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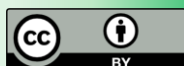
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The Effects of Service Quality and Sales Promotion on Customer Loyalty through Word-of-Mouth as Intervening Variable

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Abstract

This research aims to determine the influence of service quality and sales promotions on customer loyalty at Matahari Kapasan Store through word-of-mouth as an intervening variable. The study focuses on a family business operating in the wholesale clothing manufacturing and supplier industry. The study employs a quantitative research method with Structural Equation Modeling for data analysis. The population in this study consists of loyal customers. The sampling technique used in this research was purposive sampling with a sample size of 84 respondents. Primary data used in this research was obtained through a questionnaire using a Likert scale. The results indicate that word-of-mouth plays a significant role as an intervening variable in influencing customer loyalty. The results of this study highlight the novelty of exposure implications, showing that the role of word-of-mouth as an intervening variable has a meaningful impact on customer loyalty in terms of service quality and sales promotion.

Keywords: Service Quality, Sales Promotion, Word-of-Mouth, Customer Loyalty, Wholesale Clothing Industry

INTRODUCTION

From 2019 to 2021, the apparel industry in Indonesia experienced fluctuations during the COVID-19 pandemic. In 2019, the export volume of apparel reached its peak at 335,2 thousand tons, and the export statistics were USD 7.072,2. However, a sharp decline occurred in 2021, where the export volume was only 290,1 thousand tons, and the export statistics were 5.856,5 US dollars. This decline was largely caused by the impact of the COVID-19 pandemic, which resulted in shorter working hours for workers and disruption to clothing production in Indonesia (Arania et al., 2022). Additionally, the apparel sector also faced similar challenges, with export volumes falling in 2020, reflecting economic uncertainty and health concerns.

When COVID-19 hit Indonesia, there were several setbacks, and the apparel industry needed time to return to stability (Castañeda-Navarrete, 2021). Despite experiencing a decline during the pandemic, the fashion industry still dominates the top rankings in online shopping because it is an important indicator of lifestyle evolution. This was accompanied by a recovery in 2021, with an increase in the volume and value of exports in these two sectors, reflecting ongoing economic recovery efforts and hopes for increased customer demand in the future. Digital transformation and adaptability became crucial factors for businesses to survive and thrive in the post-pandemic era. Many apparel businesses began leveraging social media platforms to reach a wider audience and boost engagement (Bharti, 2021; Gupta et al., 2024). In addition, customer preferences shifted toward more comfortable and sustainable clothing options, driven by health-conscious and environmentally aware consumers.

Matahari Kapasan Store, as the primary object of this research, is a family business that has been established since 1988 and operates in the wholesale clothing manufacturing and supplier industry. The physical store is the largest, oldest, and most complete clothing wholesale center in the city of Surabaya. Since the beginning of the pandemic in 2020, the Matahari Kapasan Store has been actively accepting online orders via WhatsApp. The old and new customers of Matahari Kapasan Store are mostly wholesale and retail clothing shop owners spread across various regions, from Java to outside the island.

This process is an intermediate B2B process in which it serves sales to other companies where they are engaged as distributors, so their purchases can be frequent and regular. B2B customers have an important role as company assets that need to be considered because the customers will provide benefits to the company by spending their money to buy the products we sell. Word-of-mouth's activities are based on achieving the satisfaction and expectations of its customers. This shows that customers who have used a product are satisfied with the product. The growth of word-of-mouth promotion has become a key driver of demand and a major focus in the apparel industry (Bahadir and Pauwels, 2024; Saragih et al., 2022).

Researchers conducted a pre-survey on 20 loyal customers of the Matahari Kapasan Store to identify key factors significantly influencing customer loyalty. The results indicate that service quality and attractive, consistent sales promotions are the main contributing factors affecting loyalty. Based on these insightful findings, this research further explores the potential impact of service quality and sales promotions on Matahari customer loyalty, using positive

word-of-mouth as an important intervening variable. Customer loyalty does not occur overnight but follows several clear stages of the customer behavior process, starting from decision-making, identifying needs, searching for relevant product information, evaluating available options, and ultimately forming long-term loyalty to a brand (Narvanen, 2020).

