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Service Quality on Customer Loyalty: Mediation of Customer Satisfaction



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KEYWORDS	ABSTRACT
<p><b>Keywords:</b> Service Quality; Customer Loyalty; Customer Satisfaction.</p> <p><b>Conflict of Interest Statement:</b> The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.</p> <p><b>Copyright © 2024 ABIM. All rights reserved.</b></p>	<p><b>Purpose:</b> This study investigates the impact of Service Quality on Customer Satisfaction and Loyalty in the e-commerce sector, emphasizing the mediating role of Customer Satisfaction. The research hypothesizes that improvements in Service Quality positively affect both Customer Satisfaction and Loyalty and that Customer Satisfaction mediates the relationship between Service Quality and Customer Loyalty.</p> <p><b>Research Design and Methodology:</b> A quantitative research design was employed using Structural Equation Modeling (SEM) to examine the relationships among Service Quality, Customer Satisfaction, and Customer Loyalty. The sample consisted of 120 customers from CV Cipta Buana Irian, a printing company in the e-commerce sector, selected through accidental sampling. Data were collected via questionnaires and analyzed to test the proposed hypotheses, ensuring validity and reliability through statistical tests.</p> <p><b>Findings and Discussion:</b> The results demonstrate that Service Quality significantly influences Customer Satisfaction and Loyalty. Moreover, Customer Satisfaction mediates the effect of Service Quality on Customer Loyalty, indicating that high Service Quality enhances Customer Satisfaction, which boosts Customer Loyalty. These findings align with previous research, highlighting the importance of Service Quality and Customer Satisfaction in fostering Customer Loyalty in e-commerce settings.</p> <p><b>Implications:</b> The findings suggest practical and theoretical implications for e-commerce businesses focused on improving customer satisfaction and loyalty. Future research should explore diverse sectors and methodologies, such as longitudinal studies, to understand these dynamics better and consider the role of digital engagement strategies in e-commerce.</p>

Introduction

In today's digital era, e-commerce has become a pivotal element in shaping the financial performance of companies. Building long-term customer relationships is critical for sustaining business continuity, as it significantly impacts the stability and growth of sales (Irnandha & Agung, 2019). A loyal customer base is reliable and stable, with such customers likely to spend more on a company's products or services over time. Furthermore, loyal customers are more inclined to try new products or services, enabling the company to expand its product range and enhance growth opportunities (Irnandha & Agung, 2019). The challenge, however, lies in fostering customer loyalty,

which is influenced by several factors, including service quality, customer satisfaction, brand image, perceived value, trust, customer relationships, switching costs, and dependability (Hasan, 2018). Among these, service quality is paramount as it directly interacts with customers. A positive service experience encourages customer retention and satisfaction, while a negative one can lead to dissatisfaction, reduced word-of-mouth referrals, and potential customer loss.

The increasing reliance on e-commerce platforms has introduced new dynamics into the relationship between service quality and customer loyalty. E-commerce companies often need help providing consistent and high-quality service experiences comparable to physical stores, leading to varying customer satisfaction and loyalty levels. This inconsistency is evident in the case of CV Cipta Buana Irian. In this printing company, improvements in service quality, such as the introduction of online payment methods and modernization of printing equipment, did not result in a corresponding increase in customer loyalty. Despite having high service quality, the company retained only 20% of its customers as repeat buyers, indicating a potential disconnect between service improvements and customer loyalty. This suggests that other underlying factors influence customer loyalty in e-commerce, necessitating a deeper exploration of the interplay between these factors and financial performance.

Recent studies have explored various aspects of customer loyalty and financial performance in e-commerce, emphasizing the importance of understanding the multifaceted nature of customer experiences and perceptions. Tiong (2018) demonstrated that service quality has a positive and significant impact on customer loyalty, a finding supported by Sofiati et al. (2018), who also reported a positive relationship between service quality and customer loyalty. These studies highlight the critical role of service quality in fostering customer loyalty and, subsequently, financial performance. However, other studies present conflicting findings. For instance, Agiesta et al. (2021) found no significant relationship between service quality and customer loyalty, suggesting that while service quality is essential, it may not be the sole determinant of customer loyalty. Instead, customer satisfaction, which arises from fulfilling or exceeding customer expectations, is more substantial in influencing customer loyalty. This perspective aligns with Halim et al. (2021), who defined customer satisfaction as an initial evaluation of service performance compared to customer expectations, emphasizing the need for a comprehensive approach to understanding customer experiences.

Studies by Alfajar et al. (2021) and Nurhidayati & Yuliantari (2018) reinforce that customer satisfaction mediates the relationship between service quality and customer loyalty. This mediating role of customer satisfaction suggests that while service quality directly impacts customer satisfaction, its effect on loyalty is indirect, moderated by the satisfaction customers derive from their service experiences. This complexity indicates the need for e-commerce companies to focus on enhancing service quality and understand how these improvements translate into customer satisfaction and loyalty. The research conducted by Sentosa et al. (2021) further corroborates this, stating that service quality positively impacts customer satisfaction, fostering loyalty. However, the current research shows a gap in understanding how these dynamics specifically play out in the e-commerce sector, where customer interactions and experiences differ significantly from traditional brick-and-mortar settings.

