

Digital Marketing, Consumer Purchasing Power, and Customer Engagement: Their Impact on Alfamidi Retail Sales in the Omnichannel Era

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Abstract

This study examines the influence of digital marketing on Alfamidi retail sales, moderated by consumer purchasing power and customer engagement. The primary objective is to evaluate the impact of a more effective digital marketing strategy on retail sales performance, as well as the extent to which consumer economic capacity and customer engagement can strengthen or weaken it. The object of this study is Alfamidi. This quantitative study uses primary data from a questionnaire distributed to 140 active Alfamidi consumers. This data processing uses the Smart PLS version 4 application and Partial Least Squares-Structural Equation Modeling (PLS-SEM) analysis to examine the influence of digital marketing on retail sales, moderated by consumer purchasing power and customer engagement. The results show that digital marketing has a positive influence on retail sales. In addition, consumer purchasing power also shows a positive influence, demonstrating the importance of consumer economic conditions in digital marketing strategies. Meanwhile, consumer engagement has no effect.

Keywords: Digital Marketing; Retail Sales; Consumer Purchasing Power; Customer Engagement

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INTRODUCTION

The world is experiencing major changes in information and communication technology, significantly impacting human lifestyles, social behavior, and global economic dynamics. This digital transformation is not only changing the way people communicate but also influencing how companies operate, innovate, and build relationships with customers. In the marketing context, this change is increasingly visible through a shift in strategy from simply promoting products to building long-term, customer-centric relationships. Through the use of data-driven technology, companies are now able to create more personalized, relevant, and sustainable communications. This fundamental change in marketing is inseparable from the transformation of consumer behavior. According to Lemon and Verhoef (2016), the customer journey is no longer linear. Consumers pass through various touchpoints both online and offline and each plays a crucial role in influencing purchasing decisions. In the early stages, such as awareness and consideration, digital marketing plays a vital role because consumers tend to seek information through digital media to compare products, prices, and even read reviews from other users. These findings are reinforced by recent research emphasizing that today's consumers move dynamically across platforms, requiring marketing strategies to accommodate these behavioral patterns (Kotler et al., 2021; Verhoef et al., 2021). One significant phenomenon in the development of modern marketing is the emergence of the concept of omnichannel retailing. Omnichannel is a marketing approach that integrates all communication and distribution channels both physical and digital to provide a consistent and seamless shopping experience. For example, customers can search for products through an app, pay online, and then pick up their items at a nearby store.

The advantage of this strategy lies in its ability to combine the speed and convenience of digital shopping with the trust and proximity of service in a physical store. In line with these developments, digital marketing serves as a strategic pillar that enables companies to adjust promotions, monitor campaign effectiveness in real time, and understand customer needs based on real-time data. However, the implementation of digital marketing in the retail industry especially retailers with large physical networks still faces various challenges. One major obstacle is the difficulty in measuring the direct contribution of digital marketing to sales performance in a complex omnichannel context. Furthermore, there is a significant research gap. The majority of studies in Indonesia focus on small businesses, MSMEs, or pure e-commerce, while research related to digital marketing implementation in large retail companies remains very limited (Rahmawati et al., 2022).

Many previous studies examined the relationship between digital marketing and sales or customer loyalty directly, without including intervening (mediator) or moderating variables that could influence this relationship. However, there are two important variables that are highly relevant to further study: consumer purchasing power and customer engagement. Indonesia's economic conditions in recent years have shown quite sharp fluctuations due to global conditions and changes in consumption behavior, making purchasing power a crucial factor determining the effectiveness of digital marketing. Purchasing power reflects consumers' ability to purchase goods and services at a certain price level. When purchasing power increases, consumers are more responsive to digital promotions and are more likely to make purchases. Conversely, when purchasing power decreases, consumers become more selective, delay purchases, or only focus on items that are truly needed (BPS, 2023). In addition to purchasing power, customer engagement is also a determining factor in the success of a digital marketing strategy. Brodie et al. (2011) explain that engagement encompasses cognitive, emotional, and behavioral dimensions, reflected through awareness, interaction, active participation, and customer commitment to a brand.

