

## **The Influence of Price, Promotion, Product Quality, and Service Quality on Customer Loyalty, Customer Satisfaction as a Mediating Variable at Sunan Drajat Department Store, Ngimbang Branch**

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### **Article Info**

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### **ABSTRACT**

This study aims to analyze the effect of price, promotion, product quality, and service quality on customer loyalty with customer satisfaction as a mediating variable at Sunan Drajat Department Store, Ngimbang Branch. The method used is quantitative with the Structural Equation Modeling (SEM) - Partial Least Square (PLS) approach. The number of samples is 285 respondents. The results of the study indicate that price and promotion do not have a significant effect on customer loyalty, but promotion has a significant positive effect on customer satisfaction. Service quality has a significant effect on customer satisfaction and loyalty. Customer satisfaction is proven to be a mediating variable that strengthens the relationship between these factors and customer loyalty.

### **INTRODUCTION**

Customer loyalty is an important indicator in the success of a retail business such as Toserba Sunan Drajat, Ngimbang Branch, which reflects the company's ability to build long-term relationships with consumers amidst the dynamics of market competition. This study aims to evaluate the effect of price, promotion, product quality, and service quality on customer loyalty, with customer satisfaction as a mediating variable that is considered an important mechanism in explaining how these variables affect loyalty. The theories used include *Price Fairness Theory* (to understand the role of price), *Hierarchy of Effects Model* (for promotion), *Perceived Quality Theory* (for product quality), *SERVQUAL Model* (for service quality), and *Disconfirmation of Expectations Theory* (for customer satisfaction and loyalty). This study strengthens previous studies by presenting the local context of

Toserba Sunan Drajat, Ngimbang Branch, which has unique characteristics, as well as a structural approach to examine the relationship of variables in a dynamic and ever-evolving retail competition environment.

## RESEARCH METHODS

This type of research is quantitative with a causal approach. The population of the study was consumers of Sunan Drajat Department Store, Ngimbang Branch, with a sample size of 285 respondents taken using purposive sampling technique. Data collection was carried out using a questionnaire, and data analysis techniques used Structural Equation Modeling (SEM) - Partial Least Square (PLS) with the help of SmartPLS 3.0 software. Testing was carried out on the outer model, inner model, as well as mediation and hypothesis testing.

## RESULTS AND DISCUSSION

The results and discussion of scientific research that answers the research hypothesis and compares it with previous research. These findings are supported by data processed using Structural Equation Modeling (SEM) with SmartPLS 3.0, which are presented in the form of tables and figures. This data processing includes evaluation of the measurement model (validity and reliability) and the structural model (hypothesis testing and mediation).

Table 4.15 and Figure 4.7 summarize the results of the hypothesis test. Overall, this study found that service quality (X4) and customer satisfaction (Z) have important roles in forming customer loyalty (Y) at Sunan Drajat Department Store, Ngimbang Branch. In contrast, price (X1), promotion (X2), and product quality (X3) were not found to have a significant direct effect on customer loyalty (Y). Furthermore, customer satisfaction (Z) was proven to mediate the effect of service quality (X4) on customer loyalty (Y).

**Table 4.15: Hypothesis Test Table**

No	Hypothesis	Analysis
1	Price (X1) -> Customer Loyalty (Y)	<i>Coefficient value = -0.031</i> <i>P Value = 0.629</i> <i>T -Statistic = 0.484</i> <i>T-table = 1968</i> <i>T- Statistic &gt;T-table</i>
2	Promotion (X2)-> Customer Loyalty (Y)	<i>Coefficient value = -0.054</i> <i>P Value = 0.376</i> <i>T -Statistic = 0.886</i> <i>T-table = 1968</i>
3	Product Quality (X3) -> Customer Loyalty (Y)	<i>Coefficient value = 0.077</i> <i>P Value = 0.244</i> <i>T -Statistic = 1.167</i> <i>T-table = 1968</i>
4	Service Quality (X4) -> Customer Loyalty (Y)	<i>Coefficient value = 0.017</i> <i>P Value = 0.649</i> <i>T- Statistic = 0.456</i> <i>T-table = 1968</i>
5	Price (X1) -> Customer Satisfaction (Z)	<i>Coefficient value = -0.021</i> <i>P Value = 0.844</i> <i>T- Statistic = 0.196</i> <i>T-table = 1968</i>

6	Promotion (X2) -> Customer Satisfaction (Z)	Coefficient value = 0.018 P Value = 0.869 T-Statistic = 0.165 T-table = 1968
7	Product Quality (X3) -> Customer Satisfaction (Z)	Coefficient value = 0.063 P Value = 0.616 T-Statistic = 0.502 T-table = 1968
8	Service Quality(X4) -> Customer Satisfaction (Z)	Coefficient value = 0.163 P Value = 0.018 T-Statistic = 2.369 T-table = 1968
9	Customer Satisfaction (Z) -> Customer Loyalty (Y)	Coefficient value = 0.871 P Value = 0.000 T-Statistic = 38.613 T-table = 1968 T-Statistic >T-table