While recent studies have provided valuable insights into the relationship between service quality, customer satisfaction, and loyalty, they have primarily focused on traditional business environments. There is a noticeable gap in the literature concerning the unique dynamics of e-commerce platforms, where the digital interface, virtual interactions, and lack of physical touchpoints present distinct challenges and opportunities. The mixed findings regarding the impact of service quality on customer loyalty in e-commerce settings, as observed in the case of CV Cipta Buana Irian, underscore the need to further explore the role of customer satisfaction as a mediating variable in these contexts. Additionally, while studies have emphasized the importance of perceived value and trust in fostering loyalty Hasan (2018), there needs to be more understanding of how these factors interplay with digital service experiences unique to e-commerce environments.

Existing research must look more into the potential impact of digital engagement and personalization strategies on customer satisfaction and loyalty in e-commerce. Given that digital platforms allow for highly personalized customer experiences through data analytics and AI-driven

recommendations, there is a need to investigate how these capabilities affect customer satisfaction and loyalty compared to traditional factors such as service quality and perceived value. Furthermore, the current theoretical frameworks often need to fully account for the rapid technological advancements and evolving consumer behaviors in the e-commerce landscape, necessitating a reevaluation of existing models to better understand the determinants of financial performance in this digital age.

The novelty of this study lies in its focus on the e-commerce sector. It addresses a significant gap in current research by integrating digital engagement and personalization into the analysis of service quality, customer satisfaction, and loyalty. By exploring these dynamics within the context of e-commerce, this study aims to contribute to a deeper understanding of how digital platforms can optimize customer experiences to enhance financial performance. Additionally, this research seeks to expand the theoretical framework for analyzing customer loyalty by incorporating emerging digital trends and technologies. This approach aligns with Supertini (2020), who tested similar variables but included customer satisfaction as a mediating variable, offering valuable insights into customer retention and financial outcomes in the digital marketplace. This study intends to build on Supertini (2020) findings by applying them within the evolving context of e-commerce, thereby providing a more nuanced understanding of these relationships in a digital environment.

Based on the gaps identified in the literature, this study explores the nuanced relationship between e-commerce service quality, customer satisfaction, and customer loyalty and their collective impact on financial performance. The primary research questions guiding this study are: How does service quality in e-commerce settings influence customer satisfaction and loyalty? What role does customer satisfaction play as a mediating variable in the relationship between service quality and customer loyalty? How do digital engagement strategies and personalized customer experiences impact these relationships? The objectives of this study are to provide a comprehensive analysis of the factors influencing customer loyalty in e-commerce, with a particular focus on the mediating role of customer satisfaction and the potential moderating effects of digital engagement strategies.

## Literature Review

### *Service quality*

Service quality is crucial in e-commerce, determining a company's ability to meet and exceed customer expectations. Tjiptono & Chandra (2017) describe service quality as how well a service aligns with customer expectations, while Kotler (2016) emphasizes its completeness in satisfying specific needs. This comprehensive view of service quality includes various attributes aimed at fully meeting customer requirements. In the competitive e-commerce landscape, where customer satisfaction significantly determines business success, companies must ensure their services consistently meet or surpass customer expectations to maintain a competitive edge and foster loyalty. Several factors shape service quality in e-commerce. Suhardi & Gadzali (2019) highlight dimensions such as production and consumption processes, high labor intensity, and variability in service delivery. Critical factors include front-line employee interactions, where unfriendliness or poor communication can negatively impact perceived service quality. Additionally, treating all customers uniformly without recognizing individual needs can lower perceived quality. Service optimization challenges, such as prioritizing short-term business goals over quality, can compromise long-term customer satisfaction and loyalty (Darmawan et al., 2023).

The research underscores the importance of service quality in shaping customer perceptions and behaviors in e-commerce. Zeithaml et al. (2018) found that high service quality directly impacts customer satisfaction and loyalty, particularly in digital environments lacking face-to-face interactions. Zeithaml et al. (2018) also noted that service quality significantly affects customer trust, which is essential for repeat purchases. Furthermore, Rane et al. (2023) showed that consistent service quality enhances customer engagement, leading to higher retention rates and profitability. The implications for e-commerce businesses are clear: to improve service quality, companies should adopt customer-centered strategies emphasizing personalized service experiences, effective communication, and consistently high-quality service delivery. By focusing on these areas, businesses

can enhance their service performance and achieve higher customer satisfaction, leading to sustained success in the competitive e-commerce market.

