

The effects of customer satisfaction, perceived service quality, perceived value, and brand image on customer loyalty

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ABSTRACT

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The purpose of this study was to analyze the effects of customer satisfaction, service quality, perceived value and brand image on consumer loyalty through a quantitative method. The research was conducted in schools in Indonesia. The sample of respondents in this study were 308 of owners of Small and Medium Enterprises (SMEs). The sampling method used was simple random sampling. Data collection techniques were accomplished using online questionnaires through social media. The measurement scale in this study was a Likert scale with a range of 1-7 and data analysis was performed using structural equation modeling (SEM) with data processing software SmartPLS software. The independent variables in this study were customer satisfaction, perceived service quality, perceived value, and brand image, while the dependent variable was customer loyalty. Based on the results of the study, it was found that satisfaction has a positive and significant effect on consumer loyalty. However, perceived service quality, perceived value and brand image had no significant effects on consumer loyalty.

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1. Introduction

Small and Medium Enterprises (SMEs) play an important role in the national economy. Empowerment of SMEs is important to encourage economic growth and development (Farida & Zakky, 2017). The development of SMEs is related to creating an encouraging business environment, increasing entrepreneurship, motivation, community knowledge and increasing income (Liao, 2012). Income is very important for the welfare of life and the economy, and it is always obtained in the form of nominal money (Chan et al., 2022). In addition, money can be used to measure how well operating profits are in line with the intended objective of generating revenue from sales through expected profits (Asare et al., 2022). The development of SMEs is a driving force for regional economic growth and has a positive impact on the absorption of labor energy in efforts to reduce poverty. However, SMEs still face many challenges in business development. These challenges include ineffective organizational management, especially in terms of human resources, ineffective leadership, lack of member commitment to the progress of the business group, lack of willingness to innovate, and assignments. The problems that are often encountered in the development of Indonesian SMEs are related to the use of financial resources, development of business infrastructure, development of physical facilities, and collaboration with all stakeholders, including the quality of human resources.

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Indonesian SMEs have become an important part of the Indonesian economic system. According to Bernarto et al. (2022) SMEs are more numerous than large companies and have the advantage of absorbing maximum work energy and accelerating balancing process as a development goal. Within that framework, the development of SMEs is directed to make a significant contribution to creating job opportunities, increasing exports and increasing competitiveness. Meanwhile, the development of micro-scale enterprises is directed to contribute to increasing the income of low-income communities. The real performance faced by most businesses, especially micro, SMEs in Indonesia, which stands out the most is the low level of productivity, added value and product quality. Although it is also recognized that SMEs provide employment for the majority of workers in Indonesia, their contribution to national output is categorized as low. The rapid development of technology in this digital era creates new habits such as moving all types of activities online (Purwanto et al., 2021). This can spur SMEs to compete to attract the attention of consumers. In today's digital era, people are encouraged to choose methods that are fast, easy, and efficient. Therefore, SME business actors must also act more quickly and efficiently to be able to balance the times and trends that are happening in society. Based on this, SME business actors must be responsive to changes.

In general, the strategy used by SMEs business actors is to carry out media promotions through social media, discount prices, reduce the number of employees, close several business branches, and provide pick-up or delivery services (Lin et al., 2022; Puspasari et al., 2022). Business actors also implement specific strategies according to their respective business fields (Chinomona et al., 2013). The challenges of the industrial revolution 4.0 are important, which in the end, all of these changes encourage the whole community to work together by changing behavior and ways of working (Ennew & Binks, 1996). According to Aditi et al. (2021) the industrial revolution 4.0 has not only changed the industry, but also jobs, ways of communicating, shopping and transacting to lifestyle. Therefore, in addition to maintaining business existence, business people are also encouraged to provide support and training so that the nation's young generation continues to follow digital developments.

