



## The Relationship between Service Quality, Customer Satisfaction, Customer Perceptions, and Brand Loyalty at Nestle Indonesia Official Store in Shopee

Muhammad Madani

School of Business and Management, Insitut Teknologi Bandung, Bandung, Indonesia

**ABSTRACT:** Customer loyalty is a crucial factor for achieving long-term profitability by fostering strong relationships with customers. Loyal customer exhibit behaviors such as repeat purchases, willingness to recommend the company's products, and resistance to competitor offerings. The level of satisfaction with the services provided by a company is initial predictor of customer loyalty behavior. Nestle Indonesia's new strategy of opening online stores through major e-commerce platforms in Indonesia has increased opportunities for customers to access the company's products. However, Nestle's customers have faced issues in their online shopping experience due to a significant gap between their expectations and the actual performance of Nestle's service quality. This study aims to examine the relationship between service quality, customer satisfaction, customer perception, and brand loyalty using a path analysis approach based on Partial Least Square (PLS). Data was collected by distributing questionnaires to 400 customers, determined using the Slovin formula. The sampling technique used for these 400 customers was purposive sampling. The results of this study indicate that Nestle's service quality is perceived as suboptimal, particularly in terms of reliability and responsiveness. This has led to low customer satisfaction, poor customer perception of Nestle, and consequently low customer loyalty. The influence of service quality, customer satisfaction, and customer perception on customer loyalty is 90.9%, and customer perception shows as a mediating variable between service quality and brand loyalty.

**KEYWORDS:** Brand loyalty, Customer perception, Customer satisfaction, Service quality.

### INTRODUCTION

Consumer loyalty is very important for a company or business because it is hoped that they will gain long-term benefits from relationships formed over a certain period of time (Hardini et al., 2022). Customer loyalty includes attitudinal components and customer behavioral components. Components of customer attitudes are ideas such as intention to return to purchase additional products or services from the same company, willingness to recommend the company to others, demonstration of commitment to the company by showing resistance if there is a desire to switch to another competitor and willingness to pay a premium price (Pandowo, 2019). On the other hand, the behavioral aspect of customer loyalty is the actual repeat purchase of a product or service, which includes purchasing more of the same product or service or other alternative products from the same company, recommending the company to others and the possibility of using the product in the long term, quality for this brand is still maintained (Andika, 2012). Loyalty is created because of satisfaction from consumers who feel the service exceeds their expectations (Dekasari & Hendri, 2020). Companies must know what consumers expect. Customers who are satisfied with the company's performance will indirectly have a very positive impact on the company's life journey in the long term, ultimately loyalty is an addition to customer psychological satisfaction and customer feelings. Service quality is currently very necessary for a company, where this is closely related to customer satisfaction (Ramdani, 2022).

Nestlé Indonesia has taken a step further by opening official stores on several leading e-commerce platforms in Indonesia, allowing customers to easily purchase their products online. However, in the online shopping experience, some customers experience dissatisfaction because some of the products they purchase do not meet their expectations. This mismatch between expectation and reality can stem from various factors, ranging from unclear product descriptions to differences between product images and the received products. As a result, customers may feel disappointed, frustrated, or even doubt the quality of the products offered by Nestlé Indonesia through that e-commerce platform and influence the sales of Nestle Indonesia. The decrease in sales experienced by Nestlé Indonesia in 2020 and 2023 underscores the critical need for companies to adapt swiftly to changing market dynamics, especially during challenging times such as the Covid-19 pandemic. This decline in sales serves as a poignant reminder of the importance of resilience and agility in navigating turbulent economic landscapes. It highlights the imperative for businesses to not only maintain but



also enhance customer relationships, optimize operational efficiencies, and continually innovate to meet evolving consumer demands. This phenomenon has encouraged a number of companies to implement better service quality with the aim of maintaining customer relationships and understanding consumer needs factors that lead to competitive advantage. Theoretically, service quality is an organizational activity to acquire and retain customers. In fact, according to him, service quality is an activity that can increase turnover and be an effective strategy in increasing consumer interest in buying a product.