#### *Customer satisfaction*

Customer satisfaction is a crucial concept in marketing and service management, reflecting the extent to which a company's products or services meet or exceed customer expectations. According to Halim et al. (2021), customer satisfaction involves the tangible outcomes of a product or service and the overall experience of consuming or utilizing it. This definition emphasizes that customer satisfaction is not just about the product received but also the entire experience, which should ideally be free from errors or failures. Kennedy & Kundu (2022) add that customer satisfaction is a post-purchase evaluation that compares perceived experiences with expectations. Satisfaction is achieved when customer expectations are met or exceeded; dissatisfaction arises from a perceived shortfall.

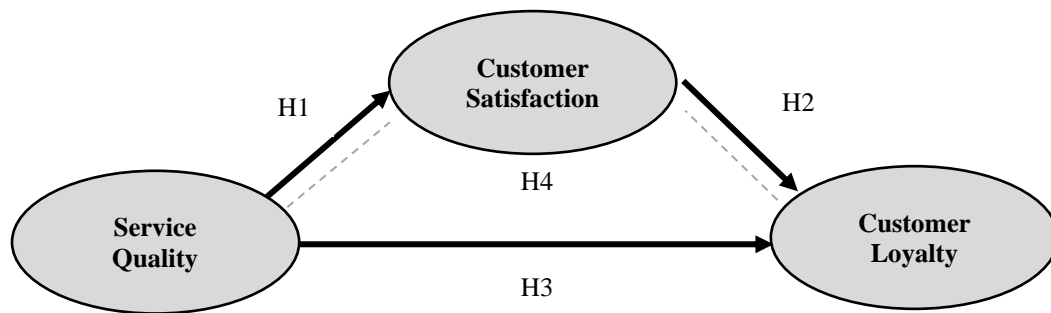
Customer satisfaction is the contentment customers feel when their expectations regarding a service or product are met or surpassed. This positive emotional state can significantly influence future purchasing decisions and loyalty. Several factors affect customer satisfaction, essential for businesses aiming to improve their customer service strategies. Indrasari (2019) identifies five primary factors: product quality, service quality, price, emotional responses, and additional costs. Product quality is fundamental as it directly impacts the customer's perception of value, with higher-quality products leading to greater satisfaction Zeithaml et al. (2018). Service quality, including reliability, responsiveness, and empathy, also shapes customer satisfaction (Zeithaml et al., 2018).

Price plays a vital role in satisfaction, as customers feel more satisfied when the cost is justified by the quality received (Anderson et al., 1994). Emotional responses, such as feelings of joy and trust, further influence satisfaction levels (Ou & Verhoef, 2017). Additional costs, like extra services or shipping fees, can negatively impact satisfaction if seen as excessive (Uzir et al., 2021). These findings have significant implications for businesses, especially in e-commerce, where customer satisfaction is directly linked to success. Companies should focus on improving product and service quality, managing prices effectively, fostering emotional engagement, and minimizing additional costs to enhance customer satisfaction.

#### *Customer loyalty*

Customer loyalty is a crucial concept in marketing and business strategy, representing a customer's tendency to consistently repurchase a product or service from a specific provider over time. This behavior is marked by high consistency and regularity, which are vital for companies aiming to maintain a stable customer base and achieve long-term success. While closely associated with repeat purchasing behavior, customer loyalty is distinct as it involves a deeper emotional and psychological commitment to a brand beyond mere habitual purchasing Tjiptono & Chandra (2017). Loyalty is driven by satisfaction with the purchase process, service, or product experience, even when market conditions could encourage switching to a competitor. This understanding is essential for businesses that want to build solid and lasting customer relationships by emphasizing satisfaction and positive experiences to drive loyalty.

Several factors influence customer loyalty, making it a complex and multifaceted concept. Key determinants include product or service quality, customer satisfaction, brand image, perceived value, trust, customer relationships, switching costs, and reliability (Hasan, 2018). High-quality products or services increase customer satisfaction, directly predicting loyalty (Zeithaml et al. (2018). A positive brand image enhances trust and emotional attachment, while trust, especially in the digital age, is vital for mitigating perceived risks in transactions (Kumar & Reinartz, 2018). Strong customer relationships foster loyalty by creating a sense of belonging through personalized communication and engagement (Morgan & Hunt, 1994). Switching costs also play a significant role in loyalty. High perceived expenses or inconveniences associated with changing brands discourage customers from switching, reinforcing loyalty (Burnham et al., 2003). Reliability, defined as consistently delivering on promises, further enhances trust and customer loyalty (Zeithaml et al., 2018). For businesses, these insights suggest that focusing on delivering high-quality products and services, building a solid brand image, fostering trust, and considering switching costs are crucial strategies for enhancing customer loyalty and ensuring long-term success.



