

## **The Effect of Product Quality and Price on Customer Loyalty through Customer Satisfaction**

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### **Abstract**

Increasingly fierce competition in the fashion industry resulted in apparel or retail companies having to maintain loyalty from customers. This study aimed to examine and provide an in-depth description of the formation of customer loyalty in terms of product quality and price mediated by customer satisfaction. Data was obtained by distributing online questionnaires using a purposive sampling method to 140 customers who had purchased products of UNIQLO in Surabaya for more than two times. Data was analyzed using the Structural Equation Model – Partial Least Square (SEM-PLS) with the SmartPLS version 3.2.9. This study results that each product quality and price has a positive effect on customer satisfaction, customer satisfaction has a positive effect on customer loyalty, and product quality and price has a positive effect on customer loyalty, either directly or indirectly through the mediation relationship of customer satisfaction. Furthermore, this study also found that the effect of product quality on customer loyalty is on a similar level with the effect of price on customer loyalty. However, price effect on customer loyalty decreased with the mediation of customer satisfaction.

**Keywords:** product quality, price, customer satisfaction, customer loyalty, fashion

### **INTRODUCTION**

The fashion industry currently operates in a very dynamic and competitive environment as has been revealed by several well-known international consulting companies, such as McKinsey, Deloitte Group, and BCG. One of the big names among the many clothing retail businesses in Indonesia is UNIQLO. This brand is a clothing line business which specializes in fast fashion services in which fast fashion itself presents new products with a short period of time in order to keep up with existing trends through innovation in the supply chain and overall business operations (Gazzola et al. 2020). Standing between two other major brands, UNIQLO ranks third by total sales during 2021/2022 after Inditex (Zara) and Hennes and Mauritz (H&M) (Fast Retailing, 2022).

In addition to competing with these big names, the fashion retail industry also continues to have many new competitors. To face this intense competition, of course, clothing line companies must find ways to maintain their business by fighting for market share/customers which are out there. However, as is known, the costs that need to be incurred to acquire new customers are in fact greater than the costs of retaining customers (Mansouri et al. 2022; van der Westhuizen, 2024). Also, the companies cannot spend their funds continuously for the purpose of acquiring new customers all the time. Therefore, in order to ensure business continuity, it is very important for companies to maximize existing customers by maintaining their satisfaction, and thus creating loyalty based on this satisfaction, as suggested by previous studies, such as Núñez-Barriopedro et al. (2021) & Wilson

(2022). Many studies have proposed that customer satisfaction could become a predictor of the creation of customer loyalty (Purwati et al. 2020; Wahjoedi et al. 2022). Hence, customer satisfaction will then be placed as a mediator to figure out if customer satisfaction can truly accelerate or strengthen the effect of our existing factors on the formation of customer loyalty.

To find out what factors influence customer satisfaction and customer loyalty in the clothing retail business, a pre-survey was conducted on 35 UNIQLO customers who have purchased more than 2 times. The results showed that product quality (97.1%) and product price (74.3%) had stronger influence on customer satisfaction and loyalty at UNIQLO clothing line, compared to other factors, such as branding (65.7%), location (54.3%), price promotion/discount (45.7%), store atmosphere (40.0%), and service (22.9%). Product quality and product price themselves in several previous studies in various other fields have been shown to be able to influence customer satisfaction and customer loyalty (Hutagaol & Erdiansyah, 2020; Taufik et al. 2022; Wilson, 2022). These two factors will be taken as variables to be examined in this study to ascertain whether these two factors, namely product quality and price, can actually generate customer satisfaction and customer loyalty in the clothing retail business field.

Consumer purchasing behavior is influenced by perceived quality, as customers' perceptions of product quality shape their views that the product will meet or surpass their expectations (Asl et al. 2021). Consumers typically opt for things they perceive as superior quality, as this lowers the risk associated with the purchase and enhances the perceived value. Consumer trust and satisfaction are positively influenced by high-perceived quality (Asl et al. 2021; Heriyanto et al. 2021; De Oliveira et al. 2023) leading to an increase in purchase decisions. Perceived quality has the potential to enhance loyalty (Akoglu & Özbek, 2021; Murshed et al.

