

## Analyzing the Impact of Service Quality, Customer Satisfaction, Brand Image, and Customer Experience on Customer Loyalty

Merryta Djakaria<sup>1</sup>, Elfindah Princes<sup>2</sup>

<sup>1,2</sup> Information Systems Management Department, BINUS Graduate Program – Master of Information Systems Universitas Bina Nusantara, Jakarta, Indonesia, 11480

Address: Jl. Raya Kb. Jeruk No.27, RT.1/RW.9, Kemanggisan, Palmerah District, West Jakarta City, Special Capital Region of Jakarta 11530

**Abstract.** *Purposes - The purpose of this study is to analyze the relationships between service quality, customer satisfaction, brand image, customer experience, and their collective impact on customer loyalty. These factors are critical in understanding how businesses can maintain customer retention and loyalty in a competitive environment. Methodology - This study employed an empirical research approach, utilizing data collected through questionnaires distributed to 250 respondents. The data were analyzed using Partial Least Square (PLS) analysis through SMART PLS software. The study examined the significance of the relationships between the variables using t-statistics and p-value thresholds. Findings - The results of the analysis indicate that service quality, customer satisfaction, brand image, and customer experience all have a direct and significant impact on customer loyalty. Additionally, service quality also exerts an indirect influence on customer loyalty, mediated through customer satisfaction, brand image, and customer experience. Novelty - This study contributes to the existing literature by integrating the combined effects of service quality, customer satisfaction, brand image, and customer experience on customer loyalty, highlighting both the direct and indirect relationships. It reinforces the idea that enhancing service quality not only improves customer loyalty directly but also through the mediation of other key factors. Research Implications - The findings suggest that businesses should prioritize continuous improvements in service quality and focus on enhancing customer experience, satisfaction, and brand image to maintain and strengthen customer loyalty. These insights are valuable for business practitioners aiming to sustain competitive advantage through improved customer retention strategies.*

**Keywords** Service Quality, Customer Satisfaction, Brand Image, Customer Experience, Customer Loyalty, PLS Analysis

### 1. INTRODUCTION

In today's highly competitive business landscape, companies across industries are constantly challenged to maintain their market position and outpace competitors. This dynamic environment pushes businesses to continually seek ways to improve their services and meet customer expectations. Over the past few decades, extensive research has identified service quality and customer satisfaction as two critical factors for sustaining profitability. Companies that offer superior service quality are more likely to achieve higher profits (Gundersen et al., 1996). Enhancing customer satisfaction has also been shown to contribute significantly to a company's financial success (Saleem & Raja, 2014).

However, numerous studies suggest that customer satisfaction alone may not be sufficient to ensure repeat purchases of a company's products or services (Saleem & Raja, 2014). In response, businesses have begun focusing on improving the overall customer experience, which has proven to be an effective tool for creating a lasting impression on customers. Customer experience, when managed effectively, can provide a competitive advantage in the marketplace (Cetin & Dincer, 2014). Additionally, companies are increasingly

prioritizing brand image and customer loyalty, recognizing their pivotal role in influencing purchasing behavior and long-term business success (Wu, 2011).

Therefore, this study aims to analyze the relationship between service quality, customer satisfaction, brand image, customer experience, and their collective impact on customer loyalty.

## 2. LITERATURE REVIEW

### Customer Loyalty

Customer loyalty is defined as the consistent repurchase of a product or service and the customer's willingness to recommend the company. It comprises behavioral and attitudinal dimensions. Loyal customers exhibit repeated purchase behavior and are more likely to recommend products to others. Loyal customers are those who repeatedly purchase the same product or service from a company and consistently recommend or maintain a positive attitude towards that company (Kandampully & Suhartanto, 2000). Customer loyalty can be understood through two key dimensions: behavior and attitude. The behavioral dimension refers to customers' actions of repeat purchasing, which indicates a preference for the company's offerings over time (Bowen & Shoemaker, 1998). On the other hand, the attitudinal dimension reflects customers' intentions to repurchase and recommend the company's products or services (Getty & Thompson, 1995). Customers with a strong intent to repurchase and recommend are more likely to remain loyal to the company (Kandampully & Suhartanto, 2000).