**Figure 1.** Empirical Model

#### *Relationship between Service Quality and Customer Satisfaction*

Service quality refers to the actions undertaken by an individual or an organization to serve customers by offering various service features designed to satisfy customer needs. This variable is crucial in determining how well a company can meet customer expectations, enhancing customer satisfaction. According to Noto & Hakim (2016), service quality significantly impacts customer satisfaction, underscoring its importance as a critical determinant in customer relationship management. On the other hand, customer satisfaction is defined as a customer's overall contentment resulting from their experience with a product or service. It reflects the customer's evaluation of whether their expectations have been met or exceeded during the service encounter. The importance of these variables cannot be overstated. Service quality is essential because it directly influences customer perceptions and satisfaction levels. High-quality service can lead to positive customer experiences, fostering loyalty and repeat business, which are vital for a company's long-term success. Customer satisfaction is equally important as it predicts customer loyalty, retention, and positive word-of-mouth, all contributing to a company's competitive advantage.

The relationship between service quality and customer satisfaction is well-established in the literature. High service quality typically results in higher customer satisfaction levels. When customers perceive that they receive good service that meets or exceeds their expectations, their satisfaction levels increase, leading to loyalty and sustained business. Supporting this, Noto & Hakim (2016) found a significant positive relationship between service quality and customer satisfaction, suggesting that improving service quality can effectively enhance customer satisfaction and, consequently, customer loyalty. This finding underpins the hypothesis of the current study, which posits that service quality positively affects customer satisfaction.

#### *H<sub>1</sub>: Service Quality Affects Customer Satisfaction*

#### *Relationship between Customer Satisfaction and Customer Loyalty*

Customers' feelings of contentment due to their interactions with a service or product and the overall service process that lives up to their expectations are known as customer satisfaction. This variable reflects how much the service or product aligns with or exceeds customer expectations. Customer loyalty is a psychological commitment customers develop toward a brand, characterized by consistent repeat purchasing behavior and positive advocacy for the brand. Both variables are crucial in a business context. Customer satisfaction is critical to a company's success in fulfilling customer needs and expectations. High satisfaction levels will likely foster long-term customer relationships, ultimately leading to loyalty. Customer loyalty is vital, as it is critical in determining a business's long-term growth and sustainability. Loyal customers engage in repeat purchases and act as brand advocates, enhancing the company's reputation and attractiveness in the market.

The relationship between customer satisfaction and customer loyalty has been empirically validated. Customers are more likely to become loyal to the brand when they are satisfied with the service or product they receive. Satisfaction enhances the intention to repurchase, which in turn strengthens customer loyalty. Hermawan et al. (2021) support this view, finding that customer



satisfaction has a positive and significant impact on repurchase intention and customer loyalty and that repurchase intention also positively and significantly influences customer loyalty. These findings reinforce the hypothesis that customer satisfaction directly contributes to the formation of customer loyalty.

*H<sub>2</sub>: Customer Satisfaction affects Customer Loyalty*

*Relationship between Service Quality and Customer Loyalty*

Customer loyalty refers to customers' purchasing a product or service from a particular brand, driven by satisfaction with the purchase process, service experience, or product consumption, even when market conditions might encourage them to switch to another brand. It reflects a deep commitment to a brand, often influenced by positive past experiences and satisfaction. Service quality, on the other hand, is the measure of how well the service delivered by a company meets or exceeds customer expectations. It encompasses various attributes, such as reliability, responsiveness, assurance, empathy, and tangibles, collectively contributing to the overall customer experience. Both variables are significant in the context of business and marketing. Service quality is crucial because it directly impacts customer perceptions and satisfaction levels, which is essential for fostering long-term customer relationships. High service quality can lead to positive customer experiences, which are fundamental for customer satisfaction and loyalty. Customer loyalty is equally important as it directly contributes to a company's procompany'sy and growth. Loyal customers tend to engage in repeat purchases and are more likely to advocate for the brand, enhancing its market presence.

The relationship between service quality and customer loyalty has been extensively studied, and mixed findings have been found. While many studies suggest a positive relationship, some have found no significant impact. Agiesta et al. (2021) found that, in some cases, service quality only significantly influences customer loyalty. This suggests that other factors, such as customer satisfaction or perceived value, may play more critical roles in fostering loyalty. This finding supports the hypothesis that service quality, on its own, may not always directly contribute to customer loyalty, indicating the complexity of customer behavior and the need for a more nuanced understanding of loyalty determinants.

*H<sub>3</sub>: Service Quality does not affect Customer Loyalty*

*Relationship between Service Quality and Customer Loyalty mediated by Customer Satisfaction*

Service quality measures how well a company's service exceeds customer expectations. When customers' experience meets or exceeds their expectations, they are satisfied with the service they receive. On the other hand, customer loyalty is the propensity of customers to keep making repeat purchases of goods or services from the same business, frequently due to their high level of satisfaction with the service they receive. Each variable is crucial in building long-term relationships between a company and its customers. High service quality is essential for customer satisfaction, as satisfied customers are more likely to return and remain loyal to the brand. Customer satisfaction is not only crucial for customer retention but is also a key driver of customer loyalty. Customer loyalty is vital for business sustainability because loyal customers are likelier to repeat purchases and recommend the brand to others.