2023) since it influences customers' perception of a product or service's high quality. Consumers exhibit more loyalty towards brands or items that are believed to possess superior quality, thereby enhancing the durability of their relationship with the brand.

The perceived price denotes the monetary value that individuals are inclined to offer for a certain product or service (Tan & Le, 2023). The price of a product or service has a significant impact on consumer satisfaction (Huber et al. 2001). Customers are often happy with their purchase when the price is deemed suitable or equivalent to the quality provided (Yusuf et al. 2019). Nevertheless, if the cost is deemed excessive in relation to the advantages gained, buyers may experience dissatisfaction. Customer satisfaction is a crucial factor in generating a favorable customer experience, which in turn can motivate them to make repeat purchases of the product or service (Yusuf et al. 2019). The impact of pricing on consumer loyalty is equally substantial. Loyal customers are often those who are content with the equilibrium between price and quality, since they perceive a constant value in their interactions. Customer loyalty is enhanced when they see the pricing supplied as equitable and competitive within the market. On the other hand, if customers consider the price to be too expensive or unjust, they may opt to move to alternative brands or items that provide superior value. The objective of this study is to analyze and present a detailed account of how customer loyalty is developed through the influence of product quality and pricing, with customer happiness acting as a mediator.

### **Theory of Planned Behavior (TPB)**

Theory of Planned Behavior (TPB) initiated by Ajzen in 1991 reveals that a person's attitude and intentions can influence a person's behavior (Franklyn & Cokki, 2021). Basically, customer loyalty is also a behavior carried out by customers who remain loyal and make

repeated purchases to a product/service, even when faced with other products/services. According to TPB (Chen et al. 2020) the formation of specific behavior is preceded by an individual's intention and this intention is shaped by three aspects: attitude toward behavior, subjective norm, and perceived behavioral control. The central premise in TPB is that individuals make their decision through rational thinking, thus allowing for prediction of the outcome behavior through cognitive approaches (Han & Han, 2023). Therefore, it means that some factors could influence an individual's behavioral intention.

A previous study conducted by Farid et al. (2023) found that marketing mix (e.g. price and product quality) do have an effect on the three aspects of TPB, which are attitudes, subjective norm, and perceived behavioral control. Furthermore, Lee et al. (2022) in their research stated that all of the three aspects of TPB significantly affect tenants' satisfaction and loyalty. In this case, the customers' attitudes on product quality and price they received during their purchase, are going to be analyzed whether it is truly affecting the development of satisfaction and the formation of loyalty behavior among customers.

### **Product Quality, Price and Customer Satisfaction**

Product quality is a characteristic of a product related to its ability to meet customer needs and desires (Naini et al. 2022). When product quality is unable to meet customer expectations, the customer will feel dissatisfied and then will increase the probability of which the customer will not buy again in the future and vice versa (Wilson, 2022). In identifying product quality, there are 4 indicators which can be used according to Gani & Oroh (2021) namely (1) performance or the product offered is of high quality, (2) reliability or the product can function as promised and does not fail, (3) durability or the product offered is durable, and (4) attractiveness or

the product offered has aspects of beauty which can attract subjective responses in customers.

Price is something which must be sacrificed in order to obtain certain products or services of which you want to have (Gultom & Ngatno, 2020). Zechmeister et al. (1997, as cited in Zhao et al. 2021) revealed that the price level of a product or service can significantly directly affect the customer's desire to make a purchase. According to Kotler & Keller (2012, as cited in Chaerudin & Syafarudin, 2021), the indicators used to measure price are (1) price affordability, (2) matching price with product quality or price suitability with the quality of the product received, (3) price suitability with benefits, and (4) price competitiveness.

