

The Relationship between Service Quality, Customer Satisfaction, and Loyalty: A Literature Review

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ABSTRACT: For businesses to succeed, organizations need to focus on meeting the needs and expectations of their customers, leading to the purchase of their products or services. A key consideration for businesses, especially in service industries, is service quality. This is a crucial factor that significantly influences consumer behavior. Such an approach appears to be becoming increasingly necessary now and, in the future, driven by modern technologies and artificial intelligence that consumers use daily. Such technology increases the distance between producers and consumers in their interactions. Therefore, focusing marketing efforts to create consumer awareness or touchpoints for services becomes more crucial, as it helps bridge the growing gap in interactions caused by modern technologies and artificial intelligence. This study, based on relevant literature and research on service quality, found that it directly impacts customer satisfaction and loyalty. Furthermore, customer satisfaction directly affects customer loyalty. This study provides a conceptual framework linking three key factors: service quality, customer satisfaction, and customer loyalty. Management and marketing professionals can utilize this framework to plan strategies and activities that foster customer loyalty through high-quality service that leads to customer satisfaction. Other academics can also build upon this framework in future research.

KEYWORDS: Customer Satisfaction, Customer Loyalty, Marketing Strategy, Service Business, Service Quality.

INTRODUCTION

The service industry plays a crucial role in the growth of countries around the world. In many countries, the performance of service businesses is essential for job creation, human resource development, marketing, and the national economy. Thailand, with its tourism business as a key driver of the country's economy, has many other businesses linked to tourism, such as hotels, resorts, and food and beverage businesses. This clearly demonstrates that the service industry is a vital part of the country's economy.

Building a competitive advantage for a business requires evaluating customer satisfaction and the quality of service received. The sustainability of a business depends significantly on customer loyalty. Furthermore, organizations must consider customer satisfaction with employee service to meet customer expectations. Management and marketing departments need to prioritize these factors to ensure the true success of the business and its services.

In the management of service businesses, it is essential to understand the key factors that influence customer decisions, leading to sustainable business growth. In the management of service businesses, service quality is a very important factor in determining the success of service businesses worldwide. Previous research clearly indicates that the quality of an organization's service significantly impacts consumer behavior in several aspects, such as the intention to express certain behavior (Dee-aim & Mayoo, 2025; Safira et al., 2026). For example, Kanjananukun and Tongintarad (2026)'s study examining the impact of service quality on the decision-making process in using pawnshop services in Thailand found that the quality of service in that business significantly influences customer behavior and decision-making in choosing to use the service. Therefore, studying the factors linked to service quality is important and beneficial to the management of service businesses.

In principle, businesses need to create value and superior experiences for their customers or service recipients. To achieve this, organizations must have a strategy for delivering excellent service, or rather, people and service quality that surpasses competitors (Omar et al., 2021). In the current global situation, the growth of modern technology and artificial intelligence plays a crucial role for businesses that provide services to customers or users. Therefore, emphasizing service quality is a key factor in the success of the organization (Rita, Oliveira, & Farisa, 2019). This issue represents a significant challenge for organizations and service businesses worldwide, which must overcome technological obstacles and intense competition both now and in the future to ensure



their competitiveness and achieve their business goals. Past studies have attempted to examine the relationship between service quality, customer satisfaction, customer loyalty, and business competitiveness, leading to the idea of continuing this research (Ezechi et al., 2025; Makatita, 2025; Situmeang & Sugiyanto, 2024).

Therefore, this researcher is interested in studying and creating a conceptual framework of key factors linked to service quality, which will lead to practical applications. Service businesses can use the concepts from this research to plan strategies and create activities related to service quality, ultimately leading to consumer decision-making behavior linked to satisfaction and loyalty.