The relationship between these three variables suggests that service quality indirectly influences customer loyalty through customer satisfaction. When service quality meets or exceeds customer expectations, the resulting satisfaction enhances the likelihood of customers remaining loyal to the brand. Muhibbah (2022) supports this view, finding that service quality affects customer satisfaction, shaping the intention to repurchase or reuse the product and ultimately building customer loyalty. This study reinforces the hypothesis that customer satisfaction is crucial in the relationship between service quality and customer loyalty.

*H<sub>4</sub>: Customer satisfaction can mediate between the indirect effects of Service Quality on Customer Loyalty.*

## Research Design and Methodology

The type of research used in this research is quantitative research. This research makes CV Printing Customers. Cipta Buana Irian has had an average population for the last three months, starting from November 2024, totaling 480 people per month. The sample collection technique used in this study is the accidental sampling technique, namely 120 people as a sample. The data sources in the study were primary data and secondary data. The data collection method in this study uses the questionnaire method and documentation. The technique used in analyzing the data used in this study is the Structural Equation Modeling (SEM) analysis technique.

**Table 1.** Variable Indicators

Variable	Code	Indicator	Major Reference
Service Quality	X1.1	Reliability	Kotler, (2016)
	X1.2	Responsiveness	
	X1.3	Assurance	
	X1.4	Empathy	
	X1.5	Tangible	
Customer Loyalty	Y1.1	Purchase Intention	Kotler, (2016) ; Hermawan et al., (2020)
	Y1.2	Word of Mouth	
	Y1.3	Price Sensivity	
	Y1.4	Complaining Behavior	
Customer Satisfaction	Z1.1	Expectation Match	Tjiptono & Chandra (2017) ; Muhibbah, (2022)
	Z1.2	Interest in Revisiting	
	Z1.3	Willingness to Recommend	

## Findings and Discussion

### Findings

Based on Table 2, all items used to measure the variables of Service Quality, Customer Satisfaction, and Customer Loyalty have an r-value (r count) more significant than the r-table value and a significance level (2-tailed) below 0.05, confirming their validity. Additionally, each variable's statements exhibit a Cronbach Alpha value exceeding the 0.70 reliability standard, indicating reliability. These findings demonstrate that the items effectively measure the intended variables, ensuring both validity and reliability in the study. This underscores the robustness of the measurement instruments used for assessing Service Quality, Customer Satisfaction, and Customer Loyalty.

**Table 2.** Validity Test Results

Variable	Indicator	r count	r table	Sig. (2- tailed)	Validity	Cronbach Alpha	Reliability Standard	Reliability Status
Service Quality	Reliability	0.854	0.1793	0.000	Valid	0.834	0.70	Reliable
	Responsiveness	0.757	0.1793	0.000	Valid	0.834		
	Assurance	0.788	0.1793	0.000	Valid	0.834		
	Empathy	0.783	0.1793	0.000	Valid	0.834		
	Tangible	0.701	0.1793	0.000	Valid	0.834		
Customer Loyalty	Purchase Intention	0.866	0.1793	0.000	Valid	0.881	0.70	Reliable
	Word of Mouth	0.884	0.1793	0.000	Valid	0.881		
	Price Sensitivity	0.851	0.1793	0.000	Valid	0.881		
	Complaining Behavior	0.832	0.1793	0.000	Valid	0.881		
Customer Satisfaction	Expectation Conformity	0.875	0.1793	0.000	Valid	0.817	0.70	Reliable
	Willingness to Revisit	0.851	0.1793	0.000	Valid	0.817		
	Willingness to Recommend	0.843	0.1793	0.000	Valid	0.817		

Source: Data processed with SPSS 21 (2024)

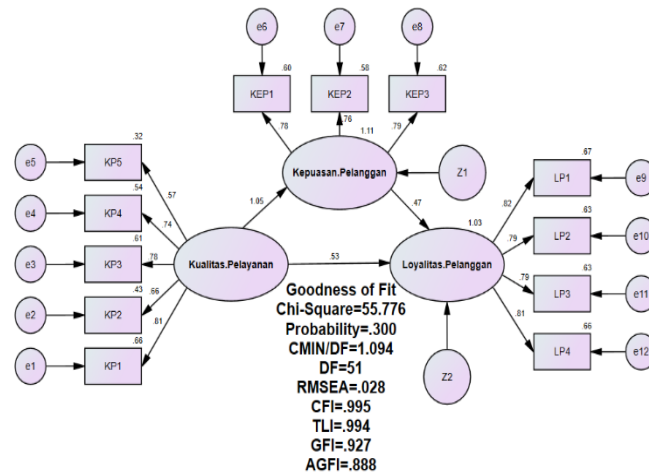


Figure 2. SEM Testing Results AMOS 24  
Source: Data processed with SPSS 21 (2024)