### Service Quality

Service quality refers to the overall evaluation of a company's service by customers, comparing their expectations with the actual service received (Parasuraman et al., 1988). Customers assess service quality based on ten dimensions: tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, customer understanding, and access (Parasuraman et al., 1988). Service quality is evaluated by customers based on their expectations versus the actual service received. It involves several dimensions including tangibility, reliability, responsiveness, communication, and empathy. High service quality directly influences customer satisfaction and loyalty. Previous research has demonstrated that service quality, represented by security and reliability, positively influences customer experience (Jack & Ling, 2016). Moreover, studies by Wu (2011) and Hsieh et al. (2018) confirm a positive relationship between service quality and brand image. Additionally,

Dam & Dam (2021) and Sivadas & Baker-Prewitt (2000) found a connection between service quality and customer satisfaction. Furthermore, Saleem & Raja (2014) identified a significant impact of service quality on customer loyalty. Based on these studies, the following hypotheses are proposed:

- *H1: Service quality has a significant impact on customer experience.*
- *H2: Service quality has a significant impact on brand image.*
- *H3: Service quality has a significant impact on customer satisfaction.*
- *H4: Service quality has a significant impact on customer loyalty.*

### **Customer Satisfaction**

Customer satisfaction measures how well a company's products or services meet customer expectations (Fornell et al., 1996). It is also an emotional state reflecting customers' attitudes after using a company's products or services. Satisfied customers are the result of effective marketing efforts, acting as intermediaries between various stages of customer shopping behavior (Jamal & Naser, 2002). Customer satisfaction reflects how well a product or service meets customer expectations. Satisfied customers are more likely to exhibit loyalty and recommend the company's offerings to others. Research conducted by Saleem & Raja (2014) and Dam & Dam (2021) indicates that customer satisfaction has a direct and significant effect on customer loyalty. Additionally, Mulyono & Pasaribu (2021) confirmed that customer satisfaction is positively correlated with loyalty. The following hypothesis is proposed:

- *H5: Customer satisfaction has a significant impact on customer loyalty.*

### **Brand Image**

Beyond pricing, brand image plays a crucial role in shaping customer decisions to purchase a product or service. Companies with a strong brand image often signal that their offerings surpass certain quality thresholds, while companies with weaker or no brand image struggle to gain customer trust (Hsieh et al., 2018). A positive brand image helps customers become more familiar with a company's products, thereby reducing pre-purchase anxiety (Kim et al., 2008). Research by Mehta & Tariq (2020), Hsieh et al. (2018), and Wu (2011) highlights the significant influence of brand image on customer loyalty. Based on these findings, the following hypothesis is proposed:

- *H6: Brand image has a significant impact on customer loyalty.*

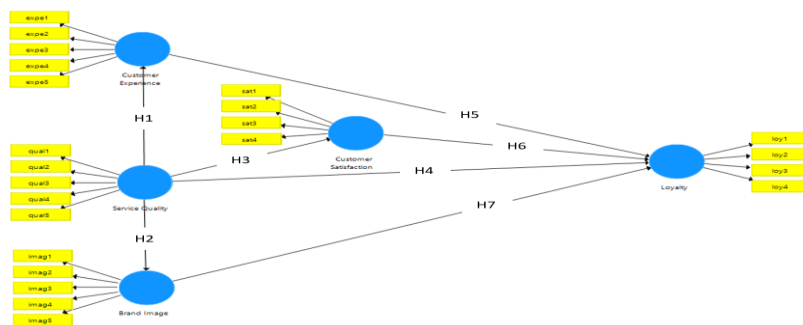
### **Customer Experience**

Customer experience represents a distinct economic value proposition that influences how customers perceive a company's products and services (Walls, 2004). As a unique

offering, customer experience is difficult for competitors to replicate and plays a crucial role in shaping customer satisfaction, loyalty, and advocacy behavior (Berry et al., 2002). Customer experience encompasses the overall perception a customer has after interacting with a company’s product or service. A positive experience can significantly influence satisfaction and loyalty, driving customers to advocate for the brand. Research by Cetin & Dincer (2014) has shown that customer experience has a significant effect on customer loyalty. Additionally, customers who have positive experiences are more likely to recommend the company’s products or services to others. Thus, the following hypothesis is proposed:

- *H7: Customer experience has a significant impact on customer loyalty.*

Based on the hypotheses outlined above, the following research model is proposed for this study:



**Figure 1. Research Model**

### 3. RESEARCH METHODOLOGY

This study employs a combination of literature review and empirical research. Data were collected through questionnaires distributed to 250 respondents using purposive sampling. The questionnaire comprised 23 questions representing five variables: service quality, customer satisfaction, brand image, customer experience, and customer loyalty. A Likert scale ranging from 0 (strongly disagree) to 10 (strongly agree) was used to measure responses. The data were analyzed using Partial Least Square (PLS) analysis via the SMART PLS software to test the hypothesized relationships.

