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The Role of Customer Satisfaction in Mediating The Influence of Service Quality and Price on Customer Loyalty in Retail Companies

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ABSTRACT

This study aims to analyze the influence of service quality and price on customer loyalty with customer satisfaction as a mediating variable in retail companies in Klungkung Regency. The population of this study is all consumers who shop at retail companies in Klungkung Regency. The sample used was 102 respondents from consumers in retail companies in Klungkung Regency. The data collection method is to use a survey ketode with a questionnaire as a research instrument. The analysis technique used to answer the hypothesis is inferential statistical analysis using Partial Least Square (PLS). The results of the study found that service quality has a significant positive effect on customer loyalty, price has a significant positive effect on customer loyalty, service quality has a significant positive effect on customer satisfaction, price has a significant positive effect on customer satisfaction, customer satisfaction has a significant positive effect on customer loyalty, customer satisfaction is able to mediate part of the relationship between service quality and customer satisfaction. customer loyalty, and customer satisfaction are able to mediate part of the price relationship to customer loyalty in retail companies in Klungkung Regency.

INTRODUCTION

The retail sector is an important part of the national economic structure because it provides goods and services directly to the end consumer for personal needs (Kotler, 2016: 549). This activity is very crucial in meeting people's daily needs, such as rice and instant noodles, making the community highly dependent on retail sellers (Shantilawati et al., 2024). In the context of the modern economy, retail is not only an intermediary between producers and consumers, but also reflects people's ever-growing purchasing power and preferences. Population growth, urbanization, and digitalization are driving the diversification of retail formats, from traditional markets to e-commerce. This is also supported by an increasing middle class, the consumption patterns of millennials and Gen Z, and digital infrastructure that facilitates transactions (www.bisnis.com). According to BPS, the large trade and retail sectors, including retail, consistently contribute more than 12% to Indonesia's GDP (www.bps.go.id).

Retail growth is also reflected in Bali Province which has a high consumption rate as a tourism area. In the third quarter of 2024, Bali's economy grew by 5.43%, exceeding the national average of 4.95%, thanks to the recovery of the post-pandemic tourism sector which helped boost the retail sector (www.bps.go.id). Bali's Gross Regional Domestic Product (GDP) also increased to Rp42.4 trillion (www.nusabali.com), reflecting the increasing purchasing power of the people. Despite having great opportunities, the retail sector also faces serious challenges in the form of very tight market competition. The large number of local and international retailers encourages companies to continue to innovate in terms of service, pricing, and marketing. Consumers are now increasingly selective and demand a satisfying shopping experience, so that customer loyalty no longer arises automatically from transactions alone, but is the result of a long-term relationship between customers and companies. Increasingly intense retail competition makes retaining customers much more difficult than attracting new ones. Customers have a lot of options and are likely to move to retail that offers more value. Therefore, loyalty is a crucial strategic asset because it can drive repeat purchases, word-of-mouth promotions, and reduce marketing costs.

According to Customer Loyalty Theory, loyalty is formed from positive experiences, repeated satisfaction, to the emergence of emotional bonds and commitment to the brand. This loyalty makes a great contribution to the revenue and sustainability of the retail business in the long run, because loyal customers not only return to buy, but also recommend the company to others. Therefore, it is important for retail companies to focus on quality service, reasonable prices, and a good shopping experience to keep customers loyal. This research is directed at retail companies in Klungkung Regency, which also show significant growth despite being in an area with a smaller economic scale than Denpasar or Badung. This growth includes supermarkets, minimarkets, and modern retail outlets both in mainland and archipelago areas such as Nusa Penida. Based on the *Retail Life Cycle theory*, Klungkung retail is now in the expansion stage and is starting to compete with the traditional market that has already existed. According to data from www.beritaklungkung.com, between 2022 and 2024 there will be a surge in the number of modern minimarkets and supermarkets in Klungkung, reaching more than 225 units on the mainland and dozens on the islands. This leads to fierce competition, both in terms of price, service, and location. Customers easily switch to other stores without long-term attachments, especially if they experience dissatisfaction or are interested in promotions from competitors. Consumers are also more likely to choose momentary convenience over long-term shopping experiences, while most local retailers have not optimized customer retention strategies. The following is some local and modern retail data in Klungkung Regency presented in Table 1.