Table 3. Data Normality Test Results

Variable	Min	Max	Skew	c.r.	Kurtosis	c.r.
LP4	5.000	9.000	0.092	0.410	-0.071	0.159
LP3	6.000	9.000	0.232	1.036	-0.449	-1.004
LP2	6.000	10.000	0.101	0.450	-0.418	-0.935
LP1	5.000	9.000	-0.198	-0.884	0.140	0.312
KEP3	6.000	10.000	0.165	0.737	0.086	0.192
KEP2	6.000	10.000	0.472	2.113	0.243	0.543
KEP1	5.000	9.000	0.166	0.742	-0.178	-0.399
KP5	6.000	10.000	0.051	0.228	-0.472	-1.055
KP4	5.000	9.000	-0.124	-0.555	0.490	1.095
KP3	6.000	9.000	0.207	0.924	-0.425	-0.951
KP2	6.000	9.000	0.050	0.224	-0.636	-1.423
KP1	5.000	10.000	-0.108	-0.485	-0.126	-0.282
<b>Multivariate</b>					<b>-1.577</b>	<b>-0.471</b>

Source: Data processed with SPSS 21 (2024)

Based on Table 3, it can be concluded that the c.r value on skew for all variable indicators is in the range of -2.58 to 2.58, which means that the data meets the assumptions of univariate and multivariate normality. Thus, the data in this study will normally be distributed. Table 4 shows that the highest data is observation number 6, with a Mahalanobis distance of 32.909, which means it is less than the critical Mahalanobis value < 32.909. Therefore, it is concluded that the data is accessible from outlier problems.

Table 4. Mahalanobis Distance of Research Data

Observation number	Mahalanobis d-squared	Critical Mahalanobis Distance (0.001.12)
6	26.492	32.909
72	24.195	
92	23.803	
1	23.553	
-	-	
119	8.170	

Source: Data processed with SPSS 21 (2024)

Based on the results of the model fit test (goodness of fit) presented in Table 5, it is evident that while the Adjusted Goodness of Fit Index (AGFI) indicates a lack of fit, the other fit indices meet the required thresholds. This suggests that the overall model fits well despite the AGFI value failing to meet the criteria. Therefore, the model is deemed to be a good fit for the data, as the majority of the fit indices support its adequacy.



Table 5. Goodness of Fit Testing

Goodness of Fit Index	Value	Cut-off value	Asumsi
Chi-Square ( $\chi^2$ )	55.776	<81.381 (DF=62)	Fit
Probability	0.300	$\geq 0.05$	Fit
CMIN/DF	1.094	$\leq 2,00$	Fit
RMSEA	0.028	$\leq 0,08$	Fit
CFI	0.995	$\geq 0,95$	Fit
TLI	0.994	$\geq 0,95$	Fit
GFI	0.927	$\geq 0,90$	Fit
AGFI	0.888	$\geq 0,90$	Marginal Fit

Source: Data processed with SPSS 21 (2024)

Table 6. Regression Weight

	Estimate	S.E.	C.R.	P
Customer Satisfaction $\leftarrow$ - Service Quality	0.918	0.091	10.145	***
Customer Loyalty $\leftarrow$ - Customer Satisfaction	0.473	0.232	2.038	0.042
Customer Loyalty $\leftarrow$ - Service Quality	0.459	0.205	2.233	0.026

Source: Data processed with SPSS 21 (2024)

This study examines three hypotheses regarding the relationships between Service Quality, Customer Satisfaction, and Customer Loyalty. The first hypothesis (H1) posits that Service Quality positively and significantly affects Customer Satisfaction. The analysis results indicate a critical ratio (c.r) of 10.145, more significant than 1.98, with a positive direction and a significance value of 0.000, less than 0.05. This confirms that Service Quality positively and significantly impacts Customer Satisfaction.

The second hypothesis (H2) suggests that Customer Satisfaction positively and significantly affects Customer Loyalty. The analysis reveals a c.r value of 2.038, which is higher than 1.98 and in a positive direction, and a significance value of 0.042, which is also less than 0.05. This finding indicates that Customer Satisfaction positively and significantly influences Customer Loyalty.

The third hypothesis (H3) proposes that Service Quality positively and significantly affects Customer Loyalty. The analysis shows a c.r value of 2.233, exceeding 1.98, with a positive direction and a significance value of 0.026, below 0.05. Therefore, Service Quality is found to have a positive and significant impact on Customer Loyalty. In conclusion, all the proposed hypotheses in this study are accepted, demonstrating positive and significant relationships between Service Quality, Customer Satisfaction, and Customer Loyalty.

The Effect of Service Quality on Customer Loyalty through Customer Satisfaction (H4). The research hypothesis proposed is that customer satisfaction can mediate between the indirect effects of service quality and customer loyalty. The analysis results show that the c.r value is  $1.99 > 1.98$  with a positive direction, and the significance value is  $0.045 < 0.05$ . This shows that the significance value is 0.045, more diminutive than 0.05. Thus, customer satisfaction can be feasible as a mediation between Service Quality and Customer Loyalty.