The negative impact of this unsatisfactory shopping experience can extend further. Besides undermining customer trust in the brand, it can also disrupt the customer loyalty that has been built over time. Dissatisfied customers may seek alternatives from Nestlé Indonesia's competitors or even cease purchasing their products altogether. Furthermore, the negative impact of customer dissatisfaction can be seen in the form of electronic Word of Mouth (eWOM), which can be viewed by other customers, causing them to hesitate to repurchase due to reports of unsatisfactory service. Therefore, it is important for Nestlé Indonesia to actively listen to customer feedback, evaluate shipping processes and policies, and enhance their service quality on e-commerce platforms.

## LITERATURE REVIEW

### Service Quality

Service quality is defined as an effort made by marketers to meet the needs, desires, and expectations of consumers regarding a service (Tjiptono, 2016). Furthermore, Tjiptono (2016) explains that there is now a consensus defining service quality as a global attitude or judgment regarding the superiority of a service. Thus, if the quality of a service delivered by marketers meets consumer expectations, it can be assured that it will tend to generate satisfaction for consumers (Fatihudin & Firmansyah, 2019). There are five dominant factors of service quality such as tangible, empathy, responsiveness, reliability, and assurance (Tjiptono, 2016).

### Customer Satisfaction

Customer satisfaction is a feeling of pleasure or disappointment that arises after comparing the estimated product performance with the expected product performance. If performance is below expectations, consumers feel dissatisfied. If performance meets expectations, consumers are satisfied (Kotler & Keller, 2016). According to Zeithaml & Bitner (Firmansyah, 2019), the factors that influence customer satisfaction are service quality, product quality, and price.

### Customer Perceptions

A brand relates to the name, symbol, performance, or anything associated with a product that is considered a differentiator or identifier of the product, with the aim of distinguishing it from products offered by competitors (Bancin, 2014). Through a brand, customers can become aware of a product and the company that sells it. A brand that receives positive evaluations will create a favorable impression, while a brand with poor evaluations will result in a negative impression. This evaluation of the brand is known as customer perception. There are several indicators that can be used to measure customer perceptions on brand such as the reliability of brand as overall, the attractiveness of brand, the brand is pleasing to customers, and the product of brand has a good reputation (Lien, et al., 2015).

### Brand Loyalty

Brand loyalty is a consumer's preference to buy a particular brand in a product category. This occurs when consumers feel that a brand offers the right product features, image, or level of quality at the right price. This perception can translate into repeat purchases that generate loyalty. Therefore, Brand Loyalty relates to a customer's preference and attachment to a brand. This may be due to a long history of product use and beliefs that develop as a consequence of long-term use. According to Kotler & Keller (2016), brand loyalty is a commitment within a consumer to make future purchases of a particular product or service, even though there may be marketing efforts to change that commitment.

### Relationship between Service Quality, Customer Satisfaction, Customer Perceptions, and Brand Loyalty

Several recent studies agree with the fact that customer satisfaction has a positive influence on loyalty, as well as service quality has a positive influence on customer perceptions (Dam & Dam, 2021) and customer loyalty (Naully & Saryadi, 2021; Febriani et al., 2022; Syah et al., 2022; Santana & Keni, 2020; Fasha & Mediawati, 2019), and customer perceptions on brand loyalty (Astuti & Hastuti, 2022). In addition, the relationship between service quality and customer satisfaction is often mentioned in previous literature (Ali & Raza, 2015; Angelova & Zekiri, 2011; Kuo, Chang, Cheng & Lia, 2013; Naik, Gantasala & Prabhakar, 2010; Siddiqi, 2011). Ghafoor,



Iqbal and Murtaza (2012) stated that service quality both have a positive influence on customer satisfaction, consumers who are loyal to a brand are supported by satisfaction through good service and communication and development of a brand with the right positioning. It has become a popular trend to maintain a high corporate image in several different industries, and the market is increasingly moving towards a state where consumers demand better quality, both regarding services and products, in order to feel satisfied (Angelova & Zekiri, 2011). Furthermore, service quality and consumer satisfaction have a relationship to determine whether good perceptions of a brand create consumer purchasing decisions or even create attitudes of satisfaction and loyalty towards certain products. So if consumers already know or are familiar with the service quality of a company, it will encourage consumers to buy the product because it is considered to guarantee quality, durability, performance, good service and provide satisfaction. This was confirmed by Tias and Widiaswara (2017) that the service quality variable has a significant effect on consumer satisfaction. That a good service quality of a company will have a certain impact on consumer satisfaction.