The location of the Matahari Kapasan Store itself is in the middle of a traditional market, so it is closely related to customer behavior in distributing information. This is often called word-of-mouth, where customers channel information about a good or service they own to other customers. When a customer has a positive experience with a product, the word-of-mouth strategy sounds more natural because the experience comes from the customer's own thoughts if they really like and recommend the product. Through recommendations from other customers who have used the product or service before, customers can learn more about it (Ayuningsih and Maftukhah, 2020). This study introduces a novel perspective by examining the effects of service quality and sales promotions on customer loyalty through word-of-mouth as a key mediating variable in the context of the traditional B2B wholesale apparel industry.

LITERATURE REVIEW

Service quality is the service provider's ability to satisfy consumers efficiently to improve business performance (Susanto and Herdinata, 2022). A key component of business success is the quality of its service. A quality management approach must be distributed holistically across the system, its staff, and its suppliers. Without these components, a business will not be able to achieve the service quality expectations that customers expect. Service quality is a determinant of competitive advantage and an element in a company's long-term success. If service quality management can be implemented in a qualified way and in an effective manner, customer satisfaction and loyalty will be achieved, even exceeding customer expectations.

Service quality is defined as adaptation to customer demands in the consistent delivery of a service (Chakrabarty et al., 2007). Other research states that service quality is described as the result of evaluating customer service quality with customer expectations and the quality they perceive (Parasuraman et al., 1988). Parasuraman et al. (1988) suggest five measurement dimensions often known as service quality. Service quality can be measured by five indicators. Tangibles refer to visible aspects that can be perceived through eyesight, such as physical facilities, communication materials, equipment, and personnel. Reliability represents the ability to deliver promised services accurately and dependably, while responsiveness highlights the company's availability to assist customers and provide fast service. Assurance encompasses the company's knowledge, courtesy, and ability to instill trust and confidence in customers. Lastly, empathy reflects the company's attention, sensitivity, and genuine care toward its customers, ensuring a more personalized and considerate service experience.

Sales promotion, as one of the key elements in the marketing mix, has an important and strategic role in a company's overall business strategy. The goals are very varied and dynamic, but basically, they are to increase both short-term and long-term sales of a product or service. Sales promotion methods include a variety of effective techniques, from discounts and digital

coupons to contests and attractive loyalty programs. The unique thing about sales promotions is that they have a limited time element that creates a strong sense of urgency for potential customers. Measuring the results is an important and necessary part of this process, where companies consistently observe increases in sales, customer participation, or coupon redemption effectiveness. The importance of deeply understanding the specific target market cannot be ignored because successful promotions must be specifically tailored to customer characteristics, behavioral patterns, and evolving preferences.

The percentage of most types of sales promotions directly influences the decision-making and purchasing stages of the customer's purchasing process, based on daily habits. By streamlining the decision-making process, promotional techniques guide customers toward specific products, providing relevant information and an opportunity to try the product. Customer loyalty and purchase intent are beneficial outcomes of the effective use of sales promotions. Previous research by Batra and Ahtola (1990), Chitturi et al. (2007), Dhar and Wertenbroch (2000), and Strahilevitz and Myers (1998) explain that in marketing, utilitarian benefits refer to the practical, functional, and instrumental benefits of consumption offerings, while the term hedonic benefits refers to aesthetic, experiential and enjoyable benefits.

So, in the latest research by Antunes and Martinez (2022), sales promotion can be measured by the following two indicators: utilitarian benefits and hedonic benefits. Utilitarian benefits include monetary savings, which refer to the financial savings provided. Quality is another aspect, allowing customers to upgrade to higher-quality products and brands. Convenience also plays a role, as advertised sales promotions can increase shopping convenience, thereby reducing the energy required to search and cutting customer decision costs effectively. On the other hand, hedonic benefits involve value expressions, allowing customers to reaffirm personal values and increase their self-perception as intelligent customers. Entertainment is another factor, creating an ever-adaptive shopping environment and exciting moments. Additionally, exploration provides stimulation, encourages discovery, and helps fulfill customers' needs for new information.

