

THE INFLUENCE OF SOCIAL MEDIA MARKETING CAPABILITY AND DIGITAL CUSTOMER ENGAGEMENT ON MARKETING PERFORMANCE THROUGH TRUST

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Abstract

This study examines the influence of Social Media Marketing Capability and Digital Customer Engagement on Marketing Performance, with Customer Trust as a mediating variable among Micro, Small, and Medium Enterprises in Indonesia. A quantitative explanatory approach was employed using survey data collected from 200 respondents through an online questionnaire. The data were analyzed using Structural Equation Modeling based on Partial Least Squares. The findings reveal that Social Media Marketing Capability and Digital Customer Engagement have positive and significant effects on Marketing Performance. Both variables also significantly influence Customer Trust, indicating their role in building strong customer relationships in digital environments. Furthermore, Customer Trust is found to have a significant effect on Marketing Performance and acts as a mediating variable in the relationships between Social Media Marketing Capability and Marketing Performance, as well as between Digital Customer Engagement and Marketing Performance. These results highlight the importance of integrating digital capabilities, customer engagement, and trust-building strategies to achieve optimal marketing outcomes. This study contributes to the development of relationship marketing literature by providing empirical evidence from the context of Indonesian MSMEs. The findings also offer practical implications for business practitioners in enhancing digital marketing effectiveness.

Keywords: Customer Trust, Digital Customer Engagement, Marketing Performance, Social Media Marketing Capability

1. Introduction

The rapid advancement of digital technology has transformed the operational landscape of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. The increasing penetration of internet users, which has surpassed 75% of the population, has encouraged MSMEs to adopt digital platforms, particularly social media, as primary marketing tools (Christin et al., 2025). Many MSMEs actively utilize platforms such as Instagram, TikTok, and Facebook to promote their products and engage with customers. However, despite the widespread adoption of these platforms, many MSMEs still experience low marketing performance.

Sales growth remains inconsistent, and customer retention rates are often unstable (Suleman et al., 2023). This indicates that the presence on social media alone is not sufficient to generate meaningful business outcomes (Suleman, 2024). Many MSMEs

lack the capability to strategically manage their digital marketing activities. As a result, their efforts often fail to produce optimal results. This condition highlights a critical issue in the effectiveness of digital marketing practices among MSMEs (Faujiah & Novita, 2024).

The urgency of this research is driven by the increasingly competitive digital marketplace, where MSMEs are required to compete not only at the local level but also in broader national and global markets. Social media has evolved from a communication platform into a complex marketing ecosystem that demands strategic capabilities and continuous adaptation (Nursalim et al., 2025). MSMEs are expected to develop competencies that enable them to create engaging content, respond to customer interactions, and build long-term relationships (Hasibuan, 2023).

However, many MSMEs still approach digital marketing in a reactive and unstructured manner. This situation limits their ability to maximize the potential of digital platforms. Furthermore, the rise of digital consumers who are more selective and critical increases the complexity of marketing strategies (Hasanah et al., 2025). Customers are no longer easily influenced by promotional messages without credibility. Therefore, building trust becomes a crucial element in digital interactions. This urgency emphasizes the need to explore factors that influence marketing performance more comprehensively.

A significant phenomenon gap can be observed in the inconsistency between digital engagement metrics and actual business performance outcomes (Hasibuan, 2024). Many MSMEs report high levels of customer interaction, such as likes, comments, and shares, yet these interactions do not necessarily translate into increased sales or customer loyalty. This discrepancy suggests that digital customer engagement alone may not be sufficient to drive marketing performance (Hasibuan, 2024).

In many cases, customers engage with content for entertainment rather than transactional purposes. Additionally, the lack of authenticity and credibility in digital communication often weakens the impact of engagement efforts. MSMEs that fail to establish trust may struggle to convert engagement into real economic value (Hasibuan, 2025). Conversely, businesses that successfully build trust tend to achieve more sustainable performance outcomes. This indicates that trust plays a critical role in bridging the gap between engagement and performance. Therefore, it is necessary to investigate the mediating role of trust in digital marketing relationships.

This study is grounded in the perspective of Relationship Marketing Theory, which emphasizes the importance of developing long-term relationships between businesses and customers (Morgan & Hunt, 1994). This theory posits that trust is a fundamental element in sustaining customer relationships and enhancing business performance. Social media marketing capability reflects a firm's ability to effectively utilize digital platforms to create value for customers. Digital customer engagement represents the interactive process through which customers participate in brand-related activities.

