

Analysis of the Influence of Service Quality on Customer Loyalty and Retention: Case Study on Tokopedia Services or Multinational Companies

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Abstract

This study aims to analyze the role of Service Quality in increasing Customer Loyalty and Customer Retention at Tokopedia. The method used in this study is structural analysis of the model using PLS SEM to test the relationship between variables, as well as a comparison of predictions using RMSE and MAE between the two models. The results of the study indicate that Service Quality has a significant effect on Customer Loyalty (path coefficient = 0.969) and Customer Retention (path coefficient = 0.652). Customer Loyalty also functions as a mediator that strengthens the relationship between Service Quality and Customer Retention with a path coefficient of 0.827. In addition, the PLS SEM model showed better performance compared to the LM model, with lower RMSE and MAE values for most of the indicators tested. These findings indicate that Service Quality is an important factor that can increase Customer Loyalty and Retention, and indicate that PLS SEM is more effective in predicting the relationship between variables compared to LM. This study provides practical implications for Tokopedia to improve service quality in an effort to retain customers and strengthen their loyalty..

Keywords : Service Quality, Customer Loyalty, Customer Retention

Introduction

Customer loyalty is critical to a company's sustainability, especially in the professional services industry, as it reflects customer satisfaction and their likelihood to continue engaging with the service. High levels of customer satisfaction are directly linked to increased loyalty, which is critical to long-term success (Nisa & Millati, 2021). An effective customer retention strategy is essential to maintaining a loyal customer base, as loyal customers not only contribute to consistent revenue but also lower marketing costs associated with acquiring new clients (Dimitrieska, 2024). Additionally, monitoring metrics such as Net Promoter Score (NPS) can provide insight into customer loyalty and areas for improvement, further supporting retention efforts (Nasir, 2017). Ultimately, cultivating customer loyalty through satisfaction and retention strategies is a cost-effective approach that benefits both the company and its customers (Kasemsap, 2017).

In the increasingly competitive professional services industry landscape, companies must

prioritize customer acquisition and retention. The costs associated with acquiring new customers can be much higher, often five to ten times more than retaining existing ones, making effective retention strategies critical to profitability (Zhang et al., 2024). Implementing personalized services and loyalty programs can increase customer satisfaction and loyalty, thereby reducing churn (Lianos & Sloev, 2016). Additionally, building a competitive advantage through unique offerings and exceptional service can help companies differentiate themselves and attract new clients while maintaining strong relationships with current customers (Shadrina, 2022).

To improve customer loyalty and retention, Tokopedia must adopt a multifaceted approach that integrates customer retention strategies, loyalty programs, and service quality improvements. Implementing personalized services and loyalty programs can significantly increase customer satisfaction and reduce acquisition costs, fostering long-term relationships with clients (Silalahi et al., 2024). Furthermore, focusing on improving service quality is essential, as it directly affects customer perception and can lead to increased retention rates (Nasir, 2017). Additionally, leveraging digital transformation will streamline operations and improve customer experience, allowing companies to remain competitive in a rapidly evolving market (Dimitrieska, 2024).

To improve customer loyalty and retention, it is important to measure service quality effectively. Utilizing service quality measurement tools, such as surveys and feedback forms, allows companies to gather valuable data on customer perceptions, identifying areas for improvement (Du & Tang, 2014). By implementing service quality models such as SERVQUAL, businesses can assess the gap between customer expectations and actual service delivery, allowing for targeted improvements (Kiran & Geetha, 2024). These improvements not only increase customer satisfaction but also foster loyalty through personalized service and rewards, as seen in effective customer loyalty programs (Venetis & Ghauri, 2004)..

Methods

This study uses a descriptive quantitative method. This approach aims to describe the phenomena that occur in the research object, namely the effect of service quality on Tokopedia customer loyalty.

The population in this study were Tokopedia customers who used Tokopedia services in the period January - March 2025. The sample of this study used a non-probability sampling technique with a purposive sampling approach, namely selecting customers who have used Tokopedia services in a certain period and can provide relevant information regarding the quality of service and their loyalty.

Research Variables

1. Independent Variable: Service Quality.

Service quality is an independent variable measured using the SQIP (Service, Quality, Image, Price) dimension.

2. Dependent Variable: Customer Loyalty.

Customer loyalty is the dependent variable in this study. Loyalty can be measured through two main aspects: Behavioral Loyalty and Emotional Loyalty.