Customer satisfaction is one of the factors that affect customer loyalty (Gontur et al., 2022; Purwanto et al., 2021). Customer satisfaction is a person's feelings of pleasure or disappointment that arise after comparing their perceptions or impressions of the performance or results of a product and their expectations. The concept of customer satisfaction has two influencing elements, namely expectations and performance (Bernarto et al., 2022). Performance is the consumer's perception of what people received after consuming the product. Expectation is a consumer's estimate of what will be received if he/she consumes the product means that customer satisfaction is the difference between what consumers expect and the situation provided by the company to meet consumer expectations. Satisfied and loyal customers are an opportunity to get new customers (Chan et al., 2022). On the other hand, satisfied customers provide many advantages for the company, including providing consistent repurchase opportunities, expanding the consumed product line, spreading good news, decreasing price elasticity and decreasing promotional costs in order to attract new customers. Customer retention helps improve financial performance and maintain viability. This is the main reason why companies attract and retain customers. Loyalty is more focused on behavior than attitude. Loyal customers will design buying behavior, which can be interpreted as a regular and orderly buying pattern, which is carried out by the decision-making unit. Customer loyalty is a very important driving force in generating sales. Loyalty is also defined as a deep commitment to repeat purchases in the future or a preferred product or service model, which will lead to repeat purchases of the same brand or brand group, regardless of contextual factors and efforts. Marketing efforts that can lead to rebranding behavior.

The marketing concept as the key to achieving company goals is determining the needs and wants of the target market and providing the expected satisfaction more efficiently and effectively compared to competitors. For this reason, there are four pillars of the marketing concept, namely (a) market focus, (b) customer orientation, (c) coordinated marketing, (d) profitability. By adhering to the orientation to the customer, the goal to be achieved is to satisfy the customer. Judging from the dimensions of origin of the targeted customers, customers are grouped into two groups, namely the new buyer group and the repeat buyer group. Viewed from the cost dimension, the cost of attracting new customers will be greater than the cost of retaining old customers or creating repeat purchases (Blery et al., 2009). Therefore, retaining customers is more important than attracting customers. As for retaining customers lies in customer satisfaction. In the service industry, customer satisfaction is always influenced by the quality of the interaction between customers and employees who make service contacts. Evidence of service quality appears in flawless performance, a concept similar to what is stated as zero defects in manufacturing. Based on the customer's point of view, service contact occurs when the customer interacts with the organization to obtain the services he/she purchases. Basically, there are two main things related to service, namely customer expectations of the quality of subscriptions and customer perceptions of service quality when receiving service (experienced or perceived quality). Customers always assess a service received by comparing it with what is expected or desired. Consumer satisfaction is the key to a performance measure that is said to be perfect, in this case it does not mean meeting rigid standards, but performance that can provide satisfaction close to 100% from the consumer's point of view. According to Hudaya (2020) and Jamine et al. (2019), customers always assess a service received by comparing it with what is expected or wanted. Consumers buy from companies that offer the highest perceived value; consumers evaluate the benefits they receive with their sacrifices to get the product. Loyal customers are those who have characteristics such as making repeated purchases of the same business entity, telling others about the satisfactions obtained from the company, and showing immunity to offers from other competing companies. The purpose of this study is to analyze the relationship of satisfaction on consumer loyalty,

service quality on consumer loyalty, perceived value on consumer loyalty and brand image on consumer loyalty (Purwanto, 2022).

2. Method

This is a quantitative research method, and it was conducted in SMEs in Indonesia. The sample of respondents in this study were 308 SMEs owners through simple random sampling. Data collection techniques were accomplished using online questionnaires through social media. The measurement scale in this study was a Likert scale with a range of 1-7. Data analysis was performed using structural equation modeling (SEM) with data processing software SmartPLS software. The independent variables in this study are customer satisfaction, perceived service quality, perceived value, and brand image, while the dependent variable is customer loyalty. The hypotheses of this research are as follows,

- H1:** *Customer Satisfaction has a positive and significant effect on Loyalty.*
- H2:** *Perceived Service Quality has a positive and significant effect on Customer Loyalty.*
- H3:** *Perceived Value has a positive and significant effect on Customer Loyalty.*
- H4:** *Brand Image has a positive and significant effect on Customer Loyalty.*

3. Result dan Discussion

3.1 Convergent Validity

Based on the data presented in Fig. 1, it is known that all research variable indicators have an outer loading value greater than > 0.7. There are no indicator variables whose outer loading value is less than 0.7, so that all indicators are declared feasible or valid for research use and can be used for further analysis.