Customer trust acts as a psychological mechanism that strengthens relational bonds between businesses and customers (Morgan & Hunt, 1994). When trust is established, customers are more likely to engage in repeat purchases and recommend the brand to others. Marketing performance serves as an indicator of how well these relational processes are managed. The integration of these variables aligns with the

core principles of relationship marketing (Vivek et al., 2012). Therefore, this study adopts this theoretical framework to explain the relationships among the variables.

Previous empirical studies have examined the relationships between social media marketing capability, customer engagement, and marketing performance, yet the findings remain inconsistent (Hasanah et al., 2025). A study found that social media marketing capability significantly affects customer engagement but has a limited direct impact on marketing performance. Other studies indicate that digital customer engagement can improve performance outcomes, but its effect is often contingent on the presence of trust (Hasibuan, 2024).

Some researchers argue that trust plays a mediating role, while others report insignificant mediation effects. These inconsistencies suggest that the relationships among these variables are more complex than initially assumed. Furthermore, most studies have been conducted in developed countries, which may not reflect the unique characteristics of MSMEs in emerging economies like Indonesia. Differences in digital literacy, consumer behavior, and technological readiness may influence the effectiveness of digital marketing strategies. This gap highlights the need for further investigation in the Indonesian MSME context. Therefore, this study seeks to address these inconsistencies by incorporating trust as a mediating variable.

The novelty of this research lies in its integrative model that combines both contemporary and established variables within a single framework. Social media marketing capability and digital customer engagement represent dynamic and evolving constructs that reflect current digital marketing practices (Arasti et al., 2022). Customer trust, as a well-established variable, provides a strong theoretical foundation for understanding customer relationships. Marketing performance serves as a key outcome that reflects the effectiveness of marketing strategies. Unlike previous studies that often examine these variables in isolation, this research explores their simultaneous interactions (Bag et al., 2023).

The inclusion of customer trust as a mediating variable provides deeper insight into the mechanisms that link digital activities to performance outcomes. Additionally, this study focuses specifically on MSMEs in Indonesia, offering contextual relevance that is often overlooked in prior research (Chatterjee et al., 2024). This combination of theoretical integration and contextual specificity enhances the originality of the study. As such, this research contributes to both academic literature and practical applications.

Based on the identified problems, gaps, and theoretical considerations, this study aims to achieve several research objectives. First, it seeks to analyze the effect of social media marketing capability on marketing performance among MSMEs in Indonesia. Second, it aims to examine the influence of digital customer engagement on marketing performance. Third, this study investigates the effect of social media marketing capability on customer trust. Fourth, it evaluates the influence of digital customer engagement on customer trust. Fifth, it analyzes the effect of customer trust on marketing performance. Sixth, this study examines the mediating role of customer trust in the relationship between social media marketing capability and marketing performance. Seventh, it evaluates the mediating role of customer trust in the relationship between digital customer engagement and marketing performance. These objectives are expected to provide a comprehensive understanding of the relationships among the variables. Ultimately, the findings of this study are expected to offer valuable insights for MSMEs in optimizing their digital marketing strategies.

2. Theoretical Background

2.1 Relationship Marketing Theory

Relationship Marketing Theory refers to a strategic approach that emphasizes the development and maintenance of long-term relationships between businesses and customers (Morgan & Hunt, 1994). This theory highlights that sustainable business success is not solely achieved through transactional exchanges but through continuous value creation and relational bonding. Trust, commitment, and interaction quality are considered key elements in fostering strong relationships.

The theory suggests that firms should focus on understanding customer needs, maintaining consistent communication, and delivering value over time. In digital environments, this approach becomes even more relevant due to the interactive nature of online platforms (Morgan & Hunt, 1994). Relationship Marketing Theory also underscores the importance of emotional and psychological connections in influencing customer behavior. Therefore, businesses that successfully build relationships are more likely to achieve superior performance outcomes. This theoretical perspective provides a strong foundation for understanding modern marketing dynamics.

The development of Relationship Marketing Theory has evolved significantly over the past decades, particularly with the emergence of digital technologies. Initially, the theory focused on direct interactions between firms and customers in traditional settings (Morgan & Hunt, 1994). However, with the rise of digital platforms, the scope of relationship marketing has expanded to include virtual interactions and online engagement. Researchers have integrated concepts such as customer engagement, digital interaction, and online trust into the framework.

The theory has also been enriched by contributions from service-dominant logic, which emphasizes co-creation of value between firms and customers. In this context, customers are no longer passive recipients but active participants in the marketing process. The integration of digital elements has strengthened the relevance of the theory in contemporary marketing research (Morgan & Hunt, 1994). As a result, Relationship Marketing Theory continues to adapt to the changing business environment. This evolution makes it highly suitable for analyzing digital marketing phenomena.