Table 1. Observation Results of the Number of Local and Modern Retail in Klungkung in 2024

District	Retail type	Retail name	Year of establishment	Sum
Klungkung	Modern Retail	Alfamart Semarapura, Indomaret Puputan	2018, 2020	5
	Local Retail	Shop Sari Dewi, UD Makmur Jaya	2005, 2010	18
Banjarangkan	Modern Retail	Alfamart Tusan, Indomaret Takmung	2019, 2022	3
	Local Retail	UD Jaya Sentosa, Bu Sari Shop	2007, 2015	12
Dawan	Modern Retail	Indomaret Dawan Kelod	2021	2
	Local Retail	UD Surya Abadi, Independent Utility Shop	2003, 2011	10
Nusa penida	Modern Retail	Alfamart Toyapakeh	2023	1
	Local Retail	Putra Nusa Shop, UD Giri Agung	2008, 2016	14

Source: Results of Researchers' Observations (2025)

Based on the results of observations in 2025 in Klungkung Regency, the retail distribution includes modern and local retail in all sub-districts. Klungkung District has the largest number of retailers with 5 modern retailers such as Alfamart Semarapura and Indomaret Puputan, as well as 18 local retailers such as Toko Sari Dewi and UD Makmur Jaya. Banjarangkan District has 3 modern retailers and 12 local retails, while Dawan District records 2 modern retailers and 10 local retails. In Nusa Penida District, there is 1 modern retailer, namely Alfamart Toyapakeh and 14 local retailers such as Toko Putra Nusa and UD Giri Agung. In general, local retail still dominates despite the increasing expansion of modern retail, especially in urban and tourist areas. This condition makes the competition between modern retailers even tighter, marked by the entry of new players such as MR. DIY. As a result, modern retail must face a huge challenge to maintain and increase customer loyalty. In relation to loyalty, the researcher also observed aspects of service quality and price in modern and local retail, as shown in Table 2.

Table 2. Results of Observation of Retail Service Quality in Klungkung Regency

Yes	Service Indicators	Alfamart Semarapura (Modern Retail)	Sari Dewi Shop (Local Retail)
1	Tangible	Neat, clean, air-conditioned, regular storefronts	Compact, non-air-conditioned, makeshift layout
2	Reliability	Fast transactions, stable stock	Stock is sometimes empty; service depends on staff
3	Responsiveness	Employees are quick to serve and friendly	Service depends on the owner, sometimes slow
4	Assurance	Officers wearing uniforms and ID cards	Not in uniform, informal communication
5	Empathy	Formal greeting standards, public service	More personalized service, familiar with regular customers

Source: Results of Researchers' Observations (2025)

The results of observations in Table 1 show that modern retailers such as Alfamart Semarapura have consistent and professional services, characterized by store cleanliness, efficient transactions, and uniformed and trained staff. The service is formal and equal to all customers. In contrast, local retailers such as Toko Sari Dewi offer more personalized but less consistent service, with a dense store layout and services depending on the owner or permanent employees. Although the queue system is unclear, local retailers show a higher level of familiarity and empathy due to the informal social connections. In addition to the service aspect, the researcher also observed the price factor in shaping customer loyalty, as shown in Table 3.

