



Research Paper

The Influence of Customer Engagement and Word of Mouth on Customer Loyalty Through Purchase Decisions for PT 4Life Research Indonesia's Multi-Level Marketing Products

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ABSTRACT: This study is intended to determine the extent to which customer decisions and word of mouth (WOM) have a significant influence on customer loyalty through purchasing decisions at PT 4Life Research Indonesia and which variables provide the most significant influence on customer loyalty. This study uses four variables to represent customer decisions: conscious participants, enthusiasm, social interaction. The results of the study indicate that of all the variables analyzed, it turns out that word of mouth is a variable that has a direct influence on customer loyalty.

KEYWORDS: customer engagement, word of mouth, customer loyalty, purchasing decisions

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I. INTRODUCTION

In this era that enters the economy freely, many business businesses develop with very varied modes. One of them is Multi-Level Marketing or better known by the acronym MLM. Behind the excitement of the business that can make the business person will quickly get a big profit. In general, Multi-Level Marketing is an alternative business method related to marketing and distribution. The main concern of MLM is determining the best way to sell a company's product through innovation in marketing and distribution. It is concerned with how to sell a product more efficiently and effectively to the market. Hearing the words MLM must be familiar to us. Multi-level marketing (MLM) is a business opportunity that promises profits and even freedom of income or income.

This research is based on the subject of Multi-Level Marketing (MLM). This research was conducted by researchers at a Multi-Level Marketing company, namely 4Life Research, a research company with an R&D team led by McCausland. In 1998, 4Life Founders David and Bianca Lisonbee launched the company's flagship immune support product system, 4Life Transfer Factor. As the first network marketing company to market products with an MLM system, 4Life advances immune system science with innovations in product formulations, manufacturing standards, delivery methods, and more. Today, people in more than 50 countries enjoy the immune system support of 4Life products.

4Life distributors worldwide share the knowledge of 4Life products, plus the opportunity to achieve financial success, with people who want to enjoy the benefits of a healthy lifestyle and a healthy income. The distribution company is driven by a humanitarian arm, committed to service activities that meet the needs of communities wherever 4Life does business around the world. Every day, in every way, through science, success, and service. The owner of the patent rights of 500 health supplements circulating the world. 4Life Research is registered in more than 52 countries around the world. 4Life Research was listed in Inc.500 magazine in 2003 as the 15th fastest company in the USA with 60% growth and made history the highest-ranked Networking company in Inc.500 magazine. 4Life Research was recognized as 1 of the ten best Networking companies in Japan in 2006. 4Life Research won the "Distributor Choice Award" as the best Networking company in the world. Out of 342 marketing programs, 4Life Research was selected as the best company according to the Network Marketing Business Journal in America in 2005. In Indonesia, this Multi-Level Marketing company is known as PT 4LIFE Research Indonesia.

According to Setiadi (2005), customer engagement is the level of perceived personal interest and interest generated by the stimulus in a specific situation to the extent of its presence. Consumers act intentionally to minimize risk and maximize benefits derived from purchase and use. Involvement is most widely understood as a function of people, objects, and situations. The underlying motivation is the needs and values, which are a reflection of the self-concept. Engagement is activated when the object (product, service, or promotional message) is perceived to meet essential needs, goals, and values. Involvement refers to the consumer's perception of the importance of personal relevance of an object, event, or activity. The customer sees that the product has personally relevant consequences and is said to be involved with the product and has a relationship with the product. Consequences with a product or brand have cognitive aspects and an influence (Setiadi, 2005). Cognitively, what is included in engagement is the final meaning knowledge about the important consequences caused by using the product. Including the evaluation of a product. If the involvement of a product is high, a person will experience stronger influence responses such as strong emotions and feelings.

Most marketers often view customer engagement as high or low, but engagement can range from low to moderate to high levels (Setiadi, 2005). Engagement is a motivational state that drives and directs customers' cognitive processes and behavior when they make decisions. Customers can translate much information obtained from advertisements or brochures. Customers can also spend more time and energy integrating product information to evaluate brands and make purchasing decisions (Setiadi, 2005). Involvement reflects a strong motivation in the form of a high perceived personal relevance of a product or service in a particular context. Everything depends on the perceived relationship between the influence that motivates the individual and the benefits offered by the object. Personal characteristics (needs, values, self-concept) are faced with appropriate marketing stimuli in the given situation (Setiadi, 2005). It takes the right way so that a brand can win the hearts of customers and come out as a winner. In this case, the researcher wants to discuss further the power of customer engagement in the 4Life company.