3. Intermediate Variable: Customer Retention

Research Hypothesis

1. H1: Service quality (Service, Quality, Image, Price) has a significant influence on Tokopedia customer loyalty.

2. H2: Customer loyalty has a significant influence on Tokopedia customer retention.

3. H3: Customer loyalty mediates the relationship between service quality and Tokopedia customer retention.

Results and Discussion

1. Demografi Responden

Table1. Demografi Responden

Category	Range	Percentage	Number of Respondents
Age	18-24 years	30%	64
	25-34 years	25%	54
	35-44 years	20%	43
	45-54 years	15%	32
	55 years and above	10%	21

Gender	Male	55%	118
	Female	45%	96
Education	High School/Vocational High School	20%	43
	Diploma/Bachelor's Degree	60%	128
	Postgraduate Degree	10%	21
	Others	10%	22
Occupation	Student/College Student	10%	21
	Private Employee	30%	64
	PNS/TNI/Polri	20%	43
	Entrepreneur	25%	54
	Retiree	5%	11
	Others	10%	21
Frequency of Using Tokopedia Services	Very Often	25%	54
	Often (Several Times a Month)	40%	86
	Sometimes	25%	54
	Rarely	10%	21
Monthly Income	< 3,000,000	20%	43
	3,000,000 - 5,000,000	35%	75
	5,000,000 - 10,000,000	30%	64
	> 10,000,000	15%	32

Data source: 2025 data processing results

Based on the demographic data of respondents, the majority of respondents are from the 18-24 age group (30%), the 25-34 age group also contributed significantly (25%), Tokopedia users are dominated by men (55%), which shows that this service is more widely used by men, most likely for personal and business needs. However, the large proportion of women (45%) shows that this service is also widely used by women. 40% of respondents use Tokopedia services several times a month, while 25% use it almost every day. Most users feel that this service is very necessary in their daily activities. The majority of respondents have an income of IDR 3,000,000 - 5,000,000 (35%) and IDR 5,000,000 - 10,000,000 (30%), which shows that Tokopedia is widely used by the middle-income group, both for personal and business needs.

Measurement Model

Table 2 Measurement Model

Variable	Measurement Items	Indicator	Outer Loading	Cronbach's	Composite Reliability	AVE
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				Alpha		
(Service Quality)	SRV1	Skill and responsiveness of officers	0,903	0,984	0,985	0,804
	SRV2	Politeness and friendliness of staff	0,908			
	SRV3	Ease of accessing services	0,904			
	SRV4	Speed of service at the counter/delivery	0,888			
	QLY1	Timeliness of delivery	0,928			
	QLY2	Security and integrity of packages	0,903			
	QLY3	Consistency of service quality	0,927			
	QLY4	Accuracy of service information	0,884			
	IMG1	Trust in the company	0,915			
	IMG2	Positive reputation in the eyes of the public	0,893			
	IMG3	Innovation and modernization of services	0,863			
	IMG4	Social involvement / corporate responsibility	0,876			
	PRC1	Price suitability with service quality	0,883			
	PRC2	Competitive prices compared to other providers	0,908			
	PRC3	Cost transparency	0,871			
	PRC4	Ease of access to various price options	0,886			
Customer Loyalty	KP1	Overall satisfaction with the service	0,881	0,958	0,965	0,774
	KP2	Positive perception of the service experience	0,903			
	PU1	Intention to reuse Tokopedia services	0,863			
	PU2	Tendency not to switch to competitors	0,888			
	RK1	Willingness to recommend Tokopedia to others	0,853			
	RK2	Frequency of recommending Tokopedia	0,871			
	KMT1	Emotional attachment to Tokopedia	0,891			
	KMT2	Long-term commitment to Tokopedia	0,889			
Customer Retention	FU1	Intensity of repeated use of services	0,877	0,957	0,964	0,768
	FU2	Use of more than one Tokopedia service	0,877			
	DH1	Customer relationship of more than 1 year	0,893			
	DH2	Length of customers using Tokopedia services	0,868			

	PK1	Dependence on services Tokopedia	0,848			
	PK2	Considers Tokopedia important for daily needs	0,896			
	PH1	Barriers to switching to other services	0,858			
	PH2	Feels there are no comparable service alternatives	0,890			