Actively engaged customers tend to be more responsive to digital campaigns, interact more frequently with brand content, and are more likely to make repeat purchases. In the Indonesian retail context, Alfamidi is an interesting example to study. As a retail chain under PT Midi Utama Indonesia Tbk., Alfamidi operates in the mid-market retail segment, combining the concept of a minimarket with a small supermarket. Alfamidi targets middle-

class families by providing a variety of needs, from daily and weekly products to fresh food, thus offering a strong differentiation compared to other minimarkets, which generally focus on simple daily needs. Changes in consumer behavior, increasing digital penetration, and intense competition among retailers require Alfamidi to utilize effective, data-driven digital marketing strategies. However, Alfamidi's digital marketing effectiveness certainly doesn't stand alone; it is influenced by consumer purchasing power and the level of customer engagement within Alfamidi's digital ecosystem. Given this context, research into the relationship between digital marketing, purchasing power, and customer engagement in Indonesia's large-scale retail industry is crucial. This research is expected to fill the literature gap and provide empirical contributions to the development of more adaptive and effective digital marketing strategies for national retail companies.

Literature Review

Digital Marketing

According to Kotler & Keller (2015), digital marketing is a marketing activity that uses digital media to reach consumers, make consumers aware of brands, and strengthen long-term relationships with customers. Due to the development of digital technology, companies can expand markets, communicate two-way with customers, and tailor messages given to audiences more effectively. Chaffey and Ellis-Chadwick (2019) explain that digital marketing is not only about promotions through social media or websites, but also involves other strategies such as search engine optimization (SEO), content marketing, email marketing, and advertising on mobile media. All of these activities help create an attractive shopping experience for customers and increase the chance of buying.

Omnichannel Retailing

Rigby (2011) discusses the concept of omnichannel retailing as an evolution of the multichannel retailing system. In an omnichannel system, all sales channels, both physical and digital, are connected to create a seamless customer shopping experience. Unlike multichannel, which simply provides a variety of channels without a unified whole, omnichannel emphasizes consistency of brand experience and messaging across all points of interaction.

Retail Sales

Levy and Weitz (2012) define retail sales as all activities involving the sale of goods or services directly to end consumers for personal use. In the modern business world, retail sales is not just a buying and selling activity, but also a strategic process that encompasses the shopping experience, customer service, and long-term customer relationships. According to (Schiffman et al., 2010), the success of retail sales depends on a company's ability to combine marketing elements such as product, price, promotion, and location. In the context of omnichannel retail, digital marketing is a crucial element that can expand customer reach and increase purchase opportunities. With consistent promotions across multiple channels, customers can recognize brands, obtain product information, and make transactions easily.

Consumer Purchasing Power

Mankiw (2018) explains that consumer purchasing power is a person's ability to purchase goods and services based on their income and prevailing market prices. Purchasing power significantly influences the demand for a product and is a key factor in determining the success of a marketing strategy. Schiffman and Kanuk (2010) add that purchasing power depends not only on income but also on consumers' perceptions of the value they receive from a product. Consumers with high incomes do not necessarily have high purchasing power if they feel the product's price does not match the benefits offered. In the context of this research, consumer purchasing power reflects the economic conditions and individual perceptions in making purchasing decisions.

Customer Engagement

Kumar and Pansari (2016) define customer engagement as the emotional, cognitive, and behavioral connection customers have with a brand, which can foster long-term loyalty and advocacy. Active customers not only purchase products but also interact with brands through various media, provide feedback, and become brand ambassadors. Bowden (2009) explains that customer engagement occurs in two stages: the initial stage when customers become interested in a brand and the ongoing stage when they maintain the relationship through positive experiences. In the omnichannel era, this relationship is strengthened because customers can interact with brands at any time, whether through social media, apps, or physical stores. The level of customer engagement can be seen from how often they interact with the brand, how actively they participate in digital activities such as writing reviews or sharing content, and the extent to which they are satisfied with the shopping experience. Customer loyalty, commitment, and willingness to recommend the brand to others also indicate high engagement.

