

Research/Review

The Influence of Customer Value and Service Quality on Customer Loyalty Mediated by Customer Satisfaction at BRI Bank, Tabanan Branch Office

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Abstract: Customer loyalty is a crucial pillar in the banking industry, especially amidst increasingly fierce competition and rapid digital transformation. Loyalty not only reflects brand attachment but also reflects the level of customer trust and satisfaction with the services provided. This study aims to analyze the role of customer value and service quality in building customer loyalty, with customer satisfaction as an intervening variable. The study was conducted at the BRI Tabanan Branch using a quantitative approach. The research sample consisted of 383 respondents selected using the Krejcie and Morgan formula. Data were collected through questionnaires, interviews, and documentation, then analyzed using path analysis to examine the direct and indirect relationships between variables. The results show that customer value and service quality significantly influence customer satisfaction. Both variables also have a direct effect on customer loyalty, while also exerting an indirect effect through customer satisfaction as a mediating variable. In other words, increasing perceived value and service quality not only drives satisfaction but also strengthens loyalty, both directly and through the effects of satisfaction. These findings emphasize the importance of strategies to increase value and service quality as an effort to maintain loyalty amid changing customer preferences and digital disruption. For banking practitioners, the implications of this research can serve as a reference in designing more personalized, value-oriented, and technology-based service programs to increase long-term customer retention and strengthen competitiveness in an increasingly competitive market.

Keywords: Banking Industry; Customer Loyalty; Customer Satisfaction; Customer Value; Service Quality

1. Introduction

Customer loyalty is a fundamental pillar in the banking industry, given the intangible and non-physical nature of financial services. In this sector, loyalty not only represents allegiance to a brand but also reflects customers' trust and satisfaction with the services they receive. Banks that are able to foster emotional connections and maintain consistent interactions with their customers tend to achieve higher retention rates and long-term benefits in terms of cost efficiency and asset stability.

The rapid expansion of Indonesia's banking industry highlights the growing significance of customer loyalty. The country's primary financial regulator has released data showing, national banking assets recorded a year-on-year (YoY) growth of 7.73%, reaching IDR 10.49 quadrillion. This growth reflects not only economic stability but also increasing public trust in the banking system. Conventional commercial banks recorded an asset growth of 7.26% (YoY), reinforcing the notion that customers are responding positively to the innovation and reliability of banking services. In this context, building loyalty is not merely a relational strategy but a crucial instrument for maintaining a competitive position in a dynamic market.

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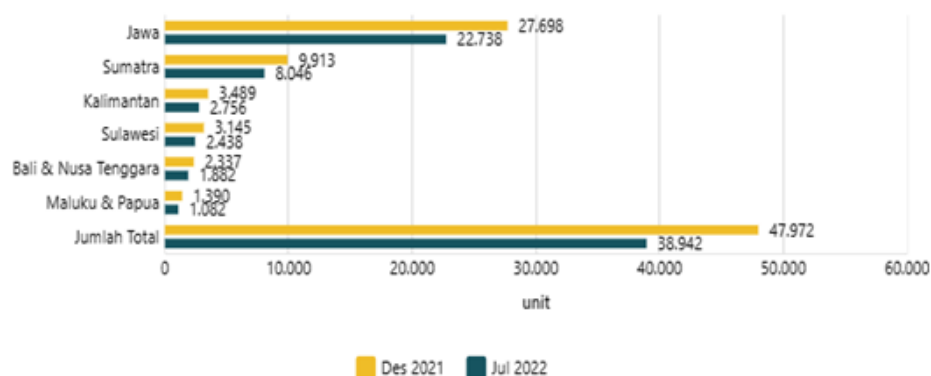


Figure 1. Number of Commercial Bank Branches in Indonesia by Region (December 2021–July 2022)

Nevertheless, digital transformation in the banking sector has also introduced new challenges. Since 2021, the downsizing of branch offices among commercial banks in Indonesia reflects a broader strategy aimed at maximizing operational efficiency, the integration of financial technology (fintech), and financial sector consolidation through mergers and acquisitions. This reduction in physical branches signals a shift toward a digital-first service paradigm, which necessitates new strategies for maintaining customer loyalty in the face of decreasing face-to-face interactions. Thus, banks must strengthen digital infrastructure, personalize services, and emphasize relationship quality through digital channels to remain relevant and competitive.

Customer value-based strategies offer a promising solution for sustaining customer loyalty. Relationship marketing and the enhancement of customer value are effective in building long-term loyalty. BRI Bank's Tabanan Branch, as the case study of this research, holds substantial potential for implementing such approaches through personalized services, transparent information, and a synergistic integration of digital and conventional customer experiences. A focus on customer value enables banks to deliver services that are relevant, adaptive, and sustainable in addressing customer needs.