**Table 1.** Indicators of Variables

Variable	Indicator	Variable	Indicator
Service Quality	qual1	Customer Experience	expe1
	qual2		expe2
	qual3		expe3
	qual4		expe4
	qual5		expe5
Customer Satisfaction	sat1	Customer Loyalty	loy1
	sat2		loy2
	sat3		loy3
	sat4		loy4
Brand Image	imag1		
	imag2		
	imag3		
	imag4		
	imag5		

#### 4. RESULT AND DISCUSSION

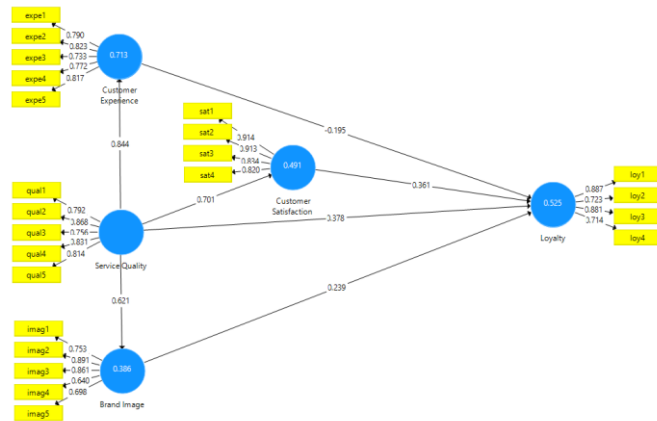
##### Validity Test

Based on the validity test results, the loading factor values for each indicator are greater than 0.6, indicating that the indicators used in this study are valid.

**Table 2.** Loading Factor Values

	Customer Experience	Brand Image	Service Quality	Customer Satisfaction	Loyalty
expe1	0.790				
expe2	0.823				
expe3	0.733				
expe4	0.772				
expe5	0.817				
imag1		0.753			
imag2		0.891			
imag3		0.861			
imag4		0.640			
imag5		0.698			
qual1			0.792		
qual2			0.868		
qual3			0.756		
qual4			0.831		
qual5			0.814		
sat1				0.914	

sat2				0.913	
sat3				0.834	
sat4				0.820	
loy1					0.887
loy2					0.723
loy3					0.881
loy4					0.714



**Figure 2.** PLS – Algorithm Test Result

In addition to using the loading factor values, the validity test was also conducted by examining Cronbach’s Alpha and Average Variance Extracted (AVE) values. The Cronbach’s Alpha for all variables was above 0.7, and the AVE values for all variables were greater than 0.5. These results indicate that the validity requirements for this study have been met.

**Table 3.** Cronbach’s Alpha and AVE Values

	Cronbach's Alpha	Average Variance Extracted (AVE)
Brand Image	<b>0.830</b>	<b>0.600</b>
Customer Experience	<b>0.847</b>	<b>0.620</b>
Customer Satisfaction	<b>0.894</b>	<b>0.760</b>
Loyalty	<b>0.819</b>	<b>0.649</b>
Service Quality	<b>0.871</b>	<b>0.661</b>

**Reliability Test**

The reliability test was conducted by evaluating the composite reliability values for each variable. According to Table 4, the composite reliability values for all variables are greater than 0.7. This indicates that the variables used in this study exhibit strong reliability.

**Table 4.** Composite Reliability Test

	Composite Reliability
Brand Image	<b>0.881</b>
Customer Experience	<b>0.891</b>
Customer Satisfaction	<b>0.927</b>
Loyalty	<b>0.880</b>
Service Quality	<b>0.907</b>

**Hypotheses Testing**

In hypothesis testing, an independent variable is considered to have a significant influence on the dependent variable if the T-statistics value is greater than 1.96 or the p-value is less than 0.05. The following are the results of the hypothesis tests that have been conducted:

**Table 5.** Hypotheses Testing Result

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Brand Image -> Loyalty	0.239	0.246	0.074	3.221	<b>0.001</b>
Customer Experience -> Loyalty	-0.195	-0.191	0.082	2.386	<b>0.017</b>
Customer Satisfaction -> Loyalty	0.361	0.357	0.091	3.976	<b>0.000</b>
Service Quality -> Brand Image	0.621	0.625	0.047	13.080	<b>0.000</b>
Service Quality -> Customer Experience	0.844	0.843	0.021	39.912	<b>0.000</b>
Service Quality -> Customer Satisfaction	0.701	0.703	0.045	15.646	<b>0.000</b>
Service Quality -> Loyalty	0.378	0.376	0.118	3.198	<b>0.001</b>

Based on Table 5, all hypotheses have t-statistics values greater than 1.96 and p-values less than 0.05. This indicates that all the hypotheses proposed in this study are supported (i.e., not rejected).

The hypothesis testing results demonstrate that service quality, customer satisfaction, brand image, and customer experience have a direct impact on customer loyalty. Additionally, service quality also has an indirect effect on customer loyalty. This indirect effect is mediated by customer satisfaction, brand image, and customer experience.