SERVICE QUALITY

The quality of service in a business is often considered a very important factor in evaluating the level of service provided by employees within an organization in delivering or responding to customer expectations or needs (Sawant, 2016). Service quality is an assessment of customer perception of the specific services provided by a service business. This extends to services that meet the expectations of service recipients or customers and ultimately leads to customer satisfaction (Thanh, 2024). Service quality is a perspective that assesses the feelings or perceptions of customers. However, evaluating service quality may require comparing the expectations of the business organization with the expectations of customers regarding that service quality (Ayo et al., 2026). For example, Inthawong and Parncharoen (2024)'s study found that the quality of e-service, in terms of usability, system availability, and customer responsiveness, had a significant positive influence on consumer purchase intention in Bangkok and its surrounding areas of Thailand.

The components of service quality have been studied extensively, but a popular research model is the scale circle developed by Parasuraman et al. (1988), which identifies five key factors or dimensions of service quality: reliability, assurance, tangibility, empathy, and responsiveness (Sawant, 2016). The details of the five key factors that constitute the quality of service in a service business are as follows (Figure 1) (Anjum et al., 2016; Ayo et al., 2026; Dee-aim & Mayoo, 2025; Manea & Untaru, 2026; Rita, Oliveira, & Farisa, 2019; Supriyanto et al., 2021; Thanh, 2024):

- 1) *Reliability* refers to the ability to deliver timely and reliable benefits. This definition of reliability reflects the readiness of employees within an organization to respond to customer needs, especially timely responses, which are fundamental to providing quality service to customers.
- 2) *Assurance* is about the reliability and safety that employees of an organization provide to customers. This builds trust and confidence among users of the organization's services.
- 3) *Tangibility* refers to the perception of the physical presence of things within the organization, whether it be labor, equipment, or materials involved in the service. These also affect customer responsiveness.
- 4) *Empathy* is about the care and commitment of individuals or employees of an organization that are delivered to customers. The interaction between customers and employees is a significant reflection of the empathy dimension, and care is a key indicator of the empathy that employees show to customers.
- 5) *Responsiveness* is the readiness or willingness of employees of an organization to create benefits or respond to customer needs. Providing quick and willing service creates customer satisfaction, and timely responses also have a positive effect on customers.

However, modern research has continuously attempted to study five dimensions related to service quality in order to create a comprehensive model that reflects all aspects of service quality. Currently, it is evident that online service businesses play a very significant role in the world and will be crucial businesses in the modern technological era of the future. Therefore, research is necessary to find a comprehensive understanding of the dimensions of service quality (Blut, 2016; Manea & Untaru, 2026; Omar et al., 2021; Thanh, 2024; Zhou et al., 2021). For example, Nimmuang and Chantuk (2025)'s study summarized five key dimensions of digital service quality indicators: efficiency, reliability, responsiveness, privacy and security, and ease of use. This study offers valuable insights for future research in the digital services sector.



Figure 1. Dimensions of Service quality

CUSTOMER SATISFACTION

Service businesses must prioritize customer satisfaction as a crucial aspect of their operations (Sawant, 2016). To compete and gain a competitive advantage, organizations must consider customer satisfaction (Anjum et al., 2016). Customer satisfaction is the most important factor affecting a business's sales. In other words, customer satisfaction impacts the business's competitiveness and economic performance (Thanh, 2024). A review of past literature reveals that customer satisfaction is one of the most important factors contributing to organizational success.

Past studies have shown that customer satisfaction stems from customers' feelings or direct experiences with a business's services or products (Manea & Untaru, 2026). In other words, customer satisfaction is assessed by comparing customer expectations with the perceived results of using the service (Makatita, 2025). This satisfaction is crucial for business success. Generally, satisfied customers who are pleased with a product, service, or business are likely to express their support by telling friends and family about the benefits of the business's products or services (Ayo et al., 2026). This also contributes to the business's future success. Therefore, customer satisfaction is a decision-making process based on considering the specific choices of customers.