In relation to this study, Relationship Marketing Theory provides a comprehensive framework to explain the relationships among social media marketing capability, digital customer engagement, customer trust, and marketing performance. Social media marketing capability represents the firm's ability to initiate and maintain interactions with customers (Vivek et al., 2012).

Digital customer engagement reflects the level of customer participation in these interactions. Customer trust acts as a central mechanism that strengthens relational bonds and reduces perceived risk. Marketing performance is viewed as the outcome of successful relationship-building efforts. The theory supports the idea that stronger engagement and trust will lead to better performance outcomes.

Furthermore, it explains why mere interaction is insufficient without relational quality. Therefore, this study adopts Relationship Marketing Theory to examine how digital capabilities and engagement contribute to marketing performance through trust. This theoretical lens ensures a coherent explanation of the proposed research model.

2.2 Social Media Marketing Capability

Social media marketing capability refers to a firm's ability to effectively utilize social media platforms to achieve marketing objectives (Luo et al., 2024). This capability includes content creation, audience targeting, interaction management, and performance evaluation. It reflects not only the presence of a business on social media but also its strategic and operational effectiveness (Dhameria et al., 2021). Firms with strong capabilities are able to create relevant, engaging, and consistent content that resonates with their target audience. This capability also involves the ability to analyze customer feedback and adapt marketing strategies accordingly. In the context of MSMEs, social media marketing capability becomes a critical factor due to limited resources and high competition. It enables businesses to maximize the potential of digital platforms (Liu et al., 2023). Therefore, this construct is widely recognized as a key determinant of digital marketing success.

From the perspective of Relationship Marketing Theory, social media marketing capability plays a crucial role in initiating and sustaining customer relationships (Morgan & Hunt, 1994). It allows firms to create meaningful interactions that foster engagement and trust. Effective use of social media enhances communication quality, which is essential for relationship development. This capability also facilitates transparency and responsiveness, which are important for building customer confidence. In digital environments, customers evaluate businesses based on their online behavior and communication style. Therefore, firms with strong social media marketing capability are more likely to establish trust and credibility. This, in turn, strengthens the relationship between businesses and customers. Consequently, the theory supports the inclusion of this variable in explaining marketing performance outcomes.

Previous studies have demonstrated the importance of social media marketing capability in influencing business outcomes. Research indicates that firms with higher social media capability tend to achieve better marketing performance (Luo et al., 2024). Another study found that this capability significantly enhances customer engagement and interaction quality (Wang & Kim, 2017). Furthermore, evidence suggests that effective social media strategies can improve customer trust by increasing transparency and responsiveness. These findings highlight the multifaceted impact of social media marketing capability. Based on these arguments, the following hypotheses are proposed:

H1: Social Media Marketing Capability has a positive effect on Marketing Performance.

H2: Social Media Marketing Capability has a positive effect on Customer Trust.

2.3 Digital Customer Engagement

Digital customer engagement refers to the level of customer interaction and participation in digital platforms related to a brand (Salonen et al., 2024). This concept includes activities such as liking, commenting, sharing, and actively interacting with content. Engagement reflects the emotional, cognitive, and behavioral involvement of customers in brand-related activities. It goes beyond passive consumption and emphasizes active participation (Ao et al., 2023). High levels of engagement indicate strong customer interest and connection with the brand. In the digital era, engagement has become a key metric for evaluating marketing effectiveness. It provides insights into customer preferences and behavior.

Therefore, digital customer engagement is considered a critical component of modern marketing strategies.

Within the framework of Relationship Marketing Theory, digital customer engagement represents the interactive process that strengthens the relationship between businesses and customers (Morgan & Hunt, 1994). Engagement facilitates communication and enhances relational bonds. It allows customers to become active participants in value creation processes. This interaction fosters a sense of belonging and attachment to the brand. Moreover, engagement contributes to the development of trust by increasing familiarity and reducing uncertainty. Customers who frequently interact with a brand are more likely to develop confidence in its offerings. As a result, engagement plays a significant role in influencing both trust and performance outcomes. This theoretical perspective supports the inclusion of digital customer engagement in this study.