Table 3. Results of Price Comparison Observation between Modern Retail and Local Retail in Klungkung Regency

Yes	Product	Modern retail	Local retail	Price difference	Information
1	Indomie Goreng	IDR 3,300	IDR 3,000	IDR 300	Local retail is cheaper
2	Lifebuoy Soap 75gr	IDR 4,500	IDR 5,000	IDR 300	Modern retail is cheaper
3	Aqua 600ml	IDR 3,800	IDR 3,500	IDR 300	Local retail is cheaper

Source: Results of Researchers' Observations (2025)

Based on Table 3 which presents the results of price comparison observations between modern retail (Alfamart) and local retail (Toko Sari Dewi) in Klungkung Regency, it can be seen that there are price differences in several daily necessities products. Indomie Goreng products are sold at a price of IDR 3,300 at modern retail, while at local retailers it is only IDR 3,000. Thus, local retailers offer a cheaper price of IDR 300 for the product. The same thing is also found in the Aqua 600 ml product, where local retailers sell it for IDR 3,500, while modern retailers set a price of IDR 3,800. However, in the 75-gram Lifebuoy soap product, it was found that modern retailers set a lower price, which is Rp4,500, compared to local retailers who sell it for Rp5,000. This difference indicates that modern retail can provide more competitive prices on certain products, which can be due to distribution efficiency, promotional programs, or larger purchase scale. Overall, the results of these observations show that the price difference is highly dependent on the type of product and the pricing strategy of each retailer. Therefore,

consumers in Klungkung Regency have a tendency to compare prices before making a purchase, especially on products available at various types of retail.
Based on the results of observations on the aspects of service quality and price in retail in Klungkung Regency, it can be understood that there are interesting dynamics in modern and local retail business strategies. Local retailers tend to excel in terms of emotional closeness and more affordable prices for certain products, while modern retailers offer more consistent and professional standards of service. This difference reflects the diversity of consumer preferences in choosing a place to shop, which is not only influenced by price alone, but also by the service experience received. Therefore, to understand customer loyalty more comprehensively, it is necessary to further analyze how customer perception of price and service quality can affect their level of satisfaction and loyalty to the chosen retail.
Research conducted by Shen & Yahya (2021) and Amryyanti et al. (2021); stating that service quality, price, and customer satisfaction are determining factors for customer loyalty. Quality is a form of measuring the value of a service received by consumers and the dynamic conditions of a product or service to meet consumer expectations. Regarding the quality of service, Kavitha & Gopinath (2020) define that service is any action or performance that one party can offer to another party that is basically intangible and does not result in any ownership. The higher the quality of the service provided, the customer's expectations for the desired service will be achieved and will create satisfaction in the minds of customers. This satisfaction will later lead customers to have a sense of loyalty to a product or brand. This indicates that the higher the quality of the service provided, it will bring an increase in customer loyalty to a brand or product.

Research conducted by Kavitha & Gopinath (2020) shows that the quality of service has a positive effect on customer loyalty where the higher the quality of service provided to customers, the more customer loyalty will increase. The results of the research in line were also carried out by Sitinjak (2020); Thi *et al.* (2020), Velazquez *et al.* (2021), and Fida *et al.* (2020) which found that service quality significantly increases customer loyalty. This indicates that when the service provided is getting better, it will be followed by an increase in customer loyalty. However, in contrast to research conducted by Abdullah *et al.,* (2024) which found that service quality has no effect on customer loyalty. These results are also in line with research conducted by Agiesta et al., (2021) which found that service quality has no effect on customer loyalty. This indicates that if the services provided do not make customers feel emotionally or psychologically satisfied, then the service is less likely to encourage customers to be loyal. This result is also explained in a study conducted by Handayani & Prawiro (2023) which found that service quality does not have a significant effect on customer loyalty.

In addition to service quality, price is also a determining factor in customer loyalty. Price is the amount of money exchanged for a product or service (Kotler & Armstrong, 2018). In this case, a consumer or customer is likely to choose a product that offers a price that matches the benefits obtained from the product. When customers judge that the price offered is fair, competitive, and proportional to the benefits obtained, a positive attitude towards the company will be formed, which encourages the intention to remain loyal and make repeat purchases. Reasonable price perceptions also reinforce subjective norms, as customers tend to recommend products or services that are not only of high quality, but also have high economic value. On the other hand, if customers feel that price gives them control over the purchase decision without incurring financial burdens, then their perception of behavioral control increases, which reinforces the intention to remain loyal. In other words, consumers tend to spend money to buy products that match the quality and benefits obtained from the product. The better and more accurate the price offered by a company for products with appropriate product quality and benefits, consumers will be more likely to buy again. This means that when the price offered is getting better and in accordance with the quality and benefits of the product, consumers will be more likely to be loyal to the product even though there are similar products at a cheaper price but with a much different quality.