According to Kotler & Keller (2012, as cited in Chaerudin & Syafarudin, 2021), it is stated that customer satisfaction is a feeling of pleasure or disappointment which arises from a person after comparing the expectations he has with the actual perception/impression of a service or product. Research conducted by Sofi et al. (2020) found that the level of customer satisfaction affects customer intentions to make future repeat purchases. Tjiptono (2001, as cited in Wahyono & Nurjanah, 2020) revealed that there are 3 indicators of customer satisfaction, including (1) conformity of expectations which are realized through aspects of product quality, service quality, and price, (2) ease of obtaining or how easy it is to obtain the product or service, and (3) past experience or how satisfied the customer was when using the product in the past.

Yazia (2014, as cited in Yulisetiari et al. 2022) stated that product quality is able to provide satisfaction for customers who use these products. This can only happen if product performance meets the needs and desires or even exceeds customer expectations, only then will there be a sense of satisfaction from customers (Wilson, 2022). This relationship is supported by empirical evidence from previous research

conducted by Uzir et al. (2020) Diputra & Yasa (2021) as well as Woen & Santoso (2021), which stated that product quality has a positive and significant effect on customer satisfaction.

H1: Product quality has a positive influence on customer satisfaction.

In several previous studies, it was found that price has a positive effect on the creation of customer satisfaction (Chaerudin & Syafarudin, 2021; Gani & Oroh, 2021; Hutagaol & Erdiansyah, 2020). This is because when the price paid by the customer is considered comparable to the value of the product or service obtained, the customer will feel satisfied or customer satisfaction will appear (Zhao et al. 2021).

H2: Price has a positive influence on customer satisfaction.

### **Customer Loyalty**

Customer loyalty is defined as a strong commitment to repurchase a preferred product or service in the future consistently, despite the influence of situations or other marketing efforts which have the potential to cause switching to other products (Samani et al. 2011, as cited in Albari & Kartikasari, 2019). According to Caruana (2002, as cited in Susanti, 2019), customer loyalty is not only seen from purchasing behavior, but has actually begun to emerge from the customer's cognition process when thinking about a product or service, the brand is the first thing which comes to the customer's mind. According to Kotler and Keller (2009, as cited in Lubis et al. 2020), indicators which can be used to measure customer loyalty are (1) word of mouth or recommending to others to buy the product or service, (2) reject another or not easily influenced by other brands, and (3) repeat purchasing.

Customer satisfaction is one of the most important factors which can cause customers to become loyal (Fornell, 1992). Some researchers have found that companies which have customers with high

levels of satisfaction also have more loyal customers (Rychalski & Hudson, 2017 as cited in Islam et al. 2021). The results of this study are supported by previous research which has successfully proven that customer satisfaction has a positive impact on customer loyalty (Gultom & Ngatno, 2020; Mansouri et al. 2022; Panday & Nursal, 2021).

H3: Customer satisfaction has a positive influence on customer loyalty.

Based on research by Bei & Chiao (2001 as cited in Albari & Kartikasari, 2019) it is explained that product quality not only affects customer satisfaction, but will also have an impact on customer loyalty. The study also revealed that most loyal customers are customers who use quality products or in other words, quality products have more loyal customers. From previous research conducted by Dhasan & Aryupong (2019) as well as Woen & Santoso (2021), it was also found that product quality has a positive effect on customer loyalty.

H4: Product quality has a positive influence on customer loyalty.

In research conducted by Martin-Consuegra et al. (2007, as cited in Albari & Kartikasari (2019), it was found that setting prices which are considered appropriate by customers can increase customer interest in making repeat purchases in the future. The effect of price on customer loyalty has also been previously studied which found that price has a positive effect on customer loyalty (Gultom & Ngatno, 2020; Hutagaol & Erdiansyah, 2020; Shen & Yahya, 2021).

H5: Price has a positive influence on customer loyalty.