Customer satisfaction is considered crucial in creating a competitive environment for business management and achieving organizational success (Sawant, 2016). The study of Ezechi et al. (2025) shows a link between customer satisfaction and service quality, and that customer satisfaction leads to customer loyalty and ultimately, competitiveness, which in turn contributes to organizational success. It's not just the quality of service that affects customer satisfaction when using a business's services. Other important factors, as studied in the past, include corporate image and the information systems provided to customers, especially in the case of online businesses (Erdem, 2025). However, the researchers remain interested in studying the key variable, which is service quality in service-oriented businesses, and its significant impact on customer satisfaction.

CUSTOMER LOYALTY

Achieving true business competitiveness depends on customer loyalty (Anjum et al., 2016). Customer loyalty is a key element in achieving business success. It's a strategy for retaining customers for the long term and effectively controlling the cost of customer acquisition (Rane, Achari, & Choudhary, 2023). Business processes focused on building a dimension of customer empathy have a significant impact on long-term customer satisfaction and loyalty (Wang et al., 2025). Good marketers understand that building customer loyalty is truly beneficial to a business because loyal customers communicate with their family, friends, and others in society, which is a form of ongoing marketing through the customer (Rane, Achari, & Choudhary, 2023).



Customer loyalty can be assessed in several aspects, such as evaluating the reasons for choosing the business, pride in being a customer, loyalty to the organization, a sense of ownership, increased frequency of participation in organizational activities, and demonstrating successful outcomes from using the organization's services (Supriyanto et al., 2021). Curtis et al. (2011)'s study identified three key factors—customer loyalty, repeat purchases, and customer satisfaction—that contribute to a business's competitiveness. These issues are clearly interconnected, and some studies often examine these factors together, particularly customer satisfaction and loyalty. In today's digital world, Pereira et al. (2025)'s research clearly shows that customer loyalty is a crucial factor for businesses in the current digital platform landscape. Furthermore, Louisa and Simbolon (2023)'s research found that customer loyalty is beneficial in reducing business costs, such as advertising, marketing, and sales activities. It can also increase sales through loyal customers who make repeat purchases and refer others about the benefits of using the business's services or products.

SERVICE QUALITY INFLUENCING CUSTOMER SATISFACTION AND LOYALTY

Focusing on service quality is a key factor in building customer satisfaction in service businesses (Sawant, 2016). Research has shown that service quality has a direct influence on behavioral attitudes through service satisfaction, for example, in the banking industry (Anjum et al., 2016). Supriyanto et al. (2021)'s study in the banking service industry clearly demonstrates how the quality of banking services impacts customer satisfaction. The quality of an organization's service reflects customers' perception of the performance of its employees, which significantly impacts future customer loyalty (Anjum et al., 2016). According to Manea and Untaru (2026)'s research on mobile business and service provision, a positive customer experience and service quality significantly impact good customer relationships with organizations. This is achieved through trust and satisfaction in online services delivered via mobile businesses. While Thanh (2024)'s research found that in the mobile shopping business, the quality of service directly influences customer satisfaction, making it a crucial factor in achieving success in mobile e-commerce. A study by Agarwal and Dhingra (2023), conducted in the cloud services and business storage industry, found that service quality significantly impacts customer satisfaction in the cloud services business. A study by Rita, Oliveira, and Farisa (2019), researching online businesses, found that the quality of electronic services significantly impacts customer satisfaction with such businesses. Similarly, a study by Ezechi et al. (2025), a banking business consultant, found that promoting better quality service leads to increased customer satisfaction and significantly impacts business competitiveness. In addition, Agarwal and Dhingra (2023)'s study showed that service quality affects customer satisfaction, and customer satisfaction ultimately influences customer loyalty. While Erdem (2025)'s study in the smartphone banking business examined the quality of information provided to customers, it found that the quality of the information affects the satisfaction of users of smartphone banking services. However, Suhendra, Harianto, and Taryana (2025)'s study in the service industry in Indonesia indicates that while service quality does affect customer satisfaction, not all aspects of service quality impact customer satisfaction. Therefore, specific research is needed in different regions to determine which aspects of service quality contribute to customer satisfaction for an organization.