Research by Shen & Yahya (2021) shows that price has a positive and significant effect on customer loyalty, which shows that the better the price offered tends to increase customer loyalty. In line with the results of the study, research conducted by Elgarhy & Mohamed (2023); Wiguna & Padmantyo (2023); Rahellea & Rianto (2023); and Hidayati & Qomariyah (2023) who found that price has a positive and significant effect on customer loyalty. This indicates that the more appropriate the price offered to customers with the benefits and functions of the product obtained, it tends to bring an increase in customer loyalty. However, the results of a different study conducted by Nuranti *et al.,* (2023) found that price does not have a significant influence on customer loyalty. Nuanti *et al.,* (2024) stated that even though the price offered by the company is considered competitive or affordable, it does not necessarily make customers loyal. Customers may feel that the price is appropriate, but they don't necessarily have an emotional attachment or a strong desire to continue shopping at the same place. Fitriani & Hakim (2024) also found that price has a negative influence on customer loyalty, which is because customers feel that the price offered is not proportional to the quality of service or work received.

Determining customer loyalty is also determined by customer satisfaction. Customer satisfaction reflects a customer's positive evaluation of the consumption experience that directly influences the attitude and intention to continue using the product or service. When customers feel satisfied, they tend to develop an emotional and rational commitment to the company, which ultimately manifests in loyal behaviors such as making repeat purchases, rejecting offers from competitors, and recommending the company to others. This indicates that satisfaction shapes positive attitudes, reinforces intent, and underlies consistent consumer behavior, so companies need to actively manage customer experiences to build ongoing loyalty and create long-term competitive advantages. Research conducted by Zahara (2020) found that customer satisfaction has a positive effect on customer loyalty, where when customer satisfaction increases, customer loyalty also increases. In line with the results of the study, research conducted by Sitinjak (2020); Siagian (2020); Budiarti (2020); Thi *et al.* (2020); and Fida *et al.* (2020) which found that customer satisfaction has a positive and significant effect on customer loyalty. This means that the higher the level of satisfaction felt by customers is likely to increase customer loyalty. Wijayanti & Santoso (2020) stated that customers who feel satisfied after using a product or service do not necessarily have an emotional attachment or long-term commitment to continue using the same product. Satisfaction in this context tends to be transactional and short-term. As a result, customers remain open to trying out other brands, especially if they are offered more attractive promotions or a better experience

Given the importance of customer loyalty in achieving business success, it is necessary to conduct a study of factors that can affect customer loyalty. Moreover, the importance of quality service for customers, the right price suitability, and the achievement of customer satisfaction, this can have an impact on achieving customer loyalty. Therefore, the researcher is currently conducting a review of customer loyalty, especially in retail companies in Klungkung Regency by using customer satisfaction as a mediation variable. The use of customer satisfaction as a mediating variable provides a more comprehensive understanding of how customer satisfaction can determine the influence between factors such as service quality and price on customer loyalty. Customer satisfaction was chosen as a mediating variable because customer satisfaction is an affective response to the evaluation of the experience of using a product or service by a customer. When customers receive good service and reasonable prices, customers will evaluate it in the form of satisfaction. The higher the customer satisfaction, the more likely it is to increase customer loyalty. In other words, customer satisfaction serves as a mechanism that connects and amplifies the influence of those factors on customer loyalty, so mediation analysis can reveal deeper and more dynamic causal relationships in the consumer decision-making process. Therefore, the current research takes the topic "The Role of Customer Satisfaction in Mediating the Influence of Service Quality and Price on Customer Loyalty in Retail Companies in Klungkung".

