# The Influence of Brand Image and Service Quality on Customer Loyalty which is Mediated by Customer Satisfaction (Case Study PT. Indosat)

## M. Ali Iqbal[1], Rhian Indradewa[2]

[1]Mercubuana University, Jl. Meruya Selatan No. 1, Kembangan, Jakarta, Indonesia
[2]Esa Unggul University, Jl. Arjuna Utara 9, Kebon Jeruk, Jakarta, Indonesia

Corresponding Author: M. Ali Iqbal

### ABSTRACT

Communication technology is currently not only a necessity for the general public but also a prospective business field. The cellular operator business from year to year continues to increase along with the times. The telecommunication industry in Indonesia from year to year continues to experience growth, even the number of cellular phone subscribers has reached around 240 million at the end of 2010 and is expected to continue to grow. This has made a number of telecommunications operators experience rapid growth and continue to make efforts to attract new customers and maintain customer loyalty. Based on 2018 Centre Bureau of Statistics data, it can be seen that the telecommunications service sector provides the largest share of Gross Domestic Product (GDP) in the Information and Communication sector compared to other sectors, with an increasing contribution value in rupiah. However, if seen from the trend, the share of telecommunication services to Information and Communication GDP has decreased. In 2010, the share of the telecommunications services sector reached 76.53%, and experienced a downward trend until 2017. This shows that the growth of telecommunications in Indonesia continues to decline. One cellular that continues to experience a downward trend is PT. Indosat. Percentage value of net profit margin PT. Indosat is sometimes in a positive and negative zone and in 2018 it is in a quite deep negative zone. This study aims to examine the phenomenon of customer loyalty, both in terms of brand image, service quality and customer satisfaction. The type of research used is a research with a conclusive design, which is a type of inference research that aims to test a certain hypothesis, either through in-depth research on a problem (descriptive) or looking for a relationship between variables (correlative) between the independent variable and the dependent variable. The results showed that brand image and service quality have an effect on costomer loyalty. Customer satisfaction has an effect on customer loyalty. The practical implications are that PT Indosat should manage its brand image, service quality and customer satisfaction as the most important factor influencing customer loyalty.

*Keywords:* brand image, service quality, customer satisfaction and customer loyalty.

## 1. INTRODUCTION
### 1.1. Background

Communication technology is currently not only a necessity for the general public but also a prospective business field. The cellular operator business from year to year continues to increase along with the times. In addition, it is also supported by the presence of cheap cellular phones that can be reached by various levels of society, so that the business of cellular operators has mushroomed in Indonesia. The movement of the cellular telephone market has now penetrated the lower class of society. Perhaps this is the sweet result of the enactment of RI Law no.36 / 1999 on Telecommunications which provides the foundation for competition in the telecommunications market in Indonesia. The cellular business market in Indonesia

appears to be quite lucrative. No wonder these cellular business actors are so aggressive in competing for the market. Moreover, with the low teledensity, the regulations that are still relatively loose and the oral culture of the Indonesian people is an indicator of the softness of this business.

The beginning of the birth of the cellular industry in Indonesia was dominated by two large cellular operators based on GSM (Global System for Mobile Communication), namely PT. Satelindo (Satellite Palapa Indonesia) or currently known as Indosat Satelindo and PT. Telkomsel (Telekomunikasi Seluler Indonesia). A few years later, a cellular operator named PT. Exelcomindo Pratama. Then followed by the emergence of various other operators such as Mobile-8, Bakrie, Lippo, and Hutchison CP Telecommunication (Hcp3). Among these companies, there are even more than one prepaid card products that operate in GSM (General System Mobile) and CDMA (Code Division Multiple Access) networks, for example Indosat Satelindo with IM3, Mentari and Matrix products and Telkomsel issuing Simpati products, cards AS, kartuHALO and the newest is HALO hybrid. Three (3), which is a product from Hutchison Charoen Pokphand Telecom,

then followed by PT Axxis Mobile under the Axis trademark. These companies are competing to do various ways in order to meet consumer demand for communication needs that continue to increase.

The telecommunication industry in Indonesia from year to year continues to experience growth, even the number of cellular phone subscribers has reached around 240 million at the end of 2010 and is expected to continue to grow. This has made a number of telecommunications operators experience rapid growth and continue to make efforts to attract new customers and maintain customer loyalty.

Based on data from the 2018 Central Bureau of Statistics, it can be seen that the telecommunications service sector provides the largest share of the Gross Domestic Product (GDP) of the Information and Communication sector compared to other sectors, with an increasing contribution value in rupiah. However, if seen from the trend, the share of telecommunication services to Information and Communication GDP has decreased. In 2010, the share of the telecommunications services sector reached 76.53%, and experienced a downward trend until 2017. This shows that the growth of telecommunications in Indonesia continues to decline.