The Service Quality variable has very good measurement. In particular, the SRV2 indicator (staff politeness and friendliness) with an outer loading of 0.908 indicates that staff politeness and friendliness are very important factors for customers in assessing service quality. In addition, indicators related to delivery timeliness (QLY1) and package security (QLY2) also have high outer loadings, namely 0.928 and 0.903, indicating that these factors greatly influence customer assessments of Tokopedia's service quality. In terms of reliability, Cronbach's Alpha of 0.984 and Composite Reliability reaching 0.985 indicate very good measurement consistency, while AVE of 0.804 indicates that 80.4% of the variation of the indicators used can be explained by the service quality variable. In terms of Customer Loyalty, indicators such as overall service satisfaction (KP1) and positive perception of service experience (KP2) show high outer loadings, namely 0.881 and 0.903, respectively. This shows that customer satisfaction with the service and their positive perception of the service experience play a very large role in increasing customer loyalty. The reliability of the customer loyalty measurement is also very good, with a Cronbach's Alpha of 0.958 and a Composite Reliability of 0.965. This shows that the customer loyalty measurement is reliable and consistent. In addition, the AVE of 0.774 shows that 77.4% of the variation in the loyalty indicators can be explained by the customer loyalty variable itself, indicating that this measurement has good explanatory power. For Customer Retention, indicators such as the intensity of repeated service use (FU1) and dependence on Tokopedia services (PK2) have high outer loadings, 0.877 and 0.896 respectively, indicating that the frequency of service use and customer dependence on Tokopedia services play a very important role in customer retention. In addition, barriers to switching to other services (PH1) also showed an outer loading of 0.858, indicating that barriers to switching to competitors are an important consideration in customer retention. The Cronbach's Alpha value of 0.957 and the Composite

Reliability of 0.964 indicate very good measurement reliability. The AVE of 0.768 indicates that 76.8% of the variation in retention indicators can be explained by the customer retention variable, indicating that this measurement is quite effective in explaining customer retention behavior..

Discriminant Validity

Table 3. Discriminant Validity

Fornell-Larcker Criterion

	LP Memoderasi Hub SQ Thdp Retensi	Customer Loyalty	Retention	Service Quality (X)
LP Memoderasi Hub SQ Thdp Retensi	1,000			
Customer Loyalty	0,094	0,996		
Retention	0,095	0,958	0,976	
Service Quality (X)	0,074	0,969	0,968	0,896

Heterotrait-Monotrait Ratio (HTMT)

	LP Memoderasi Hub SQ Thdp Retensi	Loyalitas Pelanggan	Retensi	Service Quality (X)
LP Memoderasi Hub SQ Thdp Retention				
Customer Loyalty	0,096			
Retention	0,096	1,000		
Service Quality (X)	0,075	0,998	0,997	

Service Quality has a square root of AVE value of 0.896, which is greater than the correlation with other constructs, indicating that Service Quality has good discriminant validity. This shows that service quality, which includes officer competence, staff politeness, and speed of service, is measured very well and can be clearly distinguished from other constructs.

For Customer Loyalty and Retention, the correlation between constructs is very low, 0.094 between Customer Loyalty and Retention, and 0.095 between Customer Loyalty and Service Quality. This shows that although there is a relationship between constructs, they can be clearly distinguished from each other, so that discriminant validity is maintained.

The HTMT results show very low values, namely 0.096 between Customer Loyalty and Retention, 0.075 between Customer Loyalty and Service Quality, and 0.096 between Retention and Service Quality. All of these values are much smaller than the threshold of 0.90, which means there is no significant overlap between the constructs. In other words, each construct in this model can be clearly distinguished and does not interfere with each other..

Model Structure Testing

Table 4. Model Structural Testing

Hypothesis	Path Coefficient	P Value	95% Confidence Interval		Test Results	VIF	F Square / Upsilon V	R Square
Direct Influence			Batas Bawah	Batas Atas				
Service Quality -> Customer Loyalty	0,969	0,000	0,961	0,975	Accepted	1,000	15,350	0,939
Service Quality (X) -> Retention	0,652	0,000	0,202	0,450	Accepted	2,829	0,458	0,943
Loyalitas pelanggan -> retention Customer	0,324	0,000	0,192	0,457	Accepted	2,901	0,113	
Indirect Effect								
Customer loyalty mediates -> service quality and retention	0,827	0,002	0,202	0,450	Accepted	1,014	0,444	

These results indicate that Service Quality has a very strong influence on Customer Loyalty with a very high path coefficient (0.969) and a very small p-value (0.000), indicating statistical significance. The 95% Confidence Interval also shows that the influence is very stable, with a lower limit of 0.961 and an upper limit of 0.975. A VIF of 1.000 indicates that there is no multicollinearity between the independent variables. A large F-square (15.350) indicates that the influence of Service Quality on Customer Loyalty has a very strong effect. An R-square of 0.939 indicates that 93.9% of the variation in Customer Loyalty can be explained by Service Quality, indicating that the influence of Service Quality is very large. The influence of Service Quality on Customer Retention is also significant with a path coefficient of 0.652 and a very small p-value (0.000). The Confidence Interval shows that this influence is in a stable range, between 0.202 and 0.450. A higher VIF (2.829) indicates

that there is a little multicollinearity, but it is still at an acceptable level. An F-square of 0.458 indicates that the influence of Service Quality on Customer Retention has a moderate effect. An R-square of 0.943 indicates that 94.3% of the variation in Customer Retention can be explained by Service Quality, indicating a very strong influence.