LITERATURE REVIEW

Customer Value-Based Theory

Customer Value-Based Theory emphasizes that customer value, which is the customer's perception of the benefits obtained compared to the sacrifices made such as money, time, and effort, is the main factor that influences purchasing behavior and consumer loyalty (Zeithaml, 1988; Woodruff, 1997). These values include not only functional aspects, but also emotional and symbolic aspects (Sweeney & Soutar, 2001). In the context of modern marketing, particularly digital and e-commerce, this theory encourages companies to create and deliver value that is superior to competitors through a deep understanding of customer needs (Kotler & Keller, 2016). The quality of service and price play an important role in shaping the perception of that value. Superior service provides comfort and trust, while reasonable prices increase positive perception. When the benefits are perceived to be proportionate to or exceed the sacrifice, customer value will increase, which in turn affects satisfaction. It is this satisfaction that bridges the perception of value and customer loyalty. Thus, this theory underlies the assumption that service quality and price have an indirect effect on customer loyalty through satisfaction as a mediating variable.

Customer Loyalty

According to Trisusanti (2017:102), customer loyalty is defined as repeated purchase behavior by customers over a certain period of time, which is carried out consistently against products or services from a certain company. Razak (2018:94) added that loyalty reflects a customer's deep commitment to continue using the product or service in the future despite the influence of the situation and competitors' efforts. Priansa (2017:133) explained that customer loyalty is reflected in positive attitudes and repurchase behaviors that are carried out continuously. Loyalty is more emphasized on real actions than just attitudes, because satisfaction alone does not necessarily guarantee loyalty (Kotler & Keller, 2018:215). Therefore, customer loyalty can be inferred as a form of long-term commitment of a customer to a product or service that is demonstrated through voluntary repeated purchase behavior over a certain period of time.

Indicators of customer loyalty according to Iqbal et al., (2021:66) include:

1. Repurchase intent, which is the customer's desire to continue using the product or service
2. Intention to recommend to others
3. Brand loyalty, i.e. customer loyalty despite the many options available

Sok & Phon (2025) add that loyalty is also measured by (1) user satisfaction, (2) intention to reuse, and (3) repeat use over a period of time. Referring to the research of Azizah & Hadi (2020), Mardian & Muhammad (2020), and Pangesti et al. (2024), the indicators of customer loyalty in the context of retail companies in Klungkung Regency, namely:

1. Loyalty to using the product despite other alternatives
2. Long-term commitment to the company
3. Primary preference for a particular product or brand
4. Voluntary repurchase frequency.

Quality of Service

Service quality is one of the important factors that plays a role in creating customer satisfaction and loyalty. Pratama et al., (2023) explain that service quality is an important root that is able to provide customer satisfaction, which is closely related to word-of-mouth behavior such as complaints and recommendations. According to Kasmir (2017), service is an action to provide customer satisfaction, while Rusydi (2017) emphasized that service quality is the company's ability to provide the best service compared to competitors. Tjiptono (2019), Wiratama et al. (2024) added that service quality includes the level of excellence that is expected and controlled to meet customer desires. Based on this opinion, service quality can be concluded as the company's ability to create satisfaction through quality service, both verbals, written, and actionable.

Kotler & Keller (2018) put forward five main dimensions in service quality, namely:

1. Tangibles, physical evidence in the form of facilities and employee appearance
2. Reliability, the ability to provide services accurately and reliably

3. Responsiveness, responsiveness in helping customers quickly
4. Assurance, a guarantee in the form of skills and knowledge to provide a sense of security
5. Empathy, attention and concern for customers personally.

A number of studies have also formulated indicators to measure service quality. Pratama et al., (2023) identified indicators in the form of waiting time, communication relationships, and service reliability. Hudhori et al., (2024) added aspects such as facility cleanliness, service accuracy, staff responsiveness, good manners, and personal attention. Nizwa et al., (2024) mention indicators such as standard procedures, cost certainty, trust in staff, speed of response, and supporting facilities. Based on the synthesis of the three sources, this study adopts service quality indicators that refer to the dimensions of SERVQUAL, namely:

1. Tangibles (employee appearance)
2. Reliability (precision of service)
3. Responsiveness
4. Assurance (a service that provides a sense of security)
5. Empathy (service without discrimination).