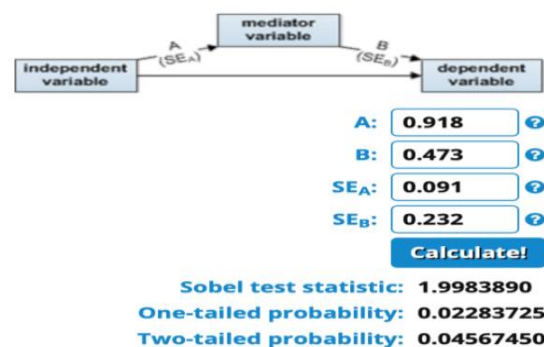


Figure 3. Sobel Test Results

Source: Data processed with SPSS 21 (2024)

## **Discussion**

### *Service Quality on Customer Satisfaction*

The findings of this study indicate that Service Quality has a positive and significant effect on Customer Satisfaction. This suggests that customers will be more satisfied with a higher service quality. This relationship underscores the fundamental concept that customer satisfaction is closely linked to the perceived quality of the service they receive. High service quality, characterized by reliability, responsiveness, assurance, empathy, and tangibles, meets or exceeds customer expectations, enhancing satisfaction. These findings align with the basic principle that delivering superior service quality is crucial for maintaining and enhancing customer satisfaction. The results of this study support the initial hypothesis that posited a positive and significant relationship between Service Quality and Customer Satisfaction. The hypothesis was built on the assumption that improvements in service quality would directly translate into increased customer satisfaction. According to the analysis, the data's significant positive correlation supports this assumption. As a result, the empirical evidence gathered during this research supports the hypothesis.

The results are consistent with research by Achmad (2020) and Arie Sulistyawati & Seminari (2015), demonstrating a positive and significant impact of service quality on customer satisfaction. These studies similarly found that higher service quality leads to higher levels of customer satisfaction, reinforcing that service quality is a crucial determinant of customer satisfaction. The alignment of the current study's findings with prior research further strengthens the conclusions' validity. From a practical standpoint, these findings have significant implications for businesses aiming to enhance customer satisfaction. Companies should consistently deliver high-quality services that meet or exceed customer expectations. By doing so, they can effectively increase customer satisfaction levels, leading to higher customer retention and loyalty. Additionally, businesses should invest in employee training and development programs to ensure they possess the skills and knowledge necessary to provide excellent service. This approach will improve service quality and foster a customer-centric culture within the organization.

### *Customer Satisfaction on Customer Loyalty*

The findings of this study demonstrate that Customer Satisfaction has a positive and significant effect on Customer Loyalty. This indicates that the higher the level of customer satisfaction, the greater the customer loyalty. This relationship aligns with the fundamental concept that customer satisfaction is crucial in fostering customer loyalty. When customers are satisfied with their experience, they are more likely to remain loyal to a brand. Saputra (2020), who contends that customer satisfaction is essential to a company's success, supports this theory. One key strategy to maintain customer satisfaction and, subsequently, customer loyalty is to provide high-quality service. The results of this study support the initial hypothesis, which posited that Customer Satisfaction positively and significantly influences Customer Loyalty. The hypothesis was based on the premise that increased customer satisfaction leads to a higher likelihood of repeat business and continued loyalty to the brand. The data analysis confirmed this hypothesis, showing a significant positive relationship between customer satisfaction and loyalty. Thus, the empirical evidence from this study validates the proposed hypothesis.

Comparing these findings with previous studies, the results are consistent with research conducted by Nurhidayati & Yuliantari (2018) and (Pratama, 2017), which also found a positive and significant impact of customer satisfaction on customer loyalty. These studies similarly concluded that higher levels of customer satisfaction contribute to increased customer loyalty, reinforcing that satisfaction is a crucial determinant. The consistency of the current study's findings with prior research further strengthens the conclusions' reliability. In practical terms, these findings have significant implications for businesses aiming to enhance customer loyalty. Companies should focus on strategies that enhance customer satisfaction, such as improving service quality and ensuring customer needs are consistently met or exceeded. By doing so, businesses can foster a loyal customer base more likely to engage in repeat purchases and provide positive word-of-mouth referrals. Additionally, investing in customer feedback mechanisms to continuously gauge satisfaction levels

can help businesses make necessary adjustments to their service offerings, thereby maintaining high customer satisfaction and loyalty.

#### *Service Quality on Customer Loyalty*

The results of this study indicate that Service Quality has a positive and significant impact on Customer Loyalty. This finding suggests that the higher the level of service quality provided, the greater customer loyalty. This relationship aligns with the fundamental concept that quality service is critical in fostering customer loyalty. Customers who perceive high-quality service are likelier to develop a solid commitment to the brand and remain loyal over time. Saputra (2020), who contends that service quality plays a significant role in fostering customer loyalty, supports this theory. According to Saputra, companies can prioritize improving service quality to enhance customer loyalty, emphasizing the importance of quality service as a strategic approach to cultivating loyal customers. The results of this study support the initial hypothesis that posited a positive and significant relationship between Service Quality and Customer Loyalty. The hypothesis was based on the assumption that improvements in service quality would directly lead to increased customer loyalty. The data analysis confirmed this hypothesis, showing a significant positive correlation between these variables. As a result, the empirical evidence from this study supports the hypothesis and strengthens the notion that service quality is a critical factor in customer loyalty.

