

CHAPTER I

INTRODUCTION

In this chapter, it will be presented the preliminary research which will be decomposed into six sub-chapters namely background, reseach questions, research objectives, research limitation, the benefits of research, and systematical writing of the thesis.

1.1 Background

Nowaday, there are so many types of the problems that will be affected by the performance of the marketing. Digital era requires the company to establish innovative marketing. In this case, the applied marketing strategy has to be more effective and effciencie. Another point of the marketing is to reach the marketplace. Both of products and services quality that offered by the company will be the consideration for the customers toward a brand value.

One of many strategies that can be implemented in the company as a tool to improve a brand value is well-planned marketing strategy. Marketing strategy is not only how to get the marketplace, but also for building the relationship with the customers, promotion and many more. Although, in its implementation, the marketing strategy will not always be as easy as the expectation. The researcher should do the evaluation to make the marketing

strategy became more effective and efficient. Etzel et al (2000) developed a step for company evaluation such as trying to find out the problem in the company, identify why it happens and decide what thing that the company needs to do to fix the problem.

Innovative strategy for the marketing is developed rapidly, the awareness towards the environment condition recently increase. Some of the companies already applied the green marketing strategy when promoting the products or services. Kilbourne (1998) was divided the dimensional framework of green marketing into three sections including economic, technological and political. Those three will influence each other because they have a relationship. Economic is the popular trend that became the topic when someone decides what products or services to be picked. This argument appears because most of the green products are given with higher price than the conventional products or services in the market (Ottman, 1997). Price issue on the green products or services makes it has the certain limitation such as in the business sector, green consumerism and government (Wymer & Polonsky, 2015).

Green marketing needs some integrated elements on this implementation. The integrated elements including product, price, place and promotion. Those integrated elements are resumed in green marketing 4Ps. Green product needs to consider about the design, technology, usefulness, value, convenience, quality and packaging (Bhalerao, 2015). According to the price of the products, it is proved that most of the customers who have higher

education and higher income will be properly choose and pay more for the green product (Ahmed, Kamalanabhan, & Chih, 2001). For the place of green marketing, the customers rarely search for the green products. This kind of condition makes the place of the green products is not really considered (Davari & Strutton, 2014). In addition, there are so many customers that still assumed that the promotion from the green product is only to promote the environmental benefit (Kinoti, 2011).

As the movement to accumulate the customers, the company has to promote the products. Similar to the conventional product, green products also required to be promoted. Green promotion can be described as an activity to perform the promotion related to the enviromental issue. The promotion can be formed as the advertising, sales promotions and activities conducted directly by public relation. As the awareness of environmental condition, there are so many green promotions that apply paperless methods by using online promotion. Proper promotion on the green products will increase the brand loyalty on a brand (I, 2015).

Loyalty means an exhaustived commitment for making a repeat order of products or services. A loyalty can be improved when the customer has a strong trust in a brand. Trust is not only something that occurs among the human. It also can be built interms of the human and a brand. Brand trust is customer's willingness to rely on the brand in term of facing the risk which caused by the expectation that the brand will cause positive outcomes (Lau & Lee, 1999). Although, there are several things that will affect the value of

brand trust such as customer engagement (So K. K., King, Sparks, & Wang, 2014), information credibility (Lee, Kim, & Chan-Olmsted, 2014), Eco labelling (Atkinson & Rosenthal, 2014), Purchase Intentions (Zhao, Huang, & Su, 2019) and Communication tools (Sadek, Redding, & Tantawi, 2015). Each of the variables has its own indicators.

The value of customer engagement will be higher if the brand trust is high. Customer engagement is a long-term relationship that arises from utilization motivations (Thakur, 2018). Customer engagement behavior can be obtained through word-of-mouth, customer helping company also customer helping customer. Customer engagement behavior has some of the dimensions that will affect its value including perceived quality, service convenience and perceived fairness (Roy, Shekhar, Lassar, & Chen, 2018). There is a cycle of customer engagement such as connection, interaction, satisfaction, reiteration, commitment, advocacy and engagement (Sashi, 2012).