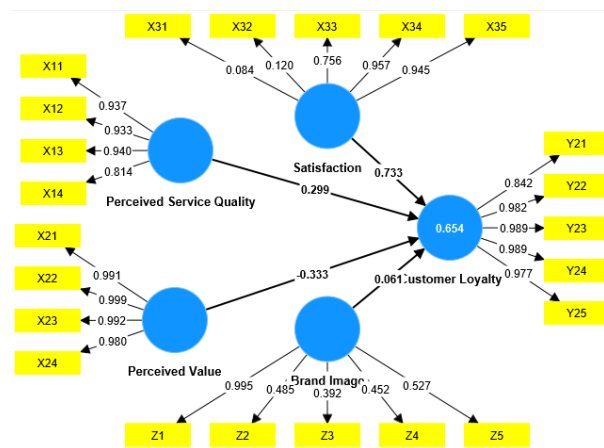


Fig. 1. Loading Factors

3.2 Discriminant Validity

Based on the results of the analysis it was found that the AVE value of all variables was greater than > 0.5 so that it could be concluded that all variables had good discriminant validity values, the composite reliability value for all variables was greater than > 0.7. These results indicate that all variables have met the requirements for composite reliability so that it can be concluded that all variables have a high level of reliability, the Cronbach's alpha value for all study variables is greater than > 0.7. These results can indicate that all research variables have fulfilled the Cronbach's alpha value requirements, so it can be concluded that all variables have a good level of reliability.

Table 1
Reliability Testing

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Customer satisfaction	0.887	0.812	0.743	0.623
Perceived service quality	0.887	0.816	0.832	0.612
Perceived value,	0.845	0.865	0.734	0.634
Brand image	0.832	0.854	0.821	0.623
Customer loyalty.	0.809	0.846	0.876	0.612

Table 2
R Square

	R Square	R Square Adjusted
Customer loyalty	0.654	0.632

In addition, based on the data presented in Table 2, it can be seen that the R-Square value for the performance variable is 0.651. The obtained value explains that the percentage of performance can be explained by transformational leadership, Job Satisfaction, work environment and motivation are 65.4 % and the remaining 34.6 % is explained by other factors not discussed in this study.

3.3 Hypothesis Testing

Hypothesis testing in this study was carried out by looking at the T-Statistics value and the P-Values value. The research hypothesis can be declared accepted if the P-Values <0.05



Fig. 2. Hypothesis testing

Table 3
Hypothesis testing

Hypothesis	T Statistics	P Values	Result
Customer Satisfaction and Loyalty	3.052	0.000	Supporte
Perceived Service Quality and Customer	1.270	0.069	Not
Perceived Value and Customer Loyalty	1.851	0.061	Not
Brand Image and Customer Loyalty	0.215	0.209	Not

Customer Satisfaction and Loyalty

Based on the results of hypothesis testing, it was obtained that the T value was 3.052 > 1.96 and concluded that satisfaction had a positive and significant effect on consumer loyalty. These results indicate that the satisfaction felt by customers is of course loyal to SMEs because the increasingly fierce competition among consumers has many choices in choosing these service providers, where consumers pay more attention to satisfaction. According to Rajić et al. (2016), Sultan and Wong (2019) and Suryani et al. (2020) satisfaction describes the post-purchase response from a consumer to a product/service that is believed to be appropriate or there is a match between what is expected by the customer and the performance of the service he/she received. Consumer satisfaction with the product/service is not only determined by the match between expectations and the performance of the product/service but is also determined by the service quality of the service provider.

Perceived Service Quality and Customer Loyalty

Based on the results of hypothesis testing, the T value was 1.270 < 1.96 and we may conclude that perceived service quality did not have any significant effect on consumer loyalty. The results of the analysis have indicated that a higher quality of service will lead to high satisfaction and customer image. In other words, the better the service quality, the better customer satisfaction and the greater the possibility of a good company image. According to Haudi et al. (2022) and Suryani et al. (2020), customer satisfaction and company image begins with the company's commitment to treat its customers well. In addition, keep in mind that the image is formed in the minds of consumers through consumers (advertising, public relations, physical images, word of mouth communication) combined with the consumer's own experience. If this is continued, of course, it will have an impact on customer loyalty. The results are consistent with findings of other researchers such as Chan et al. (2022), Asare et al. (2022) and Gontur et al. (2022).