The word-of-mouth technique is a type of customer-to-customer referral for a good or service. Everyone may feel simpler and prefer to talk about products as a result of word-of-mouth activities. When a customer has a positive experience with a product, word-of-mouth organically results from that experience and originates from the customers themselves. Through recommendations from other customers who have used the product or service before, they can learn more about it. Customer decisions to make purchases will be more influenced by good and positive word-of-mouth. Word-of-mouth recommendations are often more trusted than traditional advertising because they come from personal experience, which can significantly impact brand reputation, customer loyalty, and sales growth.

Positive word-of-mouth can have a strong impact on brand image and customer purchasing decisions. Customers are often more likely to trust reviews from fellow customers than official promotional claims from companies. Therefore, companies often seek to stimulate and leverage positive word-of-mouth through customer appreciation campaigns, referral

programs, or easily accessible product review features on their websites (Mahmud et al., 2020). According to Muhammad and Artanti (2016), word-of-mouth can be measured by four indicators: Saying positive things about the business, pleasure to recommend, persuading others to buy at the same place, and encouraging friends or relatives to do business with the company.

According to Narvanen et al. (2020), loyalty is a deep commitment by customers to repurchase desired products and services, even amidst changing circumstances and marketing efforts. Customer loyalty serves as a reliable metric for predicting sales and financial growth, making it a crucial factor for future company projections. Loyal customers, characterized by satisfaction from service quality meeting expectations, are valuable assets (Ledikwe, 2020). Chan and Goh (2019) noted that loyal customers often become brand advocates, offering positive recommendations and exhibiting higher retention rates, leading to sustainable income and stable growth. Mayanga et al. (2022) identified three key indicators of loyalty: repeat purchase, retention, and referrals. These indicators collectively measure the depth of a customer's commitment to a brand, influencing long-term business success.

A good relationship between the quality of the service provided and sales promotions carried out by the company will lead to customer loyalty. Service quality plays a crucial role in shaping customer perceptions and influencing their word-of-mouth behavior. When customers receive high-quality service characterized by tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988), they are more likely to share their positive experiences with others. In line with the explanation above, the hypothesis is proposed.

H1. Service quality has an influence on word-of-mouth at the Matahari Kapasan Store.

Sales promotions are an essential component of marketing strategies that influence customer behavior by providing both utilitarian and hedonic benefits (Antunes and Martinez, 2022). Promotional strategies, such as discounts, coupons, and loyalty programs, not only drive immediate sales but also create a sense of excitement and engagement among customers. When customers value promotional offers, they are more likely to share their experiences, boosting positive word-of-mouth and enhancing a brand's visibility, reputation, and customer trust, which ultimately leads to increased sales and customer loyalty. As a result, businesses can cultivate long-term relationships with their customers, reinforcing brand loyalty and fostering repeat purchases. In line with the explanation above, the hypothesis is proposed.

H2. Sales promotions have an influence on word-of-mouth at the Matahari Kapasan Store.

Word-of-mouth plays a significant role in shaping customer loyalty. Positive word-of-mouth can enhance a brand's credibility and trustworthiness, as potential customers tend to rely more on peer recommendations than traditional marketing efforts (Mahmud et al., 2020). Customers who receive positive endorsements from other consumers are more inclined to establish a deeper connection with a brand, leading to repeated purchases and long-term retention. This indicates that word-of-mouth can serve as a crucial factor in fostering customer loyalty. In line with the explanation above, the hypothesis is proposed.

H3. Word-of-mouth has an influence on customer loyalty at the Matahari Kapasan Store.

Service quality is a determinant of competitive advantage and long-term success. High service quality leads to customer satisfaction and fosters loyalty. When customers consistently receive reliable, responsive, empathetic service, they are less likely to switch to competitors (Chakrabarty et al., 2007). Quality service enhances customer trust and commitment, encouraging repeat purchases, long-term engagement, and strong brand advocacy. Sustained service excellence can differentiate a brand in a competitive market and deepen emotional bonds with customers. In line with the explanation above, the hypothesis is proposed.

H4. Service quality has an influence on customer loyalty at the Matahari Kapasan Store.

Sales promotions contribute to customer loyalty by creating value and enhancing the shopping experience. Utilitarian benefits such as monetary savings, improved quality, convenience, and time efficiency (Batra and Ahtola, 1990) drive customers to repeatedly engage with a brand. Additionally, hedonic benefits, such as entertainment and exploration, foster a sense of emotional attachment. When customers perceive a brand as consistently offering attractive promotional deals, they develop loyalty towards that brand. These benefits not only attract new customers but also reinforce the satisfaction of existing ones. In line with the explanation above, the hypothesis is proposed.