METHOD

This research uses a case study method with a focus on Alfamidi (PT Midi Utama Indonesia Tbk). The data used is primary data, namely data collected directly from respondents through a questionnaire using a Likert scale of 1–5 to measure consumer perceptions and behavior towards digital marketing variables, consumer purchasing power, customer engagement, and retail sales. The population of this study is all Alfamidi consumers in certain operational areas who have shopped and interacted with digital marketing services. And for the sample size According to Hair et al. (2021), the minimum number of samples in the PLS-SEM model is 10 times the number of indicators tested, namely 140 respondents using SmartPLS software.

RESULT AND DISCUSSION

Outer Model

Covergen Validity

Convergent Validity Test is a condition that must be considered, namely if the high obtained results will correlate with the loading factor value which is more than 0.5 then it can be said to be valid because it meets the convergent validity requirements and further analysis can be carried out. (Trianovita et al., 2024)

Table 1. Convergen Validty

	Outer Loadings
Db1 <- Consumer Purchasing Power	0.774
Db2 <- Consumer Purchasing Power	0.82
Db3 <- Consumer Purchasing Power	0.82
Db4 <- Consumer Purchasing Power	0.863
Dm1 <- Digital Marketing	0.763
Dm2 <- Digital Marketing	0.811
Dm3 <- Digital Marketing	0.819
Dm4 <- Digital Marketing	0.809
Kp1 <- Customer Engagement	0.847
Kp2 <- Customer Engagement	0.725
Kp3 <- Customer Engagement	0.867
Kp4 <- Customer Engagement	0.792
Kp5 <- Customer Engagement	0.766
P1 <- Retail Sales	0.863
P2 <- Retail Sales	0.79
P3 <- Retail Sales	0.831
P4 <- Retail Sales	0.809

Based on the table above, it can be seen that the loading factor value of all statement items is > 0.70 . It can be concluded that all statements are stated as convergent validity. Convergent validity is formed if the items in the measure meet to represent the underlying construct. AVE is calculated as the average of the squares of the loadings of each indicator related to a construct. Statistically, convergent validity is formed when the average variance extracted (AVE) is more than 0.50. (Trianovita et al., 2024)

Discriminant Validity

If the AVE root value $>$ correlation between the construct and other constructs. An indicator is considered to meet the discriminant validity test if the indicator's cross-loading value on its variable is greater than the cross-loading value of other variables. According to the table below, it can be measured that the cross-loading value of each indicator on its variable has a greater value than the cross-loading value of other variables. This shows that each indicator used in this study has met the discriminant validity test criteria.

Table 2 . Discriminant Validity

	Consumer Purchasing Power	Customer Engagement	Digital Marketing	Retail Sales
Consumer Purchasing Power	0.820			
Customer Engagement	-0.101	0.801		
Digital Marketing	0.103	0.111	0.801	
Retail Sales	0.239	-0.049	0.514	0.824

Based on table 2: it can be seen that the AVE root values for each variable $>$ correlation between constructs and other constructs, so it can be concluded that all variables are declared valid discriminants.

Inner Model

Analysis of Variance (R²) or Determination Tes

The R-Square test is used to measure how much the independent variables are able to explain the dependent variables in a structural model. The R-square value can be seen in Table 3:

Table 3. R- Square

	R-square
Consumer Purchasing Power	0.058
Customer Engagement	0.028
Retail Sales	0.264

Based on the results of data processing using SmartPLS in Table 3, the R2 value for Consumer purchasing power is 0.058, which indicates that 0,58% of the variability in Consumer purchasing power can be explained by Digital Marketing. The Customer engagement of 0.028 indicates that 0,28% of the variation in Customer engagement is explained by Digital Marketing, while the Retail Sakes value of 0.264 means that 26,4% of the variation in Retail Sales can be explained by Digital Marketing, Consumer Purchasing Power, and Customer Engagement.