Tjiptono and Chandra (2012; in Taufik et al. 2022) stated that it is very important for companies to improve and maintain their product quality in order to create customer satisfaction. Satisfied customers will have a higher probability of making repeat purchases in the future (Sofi et al. 2020). In research conducted by

Sudarman et al. (2021); Wahjoedi et al. (2022), they have also found a positive effect of product quality on customer loyalty when mediated by customer satisfaction.

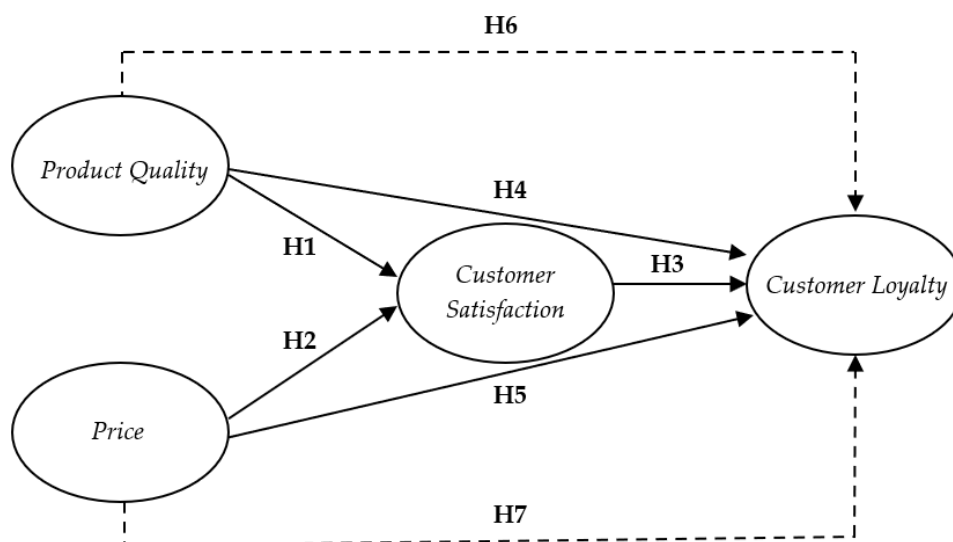
H6: Product quality has a positive influence on customer loyalty through the mediation of customer satisfaction.

When the customer considers the price he pays is reasonable and appropriate when compared to the value he gets, then there is a sense of satisfaction or customer satisfaction which can lead to customer loyalty (Hutama & Ekawati, 2020).

Research conducted by Gultom & Ngatno (2020) on Samsung smartphone users in Semarang found that setting the right price can encourage customers to remain loyal and even recommend the brand to those around them.

H7: Price has a positive influence on customer loyalty through the mediation of customer satisfaction.

Based on the description of the hypothesis development above, the research framework which will be developed is as follows.



**Figure 1. Research Model**

## METHOD

This study uses quantitative research methods (Creswell & Creswell, 2022) with a population, namely customers from all over Indonesia who have made purchases a minimum of 3 times in the UNIQLO Surabaya clothing line. With a very large population and the exact number is unknown, a sampling technique will be used which states that if the population size is unknown, then the sample size can use 5-10 times the number of indicators (Hair et al. 2010). That way, the ideal number of samples in this study is 140 respondents (10 x 14 indicators).

Samples will be taken using a non-probability sampling method with a sampling technique, namely purposive sampling. The non probability sampling method is a technique which does not provide the same probability/opportunity/chance for each member of the population to be selected as a sample (Imron, 2019). Purposive sampling is a technique in which sampling is selected based on certain considerations with the aim of obtaining results which are in accordance with the information needed by the researcher (Lenaini, 2021). Therefore, the sample of this study were

customers who had stopped more than 2 times at UNIQLO Surabaya outlets.

This research uses primary data sources obtained from distributing questionnaires online using Google Form. The data will be measured using an interval scale in which the order and distance between the data are also measured into equal intervals (Hardani et al. 2020). The measurement technique which will be used is a 5-point Likert Scale with points 1= strongly disagree, 2= disagree, 3= moderately agree, 4= agree, and 5= strongly agree.