Based on a review of the literature and related research on this topic, it can be concluded that service quality significantly impacts customer satisfaction and loyalty in business organizations. This conclusion is important for establishing a conceptual framework to present to future researchers for further study, leading to conclusions in the studied area regarding the influence of service quality on customer satisfaction and loyalty in business organizations.

CUSTOMER SATISFACTION INFLUENCING CUSTOMER LOYALTY

Customer satisfaction plays a crucial role in motivating or driving customers to use an organization's services. Naturally, if customers are satisfied with a business's products or services, they are more likely to use or buy what the organization offers (Thanh, 2024). Previous studies have clearly concluded that customer satisfaction has a direct and significant impact on customer loyalty. (Sawant, 2016). The study of Agarwal and Dhingra (2023) found that customer satisfaction significantly influences customer loyalty in the cloud services and business storage industry. While Supriyanto et al. (2021)'s study in the banking business indicates that customer satisfaction plays a significant role and greatly influences customer loyalty to the banking business. This is consistent with the study of Rita, Oliveira, and Farisa (2019), which found that in online service businesses, customer satisfaction influences repeat purchases, which is a factor contributing to future customer loyalty. In addition, a study by Wang et al. (2025), which examines sustainable customer relationships, indicates that customer satisfaction with a business's services impacts customer loyalty to the organization.

While a study by Situmeang and Sugiyanto (2024) on customers served in the outlet area of Indonesia found that customer satisfaction had a significant impact on customer loyalty for a business. This reflects how customer happiness is closely related to loyalty in purchasing the organization's products.

Because customer satisfaction leads to future customer loyalty, businesses need to ensure that customers remain satisfied with their products or services over the long term (Supriyanto et al., 2021). Therefore, organizations and businesses, especially service industries, need a vision and strategy to manage customer satisfaction, leading to repeat purchases and customer loyalty in the future. This, of course, will contribute to business success and sustainable growth in the future.

RESULTS

Based on a review of the literature and related research, the researchers extracted three key factors for this study: service quality, customer satisfaction, and customer loyalty. Furthermore, the researchers discovered a correlation between these three factors. Service quality was found to influence customer satisfaction and loyalty, while customer satisfaction directly influenced customer loyalty. These findings yield the conceptual framework presented in Figure 2. Other academics or researchers can utilize this framework for future research.

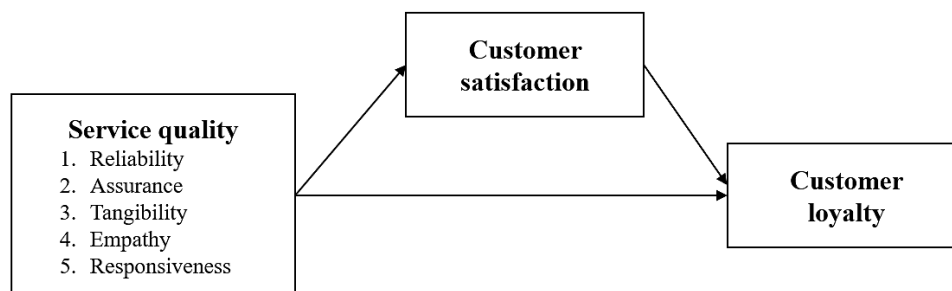


Figure 2. Final proposed framework

CONCLUSION AND RECOMMENDATIONS

In summary, this study, based on relevant literature and research, concludes that the three key variables: service quality, customer satisfaction, and customer loyalty, are highly interconnected. Service quality significantly influences customer satisfaction and loyalty, while it's clearly concluded that customer satisfaction leads to future customer loyalty. Therefore, management and marketing teams in service-based businesses should prioritize these three interconnected factors, emphasizing the importance of service quality. Marketing management needs to educate employees on this aspect to ensure effective work practices focused on customer satisfaction and meeting customer needs and expectations. This is a crucial starting point that can ultimately lead to customer satisfaction and loyalty. The benefits of loyalty include reduced business costs, increased sales through repeat purchases, word-of-mouth referrals to friends and family, and, in today's world, influencers on social media. This directly impacts the business's sustainable success.

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