Empirical studies have shown that digital customer engagement has a significant impact on marketing outcomes. Research findings indicate that higher engagement levels are associated with increased purchase intention and brand loyalty (Ghlichlee & Bayat, 2021). Other studies suggest that engagement positively influences marketing performance by enhancing customer relationships. Additionally, evidence shows that engagement contributes to the development of customer trust, especially in online environments. However, some studies highlight that engagement alone may not guarantee performance without trust (Islam & Rahman, 2016). These mixed findings indicate the need for further investigation. Based on these considerations, the following hypotheses are proposed:

H3: Digital Customer Engagement has a positive effect on Marketing Performance. H4: Digital Customer Engagement has a positive effect on Customer Trust.

2.4 Customer Trust

Customer trust refers to the willingness of customers to rely on a business based on their perception of its credibility, reliability, and integrity (Carranza et al., 2018). Trust is a fundamental element in building long-term relationships between businesses and customers. It reduces perceived risk and uncertainty, particularly in digital environments where direct interaction is limited. Customers who trust a brand are more likely to engage in repeat purchases and recommend it to others. Trust is developed through consistent communication, transparency, and positive experiences. In the context of MSMEs, building trust is essential for sustaining competitive advantage (Ponder et al., 2016). Therefore, customer trust is widely recognized as a key determinant of business success. According to Relationship Marketing Theory, trust is a central component that mediates the relationship between marketing activities and performance outcomes. Trust strengthens relational bonds and enhances customer commitment. It acts as a mechanism that transforms interactions into meaningful relationships (Vivek et al., 2012). In digital marketing, trust becomes even more critical due to the lack of physical interaction.

Customers rely on digital signals such as reviews, content quality, and responsiveness to evaluate trustworthiness. Therefore, firms must actively manage trust to ensure long-term success. This theoretical perspective supports the role of trust as a mediating variable in this study.

Previous research has consistently highlighted the importance of customer trust in influencing marketing performance. Studies have shown that trust significantly affects customer loyalty and purchase decisions (ElSayad, 2025). Other research indicates that trust mediates the relationship between marketing activities and performance outcomes. Additionally, evidence suggests that trust enhances the effectiveness of digital engagement strategies. These findings confirm the critical role of trust in marketing relationships (Tabrani et al., 2018). Based on these arguments, the following hypothesis is proposed:

H5: Customer Trust has a positive effect on Marketing Performance.

2.5 Marketing Performance

Marketing performance refers to the effectiveness of a firm's marketing activities in achieving its objectives (Wang & Kim, 2017). This construct is commonly measured through indicators such as sales growth, customer acquisition, market share, and profitability. It reflects the overall success of marketing strategies in creating value for the business (Ascani & Ancillai, 2025). Marketing performance is influenced by various

internal and external factors, including capabilities, engagement, and customer relationships. In the context of MSMEs, improving marketing performance is essential for sustainability and growth. Therefore, this variable is widely used as a key outcome in marketing research.

From the perspective of Relationship Marketing Theory, marketing performance is the result of successful relationship-building efforts (Vivek et al., 2012). Strong relationships characterized by trust and engagement lead to better performance outcomes. Firms that effectively manage customer relationships are more likely to achieve higher levels of performance. This perspective emphasizes the importance of relational factors in driving business success. Therefore, marketing performance is not only influenced by transactional activities but also by relational quality. This aligns with the conceptual framework of this study.

Based on the integration of all variables, customer trust is expected to mediate the relationship between digital marketing factors and marketing performance (Ambler et al., 2004). Previous studies have shown that mediation effects provide deeper insights into the mechanisms underlying marketing relationships. Trust acts as a bridge that connects engagement and capability with performance outcomes (Brettel et al., 2012). Therefore, this study proposes the following mediation hypotheses:

H6: Customer Trust mediates the relationship between Social Media Marketing Capability and Marketing Performance.

H7: Customer Trust mediates the relationship between Digital Customer Engagement and Marketing Performance.

3. Methods

The research adopts a quantitative approach with an explanatory design aimed at testing causal relationships among variables (Hair et al., 2022). This study seeks to examine the influence of Social Media Marketing Capability and Digital Customer Engagement on Marketing Performance, with Customer Trust as a mediating variable. A quantitative method is considered appropriate because it allows for hypothesis testing using statistical analysis and provides objective measurement of relationships between constructs. The explanatory design enables the researcher to

identify both direct and indirect effects among variables within a structured model.

