Consumer Loyalty Based On Service Quality And Customer Satisfaction

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ABSTRACT

Companies and customers can build strong relationships through customer loyalty, which serves as the main foundation in creating long term, mutually beneficial relationships. The purpose of this study is to analyzing the simultaneous influence between service quality and satisfaction toward consumer loyalty, analyzing the partial influence between service quality toward consumer loyalty, and analyzing the partial influence between satisfaction toward consumer loyalty. This study uses a quantitative approach with the research location at PT. Pegadaian UPC Palembang Square with a population of 559 people. Furthermore, the research sample was determined to be 98 customers selected using a purposive sampling technique. Research data collection was carried out using a questionnaire. The collected data will be analyzed using multiple regression analysis techniques. The findings in this study are that service quality can positively and significantly influence consumer loyalty, satisfaction can positively and significantly influence consumer loyalty, together service quality and satisfaction can positively and significantly influence consumer loyalty. The results show that customer satisfaction has the greatest influence on loyalty, therefore PT. Pegadaian needs to prioritize strategies that increase satisfaction, not just improvements to SOPs or service techniques.

Introduction

Companies and customers can build strong relationships through customer loyalty, which serves as the primary foundation for creating long term, mutually beneficial relationships. Customer loyalty is crucial because it is the primary basis for competitive business practices, focusing on creating loyal customers [1]. Loyal customers tend to make repeat purchases and become a natural source of promotion for companies through word-of-mouth recommendations.

Loyalty is the degree to which consumers consistently demonstrate repeat purchasing behavior for a product or service they use [2]. Loyalty is when customers

consistently tend to purchase a product or use a service provided by a company. According to [3], loyalty occurs when customers are committed to a brand, store, or supplier, based on a highly positive attitude and reflected in their positive purchasing behavior.

High customer loyalty will have a positive impact on a company, as it creates barriers for competitors to enter the market [4]. Customers will provide positive reviews of the products or services they use, often recommend the company to others, thus indirectly providing free promotion for the company, and demonstrate a high level of loyalty by continuing to choose that company's products or services. In fact, they may be willing to pay a higher price if they perceive the product or service to meet their expectations and provide added value to the company [5].

Loyal customers tend to make decisions that benefit the company because they have a stronger emotional bond than disloyal customers. This bond creates a tendency to continue choosing the company's products or services and exhibiting consistent behavioral patterns similar to those they have previously done [5]. This occurs because they already have a greater sense of attachment to the company they choose, so even when attractive alternatives are available, they focus more on the company with which they have invested their time and loyalty. Conversely, non member customers may be more easily swayed by competitors' offers and more open to trying products or services from other companies.

The increasing demand for primary and secondary human needs, particularly in the banking sector, plays a vital role in providing funds, which is crucial in today's era [6]. Consequently, financial needs often require quick and practical solutions. One service company that plays a crucial role in meeting these needs is a non bank financial institution that offers collateralized loans, enabling people to access funds more easily and affordably.

PT. Pegadaian (Persero) is a non banking credit institution that provides services to the public to obtain funds quickly through a credit system. Pegadaian has contributed significantly to the community's economy, particularly for the lower middle class [7]. To ensure business sustainability, PT. Pegadaian requires loyal customers who consistently use its services when needed.

Pegadaian offers a variety of products, including Secure Fast Credit (KCA) pawns, which include gold or gold bars, and non KCA pawns, such as electronics, motor vehicles, and other warehouse goods. However, within a subset of the available pawn products, particularly non KCA pawn products, there are issues impacting customer loyalty, such as failure to achieve specified revenue targets. This indicates that repurchase indicators for customer loyalty have not been met properly. Some customers have also spoken negatively about Pegadaian to others. This is supported by negative reviews and a relatively low rating of 2.7 out of 5 on Google Review Summary. According to [8], referrals are a crucial indicator for increasing loyalty.

Service quality is a key factor influencing customer loyalty, as customers who are satisfied with the service they receive and experience a positive experience tend to be highly loyal to the company [9]. Service quality is the company's ability to meet customer needs and desires in accordance with customer expectations [9]. With the growing

number of outlets, Pegadaian needs to ensure strict adherence to applicable standard operating procedures (SOPs) at each location to ensure a positive customer experience, even across multiple locations.