Comparing these findings with previous research, the results are consistent with studies conducted by Rofiah & Wahyuni (2017) and Tiong (2018), demonstrating a positive and significant impact of service quality on customer loyalty. These studies found that enhancing service quality leads to higher customer loyalty, further supporting the view that service quality is a critical determinant of loyalty. The alignment of the current study's findings with prior research further strengthens the reliability and validity of the conclusions drawn. From a practical perspective, these findings have significant implications for businesses aiming to improve customer loyalty. Companies should focus on delivering consistently high-quality service to meet and exceed customer expectations. By doing so, businesses can effectively enhance customer loyalty, essential for sustaining long-term growth and profitability. Additionally, investing in service quality improvements, such as training staff to provide better customer interactions and enhancing service processes, can help businesses create a more loyal customer base. These strategies not only improve service quality but also foster a culture of excellence that is centered around customer satisfaction and loyalty.

#### *Customer Satisfaction Mediates the Effect of Service Quality on Customer Loyalty*

The findings of this study reveal that Customer Satisfaction successfully acts as a mediating variable between the indirect effect of Service Quality on Customer Loyalty. This indicates that while Service Quality positively influences Customer Loyalty, this relationship is significantly strengthened when Customer Satisfaction is an intermediary factor. This supports the fundamental concept that high-quality service leads to enhanced customer satisfaction, fostering greater customer loyalty. Irnandha & Agung (2019) further reinforce the theoretical framework, stating that Service Quality directly impacts Customer Satisfaction, and satisfied customers are more likely to repurchase or continue using a product or service. This relationship underlines the importance of customer satisfaction as a crucial factor that bridges the gap between service quality and loyalty. The results align with the initial hypothesis that Customer Satisfaction would mediate the relationship between Service Quality and Customer Loyalty. The hypothesis was formulated on the premise that improving service quality would enhance customer satisfaction, increasing customer loyalty. The data analysis confirms this hypothesis, showing that Customer Satisfaction significantly mediates the positive relationship between Service Quality and Customer Loyalty. This indicates that while Service Quality is vital, its impact on Customer Loyalty is more substantial when Customer Satisfaction is considered, validating the hypothesis and highlighting the mediating role of satisfaction.

When comparing these findings with previous research, the results are consistent with studies conducted by Muhibbah (2022), which also demonstrated that Service Quality positively and significantly affects Customer Loyalty through Customer Satisfaction as an intervening variable. This study confirmed that Customer Satisfaction is a critical link in the causal chain between service quality and customer loyalty, further supporting the notion that enhancing service quality alone is

not enough; it must be coupled with efforts to improve customer satisfaction to build loyalty effectively. The alignment of the current study's findings with prior research strengthens the conclusions' validity. From a practical perspective, these findings have important implications for businesses seeking to enhance customer loyalty. Companies should not only focus on improving service quality but also on strategies that increase customer satisfaction. This could involve personalizing customer interactions, promptly addressing customer complaints, and continuously refining service delivery processes. By doing so, businesses can foster higher levels of customer satisfaction, leading to increased loyalty and customer retention. Furthermore, investing in customer satisfaction initiatives can help businesses create loyal customers, ultimately driving sustainable growth and profitability. The study's findings provide valuable insights into the strategic importance of integrating service quality improvements with customer satisfaction efforts to strengthen customer loyalty.

## Conclusion

The main findings of this study indicate that Service Quality has a positive and significant influence on Customer Satisfaction and Customer Loyalty. In addition, Customer Satisfaction proved to be an influential mediating variable in strengthening the relationship between Service Quality and Customer Loyalty. The results of this study support the initial hypothesis that improvements in service quality will directly increase customer satisfaction and loyalty. In addition, these findings are consistent with previous research showing the importance of Service Quality as a critical determinant of Customer Satisfaction and Loyalty.

The practical implication of this study is that companies need to consistently improve their service quality to achieve and maintain high levels of customer satisfaction and loyalty. Thus, companies should focus on employee training and development to ensure they have the necessary skills and knowledge to deliver superior services. Theoretically, this study reinforces that Customer Satisfaction is a vital intermediary linking Service Quality with Customer Loyalty, expanding our understanding of the mechanisms underlying this relationship. These results confirm the importance of further research to deepen understanding of the factors influencing customer satisfaction and loyalty.

This study has several limitations that should be noted. First, this study only used a sample from one industry sector, so the results may need to be more generalizable to other sectors. Second, this study uses a survey design that may not fully capture the relationship dynamics between variables in depth. For future research, researchers should consider using more diverse methodologies, such as longitudinal studies or experiments, to explore the causal relationships between these variables further. Future research could also expand the sample to various industry sectors to gain a more comprehensive insight into the effect of Service Quality on Customer Satisfaction and Loyalty.

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