The purchase decision is a process that begins with the need for recognition. Individual customers who identify needs, buy and consume products or services and then discard or discontinue the services that have been consumed. Because this process starts from the introduction of needs, then this process is a system of meeting the needs. This system is made active or excited by motivation. As an individual, the purchasing decision process will vary a lot because of differences in background characteristics derived from individual culture and values, demographics, psychology, and social attributes, including differences in motivation and involvement (Engel, Blackwell, and Miniard, 2001). Experts have studied various things that influence consumers' purchasing decisions when they buy something. Some of the roles that people may play in purchasing decisions, according to Kotler (2006), are as follows:

- a. The initiator is the person who first suggests or contemplates the idea of buying a particular product or service.
- b. Influencers are people whose views or advice are taken into account in making the final decision.
- c. The decision-maker is someone who ultimately determines most or all of the purchasing decisions.
- d. A buyer is someone who makes the actual purchase.
- e. A user is a person or persons who enjoy or use a product or service.

The purchase decision is an action taken by the customer to buy a product. Every producer must carry out various strategies to decide to buy their products, and PT.4Life Research Indonesia is a company engaged in multi-level marketing, which is closely related to every purchase decision made by its customers.

Customer loyalty is one of the core goals pursued in modern marketing. With loyalty, it is expected that the company will get long-term benefits from the mutualism relationship that exists within a specific time.

II. LITERATURE REVIEW

Customer Engagement

Customer engagement is the reason is to feel motivated to seek information about a particular product and brand. Customers who feel engaged will usually buy, promote, and show their loyalty to one product or brand. Businesses that focus on customer engagement are more focused on value creation, not revenue extraction. Some things are more meaningful than sales promotions, namely a satisfying customer experience, excellent content or product, and interactive customer service support.

According to marketing experts, the level of involvement experienced by customers, namely Peter and Olsen (2013), is influenced by 2 (two) sources, namely personal-intrinsic and situational relevance. Intrinsically self-relevant refers to the knowledge that consumers have through past experiences with a product. Personal-intrinsic relevance is a function of consumer and product traits. The main characteristics of consumers are the values and goals of people's lives. Relevant product characteristics are product attributes and their functional consequences such as expected benefits or risks. Other characteristics are social situation and time commitment (e.g., buying a vehicle contains high involvement because it requires a commitment to the chosen brand for a long time). Personal-situational relevance (intrinsically self-relevant) is determined by aspects of the consumer's

physical and social environment that will immediately activate important consequences and values, thus making products and brands look personally relevant. For example, a customer who sees a 50% discount promotion for a well-known brand in a store can activate his mind to own the product.

Personal intrinsic and situational relevance always combine to create the level of involvement that consumers experience during the decision-making process. This means that consumers experience some degree of involvement when making purchase choices, even for relatively unimportant products. Although the sources of personal involvement for daily consumption products are low, situational sources tend to influence the perceived involvement of consumers. However, not all purchases made by customers require high involvement. In other words, customers do not always think about what brand to buy, at which store to buy it, and when to buy it. For consumers who are not so involved in their purchase (low involvement), any brand can replace the brand they are looking for, the important thing is that the brand can fulfill the benefits they are looking for. The indicators of customer engagement in this study are conscious participants, enthusiasm, social interaction.

Word of Mouth

According to Paludi (2016), the definition of word of mouth is oral, written, and electronic communication between people related to the advantages or experiences of buying or using products or services. Recommendations from other customers are usually considered more reliable than promotional activities from the company and can greatly influence the decision of others to use (or avoid) a service. The greater the risk perceived by the customer is buying a service. They are more active in seeking and relying on word of mouth to help make their decisions. Consumers who lack information about a service are more dependent on word of mouth than customers who already understand.

According to Siverman (2001) suggests that emotions that show individual feelings are not only seen from the dimensions of pleasure or displeasure. Furthermore, Silverman categorizes emotions into 3 (three) dimensions: pleasant or unpleasant feelings, excited or inner feelings, and expectancy or release feelings. In the exciting dimension, the feelings experienced by individuals can be accompanied by actual behavior or actions. While in the expectancy dimension, the feeling experienced by the individual is still in expectation, but there are also personal feelings caused by circumstances that have occurred or are real. The word of mouth indicators in this study are talker, topic, tools, partaking, and tracking.