Previous studies have shown that customer value, service quality, and customer as well as between satisfaction and loyalty satisfaction are substantially linked to loyalty; however, the findings are not always consistent. Some studies report that customer value positively influences the extent to which customers feel satisfied with the service or product, whereas others studies report otherwise, various studies have yielded contrasting conclusions regarding whether enhancements in service performance genuinely lead to improved customer contentment. These discrepancies indicate conceptual and methodological gaps in the literature that require bridging through contextual and integrative research.

To address these gaps, this study proposes an empirical approach based on quantitative analysis to examine the effects of customer value, service quality, and customer satisfaction on customer loyalty at BRI Bank's Tabanan Branch. Using a survey method with active respondents and inferential statistical techniques, the study aims to assess the extent to which these variables influence loyalty in the context of digitalized banking services. This approach allows for a more precise analysis of inter-variable relationships and provides deeper insights into financial consumer behavior.

By adopting a customer value-oriented lens, this research offers new insights that enrich scholarly discussions surrounding consumer loyalty practices in Indonesia's financial services landscape. Additionally, the findings are expected to offer strategic input for industry practitioners in designing customer service policies that emphasize retention. Practically, the study's results will assist banks in identifying key elements that need to be strengthened to enhance long-term customer relationships amid digital disruption and intensifying competition in financial services.

Each section of this paper serves a distinct analytical function. Initially, it explores foundational theories and prior empirical work to establish the conceptual lens of the study. Attention then shifts to the methodological approach, detailing how data were obtained and examined. This is followed by an in-depth presentation and interpretation of the research results. The final part synthesizes these findings to draw meaningful conclusions and

implications, followed by theoretical and practical implications, and concludes with suggestions for future research.

2. Proposed Method

To thoroughly explore the research questions, this study incorporates diverse methodological perspectives, combining statistical techniques with in-depth qualitative insights. The population consists of all customers of Bank BRI, Tabanan Branch, with the sample determined using the Krejcie and Morgan formula, resulting in a total of 383 respondents. The research utilized questionnaires, interviews, and document reviews as data collection methods. The data obtained were analyzed through path analysis employing the Partial Least Squares (PLS) approach.

3. Results and Discussion

Hypothesis testing in this study includes both direct and indirect effects. To evaluate the proposed hypotheses, the outcomes of data analysis conducted through SmartPLS 3.0 are illustrated in the diagram displayed in Figure 1 below:

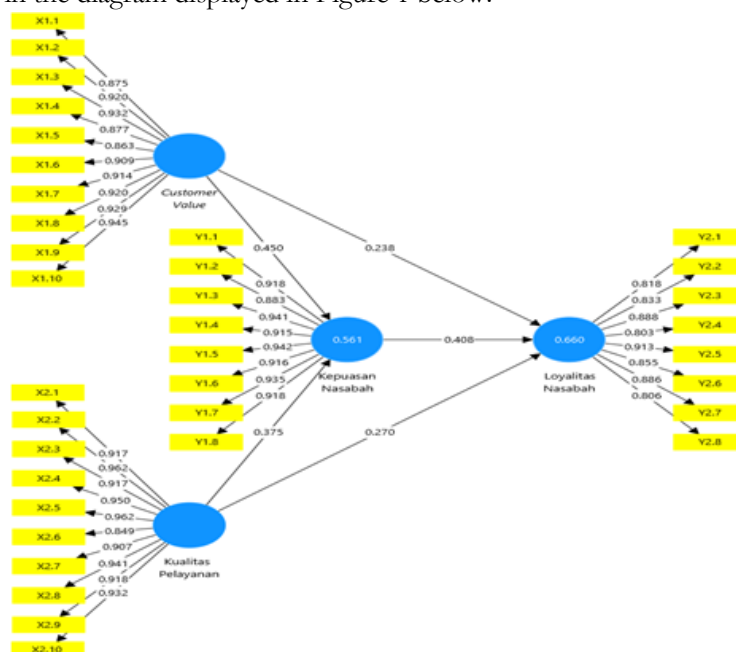


Figure 2. Path Diagram of the Relationship Between Variables

The analysis conducted through the utilization of SmartPLS version 3.0 yielded the following findings, as illustrated in Figure 1, a table outlining the relationships between variables can be constructed, as shown in Table 2 below.

