

CHAPTER II

LITERATURE REVIEW

The theoretical foundation of this research will be detailed in this chapter, including an explanation of digital marketing, purchase intention, and customer relationship management. The study hypotheses and conceptual framework will also be explained in this chapter.

2.1 Theoretical Overview

2.1.1 Digital Marketing

Digital marketing involves interacting with consumers through various channels, including social media, mobile apps, blogs, emails, and search engine optimisers (SEOs), to convey advertising messages. It promotes goods and services in real-time through an internet connection (Dastane, 2020). Digital marketing is a popular method for promoting products and services through digital channels. According to Taiminen and Karjaluoto (2015), digital marketing covers non-internet channels as well. This encompasses mobile phones (SMS and MMS), social media marketing, display advertising, search engine marketing, and other digital channels. Ghahremani-Nahr & Nozari (2021) use three indicators to assess digital marketing effectiveness: (i) product or service information, (ii) web content quality, and (iii) cost.

In the world of digital marketing, there are three main channels for reaching your target audience: paid media, owned media, and earned media. Paid media is any type of marketing in front of target audience. This may include social media advertising, search engine marketing (SEM), and display advertising. Owned media includes platforms under control, such as your website, blog, social media channels, and email list. This is where people can create and publish valuable content for target audience. Earned media refers to any free publicity, such as positive reviews, social media mentions, or press coverage. This is essentially the digital equivalent of word-of-mouth marketing

(Chaffey, 2019).

2.1.2 Customer Relationship Management

CRM encompasses three dimensions: collaborative, operational, and analytical. In collaborative dimension, CRM systems can centralize customer data and ensure everyone has the same information. CRM improves communication by providing features such as internal chat, task assignment, and shared calendars, resulting in better collaboration on customer issues and opportunities. The operational dimension automates workflows, improves sales and marketing processes, and enhances customer service. In analytical dimension, CRM systems can track customer interactions, generate reports and dashboards, improve customer segmentation.

It is a valuable tool for developing cost-effective corporate strategies for customer assessment (Buttle, 2019). CRM extends beyond modern tools to analyze customer data, retain existing customers, and develop new ones through effective strategy implementation. According to Richards and Jones (2008), implementing CRM can improve company performance by fostering strong customer relationships and trust. According to Vassiliu (2017), customer relationship management prioritizes understanding what customers value over selling products. Implementing customer relationship management helps companies build strong communication and relationships with customers, enabling them to produce high-quality products at competitive prices while also meeting consumer needs (Al-Gasawneh et al., 2021).

2.1.3 Purchase Intention

Purchase intention has become vital for the development of digital marketing and online sales. Consumers' purchase intention is classified as a complex process usually related to their behaviour, perception, and attitude (Mirabi, Akbariyeh, & Tahmasebifard, 2015). How consumers make purchasing decisions is crucial in marketing. The buyer decision process

outlines the steps a consumer goes through five key stages. The first is need recognition, it's in which the consumer recognizes a problem, a gap between their current and desired state. Second, information search to better understand their options. Third is alternative evaluation, it armed with information, consumers compare various options to meet their needs. Fourth is purchase decision, consumer determines which product or service to purchase. Fifth, post-purchase evaluation. Consumers evaluate their decision after the purchase (Kotler & Amstrong, 2010).

According to Vahdati and Mousavi Nejad (2016), searching for information on the internet increases satisfaction and joy when purchasing products and services. However, this results in repeat purchases, visits to the digital platform, and positive product reviews (Hausman & Siekpe, 2019). Dehghani and Tumer's (2015) found that digital marketing research leads to increased purchase intention. Consumers use online product reviews to make informed purchasing decisions, as trends change over time.

2.2 Previous Research

Tabel 2.1
Previous Research

No	Journal Title + Author and Year	Variables in research	Research Method	Research Result
1	Impact Of Digital Marketing On Online Purchase Intention: Mediation Effect Of Customer Relationship Management	<ol style="list-style-type: none"> 1. Digital Marketing 2. Purchase Intention 3. Customer Relationship Management 	Structural Equation Modelling (IBM SPSS AMOS 24)	<ol style="list-style-type: none"> 1. Digital marketing has a significant effect on purchase intention. 2. Customer Relationship Management does