The data analysis technique used in this research is the Structural Equation Modeling analysis technique with Partial Least Square (SEM-PLS) using the SmartPLS software application version 3.2.9. The evaluation model to be used is the outer model (measurement model) and inner model (structural model) as well as hypothesis testing and mediation. In the outer model, the validity of the indicators will be evaluated through convergent validity and discriminant validity as well as composite reliability for indicator reliability (Djunaidi & Gunari, 2022; Hair et al. 2022).

The convergent validity test has conditions, namely the loading factor value on the indicator must be more than 0.7 and the Average Variance Extracted (AVE) value must be more than 0.5 in order to be considered valid (Muhtarom et al. 2022). Meanwhile, in the discriminant validity test, an indicator is declared valid if the loading factor value on its construct is higher than on other constructs (Setifani et al. 2022). Then, the reliability test is carried out by looking at if the composite reliability and Cronbach's Alpha values of each construct are more than 0.7, it can be stated that the measurement is reliable and can be accounted for (Muhtarom et al. 2022).

Meanwhile, in the inner model, the value of R<sup>2</sup> (R Square) or the coefficient of determination will be evaluated and the F<sup>2</sup> (F Square) test and Q<sup>2</sup> (Q Square) test will be conducted to see the feasibility of the model (Musyaffi et al. 2022). The

coefficient of determination (R<sup>2</sup>) has a function to measure how much exogenous variables can explain the effect on endogenous variables with the rest being explained by other variables which are not included in the study (Adi et al. 2022; Nashar & Taru, 2020). This level of influence is assessed by the coefficient of determination (R<sup>2</sup>) value which ranges from 0-1, with details, namely the R<sup>2</sup> value of 0.67-1 is stated as strong, the R<sup>2</sup> value of 0.33-0.67 is stated as moderate and below 0.33 is stated as weak (Djunaidi & Gunari, 2022).

The F Square (F<sup>2</sup>) test evaluates the impact of independent (exogenous) variables on the dependent (endogenous) variable, with values classified as small (0.02), medium (0.15), or large (0.35). The Q Square (Q<sup>2</sup>) test assesses the model's predictive relevance, where a Q<sup>2</sup> value greater than 0 indicates good relevance. According to Hair et al. (2019), Q<sup>2</sup> values are classified as small ( $0 < Q^2 < 0.25$ ), medium ( $0.25 < Q^2 < 0.50$ ), and large ( $Q^2 > 0.50$ ). Hypothesis testing and mediation using SEM-PLS and bootstrapping involve comparing the t-statistic to the t-table value, with significance at a 5% level requiring a t-statistic greater than 1.96. The original sample value also helps determine the effect's direction (Benitez et al. 2020).

## RESULTS

The respondents obtained a total of 140 people who were UNIQLO customers who had made purchases more than two times at UNIQLO Surabaya. The majority of respondents are female with a total of 112 people (80%) and in terms of age all respondents are 18 years old or more (100%) due to the respondent criteria which have been set at the beginning, namely only those aged 18 years and over with the assumption that respondents of this age can make purchasing choices with their own awareness and desire. Based on their occupation, the majority of respondents are still students with a total of 118 people (84.3%) (see Table 1).

**Table 1. Respondent Characteristics**

Description		Fre	%	Description		Freq	%
		q.				.	
Gender	Male	28	20	Profession	Students	118	84.3
	Female	112	80		Civil servants/Private employees	5	3.6
Age	<18 years old	-	-		Entrepreneurs	13	9.3
	≥18 years old	140	100		Housewife	1	0.7
					Fresh Graduate	2	1.4
					Lecturer	1	0.7

Based on Table 2 below, it is known that all indicators have a loading factor value above 0.7 and an AVE value above 0.5, so that based on the convergent validity test, the indicators can be said to be valid. In addition, there is a discriminant validity test conducted in which the research indicators have also been considered valid

because they have the highest loading factor value for each construct. Then, based on the reliability test, the research variables have met the Composite Reliability value and Cronbach's Alpha value each above 0.7. Therefore, this research variable can be said to be reliable and accountable.