Furthermore, another factor influencing loyalty is satisfied customers. Customer satisfaction is closely linked to loyalty [10]. Several recent studies have explored the relationship between customer satisfaction and loyalty across various sectors. For example, research by [11] on mobile internet service providers in Jakarta found that customer satisfaction positively influences loyalty. Furthermore, a study by [12] on digital bank customers in Jakarta found that satisfaction, along with trust and experience, is a crucial factor in driving customer loyalty.

This research will provide an empirical contribution to indicator based loyalty measurement, encompassing repeat purchases, recommendations, retention, purchase diversification, and idea participation, which holistically reflect behavioral and affective loyalty. The results of this study aim to provide information on increasing customer loyalty and can serve as a reference in the company's policy making process. Understanding of loyalty formation in non bank financial institutions like PT. Pegadaian remains limited. This creates a gap that suggests the need for more in depth research in sectors with distinct service characteristics. Therefore, this research offers a new object by assessing consumer loyalty at a non bank financial institution, unlike previous research, which has predominantly focused on the banking industry, digital banks, and digital services [11, 12], this study focuses on the context of a non bank financial institution, namely PT. Pegadaian (Persero) UPC Palembang Square Mall. Based on the descriptions and insights presented previously, this article discusses this further under the title "Consumer Loyalty Based on Service Quality and Customer Satisfaction of Customers of PT. Pegadaian (Persero) UPC Palembang Square Mall".

Method

This research employed a quantitative approach. Three research variables, two independent variables and one dependent variable, were used. The study was conducted at PT. Pegadaian UPC Palembang Square Mall, with population of 559 costumer and a sampel of 98 customers. Subjects ranged in age from 17 to 60. Further subject categorization can be found in the results section. Subjects were selected using purposive sampling, with the criteria being customers who had used PT. Pegadaian UPC Palembang Square Mall for more than one year.

This study focused on exploring the influence of service quality and satisfaction on customer loyalty. Data collection was conducted using a questionnaire. Customer loyalty was measured using a loyalty scale based on indicators such as repeat purchases, referrals, retention, purchases across product and service lines, and offering ideas to the company [13]. Service quality was measured using a service quality scale based on indicators such as reliability, responsiveness, assurance, empathy, and tangibles [14]. Meanwhile, customer satisfaction was measured using a customer satisfaction scale based on indicators such as meeting expectations, willingness to revisit, and willingness to provide recommendations [3].

The questionnaire met the validity and reliability testing standards established by the researchers. The results of the validity test by comparing the calculated r value with the r table (0.199) on the service quality questionnaire obtained a value that moved from the range of 0.514-0.679, the customer satisfaction questionnaire obtained a validity value that moved from the range of 0.518-0.695, and the customer loyalty questionnaire obtained a validity value that moved from the range of 0.710-0.832. Furthermore, the results of the reliability test using the Cronbach's alpha technique on the service quality questionnaire obtained a value of 0.804, the customer satisfaction questionnaire obtained a value of 0.711, and the customer loyalty questionnaire obtained a value of 0.930. A series of data analyses were then conducted, starting with assumption tests, including normality, linearity, multicollinearity, heteroscedasticity, and autocorrelation. Hypothesis testing was performed using multiple linear regression analysis techniques. These data analyses were performed using SPSS version 24 for Windows.

Results and Discussion
Respondent Characteristics

Based on the sampling method used, this study involved 98 respondents who were customers of PT. Pegadaian (Persero)'s Palembang Square Mall Branch Service Unit. Respondents were selected based on specific criteria established by the researcher, namely active customers who had used the service for at least one year. Data on respondent characteristics were obtained from completed questionnaires returned to the researcher.