The claim that customer satisfaction has a positive influence on brand loyalty has been supported several times (Back & Parks, 2003; Ene & Ozkaya, 2014; Fornell, 1992; Hussain, Al Nasser & Hussain, 2015). Therefore, from the literature it can be assumed that there is a strong relationship between customer satisfaction and brand loyalty. Hussain et al. (2015) confirmed in their research that loyal consumers tend to spread positive news by word of mouth, and often buy new products produced by the company, both of which have a positive impact on the company. However, Fornell (1992) found in his research that satisfied customers tend to be more loyal to a brand, but loyal customers do not automatically feel satisfied.

Based on previous literature reviews, several hypotheses were developed:

- H<sub>1</sub>: Customer satisfaction has a positive influence on brand loyalty
- H<sub>2</sub>: Service quality has a positive influence on brand loyalty
- H<sub>3</sub>: There are differences between customer perceptions regarding service quality level
- H<sub>4</sub>: Customers will be greatly influenced by the level of service quality influence of their brand loyalty

The research framework of this research can be seen as follow:

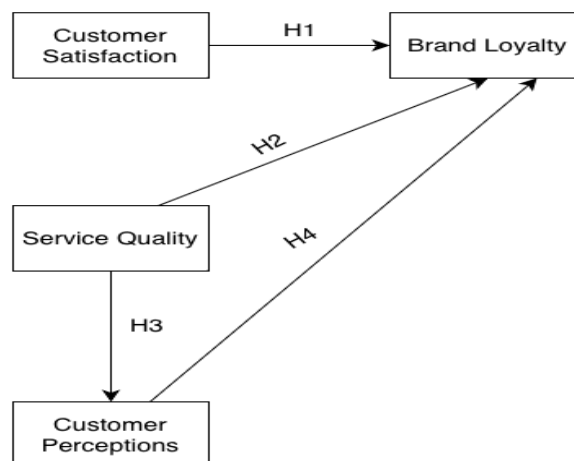


Figure 1. Research Framework

**METHOD**

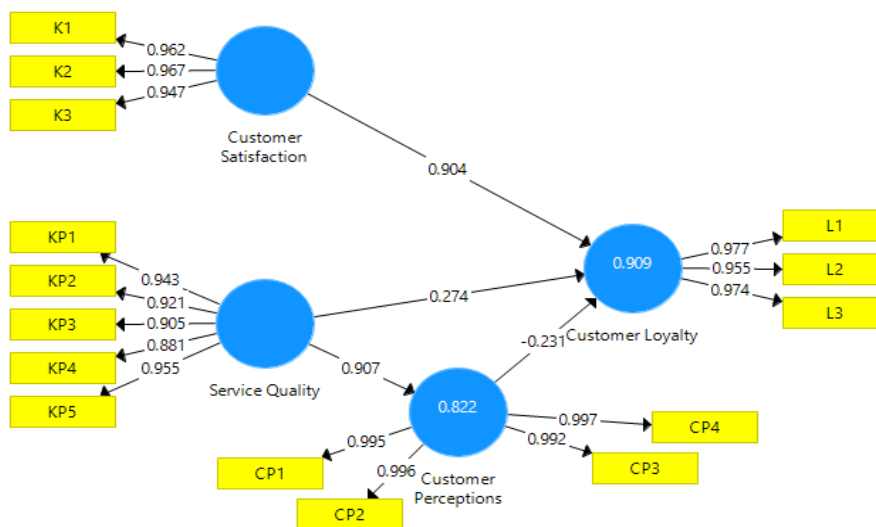
This study uses a causal research method. According to Indrawan & Yaniawati (2016) causal research is aim to determine the relationship between variables where if there is changes in one variable it can cause changes in other variables without the possibility of the opposite effect of the variables that affected. This type of causality is used to determine the effect of customer satisfaction on brand loyalty, the effect of service quality on bran on brand loyalty, the effect of service quality on customer perceptions, and the effect of customer perceptions on brand loyalty. Data was collected by distributing questionnaires to 400 customers, determined using the Slovin formula. The sampling technique used for these 400 customers was purposive sampling. The data analysis on this research will be using is Structural Equation Modelling (SEM). SEM is an evolution of the multiple equation model (regression) developed from econometric principles and combined with regulatory principles (factor analysis) from psychology and sociology (Hair et al., 2017).