**Table 2. Outer Model**

Variable/Indicator	Outer Loading	AVE	Cronbach's Alpha	Composite Reliability	Conclusion
Product Quality		0.653	0.882	0.822	Valid & Reliable
PQ1	0.815				
PQ2	0.862				
PQ3	0.798				
PQ4	0.753				
Price		0.646	0.879	0.817	Valid & Reliable
P1	0.817				
P2	0.791				
P3	0.825				
P4	0.781				
Customer Satisfaction		0.638	0.898	0.857	Valid & Reliable
CS1	0.876				
CS2	0.787				
CS3	0.747				
CS4	0.756				
CS5	0.820				
Customer Loyalty		0.749	0.899	0.832	Valid & Reliable
CL1	0.860				
CL2	0.842				
CL3	0.893				

Based on the results of Table 3 above, it is known that customer satisfaction can be explained by the exogenous variables in this study, namely product quality and price simultaneously by 74.2% and the rest is influenced by variables not in this study. Meanwhile, customer loyalty can be explained by 67.6% by the variables in this study, namely product quality, price, and customer satisfaction simultaneously and the rest is influenced by variables outside of this study. Overall, the exogenous variables in this study are able to have a strong influence on the endogenous variables.

The F Square value shows that by being in the range of 0.02-0.15, product quality, price, and customer satisfaction have a fairly small influence on customer loyalty. Meanwhile, the F Square value of price on customer satisfaction is classified as a medium influence in the range of 0.15-0.35, so it can be concluded that price has a medium influence on customer satisfaction.

Finally, the F Square value for product quality on customer satisfaction is classified as a strong influence in the range of 0.35 and above, so it can be concluded that product quality has a strong influence on customer satisfaction.

The Q Square value in Table 4 shows that this research model has a predictive relevance for measuring customer loyalty variables of 0.493 and the predictive relevance for measuring customer satisfaction variables is 0.464. Thus, it can be concluded that this research model already has a fairly good predictive relevance for measuring customer loyalty and customer satisfaction variables according to Ghazali (2014, as cited in Taufik et al. 2022), but it can also be classified in more detail based on Hair et al. (2019), that this research model has medium predictive relevance in measuring customer loyalty and customer satisfaction.

**Table 4. Hypothesis Test**

	<b>Hypothesis</b>	<b>Original sample</b>	<b>T-Statistics</b>	<b>P-Value</b>	<b>Conclusion</b>
H1	Product quality -> Customer satisfaction	0.599	8.526	0.000	Accepted
H2	Price -> Customer satisfaction	0.316	4.314	0.000	Accepted
H3	Customer satisfaction -> Customer loyalty	0.394	3.362	0.001	Accepted
H4	Product quality -> Customer loyalty	0.216	2.153	0.031	Accepted
H5	Price -> Customer loyalty	0.276	2.815	0.005	Accepted
H6	Product quality -> Customer satisfaction -> Customer loyalty	0.236	3.012	0.003	Accepted
H7	Price -> Customer satisfaction -> Customer loyalty	0.125	2.630	0.009	Accepted

The hypothesis test results shown in Table 4 state that all hypotheses are accepted because they have t-statistic values greater than 1.96 and p-value smaller than 0.05 and with positive original sample values, so all have a positive effect.

## DISCUSSION

In accordance with the TPB, customers' attitude on product quality and price they received when purchasing UNIQLO's products does affect the development of satisfaction and the formation of customer loyalty behavior. It



reflects the TPB which stated that a behavior is formed by an individual's attitude and intention (Chen et al. 2020), in particular, the formation of satisfaction and loyalty behavior as implied in Lee et al. (2022). Product quality has a positive effect on customer satisfaction (H1) which is also supported by previous research conducted by Wilson (2022); Uzir et al. (2020); Woen & Santoso (2021). This is because if the quality of a product received by customers meets their needs and desires and even exceeds their expectations, then customers will feel satisfied and customer satisfaction is formed (Djunaidi & Gunari, 2022). The effect of product quality on customer satisfaction has the greatest influence in this study and this is no surprise because product quality has always been the main focus of the UNIQLO brand.