Purchasing Decisions

Purchasing decisions according to Kotler (2002), there are four consumer buying processes, namely:

- 1) Recognition of needs. The buying process arises when a person begins to feel the need for a product.
- 2) Information search. Consumers will try to find information about objects in order to fulfill their needs.
- 3) Evaluation of alternatives. After getting information, consumers will evaluate various alternatives.
- 4) Purchase decision. After searching and evaluating various alternatives, the customer must decide whether to buy or not to buy a product.

The indicators of purchasing decisions in this study are: need recognition, information achievement, evaluation of alternatives, purchase decisions, post-purchase behavior.

Customer Loyalty

In understanding consumer behavior, many influences underlie a person in making purchasing decisions for a product, in most people. Consumers' characteristics to process these stimuli are very complex, and one of them is the consumer's motivation to buy. Schiffman and Kanuk (1994) state that motivation is a driving force from within individuals that compels them to take action. If someone has a high motivation towards a particular object, then he will be encouraged to behave in mastering the product. Conversely, if the motivation is low, then he will try to avoid the object in question. The implication in marketing is for the possibility that the person is interested in buying the product or brand offered by marketing or not. In line with this, purchasing decisions in this study can be contextually influenced by personal characteristics, namely consumer motivation to buy. The indicators of customer loyalty in this study are: repeat buyer, purchase across product and service line, recommended to others, demonstrate immunity to the full of competition.

III. RESEARCH METHOD

The population in this study are users of multi-level marketing products and those who know about multi-level marketing products. The population is unknown, so the sampling technique in this study was conducted by purposive sampling with the consideration that the respondent is an active member of PT 4Life Research Indonesia for at least three years of membership. The number of respondents in this study was 100 respondents who were members or only users of PT 4Life Research Indonesia's multi-level marketing products. The data analysis technique used path analysis.

IV. RESULT

Table 1: Path Coefficient

Variable	Path Coefficient	Effect		
		Direct	Indirect	Total
<i>Customer Engagement (X₁)</i>	0,252	0,154	0,092	0,246
<i>Word of Mouth (X₂)</i>	0,842	0,006	0,309	0,622
<i>Purchasing Decisions (X₃)</i>	0,367	0,367	-	-
<i>Customer Loyalty (Y)</i>	-	-	-	-

The analysis results show that all paths, either direct, indirect, or total, have a positive and significant effect except for customer engagement on customer loyalty. The table above shows that the estimated coefficient of the total standard of customer engagement on customer loyalty through purchasing decisions is 0.246 smaller than the estimated coefficient of the total standard of word of mouth on customer loyalty through purchasing decisions is 0.622. Furthermore, the estimated coefficient of direct influence of word of mouth on customer loyalty is 0.313, which is greater than the estimated coefficient of indirect influence of WOM on customer loyalty, which is 0.092. Thus the results of the study indicate that of all the variables analyzed, it turns out that word of mouth is a variable that has a direct influence on customer loyalty.

Discussion

1. The effect of customer engagement and word of mouth on customer loyalty

Customer loyalty needs to be obtained because loyal customers will actively promote, provide recommendations to their family and friends, make the product the first choice, and not quickly move. Customer decisions are the main factors that can attract customer loyalty. Customer decisions can be seen from the institution's pride, the fulfillment of customer desires, the institution is ideal for customers, and customer satisfaction with the product provider institution. Remember that satisfied customers do not necessarily become loyal customers because humans are naturally curious and try something new. Therefore, it is necessary to have the right strategy in order to deter loyal customers. Switching barriers are created, of course, by taking into account applicable business ethics. Customer loyalty at the cognitive stage can be maintained by increasing product value, significantly decreasing prices and increasing product benefits and quality. Customer loyalty in the experimental stage can be maintained by providing satisfaction, adding value, and creating switching barriers, such as discounts for loyal customers.

Meanwhile, customers whose loyalty is at the conative and action stage, in addition to providing satisfaction, loyalty can be achieved by having a continuous relationship so that in the end, there will be emotional costs if they want customers to switch to competing products, for example, by giving discounts to loyal customers. The barrier to moving is created, of course, by taking into account the applicable business ethics.