Table 1 Research Respondent Categorization

Gender	Frequency	Percentage (%)
Male	22	22,44%
Female	76	77,56%
Total	98	100%
Age Range	**Frequency**	**Percentage (%)**
17-30 years	19	19,39%
31-40 years	33	34,67%
41-50 years.	27	27,55%
51-60 years	14	14,29%
>60 years	5	5,10%
Total	98	100
Occupation	**Frequency**	**Percentage (%)**
Civil Servant	23	23,47%
Private	11	11,22%
Entrepreneur	19	19,39%
Housewives	28	28,57%
Others	17	17,35
Total	98	100

(Source: Data Processing Researcher, 2025)

The research respondent data was categorized based on gender, age range, and type of employment. Based on the results of the research data categorization, it was concluded that the majority of respondents in this study were female with a frequency

of 76 respondents (77.56%), with the largest age group being in the 31–40 year age range with a total of 33 respondents (34.67%). In addition, the majority came from civil servants (PNS) with 23 respondents or 23.47%.

Research Data Categorization

Based on the results of the descriptive statistical tests, the statistical data for each variable are as follows :

Table 2 Descriptive Statistics of The Study

Variable	Mean	SD	N
Loyalty	27,66	6.695	98
Service Quality	36.80	6,237	98
Satisfaction	20.91	4,449	98

(Source: Data Processing Researcher, 2025)

The descriptive statistics table shows that the service quality variable has a better average score than the loyalty and satisfaction variables. This indicates that respondents tend to rate the service quality at PT. Pegadaian UPC Palembang Square Mall as good.

Classical Assumption Test

Before testing the hypotheses, the researchers conducted a classical assumption test, which included tests for normality, linearity, multicollinearity, heteroscedasticity, and autocorrelation. The Kolmogorov Simirnov test for normality concluded that the data in this study were normally distributed, with a significance value of 0.802 (>0.05). The linearity test also concluded that the relationship between the predictor and the criterion was linear, with a deviation from linearity of 0.358. Furthermore, the multicollinearity test concluded that the two predictors or independent variables were unrelated, indicating no signs of multicollinearity, with a tolerance value of 0.946 and a VIF of 1.058. The autocorrelation test using the Durbin Watson (DW) test showed a value of 1.838. This value falls within the range of 1.7345 < DW < 2.2655, thus concluding that there are no signs of autocorrelation in the regression model. Meanwhile, the heteroscedasticity test showed that the points in the scatterplot were randomly distributed, thus concluding that there was no heteroscedasticity.

Hypothesis Testing

Hypothesis testing was conducted using multiple linear regression analysis techniques. The summary results of the multiple linear regression test can be seen in Table 3 below:

Table 3 Hypothesis Test Result

Variable	Sig	Information
Service Quality → Loyalty	0.022	Influence
Satisfaction → Loyalty	0.000	Influence
Service Quality & Satisfaction → Loyalty	0.000	Influence

(Source: Data Processing Researcher, 2025)

The results of the first hypothesis test indicate that service quality has a positive and significant effect on customer loyalty, with a significance value of 0.022 (<0.05). The

beta coefficient between service quality and loyalty is 0.205, meaning that for every one-unit increase in service quality, customer loyalty increases by 20.5%. The results of the second hypothesis test indicate that customer satisfaction has a positive and significant effect on customer loyalty, with a significance value of 0.000 (<0.05). The beta coefficient between customer satisfaction and loyalty is 0.831, meaning that for every one-unit increase in satisfaction, customer loyalty increases by 83.1%. The results of the third hypothesis test indicate that, together, service quality and customer satisfaction have a positive and significant effect on customer loyalty, with a significance value of 0.000 (<0.05).

Effective Contribution

To determine the effective contribution of the predictor variables collectively to the criteria, the researcher referred to the results of the model summary table.

Table 4 Results of The Effectiveness Contribution Test

Model	R	R Square	Adjusted R Square
1	0,625	0,391	0,378

(Source: Data Processing Researcher, 2025)

In the model summary table, the R Square value of 0.391 shows that the predictor variable contributes an influence of 39.1%, while the other 60.9% contribution is explained by other variables not discussed in this study.

Discussion

This study aims to analyze the influence of service quality and satisfaction on customer loyalty at PT. Pegadaian UPC Palembang Square Mall. The findings indicate that customer loyalty is positively and significantly influenced by service quality and also positively and significantly by customer satisfaction. Furthermore, service quality and satisfaction collectively have a positive and significant effect on customer loyalty. This study also indicates that service quality and satisfaction contribute 39.1% to customer loyalty.