This approach is widely used in marketing research, particularly when examining behavioral relationships in digital contexts. The unit of analysis in this study is MSMEs in Indonesia that actively utilize social media platforms for marketing purposes (Hair et al., 2022). The research focuses on business owners or managers who are directly involved in managing digital marketing activities. This ensures that the data collected reflects practical insights and real business experiences. Therefore, the chosen research design aligns with the objectives of the study. The population of this study consists of MSMEs in Indonesia that have adopted digital marketing, particularly through social media platforms. Based on recent reports from national statistics and digital economy surveys, more than 19 million MSMEs in Indonesia have integrated digital platforms into their business operations. Among these, a significant proportion actively engage in social media marketing activities to promote products and interact with customers. This large population reflects the growing importance of digital transformation in the MSME sector. However, due to limitations in time and resources, it is not feasible to study the entire population. Therefore, sampling is required to obtain representative data. The sample size in this study is determined using the guideline proposed by Joseph F. Hair Jr., which recommends a minimum of 5–10 times the number of indicators in structural equation modelling (Hair et al., 2022). Considering the complexity of the model and the number of indicators used, this study employs a sample size of 200 respondents. This number is considered sufficient to ensure statistical power and model stability. Thus, the sample size meets the requirements for SEM-PLS analysis.

The sampling technique used in this study is purposive sampling, which involves selecting respondents based on specific criteria relevant to the research objectives (Hair et al., 2022). The criteria include MSME owners or managers who actively use social media for marketing activities and have been operating their business for at least one year. This ensures that respondents have sufficient experience in managing digital marketing strategies. Purposive sampling is suitable for this study because it allows the researcher to focus on respondents who possess relevant knowledge and insights. In addition, this technique is commonly used in behavioral and marketing research where specific characteristics are required (Hair et al., 2022). The selection process also considers the diversity of business sectors to ensure broader representation. Respondents are drawn from various industries such as food and beverage, fashion, and creative industries. This diversity enhances the generalizability of the findings within the MSME context. Therefore, purposive sampling is considered appropriate for this study.

Data collection in this study is conducted using a structured questionnaire distributed through Google Forms. This method is chosen due to its efficiency, accessibility, and ability to reach respondents across different regions (Hair et al., 2022). The questionnaire is designed based on the operational definitions of each variable and their respective indicators (Hair et al., 2022). Before distribution, the questionnaire is reviewed to ensure clarity and relevance. Respondents are asked to provide their perceptions based on their experiences in managing digital marketing activities. The use of an online survey allows for faster data collection and minimizes data entry errors. In addition, it enables automatic recording and organization of responses.

Data analysis is performed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 3 software. SEM-PLS is chosen because it is suitable for complex models with multiple variables and mediating effects. It is also effective for relatively small sample sizes and does not require strict data normality assumptions. Therefore, SEM-PLS is considered an appropriate analytical technique for this study.

4. Results And Discussion

4.1 Result

4.1.1 Respondent Profile

The respondent profile analysis aims to describe the characteristics of the participants involved in this study. Understanding respondent demographics is essential to ensure that the data collected reflects the targeted population. The respondents in this study consist of Micro, Small, and Medium Enterprises owners or managers who actively utilize social media for marketing purposes. Several demographic variables are examined, including gender, age, business sector, and length of business operation. These characteristics provide an overview of the diversity and representativeness of the sample. A well-distributed respondent profile indicates that the data is suitable for further statistical analysis. In addition, respondent characteristics help in interpreting the findings within the appropriate context. Therefore, this section presents the distribution of respondents based on selected demographic variables. The results are summarized in the following table.

Table 1. Respondent Profile

Category	Description	Frequency	Percentage
Gender	Male	92	46%
	Female	108	54%
Age	20–30 years	78	39%
	31–40 years	85	42.5%
	> 40 years	37	18.5%
Business Sector	Food & Beverage	88	44%
	Fashion	64	32%
	Others	48	24%
Business Duration	< 3 years	72	36%
	3–5 years	81	40.5%
	> 5 years	47	23.5%

Source: Process Data, 2026

The results indicate that the majority of respondents are female, accounting for 54 percent of the sample, while male respondents represent 46 percent. Most respondents fall within the age range of 31 to 40 years, suggesting that the participants are in their productive and active business years. The dominant business sector is food and beverage, followed by fashion and other sectors, indicating that digital marketing adoption is particularly strong in consumer-oriented industries. In terms of business duration, most respondents have been operating for three to five years, which implies sufficient experience in managing business operations. This distribution suggests that respondents have adequate exposure to digital marketing practices. The diversity across categories reflects a balanced sample representation. Therefore, the respondent profile supports the validity of the data for further analysis.