H5. Sales promotions have an influence on customer loyalty at the Matahari Kapasan Store.

Word-of-mouth serves as an intervening variable that strengthens the relationship between service quality and customer loyalty. When high service quality leads to positive word-of-mouth, potential customers receive firsthand accounts of the company's reliability and commitment to excellence. This enhances brand credibility and fosters customer trust, ultimately leading to increased loyalty. Customers who hear positive recommendations are more likely to remain committed to the brand. Positive word-of-mouth also helps shape favorable brand perceptions, influencing both new and existing customers. In line with the explanation above, the hypothesis is proposed.

H6. Service quality through word-of-mouth is an intervening variable that influences customer loyalty at Matahari Kapasan Store.

Sales promotions can influence customer loyalty through the mediating effect of word-of-mouth. When customers share positive experiences about promotions, they amplify the brand's appeal, attracting new customers and reinforcing existing loyalty through repeat purchases. The persuasive power of word-of-mouth enhances the effectiveness of promotions, leading to long-term retention. Word-of-mouth strengthens brand credibility and serves as a cost-effective marketing tool. Encouraging satisfied customers to share their experiences can significantly boost customer acquisition and retention. By leveraging this organic form of marketing, businesses can build a strong, loyal customer base and achieve sustained growth. In line with the explanation above, the hypothesis proposed is.

H7. Sales promotion through word-of-mouth as an intervening variable has an influence on customer loyalty at the Matahari Kapasan Store.

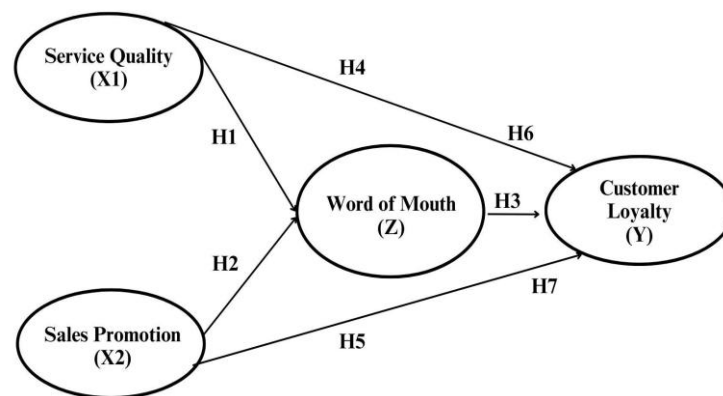


Figure 1. Research model

METHODS

A quantitative approach is applied in this research, which focuses on measurement and factor analysis to produce results (Lerche, 2012). This requires the application of certain statistical techniques and analysis of numerical data. The reason for considering a quantitative approach is that researchers strive for objectivity and reduce bias in data collection and processing. Quantitative methods are better suited to analyzing large data sets, allowing researchers to identify patterns, trends, and relationships that may not be immediately apparent through a qualitative approach (Quick, 2015), ensuring robust and generalizable findings.

The Partial Least Squares (PLS) approach will be applied in the statistical analysis of this research to test the hypothesis determined using Structural Equation Modeling (SEM). PLS is a well-known method for estimating route coefficients in structural models, and for its ability to model latent variables in the presence of non-normality in the sample size under study. This research uses two types of data, including primary data and secondary data. The main data in this research were obtained from questionnaires distributed and filled in by respondents. Meanwhile, as a reference, secondary data in this research is in the form of internal business or company data, journals, and books obtained from sources that have previously been processed, namely the results of research that has been previously processed in the form of scientific journals and other data by other researchers, ensuring comprehensive data analysis.

This research was conducted at the Matahari Store located on the 1st floor, Block 1, Nos. 17, 18, and 21 of Pasar Kapasan, Surabaya, Indonesia, by distributing questionnaires via Google Forms. The population in this research is 105 customers recorded in the WhatsApp database of Matahari Kapasan Store customers from October to November 2023 who have made transactions at Matahari Kapasan Store at least 3 times. The period chosen was the last 2 months with the aim of making the data produced most relevant. In this research, non-probability sampling was used with a purposive sampling technique for research members as research respondents who were not given the same opportunities. The criteria for respondents for this research are Matahari Kapasan customers recorded in the database who have made at least three purchases with Matahari, ensuring data accuracy and relevance.