**Central Bureau of Statistics (2018)**
**Figure 1.1. Trends and shares of telecommunications services to GDP in 2010-2017**

When viewed from the number of users, the development of the Indonesian cellular telecommunications industry is starting to experience saturation: it can be

seen from the teledensity of cellular subscribers which reached more than 140% in 2017. The current trend in telecommunications technology has shifted

from voice and short message services (SMS) to data, and has an impact on operator revenue growth which is increasingly slowing down. In Indonesia, the telecommunications market is contested by several cellular operators, namely PT Hutchison 3 Indonesia (Tri), PT XL Axiata (XL), PT Indosat (Indosat), PT Sampoerna Telekomunikasi Indonesia (Ceria), PT Telekomunikasi Selular (Telkomsel) and PT Smartfren. The number of telecommunication operators is considered inefficient, taking into account the proportion of the market share of each operator, where 90% of the market share is in the 3 largest cellular operators.
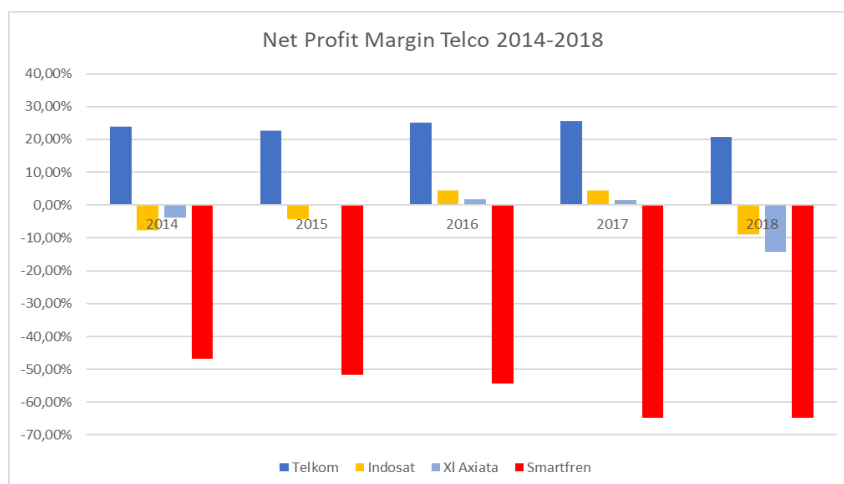


**Figure 1.2. Net Profit Margin Telco 2014-2018**

From Figure 1-2, it can be seen that the percentage value of the net profit margin of PT. Indosat is sometimes in a positive and negative zone and in 2018 it is in a quite deep negative zone. Beginning in 2020, PT. Indosat is planning to terminate employment with more than 500 employees affected.

In an announcement to employees on Friday (14/02/2020), President Director & CEO of Indosat Ooredoo Ahmad Al-Neama also conveyed vital changes to Indosat Ooredo's business, including increasing competitiveness and improving service quality and customer experience which in turn will increase satisfaction. and customer loyalty. Maria S et.al (2019) stated that the perception of service quality has a direct effect on customer satisfaction and loyalty. Pereira D et.al (2016) also stated that service quality has a significant positive effect on customer satisfaction, while Mehta A.M and Maham Tariq (2020) stated in their study that customer satisfaction has a significant effect on customer loyalty. From some of the results of previous research, it has not been seen that the influence of brand image and service quality has a direct effect on customer loyalty which is mediated by customer satisfaction. For this reason, researchers conduct research in this direction.

## 1.2. Research Objective and Question

The objective of this research is to develop a model to measure the customer loyalty of Indosat celluler related to brand image, service quality and customer satisfaction. This study includes the following theoretical objectives:
1. To introduce a model for the customer loyalty of Indosat celluler.
2. To find the relationships between brand image, service quality and customer satisfaction related to the customer loyalty of Indosat celluler.
3. To find and measure some indicators related to brand image, service quality, customer satisfaction and customer loyalty. Based on the explanation set forth above, the research questions can be defined and formulated as follows:

1. How is the relationship between brand image and customer loyalty mediated by customer satisfaction?
2. How is the relationship between service quality and customer loyalty mediated by customer satisfaction?
3. What is the relationship between brand image and customer satisfaction?
4. What is the relationship between service quality and customer satisfaction?
5. What is the direct relationship between brand image and customer loyalty?
6. What is the direct relationship between service quality and customer loyalty?
7. What is the direct relationship between customer satisfaction and customer loyalty?

## 2. LITERATURE REVIEW
### 2.1. Brand Image

A brand image is part of a brand that can be recognized but cannot be pronounced, such as a symbol, design letters or special colors, or customer perceptions or a product or service represented by the brand (Ferrinadewi, 2008: 165). Putri N.A et al (2016) in her research stated that brand image is able to influence customer satisfaction by creating superior and competitive products, as well as creating products at affordable prices, thus enabling companies to survive in various economic conditions. Arfianti (2014) in her research states that crusted image has an effect on customer satisfaction. Hosseini (2010) in his research in Iran in his investigation of the impact of brand image on employee loyalty found that employees are satisfied working in their company as long as the company has a strong brand image. Kambiz S and Naimi S. S (2014) in their study found an influence between brand image and satisfaction. Onyancha G.K (2013) in a study in Kenya on Commercial Banks found that brand image has a very strong relationship with satisfaction. Syahfudin and Endang (2015) in their study stated that bank managers must continue to maintain the service quality and brand image of their

bank to increase customer loyalty satisfaction.