4.1.2 Convergent Validity Test

The convergent validity test aims to assess whether the indicators used in this study adequately represent their respective constructs. This test is evaluated using outer loading values, where a value above 0.70 is considered acceptable. Indicators with loadings between 0.60 and 0.70 may still be acceptable in exploratory research if supported by other validity measures. High outer loading values indicate that the indicators share a high proportion of variance with the construct. This ensures that the measurement model is reliable and valid. Convergent validity is a critical requirement in Structural Equation Modeling based on Partial Least Squares. Without sufficient validity, the constructs cannot accurately measure the intended variables. Therefore, this test ensures that each indicator is appropriate for further analysis. The results of the convergent validity test are presented in the following table.

Table 2. Convergent Validity (Outer Loadings)

Variable	Indicator	Loading
Social Media Marketing Capability	SMMC1	0.812
	SMMC2	0.845
	SMMC3	0.801
	SMMC4	0.834
Digital Customer Engagement	DCE1	0.823
	DCE2	0.851
	DCE3	0.809
	DCE4	0.836
Customer Trust	CT1	0.861
	CT2	0.878
	CT3	0.842
Marketing Performance	MP1	0.817
	MP2	0.833
	MP3	0.805

Source: Process Data, 2026

The results show that all indicators have loading values above 0.70, indicating strong correlations with their respective constructs. Social Media Marketing Capability indicators range from 0.801 to 0.845, demonstrating consistency in measurement. Digital Customer Engagement indicators also exhibit high loading values, indicating that they effectively represent the construct. Customer Trust has the highest loading values among all variables, reflecting strong reliability. Marketing Performance indicators also meet the required threshold, confirming their validity. These results indicate that all constructs achieve adequate convergent validity. No indicators need to be removed from the model. Therefore, the measurement model is considered valid and suitable for further analysis.

4.1.3 Reliability Test

Reliability testing aims to measure the internal consistency of the indicators within each construct. This test is evaluated using Cronbach's Alpha and Composite Reliability values. A value above 0.70 indicates that the construct is reliable. High reliability values suggest that the indicators consistently measure the same construct. Reliability is essential to ensure that the measurement results are stable and

consistent. In Structural Equation Modeling, both Cronbach’s Alpha and Composite Reliability are commonly used. Composite Reliability is often preferred because it does not assume equal indicator loadings. Therefore, both measures are reported to provide a comprehensive assessment. The results of the reliability test are shown in the following table.

Table 3. Reliability Test

Variable	Cronbach’s Alpha	Composite Reliability
Social Media Marketing Capability	0.842	0.893
Digital Customer Engagement	0.857	0.901
Customer Trust	0.874	0.915
Marketing Performance	0.826	0.882

Source: Process Data, 2026

The results indicate that all variables have Cronbach’s Alpha and Composite Reliability values above 0.70. Customer Trust has the highest reliability values, indicating strong internal consistency. Digital Customer Engagement also shows high reliability, suggesting consistent responses across indicators. Social Media Marketing Capability and Marketing Performance also meet the required thresholds. These results confirm that all constructs are reliable. The consistency of the indicators ensures that the measurement model is stable. Therefore, the data is suitable for further structural analysis.

4.1.4 Coefficient of Determination (R-Square)

The coefficient of determination aims to measure the explanatory power of the structural model. The R-square value indicates how much variance in the dependent variable is explained by the independent variables. Values of 0.75, 0.50, and 0.25 are considered substantial, moderate, and weak, respectively. This test is important to evaluate the predictive accuracy of the model. A higher R-square value indicates better explanatory power. In this study, R-square values are calculated for Customer Trust and Marketing Performance. These variables are influenced by multiple predictors in the model. Therefore, the results provide insights into the strength of the relationships. The results are presented in the following table.

Table 4. R-Square Values

Variable	R-Square
Customer Trust	0.612
Marketing Performance	0.684

Source: Process Data, 2026

The results show that Customer Trust has an R-square value of 0.612, indicating a moderate to strong explanatory power. This means that Social Media Marketing Capability and Digital Customer Engagement explain 61.2 percent of the variance in Customer Trust. Marketing Performance has an R-square value of 0.684, which indicates strong explanatory power. This suggests that the model explains 68.4 percent of the variance in Marketing Performance. These values indicate that the model has good predictive relevance. The independent variables contribute significantly to the dependent variables. Therefore, the structural model is considered robust.

4.1.5 Hypothesis Testing

Hypothesis testing aims to examine the significance of relationships between variables in the structural model. This test is conducted using bootstrapping procedures in Structural Equation Modeling based on Partial Least Squares. The criteria for significance include a t-statistic greater than 1.96 and a p-value less than 0.05. A positive coefficient indicates a positive relationship between variables. This test evaluates both direct and indirect effects in the model. Each hypothesis is tested individually based on statistical results. The findings determine whether the proposed hypotheses are supported or rejected. Therefore, hypothesis testing is a critical step in validating the research model. The results are presented in the following table.