Hypothesis Testing

Hypothesis testing was conducted to determine the relationship between latent variables in the structural model. This test used T-statistics and P-values generated from the bootstrapping procedure in SmartPLS. The hypothesis was accepted if the T-statistics value was >1.96 and the P-value was <0.05 , indicating a statistically significant effect between the variables. The following are the results of the hypothesis testing:

Table 4. Hypothesis Testing Results

JALUR	T statistics	P values
Digital Marketing -> Retail Sales	8.644	0
Digital Marketing -> Retail Sales -> Consumer Purchasing Power	2.304	0.02
Digital Marketing -> Retail Sales -> Customer Engagement	1.133	0.25

Based on the research results referring to the P-Value that Digital Marketing on Retail Sales is $0.00 < 0.05$, then H1 is accepted, This shows that digital marketing and retail sales show the extent to which marketing strategies are successful in increasing sales and customer loyalty sustainably. Therefore, retail sales are not only calculated from the number of transactions, but also from the quality of the relationship between customers and brands (Levy & Weitz, 2012; Berman & Evans, 2018). In addition, effective retail sales are usually indicated by a periodic increase in sales volume, an increase in customer purchase frequency, and an increase in the number of new customers. In addition, the average value of spending per customer and a stable customer retention rate also reflect the success of the retail marketing strategy as a whole. These indicators are the basis for assessing the impact of digital marketing on sales performance in companies such as Alfamidi.

In addition, the results of the Digital Marketing study on Retail Sales with Consumer Purchasing Power moderation are accepted with a P-Value of $0.02 < 0.05$, so H2 is accepted. This means that purchasing power is very influential in determining the size of the need for a product, and is one of the main factors in determining the success of a marketing strategy. (8) Schiffman and Kanuk (2010) added that purchasing power does not only depend on the size of income, but also on consumer perceptions of the value obtained from the product. Consumers with high incomes do not necessarily have high purchasing power if they feel the price of the product does not match the benefits offered. In the context of this study, consumer purchasing power describes the economic conditions and individual perceptions in making shopping decisions. Consumer purchasing power is measured through several aspects, such as the ability to manage expenses according to income, how consumers estimate affordable prices, how much income is allocated to purchase retail goods, and the use of promotions to obtain goods more efficiently. These aspects help explain economic conditions and how consumers assess the value of a product. Thus, purchasing power plays a role as a variable that influences the relationship between digital marketing strategies and increased retail sales (Mankiw, 2018; Schiffman & Kanuk, 2010).

And the results of the research on digital marketing variables on retail sales are moderated by consumer engagement has no effect as indicated by the P-Value of $0.25 > 0.05$. So H3 is rejected, in this case Customers are measured based on several important indicators, such as how often customers interact with the brand, active participation in digital activities, level of loyalty and commitment to the brand, and the act of recommending or helping to promote the brand to others. However, the results of the study show that the level of customer engagement on various digital platforms does not significantly moderate the relationship between digital marketing strategies and increased sales. In other words, although customer engagement plays a role as a variable, it does not strengthen the relationship between digital marketing strategies and customer purchasing behavior (Kumar & Pansari, 2016; Bowden, 2009).

CONCLUSION

Based on the research results, it can be concluded that digital marketing has a significant influence on retail sales. This digital marketing strategy is very effective in increasing sales, and the effectiveness of digital marketing is also influenced by consumer power, which shows a significant impact. Economic capacity and consumer perception of product value influence responses to digital marketing. Conversely, consumer engagement has not been shown to significantly moderate the relationship between digital marketing and retail sales. Therefore, even though customers actively interact through various digital

platforms, this engagement does not strengthen the influence of digital marketing on purchases. Therefore, Alfamidi needs to focus on the right digital marketing strategy.

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