2. The influence of customer engagement and WOM on purchasing decisions

Understanding the level of customer engagement in a product or service means that marketers try to identify the things that cause someone to feel they should be involved or not in buying a product or service. The stimulus can also influence the level of consumer involvement in a purchase. Awareness of a product becomes a reminder of purchasing decisions to customers because customers will tend to choose what they usually use in everyday life, so awareness of the benefits of a product affects purchasing decisions. The relationship between quality and purchasing decisions is a customer perception that the customer immediately knows the product. Word of mouth is an activity where customers provide information about a product to other customers and an action taken to enlarge the attractive effect, publication in a newspaper or event that people will talk about continuously. So it can be stated that WOM has a positive and significant effect on purchasing decisions, and word of mouth positively influences purchasing decisions.

3. The effect of purchasing decisions on customer loyalty

Customer loyalty is not only determined by customer satisfaction and trust in a product. However, it is also determined by continuous purchasing decisions and the desire not to switch to other products. Customer loyalty to MLM products is a way to increase customer confidence in purchasing decisions. Customer loyalty oriented to a product that already has a name, especially one labeled with a multi-level marketing product, will be every brand's dream. It means that these brands have closeness to the customer market. The stronger the customer loyalty of a product, the stronger the attraction for customers to buy the product, and in the end, it will provide increased profits to the company.

The current competitive conditions that occur in multi-level marketing products with the variety of products offered and the benefits of doing business by encouraging customers to identify in decision making when determining multi-level marketing products that they think meet the criteria of a product. From the

research that has been done, it can be concluded that purchasing decisions have a positive effect on repurchase interest.

4. The influence of customer engagement and word of mouth on customer loyalty through purchasing decisions.

Loyal customers will subscribe or make repeat purchases for a certain period. Loyal customers are significant for a company engaged in multi-level marketing. Customer loyalty is often associated with repeat purchase behavior—customer loyalty characteristics. Loyal customers are an essential asset for companies engaged in multi-level marketing. It can be seen that loyal customers have characteristics, make regular purchases or purchases, and maintain a positive attitude towards product providers. Customer loyalty becomes very important again because loyal customers will provide benefits for the company. Loyal customers will buy products from a company repeatedly. Consumers' repeated purchases usually have become a habit or because consumers have given more value to the product. However, this customer loyalty will not occur if there is no customer engagement getting mass media references or promotions from word of mouth.

V. CONCLUSION

Based on the results of research on the effect of customer engagement, WOM on customer loyalty through purchasing decisions, the following conclusions can be drawn:

Customer engagement is one way for multi-level marketing companies to interact with customers quickly, creating quality content and an excellent two-way dialogue between the company and its customers. When public relations professionals think about customer engagement, they must think about engaging customers within their company, product, or brand across multiple interconnected social media.

One way to engage customers is through social media. Social media is a means for consumers to channel their opinions and contributions and play a role in forming a brand. Social media has also always been a means of connecting two-way dialogue, which aims to engage customers more interactively. The existence of interactive relationships in social media can expand relational relationships with customers and change the perspective that communication is usually one-way. The existence of social media can make it easier for multi-level marketing companies to be able to create a product and be able to sell the brand to consumers quickly, which in the end, customers can trust a product.

The definition of loyalty from the experts mentioned above is based on two approaches: attitudes and behavior. In the behavioral approach, it is necessary to distinguish between loyalty and repurchase behavior. Repurchase behavior can be interpreted as customer behavior who only buys a product repeatedly, without including feelings and ownership. On the other hand, loyalty contains aspects of customer preference for a product. This means that the attitude aspect is included in it. Customer loyalty needs to be obtained because loyal customers will actively promote, provide recommendations to family and friends, make the product the first choice, and not quickly move. Customer loyalty has become one of the benchmarks for the success of marketing activities. Loyalty has a strategic meaning for the company concerning a substantial entry barrier for competitors, increasing the company's ability to respond to competitive threats, increasing sales and revenues, and making customers less sensitive to competitors' efforts. Loyalty has a strategic meaning because it can stem the entry of new competitors, ward off customers from competitors' activities, and increase sales and company profits.

Marketers of multi-level marketing companies must understand the customer process for making purchasing decisions to make the right strategy. The process of making customer decisions in buying products cannot be considered the same. There are four types of consumer buying processes: complex decision making, limited decision making, brand loyalty, and inertia—low-involvement buying results in limited decision-making behavior.

Suggestion

Respondents used in this research are only customers who know or use multi-level marketing products with the 4Life brand. Hence, the place is less widespread or limited, so future researchers need to expand the place. Future research is recommended to raise other titles such as brand equity on loyalty and purchase satisfaction. Because the most dominant variable from respondents in determining their purchasing decisions is the customer loyalty variable. It is expected that the company can provide discounts or rewards for customers who always use the product or loyal customers.

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