	(Dastane, 2020)			not mediate the effect of digital marketing toward purchase intention.
2	Digital marketing, online trust and online purchase intention of e-commerce customers: Mediating the role of customer relationship management (Yunus et al., 2022)	<ol style="list-style-type: none"> 1. Digital Marketing 2. Online Trust 3. Online Purchase Intention 4. Customer Relationship Management 	Structural Equation Modeling (SEM) (IBM SPSS AMOS 22.0)	<ol style="list-style-type: none"> 1. Digital Marketing and CRM have a significant relationship with online purchase intention. 2. Online trust does not significantly affect online consumer purchase intention. 3. CRM mediates the relationship of digital marketing and online trust towards the online purchase intention.
3	A Causal Effect of Customer Relationship Management, Attitude, Subjective Norm, Perceived	<ol style="list-style-type: none"> 1. Customer Relationship Management 2. Subjective Norm 3. Perceived Behavioral Control 4. Attitude 	SEM and Partial Least Squares analysis (PLS).	<ol style="list-style-type: none"> 1. Customer Relationship Management has a significant effect on attitude. 2. Customer Relationship

	Behavioral Control of Customer Affecting Purchase Intention To Using Anti-Aging Business In Thailand (Intayos et al., 2021)	5. Purchase Intention		Management has a significant effect on purchase intention. 3. Perceived Behavioral Control has a significant effect on attitude. 4. Attitude has a significant effect on intentions to use anti-aging business. 5. Perceived Behavioral Has a significant effect on intention to use anti-aging business.
4	Effect of digital marketing on customer behavioral intentions with the mediation of customer relationship management (Raeisi Ziarani et al., 2023)	1. Digital Marketing 2. Customer Behavioral Intentions 3. Customer Relationship Management	SEM and Partial Least Squares analysis (PLS).	1. Digital marketing has a significant effect on CRM. 2. CRM has a significant effect on customer behavioral intentions.

				3. CRM mediates the effect of digital marketing on customer behavioral intentions.
5	Can Customer Relations Edify The Purchase Intentions? (Sulman & Ayyub, 2019)	<ol style="list-style-type: none"> 1. Customer Relationship Management 2. Purchase Intentions 3. Service Quality 	Structural Equation Modeling (SEM) (AMOS 20 and IBM SPSS 20)	<ol style="list-style-type: none"> 1. Customer Relationship Management activities positively affected on customer buying or purchase intentions. 2. Service Quality positively affected on purchase intention.
6	E-commerce in Cosmetic Industry (Sonia & Hassanah, 2023)	<ol style="list-style-type: none"> 1. Brand Communication Strategy 2. Electronic Media 3. Trust 	Partial Least Squares analysis (PLS)	<ol style="list-style-type: none"> 1. Brand Communication Strategy has a significant effect on electronic media. 2. Electronic

				media has a significant effect on trust.
7	Cosmetics, Beauty Supply, & Perfume Stores (Mill, 2024)	<ol style="list-style-type: none"> 1. Customer Service 2. Promotion 3. Word of Mouth 	Structural Equation Modeling (SEM)	<ol style="list-style-type: none"> 1. Customer service does not affect the Word of Mouth. 2. Word of Mouth has a positive effect to promotion.
8	Effect of Digital Marketing and Social Media on Purchase Intention of Smes Food Products (Erlangga et al., 2021)	<ol style="list-style-type: none"> 1. Digital Marketing 2. Social Media 3. Purchase Decision 4. SMEs 	SPSS software	<ol style="list-style-type: none"> 1. Social media marketing has a significant influence on purchasing decisions on SMEs products. 2. There is a positive influence between social media marketing variables and SMEs product purchasing decisions.

2.3 Hypotheses Development

2.3.1. The Influence of Digital Marketing to Purchase Intention

Digital marketing allows for flexible communication and promotion of services and products, regardless of time, location, or cost. According to Wibisurya (2018), digital marketing positively affects purchase intention by providing appealing content, personalization, and customization options for consumers. Same with Poyurak and Softic (2019), who demonstrated that digital marketing has a positive effect on purchase intentions through consumer opinion exchange. Chaffey and Ellis-Chadwick's (2019) study found no significant correlation between digital marketing and purchase intention based on design layout. Liat and Wuan (2014) found that using digital marketing tools to support purchase intentions is ineffective. This study is therefore intended to examine the relationship and propose the following hypothesis.

H1 : Digital marketing has a significant and positive impact on purchase intention.