In this research, the total available sample was taken from the WhatsApp database, which recorded transactions from October to November, with as many as 105 people who had made transactions at least three times or more. A basic margin of error of 5% and a confidence level of 95% is applied. So, the sample size was 84 respondents registered in the Matahari Kapasan Store database. In this research, Smart PLS software is a tool for analyzing research data. This research was carried out using a Structural Equation Modeling approach with a data analysis method using PLS, which consists of two measurement models, namely the outer model and the inner model, to assess the relationships between variables effectively.

The outer model describes the relationship between variables and their indicators. The outer model has two types of indicator models, namely formative and reflexive. The reflexive model occurs when the manifest variable influences the latent variable, while the formative model assumes that the manifest variable influences the latent variable, with the direction of causality from the manifest variable to the latent variable. This research uses a reflective model, using measurements: (1) Convergent validity > 0.5 , (2) Average variance extracted (AVE) > 0.5 , and (3) Discriminant validity > 0.5 , to ensure robust and reliable results.

The internal model describes the pattern of relationships between latent variables at a theoretical level. The SEM-PLS internal model was evaluated using the coefficient of determination (R^2) and the latent variable significance test. R^2 is used to assess the level of variation in changes in exogenous latent variables relative to endogenous latent variables. Therefore, the higher the R^2 value, the better the proposed research prediction model. Hypothesis testing for the SEM-PLS model was carried out using the bootstrapping test on the basis that if the bootstrapping results in t-statistics $< t$ table 5%, then the hypothesis is rejected; if the t-statistics $> t$ table 5%, then the hypothesis is accepted, providing statistical evidence.

RESULT

Validity and Reliability Test

Table 1. Construct reliability and validity

Construct	AVE	Cronbach's Alpha	Composite Reliability	R Square
Service quality	0.809	0.941	0.955	
Sales promotion	0.722	0.922	0.939	
Word-of-mouth	0.878	0.954	0.966	0.623
Customer loyalty	0.919	0.956	0.971	0.786

Convergent validity is assessed by examining whether the outer loading values of each indicator are more than 0.50. All indicators have loading values above this threshold, indicating that they are valid measures of their respective latent variables. Therefore, the measurement model successfully meets the criteria for convergent validity. This table shows that all AVE values for this research variable are more than the standard, namely 0.5, so that all research variables can be declared valid and no indicators are eliminated from the research model. Data in this table also shows that all Cronbach's alpha values and composite reliability values are above 0.9. Research can be declared reliable if it meets the standard values, namely, Cronbach's

alpha > 0.6 and composite reliability value > 0.7 (Chin et al., 2008). This demonstrates that the instruments used in this study are not only valid but also highly reliable in measuring the constructs. With all variables surpassing the recommended thresholds, the measurement model proves to be robust and suitable for further structural analysis.

Discriminant Validity

Discriminant validity can be tested using two methods: cross-loading tables and Fornell-Larcker. The loading of an indicator on its construct is generally higher than all its cross-loadings with other constructs. Thus, the indicator is valid as the data meets the highest standard value for its own variable compared to others. Furthermore, the correlation of each variable with itself is higher than with other variables (Henseler et al., 2015), indicating validity as the data meets the standard correlation above that with other latent constructs. This ensures that each construct is distinct from others, contributing to the robustness of the measurement model and the accuracy, reliability, and credibility of the research results.

Data in Table 1 proves that the R-squared value of the word-of-mouth variable is 0.623, or read as 62.3% of Matahari Kapasan Store's word-of-mouth factor is influenced by service quality and sales promotions. The customer loyalty variable shows an R-squared value of 0.786, or read as 78.6% of the customer loyalty factor at Matahari Kapasan Store is influenced by word-of-mouth. In addition to R², predictive relevance can be efficiently determined using predictive sample reuse (Q²) techniques (Chin et al., 2008). The results of the Q² calculation using the Stone Geisser test produced a figure of 0.76, which indicates that the research model has a good predictive relevance value because it meets the standard Q² value > 0. Moreover, this confirms the robustness and validity of the proposed research model.