**ANALYSIS AND EXPLANATION**

**Outer Model**

The SEM analysis using Smart PLS requires a number of validity and reliability tests in the research. Validity tests in Smart PLS are divided into two types. First, the convergent validity test, which examines the loading factor values of each indicator with its variable. Second, the discriminant validity test, which measures the amount of variance captured by the construct for each variable compared to the variance caused by measurement error. Convergent validity assesses the similarity (correlation) between the indicator and its construct, whereas discriminant validity examines the degree of difference (non-correlation) between the indicator and the variable's construct. The outer model in this research can be seen as follows:



**Figure 2. Outer Model (PLS Algorithm)**

Based on the figure above, it can be seen that the convergent validity values in this study are all greater than 0.5. This means that all the question items have a high correlation with their construct variables, indicating that the questions effectively measure what the researcher intends to measure.

**Table 1. AVE Validity, Cronbach's Alpha, and Composite Reliability**

Variable	(AVE)	CR	Composite
Brand Loyalty	0.939	0.967	0.979
Customer Perceptions	0.990	0.997	0.998
Customer Satisfaction	0.919	0.956	0.972
Service Quality	0.849	0.955	0.966

Based on the table above, it can be seen that the questionnaire instrument used is valid and reliable. This is indicated by the AVE value being greater than 0.5, as well as the Cronbach's Alpha and composite reliability values being above 0.7.

**Table 2. Goodness of Fit Value**

	Saturated Model	Estimated Model
SRMR	0.037	0.051
d_ULS	0.162	0.318
d_G	0.725	0.997
Chi-Square	1464.117	2233.166
NFI	0.893	0.837

The explanation of table above are:

- The SRMR value is 0.037. Based on this measurement, it can be concluded that the data fit the criteria as it is less than 0.1.
- The d\_ULS value in this study is 0.162, indicating that the data fit the criteria because it is greater than 0.05.
- The d\_G value in this study is 0.725, suggesting that the data fit the criteria as it is greater than 0.05.
- The Chi-Square value in this study is greater than 4, which suggests that the data do not fit the criteria. However, the Chi-Square value is sensitive to large sample sizes, where the variance contributes to the predictive value. With a sample size of 400 respondents in this study, it is likely to result in a high Chi-Square value.
- The NFI value in this study is close to 1, indicating that the data fit the criteria.

**Inner Model**

Inner model (or structural model) refers to the part of the model that represents the relationships between latent variables. It focuses on the structural relationships or paths among these latent variables. Inner model of this research can be seen as follow:

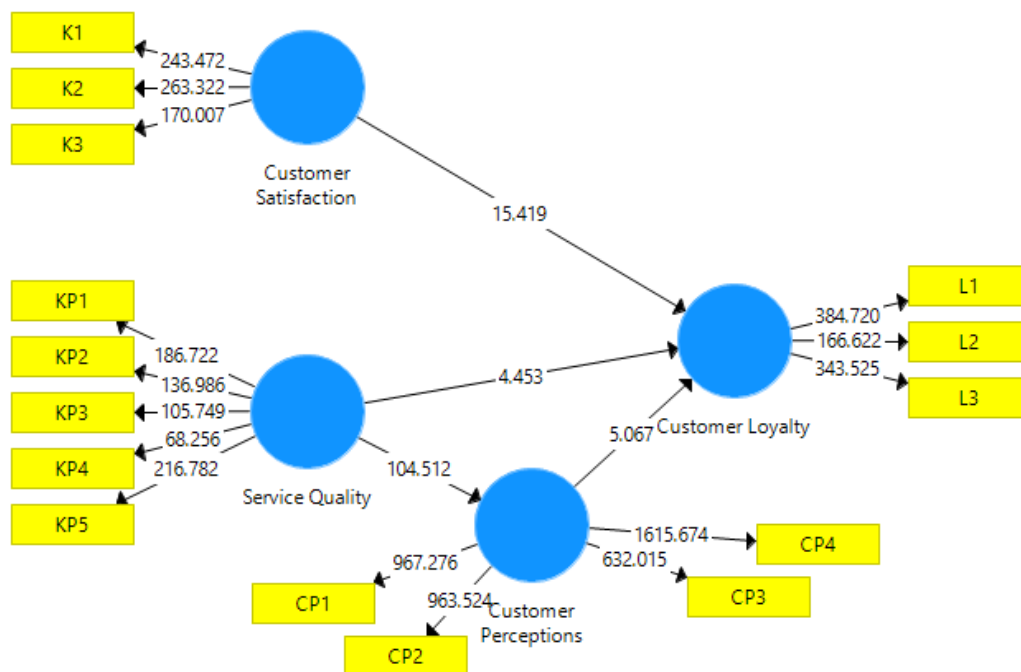


Figure 3. Inner Model – Bootstrapping

Table 3. Determination Coefficient

Model	R Square
Influence of Customer Satisfaction, Service Quality, and Customer Perceptions → Brand Loyalty	0.909
Influence of Service Quality → Customer Perceptions	0.822