Service quality plays an important role in creating customer loyalty. The higher the quality of the service, the more likely customers are to feel satisfied and loyal to a brand or service. In the view *of Customer Value-Based Theory*, customers will be loyal if the value they receive is higher than the sacrifice made (Zeithaml, 1988; Woodruff, 1997). Positive experiences gained from quality service will increase satisfaction and strengthen loyalty emotionally and behaviorally. Research by Kavitha & Gopinath (2020) shows that reliability, accuracy, and friendliness of service have a positive effect on loyalty. Sitinjak (2020) also stated that good service builds brand loyalty directly. Similar findings were obtained from research by Thi et al., (2020) in the Southeast Asian hospitality sector, Velazquez et al. (2021) in the Mexican restaurant industry, and Fida et al., (2020) in Oman's Islamic banking.

Service quality is also a major determinant in shaping customer satisfaction. *Customer Value-Based* Theory states that customers will be satisfied if the benefits obtained are equal to or exceed the sacrifices made (Zeithaml, 1988; Woodruff, 1997). When the service is able to meet or exceed customer expectations, the perceived value increases and gives rise to satisfaction. Laely et al.'s (2020) research on McDonald's Kediri shows that reliability and empathy affect customer satisfaction. Maimunah (2020) emphasized that the five dimensions of SERVQUAL significantly increase customer satisfaction of Bank Panin Syariah. Other research such as Velazquez et al. (2021), Hu et al. (2023), Isnaini et al. (2025), and Aprelyani (2025) also proves that service quality has a major impact on customer satisfaction in various service sectors. Based on the theory and several previous researchers, the following hypothesis was formulated:

H1: The quality of service has a positive and significant effect on customer loyalty.

H3: The quality of service has a positive and significant effect on customer satisfaction.

Price

Price is an important element in a marketing mix that is flexible and can change depending on the time and place. According to Kotler & Armstrong (2018), price is not just a number listed, but the amount of money that consumers exchange for the benefits of a product or service. Tjiptono (2018) states that price is a monetary unit that is exchanged to obtain rights to a good or service. From this understanding, price includes production costs, sacrifices, and company profits. Each company sets a price based on the goals it wants to achieve and the predetermined market position. According to Dharmmesta & Irawan in Gamal Thabroni (2022), there are several factors that affect prices, namely:

1. The state of the economy, especially during a recession
2. Supply and demand
3. Demand elasticity
4. Competition level
5. Production costs

Hermawan et al., (2025) identified four main indicators in price measurement, namely: price relative to competitors, price affordability, price flexibility, and price transparency. Meanwhile, Septyadi et al., (2025) added indicators such as cost and benefit alignment, product value suitability, and clarity of price components. Referring to research conducted by Kotler & Armstrong (2022), Hermawan et al. (2025), and Septyadi et al. (2025), this study uses four main price indicators, namely:

1. Price affordability, i.e. price conformity with consumer purchasing power
2. Price conformity with product quality, where price is used as a quality indicator
3. Price fit with benefit, which assesses how much the benefit compares to the costs incurred
4. Price competitiveness, which is the comparison of prices with similar products in the market.

Price plays an important role in creating customer loyalty. In the view of *Customer Value-Based Theory*, customers will be loyal if they feel that they are getting value that is commensurate with or greater than the sacrifice made (Zeithaml, 1988; Woodruff, 1997). This value is reflected when the price is considered fair, reasonable, and in accordance with the quality of the product or service received. A positive perception of price creates a valuable buying experience, thus driving customer loyalty. Even if the price is not cheap, as long as consumers feel they are getting *value for money*, they tend to remain loyal. Conversely, a perception of price that is not proportional to the benefits can weaken loyalty. Research by Shen & Yahya (2021), Elgarhy & Mohamed (2023), Wiguna & Padmantyo (2023), Rahellea & Rianto (2023), and Hidayati & Qomariyah (2023) supports that competitive and benefit-based pricing can increase loyalty across various sectors. Price is also a strategic factor in shaping customer satisfaction. According to *the Customer Value-Based Theory*, satisfaction is formed when customers feel that they are getting equal or higher benefits from the sacrifices they make, where price is the main form of the sacrifice (Zeithaml, 1988; Woodruff, 1997). If the price is considered reasonable, affordable, and comparable to the quality of service, then the perception of value increases and results in satisfaction. Conversely, inappropriate prices lower the perception of value and negatively impact satisfaction. Research by Zietsman et al. (2022), Shen & Yahya (2021), Elgarhy & Mohamed (2023), Hermawan et al. (2025), Sari & Tooy (2024), Sari & Setiawan (2021), Rismawati et al. (2021), and Kuswandi & Nuryanto (2021) shows that good price perception consistently improves customer satisfaction across various industries.