**H1:** Brand image affects customer satisfaction

Maria S et.al (2019) stated that company image has a direct effect on customer loyalty. Hosseini (2010) in his research in Iran in his investigation of the impact of brand image on employee loyalty found that employees are satisfied working in their company as long as the company has a strong brand image. Mehta A.M and Maham Tariq (2020) state in their study that brand image has a significant effect on customer loyalty through customer decision. Syahfudin and Endang (2015) in their study stated that bank managers must continue to maintain the service quality and brand image of their bank to increase customer satisfaction and loyalty on the other hand (Kumowal R.C et.al 2016; Kambiz S and Naimi S. S 2014) stated that store brand image does not effects customer loyalty significantly.

**H2:** Brand image affects customer loyalty

### 2.2. Service quality

According to Kotler (2007), quality is defined as the overall characteristics and nature of goods and services that affect the ability to meet the stated or implied needs of consumers. Maria S et.al (2019) stated that the perception of service quality has a direct effect on customer satisfaction and loyalty. Pereira D et.al (2016) stated that service quality has a significant positive effect on customer satisfaction. Ahmadi et al. (2015) stated that service quality has a positive and significant effect on customer satisfaction. Al-Tawaty et al. (2017) stated that the elements in a bank to create relationships with its customers are service quality. Asiyanbi and Ishola's (2018) stated that the level of customer satisfaction in the banking sector has increased because of using e-banking services. Iqbal M. Ali et al. (2020), service quality and trust will affect customer value moderated by perceived ease of use.

**H3:** Service quality affects customer satisfaction

Maria S et.al (2019) stated that the perception of service quality has a direct effect on customer satisfaction and loyalty. Al-Tawaty et al. (2017) stated that the elements in a bank to create relationships with its customers are service quality. Darmawan D et.al (2017) states that service quality has a positive and significant effect on customer loyalty.

**H4:** Service quality affects customer loyalty

## 2.3. Customer satisfaction

Kottler (2009: 139) states that satisfaction is a person's feeling of pleasure or disappointment that arises from comparing the perceived performance of the product against customer expectations. Customer satisfaction has an influence on loyalty (Chu et al., 2012). Murni Y (2018) found that customer satisfaction had a positive and significant effect on customer loyalty in his research in online stores. According to research by Muzahid and Noorjanah (2009), it is stated that customer satisfaction has a significant effect on customer loyalty. Satisfaction is one of the causes of loyalty. (Dharmayanti, 2006). Maria S et.al (2019) stated that customer satisfaction has a direct effect on customer satisfaction and loyalty. Mehta A.M and Maham Tariq (2020) state in their study that customer satisfaction has a significant effect on customer loyalty.

**H5:** Customer satisfaction affects customer loyalty

## 2.4. Customer loyalty

According to Tjiptono (2000) customer loyalty is a customer commitment to a brand, store or supplier based on very positive characteristics in long-term purchases. Durianto (2010: 126) customer loyalty is a measure of customer attachment to a brand. This measure is able to provide an idea of whether or not a customer might switch to another product brand, if the product brand is found to have a change, both regarding price and other attributes. Customer loyalty indicates repeated purchasing activities for a product and

service (Cronin Jr et al., 2000). Lovelock (2010: 151) also adds the notion of loyalty as the progress of customers to continue to support a company in the long term, buying and using products and services on the basis of exclusive liking by voluntarily recommending the company's products to friends and friends.

According to Wijaya and Thio (2008: 71), customer loyalty is also defined as the likelihood of customers buying back and their willingness to become partners for the company, in this case the partner is defined as being willing to buy a product or service in greater quantity, and providing recommendations. positive and willing to inform the company if there is an error in service or product. According to Griffin (2005: 31) customer loyalty appears to be a more reliable measure to predict sales and financial growth

## 3. Research Model

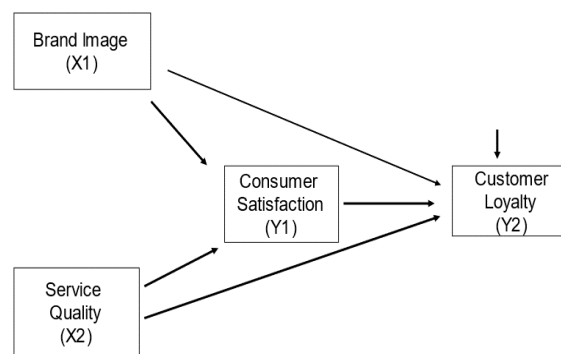Based on the theoretical review that has been presented previously, the research model is proposed as follows:



Figure 3.1. Research Model

## 4. METHODOLOGY

This study was conducted in the Indonesian Indosat celluler market. To answer the research questions, quantitative approaches are adopted. Quantitative research aims to test the research model, the significance of the relationships among the variables and factors, and the hypotheses (Saunders and Lewis, 2012). Data needed in this study includes primary data and secondary data. Primary data is data

obtained directly by researcher data collection in the field and not obtained from others (Masydhudzulhak et.al, 2015: 37). This stage consisted of four activities: a pre-test survey, the establishment of the research model, a confirmatory study, and data analysis (Neuman, 2006). A pre-test survey was conducted by distributing questionnaires containing preliminary closed-ended questions on a 6-point Likert scale to 30 Indosat cellular customers. This questionnaire-deployment technique used proportional random sampling. Once the process was complete, SPSS version 23 was used to determine the factors that were relevant to measuring these variables to create a good questionnaire and measure its reliability and validity. After the pre-test, a test survey is distributed to 106 Indonesian cellular of Indosat customers. The data will be analysed using path analysis methods. Path analysis is a technique for the development of multiple linear regressions. This technique is used to examine the contribution indicated by the path coefficients in each diagram, showing a causal relationship between variables X1, X2 and Y1, Y2. Channel analysis is a technique for analysing the causal relationships that occur in regression if multiple independent variables affect the dependent variable not only directly but also indirectly (Retherford, 1993).

Path analysis is a direct development of the multiple regression form with the aim of providing an estimate of the level of interest (magnitude) and significance of the hypothetical causal relationship in a set of variables. Garson (2003) defines path analysis as expansion of the regression models that were used by the researcher to test the correlation matrix alignment with two or more models of causality. The model is depicted in picture form, showing a circle and an arrow, where the single arrow indicates the regression of the variables in a model as a dependent variable (donor response), while the others indicate the cause. The weighting regression was predicted in a model that compared the observed correlation matrixes for all variables and performed a statistical calculation alignment test (Garson, 2003).

## 5 RESULT

In this study, questionnaires were distributed to 106 Indonesian customer of Indosat celluler. The results are shown in Tables below.

### 5.1 Validity and reliability test

This research was previously preceded by trials distributing questionnaires that have been made to 30 respondents. Then the data obtained from 30 respondents were tested first for validity and reliability using SPSS. To test the validity through the SPSS program, we can see the Corrected Item-Total Correlation column, but in the table below the comparison with r table has been summarized.

**Table. 5.1. Test the validity and reliability of brand image, service quality, customer satisfaction and customer loyalty**

| Variables | Indicator | Validity | Cronbach's Alpha |
|---|---|---|---|
| Brand Image | Known people | 0,956 | 0,952 |
| | Easy to remember | 0,963 | |
| | Easy to say | 0,948 | |
| | Give positive impression | 0,916 | |
| | Easy to find | 0,772 | |
| Service quality | Clean and comfortable | 0,806 | 0,871 |
| | Quick service | 0,849 | |
| | Don't queue | 0,840 | |
| | Provide warranty | 0,827 | |
| | Friendly and always smilling | 0,736 | |
| Customer satisfaction | Satisfactory service quality | 0,965 | 0,925 |
| | According to expectation | 0,939 | |
| | Good service quality | 0,891 | |
| Customer loyalty | Always use | 0,936 | 0,926 |
| | Using variety of services | 0,900 | |
| | Recommended to other friends | 0,915 | |
| | Cost incurred are cheaper | 0,868 | |

*Source: SPSS Processing Results*

Measurement of the validity of the questionnaire is seen by determining r, where the number of respondents is 30 with a significance level of 5%, then the number r table = 0.361. Question is considered invalid if r count <from r table. Of all the indicators, the question items above have met the requirements and can be declared valid because r count> from r table.

The measurement of reliability has met the standard because all Cronbach alpha values are> than 0.7 so that it can be stated that this research is reliable. (brand image of 0.952, service quality of 0.871, customer satisfaction of 0.925 and customer loyalty of 0.926.

## 5.2. Classic assumption test
### 5.2.1. Normality test

The normality test is carried out to determine whether in the regression model, confounding variables or residuals are normally distributed. In this case, the normality test is not carried out on the existing variables, but on the residuals. Normality test needs to be done because in the t test and F test it is assumed that the residual value follows the normal distribution.

**Table 5.2. Table Normality Test of React Image, Service Quality, Customer Satisfaction and Customer Loyalty**

| One-Sample Kolmogorov-Smirnov Test | | X1 | X2 | Y1 | Y2 |
|---|---|---|---|---|---|
| N | | 106 | 106 | 106 | 106 |
| Normal Parameters[a] | Mean | 20.0377 | 22.7264 | 13.6698 | 13.9057 |
| | Std. Deviation | 6.50849 | 4.39379 | 3.07903 | 5.18887 |
| Most Extreme Differences | Absolute | .101 | .095 | .124 | .131 |
| | Positive | .071 | .058 | .080 | .064 |
| | Negative | -.101 | -.095 | -.124 | -.131 |
| Kolmogorov-Smirnov Z | | 1.045 | .980 | 1.277 | 1.346 |
| Asymp. Sig. (2-tailed) | | .225 | .292 | .077 | .054 |

*a. Test distribution is Normal*

Test for normality using the One Sample Kolmogorov-Smirnov Test (with the SPSS program). Among them, the sample to be used for analysis must come from a normally distributed population with a significance level of $\alpha = 5\%$ (0.05), if the significance <0.05, the data distribution can be said to be abnormal. Conversely, if the significance > 0.05, the data distribution can be said to be normal.