Customer satisfaction, service quality, and customer perceptions have a total influence of 0.909 or 90.9%, with the remaining 9.1% influenced by other variables not included in this study. This means that a 1% change in customer loyalty is contributed by a 90.9% change in the values of customer satisfaction, service quality, and customer perceptions. In the other hand, service quality has an influence of 0.822 or 82.2% on customer perceptions in relation to customer loyalty, with the remaining 17.8% influenced by other variables not included in this study. This means there is a connection between service quality and customer perceptions, where a 1% change in customer loyalty is contributed by an 82.2% change in customer perceptions closely related to their assessment of service quality.



**Table 4. Hypothesis Testing**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Customer Perceptions -> Brand Loyalty	-0.231	0.230	0.460	5.067	0.000
Customer Satisfaction -> Brand Loyalty	0.904	0.902	0.059	15.419	0.000
Service Quality -> Customer Perceptions	0.907	0.907	0.009	104.512	0.000
Service Quality -> Brand Loyalty	0.274	0.275	0.061	4.453	0.000

The explanation of table above are:

- The first hypothesis suggests that customer satisfaction has a significant impact on brand loyalty. The results indicate that the first hypothesis is confirmed, as customer satisfaction significantly affects brand loyalty. This is supported by a t-value of 15.419, which is greater than 1.96, and a significance level of 0.000, which is less than 0.05.
- The second hypothesis suggests that service quality has a significant impact on brand loyalty. The results indicate that the second hypothesis is confirmed, as service quality significantly affects brand loyalty. This is supported by a t-value of 15.419, which is greater than 1.96, and a significance level of 0.000, which is less than 0.05.
- The third hypothesis suggests that service quality has a significant impact on customer perceptions. The results indicate that the third hypothesis is confirmed, as service quality significantly affects customer perceptions. This is supported by a t-value of 104.512, which is greater than 1.96, and a significance level of 0.000, which is less than 0.05.
- The fourth hypothesis suggests that customer perceptions have a significant impact on brand loyalty. The results indicate that the fourth hypothesis is confirmed, as customer perceptions significantly affect brand loyalty. This is supported by a t-value of 5.067, which is greater than 1.96, and a significance level of 0.000, which is less than 0.05.

**Table 5. Indirect Effect**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Service Quality -> Customer Perceptions -> Brand Loyalty	-0.172	-0.174	0.040	4.326	0.000

The results of the indirect testing indicate that service quality significantly influences brand loyalty through customer perceptions. This is evident from a t-value of 4.326, which is greater than 1.96, and a significance level of 0.000, which is less than 0.05. In other words, customer perceptions can act as an intervening variable mediating the effect of service quality on brand loyalty. The quality of service is a consideration made by customers before making a purchase decision.

The results of the tests conducted provide information that confirms all hypotheses were addressed. The first hypothesis is proven, as customer satisfaction significantly impacts brand loyalty with a positive correlation. The second hypothesis is proven, as service quality significantly impacts brand loyalty with a positive correlation. The third hypothesis is proven, as service quality significantly impacts customer perceptions with a positive correlation. Finally, customer perceptions are proven to significantly impact brand loyalty with a positive correlation. The findings are supported by several previous studies, such as Dam & Dam (2021), which state that service quality significantly and positively affects customer perceptions. The impact of service quality is not only on customer perceptions but also on brand loyalty, as shown by studies by Nauly & Saryadi (2021); Febriani et al. (2022); Syah et al. (2022); Santana & Keni (2020); Fasha & Mediawati (2019). The importance of customer satisfaction as a predictor variable is demonstrated by the study of Back & Parks (2003), which shows that customer satisfaction significantly impacts customer loyalty. Other studies, such as Ene & Ozkaya (2014); Fornell (1992); Hussain, Al Nasser, & Hussain (2015), also agree with the findings of Back & Parks



(2003), highlighting the important role of customer satisfaction in customer loyalty. Customer perceptions can be linked to the theory of planned behavior or attitude theory (Ata, et al., 2022). This theory, developed by Icek Ajzen, predicts the factors that customers consider when making purchase decisions. The motivation for making a purchase sharpens customer behavior. In this case, the assessment of service quality can be a motivator for customers to form their loyalty to Nestle.