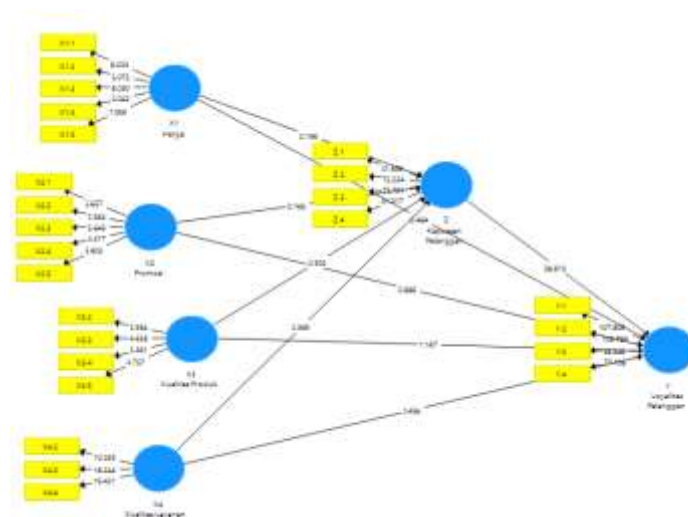


Figure 4.7: Structural Model Image

The following discussion interprets these findings in depth and relates them to the basic concepts and hypotheses that have been proposed, and is supported by facts obtained from data analysis.

1. **The Effect of Service Quality on Satisfaction and Loyalty:** The finding that service quality (X4) has a significant effect on customer satisfaction (Z) (H9 is supported, significance =  $0.018 < 0.05$ ) and customer satisfaction (Z) has a significant effect on customer loyalty (Y) (H10 is supported, significance =  $0.000 < 0.05$ ) is consistent with *the SERVQUAL Model* (Parasuraman, Zeithaml, & Berry, 1988) and *the Disconfirmation of Expectations Theory* (Oliver, 1980). *The SERVQUAL Model* emphasizes that service quality dimensions (such as reliability, responsiveness, assurance, empathy, and tangibles) create a positive customer experience. *The Disconfirmation of Expectations Theory* explains that satisfaction is formed when customer expectations are met or exceeded. In this context, Sunan Drajat Department Store, Ngimbang Branch, which is able to provide good service, creates strong customer satisfaction, which ultimately drives loyalty. This finding is supported by the study of Sari &

Miswanto (2022) which highlights the importance of service quality dimensions such as empathy, responsiveness, and assurance in creating positive and loyal customer experiences.

2. **Insignificant Effect of Price, Promotion, and Product Quality on Loyalty:** The finding that price (X1) (significance =  $0.629 > 0.05$ ), promotion (X2) (significance =  $0.376 > 0.05$ ), and product quality (X3) (significance =  $0.244 > 0.05$ ) do not have a significant effect on customer loyalty (Y) (H1, H2, and H3 are not supported) contradicts several previous studies that emphasize the importance of these factors in forming loyalty. For example, the *Price Fairness Theory* (Bolton et al., 2003) states that the perception of price fairness affects customer satisfaction and loyalty, where fair prices are considered to increase customer trust. However, in the context of tight retail competition such as at Sunan Drajat Department Store, Ngimbang Branch, customers may consider these factors as standards that must be met by all stores. Thus, service quality becomes a stronger main differentiating factor in influencing loyalty. In addition, customers may have a certain tolerance for price variation, or existing promotions may not be effective enough to have a significant impact on loyalty. Product quality, while important, may be taken for granted and therefore not a major determinant of loyalty.
3. **Mediating Role of Customer Satisfaction:** The finding that customer satisfaction (Z) mediates the effect of service quality (X4) on customer loyalty (Y) (partially supported H11) confirms the important role of customer satisfaction as a link between service quality and loyalty, in accordance with *the Disconfirmation of Expectations Theory* (Oliver, 1980). This means that good service quality increases customer satisfaction, and this increase in satisfaction in turn strengthens customer loyalty. However, the mediation of customer satisfaction is not significant in the relationship between price, promotion, and product quality with loyalty, indicating that these factors affect loyalty through other mechanisms or may not be direct.

The importance of service quality and customer satisfaction in forming loyalty is consistent with the research of Firmansyah & Prihandono (2018) and Anggraini & Budiarti (2020). These studies also highlight the mediating role of customer satisfaction in the relationship between service quality and loyalty. This indicates that good service quality can create satisfaction that encourages customers to remain loyal to the store. The insignificant influence of price, promotion, and product quality on customer loyalty is different from the research of Zeithaml (1988) and Tjiptono (2016), which emphasize the importance of product quality as one of the main factors in building customer loyalty. This difference may be due to differences in the research context, characteristics of the market studied, or other factors not examined in this study. For example, differences in customer culture or demographics may affect how they assess and respond to these factors.

This study provides strong empirical evidence that service quality and customer satisfaction are key factors in shaping customer loyalty at Sunan Drajat Department Store, Ngimbang Branch. This finding highlights the importance for companies to focus on improving service quality in order to increase customer satisfaction and loyalty. Companies also need to re-evaluate their pricing, promotion, and product quality strategies to ensure that these factors contribute effectively to customer satisfaction and loyalty.

## CONCLUSION

study concludes that service quality and customer satisfaction factors have a very important role in forming customer loyalty at Sunan Drajat Department Store, Ngimbang Branch. Service

quality is proven to significantly influence customer satisfaction, which then becomes the main driver for creating loyalty. While price, promotion, and product quality factors do not directly increase customer loyalty, the mediating role of customer satisfaction is important in this context, especially in strengthening the impact of service quality on loyalty. Therefore, it is recommended that Sunan Drajat Department Store, Ngimbang Branch, focus more on improving overall service quality and positive customer experience to create sustainable long-term loyalty. This can include improving aspects of responsiveness, reliability, assurance, empathy, and physical evidence of service.

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