Hypothesis Testing Results

Table 2. Model testing results

Path	t-statistics	p-values	Result	Effect
H1. Service quality → Word-of-mouth	1.238	0.216	Not support	Direct
H2. Sales promotion → Word-of-mouth	6.094	0.000	Support	Direct
H3. Word-of-mouth → Customer loyalty	7.754	0.000	Support	Direct
H4. Service quality → Customer loyalty	3.148	0.000	Support	Direct
H5. Sales promotion → Customer loyalty	0.383	0.702	Not support	Direct
H6. Service quality → Word-of-mouth → Customer loyalty	1.221	0.223	Not support	Indirect
H7. Sales promotion → Word-of-mouth → Customer loyalty	4.508	0.000	Support	Indirect

Table 2 shows that service quality has a t-statistic value of 1.238 and a p-value of 0.216, which means that H1 is rejected, indicating that service quality has no effect on word-of-mouth. Sales promotion, on the other hand, has a t-statistic value of 6.094 and a p-value of 0.000, meaning that H2 is accepted, and sales promotion has a positive effect on word-of-mouth.

Word-of-mouth has a t-statistic value of 7.754 and a p-value of 0.000, indicating that H3 is accepted, and word-of-mouth positively influences customer loyalty. Service quality also has a t-statistic value of 3.148 and a p-value of 0.000, which means that H4 is accepted, and service quality positively impacts customer loyalty. These findings highlight the importance of sales promotion and service quality in fostering customer loyalty.

Sales promotion, however, has a t-statistic value of 0.383 and a p-value of 0.702, meaning that H5 is rejected, indicating that sales promotion does not directly influence customer loyalty. Service quality, through word-of-mouth as an intervening variable, has a t-statistic value of 1.221 and a p-value of 0.223, which means that H6 is rejected, suggesting that service quality, mediated by word-of-mouth, does not affect customer loyalty. However, sales promotion, through word-of-mouth as an intervening variable, has a t-statistic value of 4.508 and a p-value of 0.000, meaning that H7 is accepted, and sales promotion, mediated by word-of-mouth, positively affects customer loyalty of Matahari Kapasan Store.

DISCUSSION

Based on the results of the hypothesis test that has been carried out, it is stated that there is no positive effect between the service quality variable and the word-of-mouth variable. Customers may have experiences that are not very good or not too bad. In this situation, people may not feel compelled to share their experiences. When the experience is extremely good or bad, the effect of service quality on word-of-mouth may be more pronounced. The positive impact may not be realized even though Matahari Kapasan Store offers standard services, and customers are not aware of them, so it does not aggressively trigger word-of-mouth action. Previous research by Sanjaya (2018), Melastri and Giantiari (2019), and Ng et al. (2011) stated that service quality variables had a significant impact on word-of-mouth variables. However, the results of research by Wang (2011) and Dandis et al. (2022) state that the service quality variable does not have a consistent impact on the word-of-mouth variable.

Statistical results show a positive effect of sales promotion on word-of-mouth. When customers benefit from a promotion, they are more likely to share their pleasant experience. Consumers who feel they received good value are more inclined to tell others. This is supported by Hanaysha (2021), Langga et al. (2018), and Ratu et al. (2022), whose studies show that sales promotions impact word-of-mouth. As a result, effective sales promotions not only enhance customer satisfaction but also serve as a powerful tool for generating positive referrals, further strengthening the brand's reputation. Businesses can leverage this behavior by designing promotions that are not only appealing but also shareable.

The results of the hypothesis test also state that the word-of-mouth variable has a positive effect on customer loyalty at Toko Matahari Kapasan. The credibility and trustworthiness of a brand can be increased through positive information from word-of-mouth from colleagues, family, and friends. Customers are more likely to trust a brand and remain loyal when they hear other people's good experiences, as opposed to poor word-of-mouth. Customer loyalty can decrease if an unpleasant experience is widely reported and leaves a

lasting bad impression. This is in line with previous research by Ngoma and Ntale (2019), Tripathi (2017), and Manyanga et al. (2022), which shows the significant positive impact of word-of-mouth variables on customer loyalty. Furthermore, positive word-of-mouth can create a strong brand reputation, further enhancing customer retention.