From the results of processing normality data with the One Sample Kolmogorov-Smirnov Test, the Asymp value is obtained. Sig (2-tailed) each of (brand image = 0.225), (service quality = 0.292), (customer satisfaction = 0.077) and (customer loyalty = 0.054)> 0.05, it can be said that the three variables are normally distributed .

## 5.2.2. Multicollinearity Test

In multiple linear regression, it is necessary to carry out a multicollinearity test. Multicollinearity is an event that informs the relationship between independent variables and the magnitude of the relationship that occurs. If there is a high correlation, there is a multicollinearity problem. In a good regression model there should be no correlation between the independent variables. In this study, the method used is to look at the VIF (Variace Inflation Factor) value. A multicole-free regression model has a VIF value around 1 and a Tolerance Value close to 1.

In the table below, from the results of the analysis and testing of pathway model 1, namely the two independent variables (perceived ease of use and perceived usefulness) there are no multicollinearity symptoms. This can be seen in the results of the calculation of the VIF calculation of the two variables, namely brand image = 1.310 and service quality = 1.310. Both variables have a VIF value <10, and each tolerance value is above 0.1, namely brand image = 0.763 and service quality = 0.763, so it can be concluded that there is no multicollinearity between independent variables that must be eliminated.

**Table 5.3. Table Multicollinearity Model 1**

| Coefficients[a] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | -.521 | .751 | | -.693 | .490 | | |
| | X1 | .050 | .025 | .106 | 2.008 | .047 | .763 | 1.310 |
| | X2 | .580 | .037 | .828 | 15.732 | .000 | .763 | 1.310 |
| a. Dependent Variable: Y1 | | | | | | | | |

The table below for the path test model 2 shows the tolerance value for each independent variable, brand image = 1.362, service quality = 4.458 and customer satisfaction = 4.591 which is greater than 0.10 and the VIF value is less than 10, namely brand image = 0.732, service quality. = 0.224 and customer satisfaction = 0.218 means that there is no correlation between the independent variables so that there is no multicollinearity problem in the regression model in this study.

**Table 5.4. Multicollinearity Table Model 2**

| Coefficients[a] | | | | | | | |
|---|---|---|---|---|---|---|---|
| Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| B | Std. Error | Beta | | | Tolerance | VIF |
| 1.844 | 2.349 | | .785 | .434 | | |
| .058 | .079 | .073 | .736 | .463 | .734 | 1.362 |
| .012 | .212 | .010 | .058 | .954 | .224 | 4.458 |
| .776 | .307 | .461 | 2.527 | .013 | .218 | 4.591 |
| a. Dependent Variable: Y2 | | | | | | |

### 5.2.3. Heteroscedasticity

Based on Figure 4.1 and Figure 4.2 the results of heteroscedasticity testing show that there is no clear pattern of these points, which means that there is no significant disturbance in the regression path model 1 and path model 2. This can be seen at the points above. or below the number 0 on the Y axis. It can be concluded that the data in the regression line model 1 and path model 2 do not experience heteroscedasticity problems, or the data has homoscedasticity characteristics.
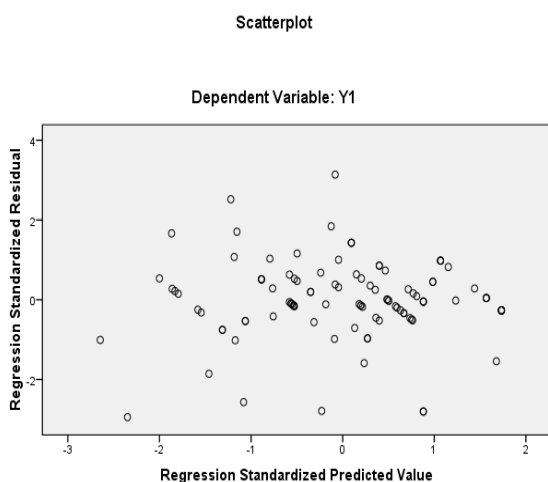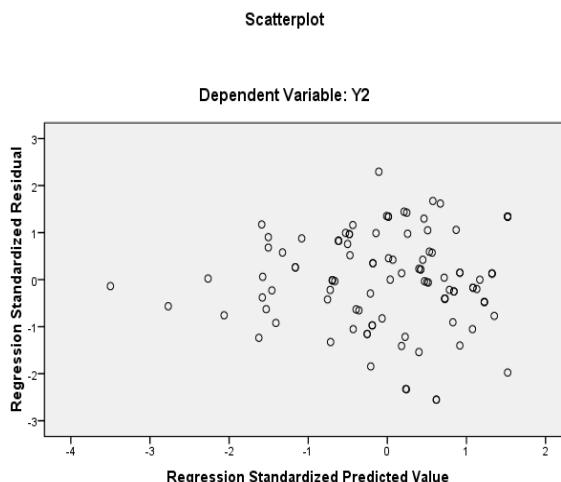


**Figure 5.1 Heteroscedasticity Graph of Path 1**



**Figure 5.2 Heteroscedasticity Graph of Path 2**

### 5.3. Path Analysis
### 5.3.1. Result of Model I Path Analysis Test

The results of testing the independent variables of product quality and brand image on customer satisfaction are shown in Table 5.5 as follows:

**Table.5.5. Results of Testing the Influence of Their Brand Image and Service Quality on Customer Loyalty**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.521 | .751 | | -.693 | .490 |
| | X1 | .050 | .025 | .106 | 2.008 | .047 |
| | X2 | .580 | .037 | .828 | 15.732 | .000 |
| a. Dependent Variable: Y1 | | | | | | |

Based on Table 5.5 above, the coefficient values for each independent variable used can be determined as follows:

**Y1 = 0.106X1 + 0.828X2**

The sig value of the influence of the use brand image on customer satisfaction obtained a sig value of 0.047 where this value is smaller than the significance value in this study, namely 0.05. This means that brand image has a significant effect on customer satisfaction with a beta value of 0.106 and shows a directional relationship between the two variables. This is in line with previous research as shown by Arfianti (2014) in her research states that crusted image has an effect on customer satisfaction. Hosseini (2010) in his research in Iran in his investigation of the impact of brand image on employee loyalty found that employees are satisfied working in their company as long as the company has a strong brand image. Kambiz S and Naimi S. S (2014) in their study found an influence between brand image and satisfaction. Onyancha G.K (2013) in a study in Kenya on Commercial Banks found that brand image has a very strong relationship with satisfaction.

The sig value of service quality on customer satisfaction shown in Table 5.7 is equal to 0.000, where this value is smaller than the significance value of 0.05. This means that service quality has a significant effect on customer satisfaction with a beta value of 0.828 and shows a directional relationship between the two variables. This is in line with previous research as shown by Maria S et.al (2019) which states that the perception of service quality has a direct effect on customer satisfaction and loyalty. Ahmadi et al. (2015) stated that service quality has a positive and significant effect on customer satisfaction. Al-Tawaty et al. (2017) stated that the elements in a bank to create relationships with its customers are service quality. Asiyanbi and Ishola's (2018) stated that the level of customer satisfaction in the banking sector has increased because of using e-banking services.

## 5.3.2. Result of Model 2 Path Analysis Test

The results of testing the independent variable perceptions of ease of use, perceived usefulness, and attitudes towards interest are shown in Table 4.6 as follows:

**Table 5.6 Testing Results of the Effect of Their Image, Service Quality and Customer Satisfaction on Customer Loyalty**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.844 | 2.349 | | .785 | .434 |
| | X1 | .058 | .079 | .073 | .736 | .463 |
| | X2 | .012 | .212 | .010 | .058 | .954 |
| | Y1 | .776 | .307 | .461 | 2.527 | .013 |
| a. Dependent Variable: Y2 | | | | | | |

Based on Table 5.6 above, the coefficient values for each independent variable used can be determined as follows:

**Y2 = 0.73X1 + 0.010X2 + 0.461Y1**

The sig value of the influence of brand image on customer loyalty is obtained by a sig value of 0.463 where this value is greater than the significance value in this study, namely 0.05. This means that brand image has no significant effect on interest with a beta value of 0.073. This is inline with previous research by (Kumowal R.C

et.al 2016; Kambiz S and Naimi S. S 2014) stated that store brand image does not an effect customer loyalty significantly.

The sig value of service quality to customer loyalty is 0.954 where this value is greater than the significance value of 0.05. This means that service quality has no significant effect on customer loyalty with a beta value of 0.010.

The sig value of customer satisfaction on customer loyalty is 0.013 where this value is smaller than the significance value of 0.05. This means that customer satisfaction has a significant effect on customer loyalty with a beta value of 0.461 and shows a unidirectional relationship between the two variables. This is in line with previous research as shown by (Chu et al., 2012) which states that

customer satisfaction has an influence on loyalty. Murni Y (2018) found that customer satisfaction had a positive and significant effect on customer loyalty in his research in online stores. Maria S et.al (2019) stated that customer satisfaction has a direct effect on customer satisfaction and loyalty. Mehta A.M and Maham Tariq (2020) state in their study that customer satisfaction has a significant effect on customer loyalty.

### 5.3.3 Indirect influence among variables

The direct and indirect influence of exogenous variables consists of that of brand image (X1) and service quality (X2) on customer satisfaction as a mediating variable (Y1) and customer loyalty as endogenous variable (Y2).

**Table 5.7. Indirect Effect Path analysis test result**

| Indirect effect | | Calculation | Contribution |
|---|---|---|---|
| X1 on Y2 mediating Y1 | $\rho X1Y1 \cdot \rho Y1Y2$ | (0.106) (0.461) | 0.048866 |
| X2 on Y2 mediating Y1 | $\rho X2Y1 \cdot \rho Y1Y2$ | (0.828) (0.461) | 0.381708 |

From Table 5.7, it can be seen that the amount of indirect influence between variables is as follows: The indirect effect of the brand image variable (X1) on the customer loyalty variable (Y2) through the customer satisfaction variable (Y1) is 4.88%. The indirect effect of the service quality variable (X2) on the customer loyalty variable (Y2) through the customer satisfaction variable (Y1) is 38.17%.