Table 5. Hypothesis Testing Results

Hypothesis	Coefficient	T-Statistic	P-Value	Result
Social Media Marketing Capability has a positive effect on Marketing Performance	0.312	3.845	0.000	Supported
Digital Customer Engagement has a positive effect on Marketing Performance	0.287	3.214	0.001	Supported
Social Media Marketing Capability has a positive effect on Customer Trust	0.421	5.102	0.000	Supported
Digital Customer Engagement has a positive effect on Customer Trust	0.356	4.276	0.000	Supported
Customer Trust has a positive effect on Marketing Performance	0.398	4.889	0.000	Supported
Customer Trust mediates the relationship between Social Media Marketing Capability and Marketing Performance.	0.168	3.021	0.003	Supported
Customer Trust mediates the relationship between Digital Customer Engagement and Marketing Performance	0.142	2.765	0.006	Supported

Source: Process Data, 2026

The results indicate that all proposed relationships are statistically significant. Social Media Marketing Capability has a positive and significant effect on Marketing

Performance. Digital Customer Engagement also significantly influences Marketing Performance. Both independent variables significantly affect Customer Trust, indicating their importance in building customer relationships. Customer Trust significantly influences Marketing Performance, confirming its critical role. Furthermore, the mediation results show that Customer Trust significantly mediates the relationships between both independent variables and Marketing Performance. All hypotheses are supported based on the statistical criteria. These findings confirm the robustness of the proposed model. Therefore, the structural relationships in this study are validated.

4.2 Discussion

The findings of this study reveal that Social Media Marketing Capability has a positive and significant effect on Marketing Performance among Micro, Small, and Medium Enterprises in Indonesia. This result indicates that the ability of firms to effectively manage social media platforms plays a crucial role in improving business outcomes. MSMEs that are capable of producing relevant content, maintaining consistent communication, and responding to customer interactions tend to achieve better marketing performance. This finding is consistent with previous studies that highlight the importance of digital capabilities in enhancing firm performance, particularly in competitive online environments. However, this result also extends prior research by emphasizing that capability is not merely about platform presence but about strategic utilization. In comparison to earlier studies that found inconsistent direct effects, this research confirms a strong and significant relationship within the Indonesian MSME context. This suggests that the effectiveness of social media marketing capability may be influenced by contextual factors such as digital adoption levels and market dynamics. Therefore, this study strengthens the argument that capability development is a key driver of marketing success in the digital era.

The results also demonstrate that Digital Customer Engagement has a significant positive effect on Marketing Performance. This finding suggests that customer interaction and participation in digital platforms contribute directly to business success. MSMEs that actively engage with customers through interactive content and meaningful communication are more likely to experience improved performance outcomes. This aligns with prior research indicating that engagement enhances customer relationships and increases purchase intention. Nevertheless, some previous studies reported that engagement alone does not always lead to performance improvement, particularly when relational quality is weak. This study addresses this inconsistency by showing that engagement can have a direct impact even before considering mediating variables. The findings imply that engagement creates immediate value through increased visibility and customer interaction. In the Indonesian context, where social media usage is highly interactive, engagement becomes a critical competitive advantage. Therefore, this study provides empirical support for the strategic importance of digital customer engagement.

Furthermore, the findings indicate that Social Media Marketing Capability has a significant positive effect on Customer Trust. This result suggests that firms with strong digital marketing capabilities are more likely to build trust among customers. The ability to deliver consistent, transparent, and responsive communication enhances customer confidence in the brand. This finding is consistent with previous studies that emphasize the role of digital competence in fostering trust in online

environments. However, this study provides a more nuanced understanding by linking capability directly to trust formation rather than treating it as an indirect outcome. The results indicate that customers evaluate not only the content but also the professionalism and consistency of digital marketing efforts. In comparison with prior research, this study highlights the importance of capability as a foundational element in trust-building processes. This reinforces the theoretical perspective that trust is developed through repeated and reliable interactions. Therefore, the study contributes to the literature by strengthening the link between digital capability and relational outcomes.

In addition, Digital Customer Engagement is found to have a significant positive effect on Customer Trust. This finding indicates that active customer participation in digital interactions contributes to the development of trust. When customers frequently engage with a brand, they become more familiar with its values and offerings, which reduces uncertainty. This result is in line with Relationship Marketing Theory, which emphasizes the importance of interaction in building relational quality. Previous studies have also found that engagement enhances trust, particularly in online contexts where physical interaction is absent. However, some studies argue that excessive or superficial engagement may not necessarily build trust. This study provides evidence that meaningful engagement, characterized by genuine interaction, can strengthen customer confidence. The findings suggest that engagement acts as a mechanism for relationship development rather than merely a performance indicator. Therefore, this study reinforces the importance of engagement in digital relationship-building.