2.3.2. The Influence of Digital Marketing to CRM

According to Gupta (2019), digital marketing enhances CRM's focus on visibility, customer education, and transformation by providing personalized feedback and reviews based on customer behavior. Furthermore, the personalisation of digital marketing and CRM provides excellent service. Merisavo (2003) suggests that relevant discussions occur at regular intervals. To improve customer relationships, monitor digital marketing, gather feedback, and personalize marketing strategies (Vinerean, 2017). The study proposes the following hypothesis.

H2 : Digital marketing has a significant and positive impact on CRM.

2.3.3. The Influence of CRM to Purchase Intention

Purchase intention means to purchase in the near future and is important for companies to study customer acquisition and retention by building a strong relationship (Patel, Gadhavi, & Shukla, 2017). Ahmed and Zahid (2018) claimed that CRM has a significant impact on purchase intention from customer care. Wibisurya (2018) on the other hand, mentioned that there is no general advertising to focus on new and personalised products for customers to get their attention for purchasing the new products. Therefore, this study proposed the following hypothesis.

H3 : CRM has a significant and positive impact on purchase intention.

2.3.4 The Role of CRM as Mediation Toward Digital Marketing and Purchase Intention

Digital marketing has a significant impact on customer behavior and requires ongoing updates to maintain a competitive edge. However, there is a lack of research on this topic (Toor & Husnain, 2017). According to Ahmed and Zahid (2014) and Toor and Husnain (2017), CRM-mediated digital marketing is effective in increasing purchase intention. Karjaluoto and Ulkuniemi (2015) found that digital marketing does not have a significant impact on CRM. This is because using more digital marketing platforms can lead to consumers feeling underserved and purchasing less. The mediation effect has not been tested for digital marketing and online purchasing intentions. Therefore, this study proposed the hypotheses.

H4 : CRM mediates the effect between digital marketing and purchase intention.

2.4 Research Framework

The conceptual framework below consists of three variables: digital marketing as the independent variable, customer relationship management as the intervening or mediating variable, and purchase intention as dependent variable. This framework is adopted from (Dastane, 2020) study, which shows the effect of digital marketing and customer relationship management in the relationship with purchase intention.

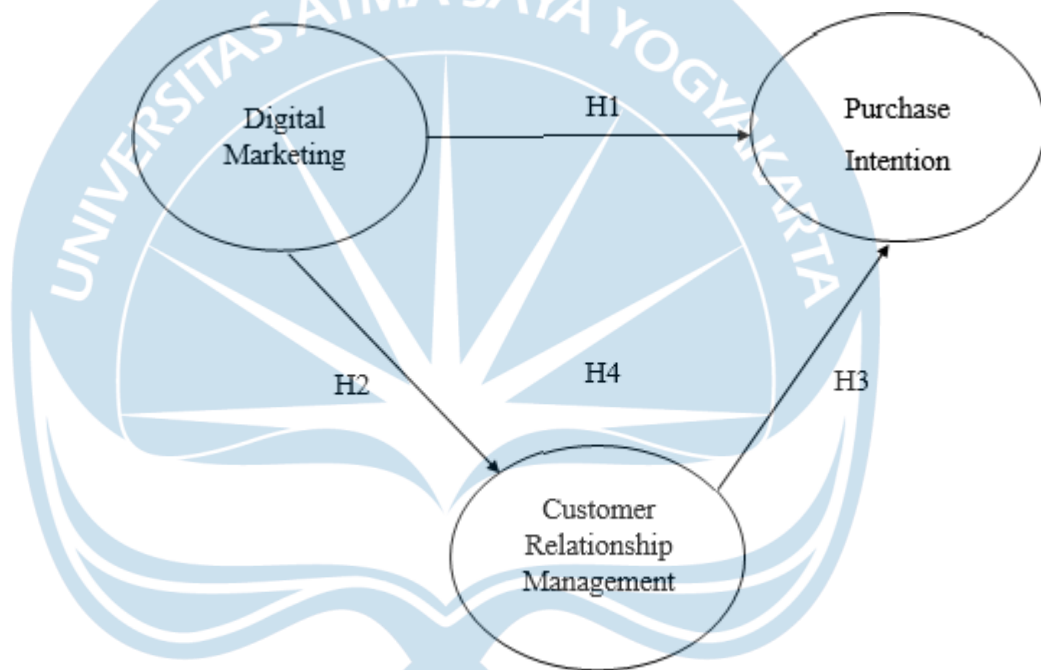


Figure 2.1 Research Framework

Source : Dastane (2020)