is

not significant, with a p-value of 0.899 (> 0.05). This indicates that social media advertising does not substantially contribute to enhancing customer satisfaction or loyalty indirectly. These findings suggest that, within the context of this study, social media advertising alone is insufficient to foster loyalty unless it is complemented by meaningful customer experiences and engagement. Consistent with Alalwan (2018), the effectiveness of digital advertising largely depends on the relevance of its content and the credibility of the information source. Therefore, Social Media Advertising does not represent a significant mediating pathway in the development of consumer loyalty.

Discussion

The results of this study show that Customer Experience and Customer Engagement are the strongest predictors of Customer Satisfaction, which in turn shapes Consumer Loyalty. These findings reveal key behavioral patterns in Indonesia's digital UMKM environment, where trust issues, inconsistent service quality, and intense platform competition strongly influence consumer decision-making. This indicates that Indonesian customers now place greater importance on relational value and emotional security rather than purely transactional benefits.

The significant effect of Customer Experience demonstrates that positive experiences are essential for overcoming structural challenges faced by many UMKM, such as limited digital skills, slow responses, and fragmented communication. In emerging markets, high-quality experiences act as a corrective mechanism that reduces service friction and increases consumer confidence, making experience improvement a strategic necessity. The strong role of Customer Engagement shows that active and genuine interaction helps reduce perceived risks and compensates for the weak brand recognition common among small businesses. Engagement becomes effective when it is authentic, responsive, and able to create a sense of social presence, supporting consumers as they navigate uncertainties in digital transactions.

Customer Satisfaction acts as a psychological bridge linking experience and engagement with loyalty. In an environment where fraud, inconsistent product quality, and unreliable after-sales support still occur, satisfaction helps build trust and reduce uncertainty, allowing positive experiences and meaningful engagement to develop into long-term loyalty. The insignificant effect of Social Media Advertising reflects a saturated digital advertising landscape dominated by repetitive content, limited visibility, and weak message differentiation. The issue lies not only in consumer behavior but also in the strategic and creative shortcomings of MSMEs' advertising practices, which reduce credibility and persuasive impact.

CONCLUSION

This study provides a clear theoretical contribution by confirming that Customer Experience (CX) and Customer Engagement (CE) are the primary drivers of Customer Satisfaction (CS), which subsequently strengthens Customer Loyalty (CL). These findings reinforce consumer behavior theories that position experiential and engagement-based interactions as central psychological mechanisms behind long-term loyalty formation. Moreover, the non-significant effect of Social Media Advertising (SMA) on satisfaction and loyalty offers additional theoretical insight, suggesting that digital promotions alone are insufficient for building emotional attachment or sustained commitment within the MSMEs

context. This extends existing literature by highlighting the boundary conditions of advertising effectiveness in small-business environments.

This study is limited to the MSMEs context and employs a cross-sectional quantitative design, which does not capture behavioral changes over time. Future research may incorporate moderating variables such as brand trust, perceived value, or customer involvement to examine whether psychological or relational factors strengthen or weaken the observed relationships. Expanding the scope to other industry sectors and using longitudinal or mixed-method approaches would generate a richer understanding of the dynamic processes behind customer loyalty. Additionally, exploring mediating mechanisms beyond satisfaction, such as emotional attachment or perceived experiential value, may deepen theoretical insights and refine existing loyalty models.

Beyond its theoretical and methodological contributions, this study offers strengthened practical implications for MSME managers and policymakers. The strong explanatory power of the model ($R^2 = 0.895$ for CS and 0.869 for CL) highlights the importance of prioritizing experiential quality and customer engagement rather than relying solely on conventional advertising efforts. These findings emphasize that sustainable loyalty is more effectively cultivated through emotional value creation, interactive service design, and consistent customer-centered strategies. Furthermore, the insignificant role of SMA suggests that policymakers should reconsider promotional subsidy schemes or digital marketing training programs, ensuring they are complemented with initiatives that enhance experiential competencies and customer relationship capabilities within UMKM ecosystems.

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