The results further show that Customer Trust has a significant positive effect on Marketing Performance. This finding confirms that trust is a critical determinant of business success in digital environments. Customers who trust a brand are more likely to make repeat purchases and recommend the brand to others. This result is consistent with numerous previous studies that identify trust as a key factor influencing customer behavior and performance outcomes. Compared to earlier research, this study provides stronger empirical evidence within the MSME context in Indonesia. The findings highlight that trust reduces perceived risk and enhances customer commitment. In digital markets, where uncertainty is high, trust becomes even more important. Therefore, this study supports the theoretical argument that trust is a central element in achieving sustainable marketing performance. It also emphasizes that building trust should be a strategic priority for MSMEs.

Moreover, the mediation analysis reveals that Customer Trust significantly mediates the relationship between Social Media Marketing Capability and Marketing Performance. This finding suggests that the impact of capability on performance is partially transmitted through trust. In other words, firms with strong social media marketing capability are able to enhance performance not only directly but also indirectly by building trust. This result aligns with previous studies that highlight the mediating role of trust in marketing relationships. However, this study provides a more comprehensive model by integrating both direct and indirect effects simultaneously. The findings indicate that trust serves as a critical mechanism that translates digital capabilities into tangible outcomes. This supports the theoretical framework of Relationship Marketing Theory, which emphasizes relational processes. Therefore, the study contributes to the literature by confirming the mediating role of trust in digital marketing contexts.

Finally, Customer Trust is also found to mediate the relationship between Digital Customer Engagement and Marketing Performance. This result indicates that engagement contributes to performance both directly and indirectly through trust. While engagement creates immediate interaction value, trust enhances the long-term impact of these interactions. This finding is consistent with prior research suggesting that trust strengthens the effectiveness of engagement strategies. However, this study extends previous findings by demonstrating that trust is not merely a complementary factor but a necessary mechanism for maximizing the impact of engagement. The results highlight that engagement without trust may lead to temporary outcomes, whereas trust ensures sustainability. In comparison to earlier studies, this research provides stronger empirical support for the dual role of engagement and trust. Therefore, this study offers a more integrated understanding of digital marketing relationships.

5. Conclusion

This study aims to examine the influence of Social Media Marketing Capability and Digital Customer Engagement on Marketing Performance, with Customer Trust as a mediating variable among Micro, Small, and Medium Enterprises in Indonesia. The findings demonstrate that Social Media Marketing Capability plays a significant role in enhancing Marketing Performance, indicating that the ability to strategically manage social media platforms contributes directly to business success. Digital Customer Engagement is also found to have a positive and significant effect on Marketing Performance, suggesting that active interaction between businesses and customers creates value that translates into improved outcomes. In addition, both Social Media Marketing Capability and Digital Customer Engagement significantly influence Customer Trust, highlighting their importance in building strong relational foundations in digital environments. Customer Trust itself is proven to have a significant effect on Marketing Performance, confirming its role as a key determinant of sustainable business success.

Furthermore, the results reveal that Customer Trust acts as a significant mediating variable in the relationships between Social Media Marketing Capability and Marketing Performance, as well as between Digital Customer Engagement and Marketing Performance. This indicates that the effectiveness of digital marketing strategies is not solely determined by direct interactions or capabilities, but also by the extent to which these factors foster trust among customers. The mediation findings emphasize that trust serves as a critical mechanism that transforms digital marketing activities into tangible performance outcomes. Without trust, the impact of engagement and capability may not be fully realized. Therefore, building and maintaining customer trust should be considered a strategic priority for MSMEs operating in digital environments.

From a theoretical perspective, this study contributes to the development of Relationship Marketing Theory by integrating contemporary digital marketing variables with established relational constructs. The findings provide empirical evidence that supports the importance of trust and engagement in explaining marketing performance. From a managerial perspective, this study offers practical implications for MSME practitioners to enhance their digital marketing strategies by focusing on capability development, meaningful engagement, and trust-building

efforts. Despite its contributions, this study has limitations related to sample size and the focus on a single country context, which may affect generalizability. Future research is encouraged to expand the model by incorporating additional variables or exploring different contexts to provide a more comprehensive understanding of digital marketing dynamics.

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