The results demonstrate that service quality has a positive and significant effect on customer loyalty at PT. Pegadaian UPC Palembang Square Mall. This suggests that the better the reliability, responsiveness, assurance, empathy, and tangibles perceived by customers, the greater their likelihood of continuing to use Pegadaian's services. This finding aligns with research by [11], which confirms that service quality influences loyalty through customer satisfaction in the mobile internet service provider industry in Jakarta. In the context of Pegadaian, consistent service quality at every outlet is a crucial factor in ensuring customers feel safe, comfortable, and ultimately loyal to the products offered.

Furthermore, this study provides insight that customer satisfaction has a positive and significant impact on customer loyalty. Customers who are satisfied with the service they receive are more likely to make repeat purchases, provide recommendations, and continue using Pegadaian services despite the availability of alternatives. This finding is consistent with [15], research in the banking industry, which found that customer satisfaction is a strong predictor of loyalty, particularly in increasing retention. This is

also confirmed by research which states that consumer satisfaction plays an important role in influencing consumer loyalty [19, 20]. [14] research on digital banks also showed that satisfaction, along with trust and experience, significantly strengthens customer loyalty.

This study found that service quality and customer satisfaction jointly have a positive and significant impact on customer loyalty at PT. Pegadaian UPC Palembang Square Mall. This finding emphasizes that customer loyalty is not formed solely by a single aspect, but rather the result of a synergy between good service and consistent satisfaction experiences. In other words, loyalty will be stronger if the company is able to maintain service quality standards while ensuring customer satisfaction is met.

The contribution of these two variables to loyalty is reflected in the R^2 value of 0.391, which means that service quality and satisfaction explain 39.1% of the variation in loyalty, while the remaining 60.9% is influenced by other factors not yet tested in this study, such as trust, price, promotion, and brand image. In the context of Pegadaian, this simultaneous influence indicates that a loyalty boosting strategy is not sufficient by simply improving technical services or only increasing momentary satisfaction. Both must go hand in hand: fast, friendly, and reliable service will increase satisfaction; this satisfaction in turn strengthens customer commitment to remain loyal, make repeat purchases, and recommend the service to others. This is in line with [16] who found that loyalty will be stronger when service quality and satisfaction are managed together, because customers assess the overall experience, not separate aspects.

Conclusion

The study concludes that service quality and customer satisfaction have a positive and significant influence on customer loyalty at PT. Pegadaian (Persero) UPC Palembang Square Mall, both partially and simultaneously. The results indicate that the better the service quality, encompassing aspects of reliability, responsiveness, assurance, empathy, and tangibles, the higher the level of customer loyalty. Similarly, the higher the level of customer satisfaction with Pegadaian's services, the stronger their commitment to continue transacting, sharing stories, and recommending the service to others. Simultaneously, these two variables contributed 39.1% to customer loyalty, indicating that loyalty is the result of a combination of good service experiences and consistent satisfaction. Thus, Pegadaian customer loyalty is a long-term outcome of the mutually reinforcing combination of service quality and satisfaction.

This study has several limitations that should be considered. First, the study was conducted at only one PT. Pegadaian unit, UPC Palembang Square Mall, so the results cannot be generalized to all Pegadaian branches in Indonesia. Second, this study used only two independent variables: service quality and customer satisfaction. Other factors and influences, such as trust, brand image, price, and promotion, were not included in the research model, even though these factors can also influence loyalty. Third, the data was obtained through a questionnaire survey method, so the results depend on the honesty and subjective perceptions of respondents. Furthermore, the quantitative approach used was unable to deeply explore the emotional and psychological factors that may play a role in shaping customer loyalty.

Based on the results and limitations of this study, PT. Pegadaian management is advised to continue improving service quality by focusing on aspects of speed, friendliness, and empathy when serving customers. Pegadaian should also strengthen its customer satisfaction evaluation system periodically to detect complaints or changes in customer needs. To increase loyalty, Pegadaian could develop a loyalty program, such as points for customers who frequently make transactions. For future research, the study could be expanded to include other Pegadaian branches to obtain more representative results. Further research could also measure other variables such as trust, price, or brand image to gain a more comprehensive understanding of the factors influencing customer loyalty in non-bank financial institutions.

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