Customer Loyalty shows a significant influence on Customer Retention with a path coefficient of 0.324 and a very small p-value (0.000). The Confidence Interval between 0.192 and 0.457 indicates that this influence is quite stable. A slightly higher VIF (2.901) indicates that there is a little multicollinearity between the variables, but it is still within acceptable limits. A lower F-square (0.113) indicates that the influence of Customer Loyalty on Customer Retention is not as great as the other influences, although it is still significant.

Customer Loyalty serves as a strong mediator between Service Quality and Customer Retention with a path coefficient of 0.827, indicating that customer loyalty plays an important role in increasing customer retention through service quality. A very small P-value (0.002) indicates that this effect is statistically significant. The Confidence Interval indicates that the effect is quite stable with a lower limit of 0.202 and an upper limit of 0.450. A relatively low VIF (1.014) indicates no multicollinearity problem, and an F-square of 0.444 indicates a fairly strong effect of customer loyalty mediation..

2. PLS Predict

Table 5. PLS Predict

INDICATOR	Model PLS SEM		Model LM	
	RMSE	MAE	RMSE	MAE
KP1	0,369	0,297	0,393	0,315
KP2	0,405	0,333	0,410	0,323
PU1	0,396	0,315	0,410	0,306
PU2	0,390	0,318	0,422	0,335
RK1	0,420	0,342	0,437	0,353
RK2	0,383	0,306	0,404	0,316
KMT1	0,399	0,329	0,423	0,331
KMT2	0,398	0,326	0,421	0,338
FU1	0,379	0,304	0,402	0,319

FU2	0,406	0,333	0,412	0,338
DH1	0,403	0,333	0,427	0,347
DH2	0,392	0,315	0,412	0,324
PK1	0,354	0,276	0,385	0,298
PK2	0,386	0,310	0,404	0,322
PH1	0,436	0,352	0,456	0,374
PH2	0,392	0,320	0,413	0,337

From the results obtained, PLS SEM showed better performance than LM in terms of RMSE on most of the measured indicators. RMSE is a metric used to measure how much difference there is between the predicted value and the actual value, and the smaller the RMSE value, the better the prediction accuracy of the model.

For example, for indicator KP1 (customer satisfaction), PLS SEM has an RMSE of 0.369, while LM has an RMSE of 0.393. This shows that PLS SEM is more accurate in predicting customer satisfaction compared to LM.

Some indicators, such as PH1 (barriers to switching to other services), show a more significant difference between the two models. On PH1, PLS SEM has an RMSE of 0.436, while LM has an RMSE of 0.456. Although this difference looks small, these results still show that PLS SEM provides more accurate predictions on the indicator.

The MAE test results show that PLS SEM is also superior to LM on most indicators. For example, in the KP1 indicator, PLS SEM has an MAE of 0.297, while LM has an MAE of 0.315. This shows that PLS SEM has a smaller prediction error than LM. Other indicators, such as PH1, also show that PLS SEM has an MAE of 0.352, which is smaller than LM which has an MAE of 0.374. This shows that PLS SEM is more accurate in predicting customer barriers to switching to other services.

Conclusion

1. The Influence of Service Quality on Customer Loyalty and Retention

Service Quality has a very significant influence on Customer Loyalty with a path coefficient of 0.969 and on Customer Retention with a path coefficient of 0.652. This shows that the quality of

service provided by Tokopedia greatly influences the level of customer loyalty and retention. Indicators such as staff politeness, speed of service, and delivery security have been shown to have a major impact on influencing customer experience, which in turn influences customers' intention to continue using Tokopedia services.

2. The Influence of Customer Loyalty on Customer Retention

Customer Loyalty plays an important role in retaining customers with a path coefficient of 0.324. This shows that loyal customers will tend to continue using Tokopedia services. Although the influence of loyalty on retention is smaller than the influence of service quality, loyalty remains a significant factor in maintaining long-term relationships with customers.

3. The Mediating Role of Customer Loyalty

Customer Loyalty functions as a significant mediator between Service Quality and Customer Retention, with a path coefficient of 0.827. This shows that customer loyalty is not only directly influenced by service quality, but also plays a role in increasing customer retention. This provides evidence that efforts to improve service quality will be more effective in retaining customers if followed by increased loyalty. 4. Comparison of PLS SEM and LM Models Based on the results of PLS SEM and LM tests, the PLS SEM model proved to be superior in predicting indicators related to Customer Loyalty and Customer Retention. Testing using RMSE and MAE showed that PLS SEM produced smaller prediction errors than LM for most indicators. The PLS SEM model was able to provide more accurate predictions, with lower RMSE and MAE values in almost all indicators tested. Therefore, PLS SEM can be considered a more reliable and effective model for analyzing the relationship between variables in this study.

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