The service quality variable on Matahari Kapasan Store customer loyalty was declared acceptable, indicating a positive effect on customer loyalty. Satisfied customers are more likely to stay, as they are less likely to switch to competitors. Companies with good service have a higher chance of attracting and retaining loyalty. This is supported by Islam (2012), Othman (2020), and Leninkumar (2016), whose studies consistently show that service quality significantly influences the customer loyalty variable. Furthermore, the strong relationship between service quality and customer loyalty emphasizes the importance of continuously improving customer experiences to maintain a competitive advantage.

Testing the fifth hypothesis shows that sales promotion has no positive effect on customer loyalty at the Matahari Kapasan Store. In competitive markets, where many companies offer similar promotions, customers may not see significant differences. Sales promotions often aim for short-term gains and may not address the factors behind lasting loyalty. Customers driven by discounts tend to form transactional relationships, lacking strong emotional ties and long-term commitment. These results are supported by Rojuee and Rojuee (2017), Nagar (2009), and Lin and Bowman (2022). Therefore, while sales promotions may attract short-term attention, they do not guarantee sustained customer loyalty. Companies must complement promotions with those variables to foster long-term relationships.

The service quality variable, through the intervening word-of-mouth variable, has no positive effect on customer loyalty at the Matahari Kapasan Store. This can be due to other, more complex points of view or aspects that have an impact on customer satisfaction. There are different impacts caused by the benefits of relationships on service quality, consisting of technical, functional, and relationship aspects that influence word-of-mouth behavior (Fadli and Lestari, 2022; Marcos and Coelho, 2022). Additionally, customers may not perceive the link between service quality and word-of-mouth as strong enough to translate into long-term loyalty, especially if other factors outweigh the influence. Factors such as product variety, pricing, or personal preferences may play a stronger role in shaping customer loyalty decisions.

Furthermore, the sales promotion variable through the intervening word-of-mouth variable has a positive effect on Matahari Kapasan Store's customer loyalty variable. Matahari Kapasan Store offers discounts with a certain minimum purchase, packaging, and delivery via instant courier and expedition into and out of town without additional costs, broadcast via WhatsApp, which is usually conveyed to customers via word-of-mouth, which refers to the customer loyalty of Matahari Kapasan Store (Randabunga et al., 2021; Hanaysha, 2021). This is supported by consistent results from previous research by Hanaysha (2021) and Ratu et al. (2022), which highlight the importance of promotional efforts and customer engagement. These findings further emphasize the crucial role of word-of-mouth communication in enhancing customer loyalty through effective sales promotions and personalized messaging strategies.

In the service quality variable, the Responsiveness indicator shows the highest standard deviation. I hope that in the future, Matahari Kapasan Store can improve the quality of service by responding to customers who order via WhatsApp, text, or telephone. Upon closer review, this occurred due to the limited number of workers; there is no special admin to reply to chats via WhatsApp. So, the best strategy that can be proposed is to increase the number of workers who act as admins who have the job description of responding to customers responsively. Apart from that, it would be more effective and efficient if Matahari Kapasan Store provided automated message answers to general questions that customers could receive directly.

The sales promotion variable indicator from the descriptive results shows that exploration has the highest standard deviation, which means that most of Matahari Kapasan Store's customers buy the same or repeated SKUs because they are not interested in trying other products. I hope that in the future, Matahari Kapasan Store can offer other available SKUs to avoid dead stock with bundling price promotions and certain minimum transactions, so that Matahari Kapasan Store can compete with competitors who offer similar promotions. Additionally, offering a wider range of products with varied promotional schemes could help attract more diverse customers and increase overall sales.

In the word-of-mouth variable, the indicator encouraging friends to do business has the highest standard deviation. The customer loyalty variable with the referrals indicator has the highest standard deviation. This is related to the previous variable, namely, encouraging friends or relatives to do business, which has a similar meaning. After further review, this happened for confidential reasons because Matahari Kapasan Store operates as a supplier, so customers do not need to share any information with other customers or Matahari Kapasan Store, ensuring privacy and confidentiality in business transactions.