Perceived Value and Customer Loyalty

Based on the results of hypothesis testing, it was obtained that the T value was 1.851 < 1.96 and concluded that perceived values had not significant effect on consumer loyalty. These results have indicated that respondents assess the extent to which perceived value determines the extent to which the level of consumer satisfaction. The better the perceived value, the more better customer satisfaction. According to Khoironi et al. (2018), satisfaction is the true measure of how consumers accept and fit a brand, and satisfaction is the true measure of service businesses. Customer satisfaction begins with the company's commitment to treat its customers well. This proves that perceived value is an important element in the formation of satisfaction, especially in service businesses. Increased perceived value will produce satisfied consumers. According to Lin et al. (2022);Puspasari et al. (2022);Bernarto et al. (2022) The relationship between consumers and companies is strengthened when consumers get adequate results about the perceived value of the company and becomes weak when consumers get negative results about the perceived value of the company.

Brand Image and Customer Loyalty

Based on the results of hypothesis testing, it was obtained that the T value was $0.215 < 1.96$ and concluded that brand image has a not significant effect on consumer loyalty. These results indicate that the company's image that arises in the minds of consumers also determines the extent of customer satisfaction and loyalty. According to Sultan and Wong (2019); Rohana et al. (2019) SMEs image raises its own expectations and expectations from consumers towards SMEs. Expectations and expectations that come out of the minds of consumers are certainly sought to be answered by service provider companies properly, because this creates a good image of the company and leads to customer satisfaction and loyalty. According to Lin and Yin (2022), company's image is good in the consumers' eyes, the higher the level of consumer confidence in service providers, the better purchasing decisions. A good corporate image is also accumulated from the consumers' emotional feelings on the basis of their positive experience considerations, which are generated by direct or indirect communication processes. So, it should be noted that the company's reputation will shape satisfaction with the services consumed and generate consumer loyalty.

According to Hudaya (2020) and Jammine et al. (2019), perceived value is a form that underlies the perceived service quality. As a value ingredient, perceived service quality may be conceptualized as a result and an exchange between perceived quality and customer sacrifices in financial and non-financial terms. According to Aditi et al. (2021) and Chinomona et al. (2013), non-financial sacrifices such as time, physical or psychological effort. The results obtained and the difference in service quality and sacrifices made by customers will affect the assessment of customer satisfaction. Satisfaction is the level of a person's feelings after comparing the performance or results he/she feels with his/her expectations. Thus, the level of satisfaction is a function of the difference between perceived performance and expectations. Loyalty is the result and the relationship between satisfaction and good product quality. Some researchers suggested that a firm's brand reputation includes inexplicable loyalty and mutual satisfaction. According to Ennew and Binks (1996), the next marketing strategy for SMEs is to utilize e-commerce. Currently e-commerce markets products by utilizing this application. Product marketing with e-commerce provides benefits for companies. That is, it is cheap and efficient, has unlimited access, and can shorten product distribution distances. In addition, due to the covid-19 pandemic, many users choose e-commerce applications to buy daily necessities.

4. Conclusion

Based on the results of the study, it was found that satisfaction had a positive and significant effect on consumer loyalty, perceived service quality, perceived value, brand image and had no significant effect on consumer loyalty. Consumer dissatisfaction with the price issue should be considered by SMEs, some SMEs are offering lower prices and the services provided are in line with the prices offered. Namely by strengthening the image of SMEs companies providing premium and complete services to consumers, without cutting operational costs. To improve the quality of services SMEs should pay attention to punctuality, to increase customer loyalty, SMEs should better serve consumers, be more direct, be friendly and polite at all times and of course be able to operate existing facilities. To increase customer satisfaction, SMEs can continue to innovate in services, and provide even better company services. Companies should also pay attention to customer loyalty so that it is maintained. To increase customer loyalty, companies can strengthen their Customer Relationship Management (CRM) strategy and provide more facilities.

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