Price has a positive effect on customer satisfaction (H2) supported by several previous studies, such as those conducted by Chaerudin & Syafarudin (2021); Hutagaol & Erdiansyah (2020). Gani & Oroh (2021) suggested that price is indeed one of the important elements in shaping customer satisfaction because customers will consider the value of a product based on the costs they pay. With this, it can be concluded that UNIQLO customers are quite satisfied with the price offered. Customer satisfaction has a positive effect on customer loyalty (H3), this can also be seen from several previous studies by Gultom & Ngatno (2020); Mansouri et al. (2022); Panday & Nursal (2021). Rychalski & Hudson (2017 as cited in Islam et al. 2021) also stated that companies which have customers with high levels of satisfaction also have more loyal customers. In this study, it is concluded that customers choose to be loyal to UNIQLO because they are satisfied, both in terms of the product quality offered, service, price, and ease of accessing UNIQLO products, to the overall experience of using UNIQLO.

The positive effect of product quality on customer loyalty (H4) is supported by research conducted by Woen & Santoso

(2021); Naini et al. (2022) who stated that product quality has a positive effect on customer loyalty. These findings are in line with those stated by Bei & Chiao (2001, in Albari & Kartikasari 2019) that quality products have a more loyal customer base. Price has a positive effect on customer loyalty (H5) supported by research conducted by Gultom & Ngatno (2020); Hutagaol & Erdiansyah (2020); Shen & Yahya (2021). This finding supports the theory stated by Bolton et al. (2003, in Dhasan & Aryupong, 2019) that when customers consider the price received is appropriate, they will consider establishing a relationship with the brand and becoming loyal. The positive effect of product quality on customer loyalty mediated by customer satisfaction (H6) is also supported by previous research conducted by Sudarman et al. (2021); Wahjoedi et al. (2022). The results of this study indicate that customer satisfaction successfully mediates the relationship between product quality and customer loyalty to increase and form a partial mediation relationship because there has been a direct relationship before. This means that high customer satisfaction with the product quality offered is able to encourage customers to remain loyal to the clothing line.

The positive effect of price on customer loyalty mediated by customer satisfaction (H7) has also been investigated in several previous studies, such as Gultom & Ngatno (2020) and Hutama & Ekawati (2020) which reveal that customer satisfaction arising from good pricing will continue to create customer loyalty. The mediation of customer satisfaction successfully mediates price and customer loyalty positively, but there is actually a decrease in the resulting effect compared to the effect of the direct relationship. This indicates that customers who are loyal to buy UNIQLO products because of the price do not necessarily develop an overall deep satisfaction with UNIQLO products and only continue to make purchases due to the appropriate

price. Therefore, companies must further develop their customer satisfaction so that customers feel that the price they pay is in accordance with the overall experience and satisfaction they feel which ultimately leads to the creation of customer loyalty.

## CONCLUSION

In conclusion, both product quality and price positively influence customer loyalty, both directly and indirectly through customer satisfaction. Despite a noted decrease in the mediation effect of customer satisfaction on the relationship between price and loyalty, enhancing customer satisfaction can restore its positive impact

on loyalty. Companies, particularly in the clothing industry, should balance their focus on both product quality and price to effectively build customer loyalty. However, this study has limitations, including the narrow scope of predictor variables (product quality and price) and a sample predominantly composed of students, which may introduce bias. Future research should explore additional variables and broader respondent demographics to deepen understanding of factors influencing customer satisfaction and loyalty, thereby contributing to theoretical advancements in customer loyalty within the business sector.

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