The results show that the word-of-mouth variable has the highest influence on customer loyalty. Therefore, it can be stated that word-of-mouth techniques are still very relevant today and are an important factor for customers' loyalty to Matahari Kapasan Store. Word-of-mouth techniques can be verbal or visual (writing, images, videos) shared by customers online or in the form of suggestions and criticism submitted to the company personally. The results of the t-statistic test for the sales promotion variable show that there is no direct influence on customer loyalty, but if word-of-mouth is used as an intervening variable, there is a positive influence. This indicates that customers of Matahari Kapasan Store agree that sales promotions delivered using word-of-mouth techniques can be declared effective.

It is hoped that in the future, Matahari Kapasan Store will maintain what has been implemented currently and can periodically develop consistent sales promotion strategies with persuasive delivery techniques so that customers do not need to wait for a certain period to shop at Matahari Kapasan Store. These strategies can also include personalized offers based on customer preferences to increase engagement, emotional connection, and satisfaction. These results are in line with previous research by Hanaysha (2021), Langga et al. (2018), and Ratu et al. (2022), which emphasize the importance of continuous innovation in sales promotions to foster long-term customer loyalty and strengthen brand attachment.

Although the results show that service quality through word-of-mouth has no effect on customer loyalty, it doesn't mean service quality should be overlooked. Its impact on word-of-mouth communication may be more apparent in extreme cases—very positive or very negative. In this context, Matahari Kapasan Store provides a service experience that meets standards, making customers comfortable when visiting and interacting in a wholesale market setting, whether in person, by text, or by phone, and engaging in repeat transactions. Therefore, consistently maintaining high service standards will help prevent negative word-of-mouth and encourage positive referrals. Investing in service improvements could contribute to a stronger emotional connection with customers, increasing their loyalty in the long run. Additionally, continually monitoring customer feedback can help identify areas for improvement, fostering a customer-centric culture and ensuring long-term business sustainability.

The service quality in terms of tangibles, reliability, responsiveness, assurance, and empathy may be perceived as neutral, so individuals may not feel compelled to share their experiences. This contradicts previous studies by Sanjaya (2018), Melastri and Giantiari (2019), and Ng et al. (2011), which found an impact of service quality on word-of-mouth. The results indicate that service quality has a direct effect on customer loyalty. Creating emotionally engaging or memorable service moments could help strengthen customer impressions and encourage word-of-mouth sharing. Therefore, Matahari Kapasan Store is encouraged to enhance service quality to a more extreme level to trigger word-of-mouth behavior by exploring other service quality dimensions, ensuring sustainability and competitiveness in the market. The implication of this research is that Matahari Kapasan Store should enhance its service quality to a more optimal level by exploring additional dimensions of service quality, improving customer satisfaction and loyalty. This is essential to stimulate word-of-mouth behavior among customers, ultimately supporting business sustainability and increasing the store's competitiveness in a highly competitive market.

CONCLUSIONS

Based on the research findings, it was concluded that service quality does not affect word-of-mouth, while sales promotion has a significant effect on word-of-mouth. Word-of-mouth significantly influences customer loyalty, and service quality has a direct impact on loyalty. However, sales promotion does not directly affect customer loyalty, and service quality through word-of-mouth does not impact loyalty. On the other hand, word-of-mouth sales promotion significantly influences customer loyalty. It is recommended that Matahari Kapasan Store strengthen customer loyalty by maintaining its service quality and focusing on long-term sales promotion strategies. The word-of-mouth strategy remains relevant and effective and should be further developed. This research has some limitations, particularly the sample size and database access, which should be expanded in future research for more accurate results. Additionally, other factors influencing customer loyalty should be explored. Future studies could also investigate the role of digital platforms and online reviews in shaping customer perceptions and loyalty.

LIMITATION

This research has several limitations that should be considered. First, the study involved a limited sample of 84 respondents from a specific period (October to November 2023), which may not fully represent the entire customer base of Matahari Kapasan Store. Second, the focus was limited to the influence of service quality and sales promotion on customer loyalty through word-of-mouth without exploring other potential variables that impact loyalty. Third, using a cross-sectional design does not allow for long-term observation of customer behavior or the sustainability of relationships among the variables. Future research could expand the sample size, cover a broader time frame, and consider additional variables such as trust, customer satisfaction, digital engagement, or product quality to provide more comprehensive insights into factors influencing customer loyalty in the wholesale clothing industry.

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