This time, there are so many products or services within their green label. For instance, the green product in the property industry shaded by an association called as Real Estate Indonesia in the Yogyakarta chapter. Real Estate Indonesia was established in the Jakarta, February 11nd 1972. At that time, real estate indonesia do not have any kind of organizers. On the february18th 1972, real estate Indonesia has started to establish its management. February 1972 was a clamorous month for real estate indonesia. On the February 25nd, the management of REI was proposed to the government about their estabhlistment. Now, Real Estate Indonesia holds about

thousands industrial property company. Industrial property is an interesting topic to follow year by year. On 2015, the data derived from REI said that industrial property increased about 30% in a year. In several year, companies under the REI association have developed kind of new concept in the product which is green product. Most of the concepts offer the environment around the green product with the green environment and other technologies. This research could identify the customer engagement values. The customer engagement has variables and each variable has its own indicators. Therefore, the research will investigate how to recognize the relationship of the eight variables to customer engagement with the indicators follow them. In this research, eight variables are the **exogeneous** variables and customer engagement became **endogenous** variables. Such situation gives a problem, how far is the relationship between eight variables to the customer engagement followed by the indicators. The next issue is to find out how much influences of those variables toward customer engagement, the conceptual model design is needed to clarify the direction of the relationship between exogenous and endogenous variables.

Therefore, based on the identification of the problem there were several ways to solve this problem by defining the variables and indicators of customer engagement to build a model and then test the hypothesis on variable relationships and gain new insight from the data. This research is conducted by Structural Equation Modeling (SEM) using AMOS 22[®] software. Structural equation modeling as a method for multivariate statistical analysis technique that is used to analyze structural relationships among variables. This research

has ever been done by the other reseacher with the differences number of varibales and indicator that used. Previous research has been carried out by Oktarizma in 2018 that involves 3 variabes such as Attention, Interaction and Customer Satisfaction. Based on the literature review that already done, this research added 5 more exogenous variables such as Enthusiasm, Absorption, Identification, Irritation and Service Quality. However, the result of the research limited only to identify the relationship strength among endogenous and exogenous variables. Therefore, to prove that this research has a novelty, it will be conducted the measurement about the customer engagement value. Novelty refers to new things that haven't been performed by previous the researchers. Certainly, the research needs a long time and expensive cost to directly measure the customer engagement value. One of the ways to make the research more efficient is to simulate the customer engagement value. **System dynamics simulation** method can be used and will give the best solution.

1.2 Research Question

Based on the exposure of the background above, there were some problems in the research to be conducted. Then, the problem can be formulated with research questions as follows:

1. What are the conceptual design of variables and indicators for customer engagement models?
2. Is there any significance of the relationship between variables in the model that has been built?

3. What is the simulation model to identify the value of customer engagement in every year?

1.3 Research Objective

Based on the research questions above, then the objectives of this research are:

1. Designing a conceptual model of **Customer Engagement** model.
2. Identification the relationship between exogenous and endogenous variables of customer engagement model.
3. Identification the value of the customer engagement model in every year on certain time step.

1.4 Research Limitation

This research needs a scope that aims to focus on studies conducted as follows:

1. The study is focused on green marketing in the discussion of customer engagement.
2. Research is carried out based on the conceptual model.
3. Research was performed in Real Estate Indonesia Yogyakarta.
4. Analysis of correlation between endogenous and exogenous variables used by AMOS 22[®] software.
5. Identification of Customer Engagement value by using the system dynamics simulation with the tools of Powersim 9[®] Software.

1.5 Research Benefit

This research will provide the advantages or benefit as follows:

1. The research can provide the development of scientific knowledge, especially in the field of green marketing technology and structural equation modeling which is focused on customer engagement.
2. The research can apply the system dynamics simulation in determining the customer engagement value.

1.6 Systemathical Writing

Systematic writing of this thesis is described as follows:

CHAPTER II LITERATURE REVIEW

Literature review provides information on previous studies and other theories related to the research. There are three main topics in this chapter including previous study, basic theories and conceptual model of the research. The objective is to seek the novelty of this research.

CHAPTER III RESERACH METHODOLOGY

This chapter will present the detail of methodology that used in this research. The data are divided into 2 parts, namely primary and secondary data.

CHAPTER IV DATA COLLECTING AND PROCESSING

This chapter presents information of data that have been collected during the research. It also contains problem solving using the the methods and tools that are

implemented in the data processing as well the analysis. This chapter is a reference for the discussion of the results that will be written in Chapter V.

CHAPTER V

DISCUSSION

This chapter provides a discussion after data analysis. It will be the core discussion in order to get a comprehensive understanding about the whole research.

CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

The conclusion and recommendations for further research will be described in this chapter

REFERENCES

APPENDIX