Table 1. Relationships Between Variables

	Original Sample (O)	T Statistics	P Values
Customer Value → Customer Satisfaction	0.450	9.600	0.000
Service Quality → Customer Satisfaction	0.375	8.760	0.000
Customer Value → Customer Loyalty	0.238	5.766	0.000
Service Quality → Customer Loyalty	0.270	6.059	0.000
Customer Satisfaction → Customer Loyalty	0.408	8.298	0.000
Customer Value → Customer Satisfaction → Customer Loyalty	0.184	5.940	0.000
Service Quality → Customer Satisfaction → Customer Loyalty	0.153	6.733	0.000

Source: Processed data, 2025

Table 1 presents the results of hypothesis testing, outlining the nature of the relationships among the examined variables:

- **Effect of Customer Value on Customer Satisfaction**
Based on the statistical output, customer value demonstrates a meaningful contribution to enhancing customer satisfaction. This is reflected in the empirical indicators, where the influence magnitude reaches 0.450, supported by a high t-value of 9.600 and a significance score well below the 0.05 benchmark. These empirical findings lend strong support to the proposed first hypothesis, affirming a constructive link between perceived value and satisfaction levels.
- **The Influence of Service Excellence on Client Contentment**
The data analysis indicates that service quality contributes positively to customer satisfaction, as reflected in a standardized coefficient approaching 0.38. Furthermore, the t-value, which exceeds 8.7, and a p-value recorded at less than 0.001, confirm that this relationship is statistically significant. These findings substantiate the second hypothesis, emphasizing that improved service quality tends to enhance customer satisfaction.
- **Assessing the Role of Customer Value in Fostering Loyalty**
Based on the statistical analysis, customer value was found to play a crucial role in enhancing customer loyalty. This is reflected in the standardized path coefficient, which reached approximately 24%, with a t-statistic exceeding 5.7. The probability value obtained was less than 0.001, highlighting a strong level of statistical significance. These empirical outcomes lend support to the third hypothesis (H3), which proposes a favorable relationship between the perceived value by customers and their loyalty behavior.
- **Analyzing How Perceived Service Performance Shapes Long-Term Customer Commitment**
Based on the analysis, the influence of service quality on customer loyalty is evident through a standardized coefficient of approximately 27%. The statistical output further indicates a t-value exceeding 6, with a p-value well below the 0.05 significance level. These metrics demonstrate that improved service quality significantly enhances customer loyalty, thereby validating the fourth hypothesis in the study.
- **The Influence of Customer Contentment on Brand Commitment**
Evidence from the empirical results highlights a strong and meaningful link between customer satisfaction and loyalty. With the path coefficient nearing 0.41, a t-value slightly above 8.2, and a p-value less than 0.001, the analysis confirms a statistically significant positive association. These findings substantiate Hypothesis 5 (H5), emphasizing that greater satisfaction among customers leads to heightened loyalty.
- **Customer Satisfaction as a Pathway Linking Perceived Value to Loyalty**
Empirical evidence demonstrates that customer value indirectly contributes to enhancing customer loyalty when mediated by customer satisfaction. This conclusion is supported by a pathway estimate close to 0.18, a t-statistic nearing 5.94, and a significance value lower than 0.01, indicating a robust and meaningful relationship. Thus, the results reinforce Hypothesis 6, which suggests that customer value fosters greater loyalty through the influence of satisfaction.
- **The Influence of Service Quality on Customer Loyalty Mediated by Customer Satisfaction**
The results indicate a standardized path coefficient of 0.15, accompanied by a t-statistic approximately equal to 6.7, with a p-value less than 0.001. These statistics confirm that the quality of service significantly enhances customer loyalty indirectly through the mediation of customer satisfaction. Consequently, this finding validates Hypothesis 7 (H7), which proposes that customer satisfaction serves as a mediator in the positive relationship between service quality and customer loyalty.

4. Conclusions

The research results highlight that customers' perception of value alongside the excellence of service delivery significantly boosts their overall satisfaction. In addition, these factors value perception, service excellence, and satisfaction play a vital role in encouraging customers to remain loyal. Notably, customer satisfaction acts as a crucial link that strengthens the connection between perceived value, service quality, and loyalty. These results

emphasize the interconnectedness of perceived value, service performance, and emotional response in shaping long-term customer relationships. They also reflect the growing relevance of customer-centered strategies in an increasingly digitalized banking environment. By providing empirical evidence from a real-world banking context, this study offers practical insights that can inform strategic service design and customer engagement initiatives.

Despite its contributions, the study's scope is limited to a single bank branch, which may affect the scope of the study's results. Subsequent studies may broaden the scope of the analysis across different regions or banking institutions and explore additional variables such as digital experience or trust to deepen understanding of loyalty formation in financial services.

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