## 6. CONCLUSION
### 6.1 Practical Implications

The results showed that the factor that most influences customer satisfaction is service quality. The dimensions that have influence on service quality are the quick service and provide warranty. Thus, the company must be able to meet customer expectations by continuing to improve the service quality of its products. Continuous service quality improvement will also give customers confidence when using a product.

The second greatest influencing customer loyalty is customer satisfaction. The dimensions that have influence on

customer satisfaction are the satisfactory in service quality and customer expectation. Companies can further enhance the service quality and customer expectation in order to continuous customer satisfaction. The third greatest influencing customer satisfaction is brand image. The dimensions that have influence on brand image are the easy to remember and give positive impression. Company must continue to be able to improve its brand image through continuous service improvements so that it can give a positive and memorable impression to its customers.

### 6.2 Theoretical contributions

The results of this study indicate that service quality significantly influences customer satisfaction. This result is in line with the previous research by Ahmadi et al. (2015) stated that service quality has a positive and significant effect on customer satisfaction. Al-Tawaty et al. (2017) stated that the elements in a bank to create relationships with its customers are service quality. Asiyanbi and Ishola's (2018) stated

that the level of customer satisfaction in the banking sector has increased because of using e-banking services.

Customer satisfaction significantly influences customer loyalty. This is in line with previous research as shown by (Chu et al., 2012) which states that customer satisfaction has an influence on loyalty. Maria S et.al (2019) stated that customer satisfaction has a direct effect on customer satisfaction and loyalty. Mehta A.M and Maham Tariq (2020) state in their study that customer satisfaction has a significant effect on customer loyalty.

Brand image significantly influences customer satisfaction. This is in line with previous research as shown by Arfianti (2014) in her research states that crusted image has an effect on customer satisfaction. Hosseini (2010) in his research in Iran in his investigation of the impact of brand image on employee loyalty found that employees are satisfied working in their company as long as the company has a strong brand image. Kambiz S and Naimi S. S (2014) in their study found an influence between brand image and satisfaction. Onyancha G.K (2013) in a study in Kenya on Commercial Banks found that brand image has a very strong relationship with satisfaction

## 6.3 Limitations of research

This study did not explore other variables that also affect customer loyalty, such as customer value and perceive price. This study was conducted at only one private agency and, therefore, cannot be generalised to private agencies in Indonesia. As the measurement occurred at a single point in time, whether the conclusions still apply in the long-term cannot be determined. A longitudinal study may provide a decisive answer to the question of whether the conclusion of this research still applies in the long-term.

## 7.4 Future research direction

Further research should expand the object of research to more than one private agency such that the results can be generalised to all private agencies in Indonesia. As previously noted, this study was conducted at a single point in time. Longitudinal research will have more moments of measurement over time. Companies need to conduct their own research to know what is desired by customers so that customer expectations can be met, and when these expectations are met, the confidence of customers when using a product is directly increased.

## REFERENCES

1. Ahmadi, A. et al., (2015) 'The Impact of Electronic Banking Service Quality on Customer Loyalty through Their Intermediary Role of Banks' International Journal of Review in Life Sciences Vol. 5, No. 1, pp.692-700.
2. Al-Tawaty et al. (2017). The Impact Of The Quality Of Electronic Banking Services On Customers Satisfaction In Bank of Commerce & Development In Benghazi Libya. International Libyan Journal Vol. 4, No. 2.
3. Asiyanbi, M., & Ishola, A. (2018). Electronic banking services impact and customer satisfaction in selected bank branches in Ibadan metropolis, Oyo state, Nigeria. Accounting, 4(4), 150-161.
4. Arfianti, Shella Rizqi. 2014. Pengaruh Citra dan Kepercayaan Merek Terhadap Loyalitas Nasabah Melalui Kepuasan Nasabah. Jurnal Manajamen 3 (2) : 1 13
5. Cronin Jr, J. J., Brady, M. K., & Hult, G. T. M. (2000). Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments. Journal of Retailing, 76(2), 193-218.
6. Chu, P. Y., Lee, G. Y., & Chao, Y. (2012). Service quality, customer satisfaction, customer trust, and loyalty in an e-banking context. Social Behavior and Personality: An International Journal, 40(8), 1271-1283.
7. Darmawan D, Rahayu Mardikaningsih dan Surjo Hadi (2017). The Effect of Service Quality, Customer Satisfaction and Corporate Image on Customer Loyalty in the banking sector in Indonesia. IOSR Journal of Business and Management

(IOSR-JBM), Volume 19, Issue 11. Ver. VI (November. 2017), PP 46-51

8. Durianto, S., 2010, Strategi Menaklukkan Pasar Melalui Riset Ekuitas dan Perilaku Merek. PT.Gramedia Pustaka Utama. Jakarta

9. Ferrinadewi, Erna. 2008. Merek & Psikologi Konsumen. Yogyakarta: Graha Ilmu.

10. Garson, G.D. (2003) Public Information Technology: Policy and Management Issues, Idea Group Publishing, USA.

11. Griffin R. W. 2003. Management Jilid 1. Jakarta: Erlangga.

12. Hosseini, Mirza Hassan. 2010. "A Survey on the Impact of Brand Image on the Employees' loyalty"; Development and Evolution Management Journal; 2010; No. 5; pp. 69-75

13. Iqbal M. Ali, Rhian Indradewa, Yanti Murni and Dharma Putra (2020). The Effect of Trust and Service Quality to Customer Value Moderated by The Perceived Ease of Use (Case Study Bluebird Taxi in Indonesia). European Journal of Business and Management Vol.12, No.18, 2020. p. 82-89.