**Validity and Reliability Tests**

The validity test indicated that all factor loadings were above 0.6, confirming that the indicators were valid measures of the variables. The reliability test showed Cronbach’s Alpha values above 0.7 and composite reliability values exceeding 0.7, indicating strong internal consistency.

**Hypothesis Testing**

The hypothesis testing revealed that service quality, customer satisfaction, brand image, and customer experience significantly influence customer loyalty. All hypotheses were

supported, as evidenced by t-statistics greater than 1.96 and p-values less than 0.05. The results also showed that service quality indirectly affects customer loyalty through customer satisfaction, brand image, and customer experience.

***Goodness of Fit***

The accuracy of the research model can be measured using the NFI (Normed Fit Index) value. The closer the NFI value is to 1, the better the model fits the data. According to Table 6, the NFI value obtained is 0.739, indicating that the model used in this study demonstrates a good fit.

**Table 6.** NFI Value

	Estimated Model
NFI	0.739

***R-Square Test***

The accuracy of a research model can also be evaluated using the R-Square value. Based on Table 7, the adjusted R-Square value for the loyalty variable is 0.518. This means that 51.8% of the variation in customer loyalty can be explained by the variables of service quality, customer satisfaction, brand image, and customer experience, while the remaining variation is explained by other factors not included in the model.

**Tabel 7.** Nilai R Square Adjusted

	R Square Adjusted
Loyalty	0.518

**Discussion**

The results of this study highlight several key findings regarding the relationships between service quality, customer satisfaction, brand image, customer experience, and customer loyalty. The direct and significant impact of service quality on customer loyalty aligns with previous research, reinforcing the notion that high-quality service plays a pivotal role in maintaining and enhancing customer loyalty. Companies that consistently provide reliable and satisfactory service are more likely to foster long-term relationships with their customers, ultimately increasing customer retention.

In addition to the direct impact, the findings reveal that service quality also indirectly affects customer loyalty through the mediating variables of customer satisfaction, brand image, and customer experience. This underscores the importance of not only delivering quality service but also ensuring that the overall customer experience is positive. A positive experience enhances customer satisfaction, which in turn reinforces customer loyalty. Moreover, a strong



and positive brand image contributes significantly to customers' trust and confidence in a company, reducing uncertainties and encouraging repeat purchases.

The mediation effects suggest that companies should adopt a holistic approach to customer loyalty by focusing on various interrelated factors. Enhancing customer satisfaction through quality service leads to a better brand image and customer experience, which ultimately strengthens loyalty. This is consistent with research that shows a positive relationship between these variables and customer loyalty, as found in studies by Cetin & Dincer (2014) and Wu (2011).

The study's findings are particularly relevant in today's competitive business environment, where customer expectations are constantly evolving. Companies that successfully integrate high service quality with positive customer experiences and strong brand images are more likely to achieve a sustainable competitive advantage. This study adds to the growing body of knowledge on the complex interplay of these factors and offers practical insights for companies aiming to improve customer loyalty.

The findings of this study confirm the importance of service quality as a foundation for customer loyalty, while also highlighting the critical roles of customer satisfaction, brand image, and customer experience as mediators. Future research could further explore these relationships across different industries and customer segments, providing more tailored strategies for enhancing customer loyalty in various contexts.

## 5. CONCLUSION

Service quality is a critical element that companies must consistently maintain. Businesses that offer high-quality service are more likely to satisfy their customers, which in turn enhances the overall customer experience. A positive customer experience increases the likelihood of repeat purchases and fosters customer loyalty.

Moreover, good service contributes to the enhancement of a company's brand image. A positive brand image instills confidence in customers, making them more comfortable purchasing products or services from the company. This reduces the risk of customer defection, as trust in the brand has already been established. Additionally, a strong brand image increases the likelihood that customers will recommend the company's offerings to others.

In order to survive in today's highly competitive industries, companies must actively understand and respond to the needs and desires of their customers. By doing so, they can

improve service quality, customer experience, customer satisfaction, and brand image—factors that play a significant role in driving customer loyalty.

This study confirms the significant impact of service quality, customer satisfaction, brand image, and customer experience on customer loyalty. Companies that provide high-quality service and foster positive customer experiences will likely enhance their brand image and customer satisfaction, leading to increased customer loyalty. These findings emphasize the importance of continuous improvement in service quality to maintain a competitive edge.

### ***Research Implications and Future Recommendations***

The study offers valuable insights for business practitioners in the service industry. By focusing on improving service quality, companies can indirectly enhance customer loyalty through customer satisfaction, brand image, and customer experience. Future research should explore the role of digital transformation in enhancing these variables, particularly in industries heavily impacted by technological advancements.

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