## CONCLUSION

Based on the analysis and discussion conducted, the following conclusions can be drawn:

1. Service quality has been shown to significantly impact customer perceptions, brand loyalty, and customer satisfaction. Specifically, service quality influences customer perceptions, which in turn affect brand loyalty. Customer satisfaction also significantly affects brand loyalty.
2. Customer perceptions serve as a mediating variable that links the impact of service quality on customer loyalty. Service quality is a key motivator for customers towards Nestlé, which subsequently affects their loyalty.

## REFERENCES

1. Andika, F. (2012). Analysis of Gumati Cafe's Marketing Strategy in Increasing Consumers According to an Islamic Perspective. *Al-Infaq Journal of Islamic Economics* , 3 (1), 96–149.
2. Bancin, J. B. (2021). *Citra Merek dan Word of Mouth (Peranannya dalam Keputusan Pembelian Mobil Nissan Grand Livina)*. Surabaya: Jakad Media Publishing.
3. Dam, S. M., & Dam, T. C. (2021). Relationships between Service Quality, Brand Image, Customer Satisfaction, and Customer Loyalty. *Journal of Asian Finance, Economics and Business*, 8(3), 585-593.
4. Dekasari, Y., & Hendri. (2020). The Influence of Service quality and Word of Mouth Communication on Purchase Decisions for Dancow Milk Products in Bandar Lampung. *Journal of Entrepreneurship and Business (JEBI)* , 1 (1), 54–71.
5. Firmansyah. (2019). Analisis Pengaruh Digital Marketing terhadap Kepuasan Pelanggan. *Jurnal Manajemen Pemasaran*, 10(2), 123-135.
6. Hair, Hult, Ringle, & Sarstedt. (2022). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM) 3rd*. Thousand Oaks: Sage.
7. Hardini, SY, Banjarnahor, SR, Ghandy, A., & Budiman, F. (2022). The Influence of Product Attributes and Prices on Consumer Satisfaction. *Scientific Journal of Unitary Management* , 10 (2), 293–304.  
<https://doi.org/10.37641/jimkes.v10i2.1394>.
8. Indrawan, & Yaniawati. (2016). *Metodologi Penelitian: Kuantitatif, Kualitatif, dan Campuran untuk Manajemen, Pembangunan, dan Pendidikan*. Bandung: Refika Aditama.
9. Kotler., & Keller. (2016). *Marketing Management Edition 18*. New Jersey: Pearson Prentice Hall, Inc.
10. Lien, C.-H., Wen, M.-J., Huang, L.-C., & Wu, K. L. (2015). Online hotel booking: The effects of brand image, price, trust and value on purchase intentions. *Asia Pacific Management Review*, 20, 210-218.  
[doi:http://dx.doi.org/10.1016/j.apmr.2015.03.005](http://dx.doi.org/10.1016/j.apmr.2015.03.005).
11. Pandowo, A. (2019). The Influence of Brand Prestige and Brand Trust on Premium Prices: The Role of Brand Love as a Moderating Variable. *Journal of Management and Finance* , 8 (2), 204–220. <https://doi.org/10.33059/jmk.v8i2.1566>.
12. Ramdani, CS (2022). The Influence of Product Quality and Brand Equity on Customer Loyalty of Pt. Lotte Indonesia. *Reflectional Scientific Journal: Economics, Accounting, Management and Business* , 5 (4), 969–977.  
<https://doi.org/10.37481/sjr.v5i4.572>.
13. Tjiptono. (2016). *Pemasaran Jasa: Prinsip, Penerapan, dan Penelitian*. Jakarta: Erlangga

*Cite this Article: Muhammad Madani (2024). The Relationship Between Service Quality, Customer Satisfaction, Customer Perceptions, and Brand Loyalty at Nestle Indonesia Official Store in Shopee. International Journal of Current Science Research and Review, 7(8), 5963-5969*