14. Kambiz S and Naimi, S.S (2014). The Impact of Brand Image on Customer Satisfaction and Loyalty Intention (Case Study: Consumer of Hygiene Products). International Journal of Engineering Innovation & Research Volume 3, Issue 1, ISSN: 2277 – 5668

15. Kottler, Philip. 2009, Manajemen Pemasaran (bahasa Indonesia), Edisi 13, PT. Indeks kelompok Gramedia, Jakarta.

16. Kotler, Philip. 2007. Manajemen Pemasaran. Jakarta: PT Malanan Jaya Cemerlang.

17. Kumowal Rivo Christian, S.L.H.V. Joyce Lapian and Johan Tumiwa. 2016. The Effect of Store Brand Image and Customer Loyalty at FreshMart Superstore Manado. Jurnal EMBA. Vol.4, No.1, p.312

18. Lovelock et al. 2010. Services marketing, people, technology, strategy. 2nd Edition, PearsonPrentice Hall. Singapore.

19. Maria Siti, Yundi Permadi Hakim and Dio Caesar Darma (2019). Perceptions of Service Quality and Corporate Image Against Satisfaction and Customer Loyalty. 6th International Conference on Entrepreneurship (ICOEN) 2019. Volume 2020.

20. Masydhudzulhak et.al, (2015), Memahami Penulisan Ilmiah dan Metodologi Penelitian. LP2S. Jakarta.

21. Mehta Ahmed Muneeb dan Maham Tariq (2020). How Brand Image and Perceived Service Quality Affect Custumer Loyalty Through Customer Satisfaction. Academy of Marketing Studies Journal, Volume 24, Issue 1, 2020.

22. Murni Y (2018). Analysis of the Influence of Trust, Easiness in Shopping, Product Quality to Customer Satisfaction to Increaseness in Shopping Customer Loyalty Online Shopping. International Journal of Economics, Business and Management Research, Vol.2, No. 04, p. 61.

23. Muzahid Akbar, Mohammad dan Parvez, Noorjanah. 2009. Impact of Service Quality, Trust, and Customer Satisfaction on Customer Loyalty. Journal Vol. 29, No. 1. Independent University.

24. Neuman, W.L. (2006) Social Research Methods: Qualitative and Quantitative Approaches, 6th ed., Pearson Education, Inc., New Jersey.

25. Onyancha G.K (2013). The Impact of Bank Brand Image on Customer Satisfaction and Loyalty: A Case of Kenya Commercial Bank. European Journal of Business and Management Vol.5, No.21, 2013. p. 38.

26. Pereira Daniel, Ni Gusti Ketut Giantari dan I Putu Gede Sukaatmadja (2016). Pengaruh Service Quality terhadap Satisfaction dan Customer Loyalty Koperasi Darirah di Dili Timor-Leste. E-Jurnal Ekonomi dan Bisnis Universitas Udayana 5.3 (2016) : 455-488

27. Putri N A, Zainul Arifin dan Wilopo 2016. Pengaruh Citra Merek, Kepercayaan Merek, dan Switching Barrier terhadap Kepuasan Pelanggan dan dampaknya pada loyalitas Pelanggan.Jurnal Administrasi Bisnis (JAB)|Vol. 32 No. 1 Maret 2016.hal. 133.

28. Retherford, R.D. (1993) Statistical Model for Causal Analysis, John Wiley & Sons, Inc., USA

29. Saunders, M. and Lewis, P. (2012) Doing Research in Business Management: An Essential Guide to Planning your Project, Prentice Hall, Englewood Cliffs, NJ

30. Syahfudin Erwin dan Endang Ruswanti. 2015. The Impact of Service Quality and Brand Image on Customer Loyalty Mediated by Customer Satisfaction: in Indonesia Banking Industry. UEU-Master-6266-International Journal. Faculty of

Economic, Esa Unggul University, Jakarta, Indonesia.
http://digilib.esaunggul.ac.id/public/UEU-Master-6266-international journal.pdf
Accesed 22th March 2016. Pp. 1-12.

31. Tjiptono, Fandy. 2000. Prinsip dsn Dinamika Pemasaran. Edisi Pertama. Yogyakarta: J & J Learning.

32. Wijaya dan Thio. 2008. Analisa Pengaruh Kualitas Layanan Terhadap Loyalitas Pelanggan di Laundry 5 ASEC. Surabaya.

How to cite this article: M. Ali Iqbal, Indradewa R. The influence of brand image and service quality on customer loyalty which is mediated by customer satisfaction (case study PT. Indosat). *International Journal of Research and Review*. 2021; 8(3): 646-658.

\*\*\*\*\*\*