Based on the theory and research results, the following hypotheses were formulated:

H2: Price has a positive and significant effect on customer loyalty.

H4: Price has a positive and significant effect on customer satisfaction.

Customer Satisfaction

Customer satisfaction is an important concept in marketing management that describes the extent to which the consumer experience meets or exceeds their expectations of a product or service. Ahmudin & Ranto (2023) state that customer satisfaction is the main focus in business practice and academic research. Wicaksana (2020) stated that satisfaction arises from responses to the quality of products and services. Irawan (2021) and Bahrudin & Zuhro (2016) refer to it as the result of post-purchase evaluation, while Tjiptono (2018) emphasized that satisfaction is the output of the assessment of the user experience. Based on this view, customer satisfaction can be concluded as a result of a comparison between initial expectations and the actual performance of the product or service received.

Some of the factors that affect customer satisfaction according to Indrasari (2019) include:

1. Product quality
2. Quality of service
3. Emotional factors
4. Competitive price
5. Additional fees and ease of access

To measure customer satisfaction, a number of indicators have been formulated in various studies. Hermanto & Nainggolan (2020) emphasize the importance of evaluating experiences, confirming expectations, and intention to reuse. Fahlevi & Ali (2024) added aspects of service efficiency, staff empathy, and service accuracy. Based on a synthesis from Hermanto & Nainggolan (2020), Ali et al. (2025), Fahlevi & Ali (2024), Hia & Sumartyo (2022), and Pertiwi & Sumantyo (2022), this study uses four main indicators of customer satisfaction, namely:

1. Alignment between expectations and service performance
2. Desire to reuse a product or service
3. Willingness to recommend to others
4. Assessment of the overall experience

Customer satisfaction plays an important role in creating customer loyalty. In the view of *Customer Value-Based Theory*, customer loyalty is formed when the consumption experience is felt to be comparable to or exceeds the sacrifices given, such as time, cost, and energy (Zeithaml, 1988; Woodruff, 1997). Satisfaction reflects the company's success in meeting customer expectations and needs. If customers are satisfied with a product or service, they will be more likely to remain loyal, make repeat purchases, and recommend to others. Instead, dissatisfaction is the main cause of customers moving to competitors. Research by Zahara (2020), Sitinjak (2020), Siagian (2020), Budiarti (2020), Thi et al. (2020), Fida et al. (2020), Setini et al. (2025), and dewi et al. (2025), proves that satisfaction is consistently an important predictor in increasing customer loyalty in various sectors.

Customer satisfaction also acts as a mediator in the relationship between service quality and customer loyalty. In the framework of *Customer Value-Based Theory*, service quality is the main source of value felt by customers. When the service received is consistent, responsive, and empathetic, the perceived value increases and forms satisfaction. This satisfaction further strengthens loyalty through emotional attachment and customer trust in the company. Good service without satisfaction is not enough to guarantee loyalty. Research by Zahara (2020), Fida et al. (2020), Thi et al. (2020), Devi & Yasa (2021), and Siagian (2020) shows that service quality has an indirect effect on loyalty through satisfaction as a mediating variable.

The same is true of the effect of price on customer loyalty through satisfaction. Price is the main form of customer sacrifice, so if it is felt to be fair, affordable, and comparable to the quality received, then the perception of value increases and results in satisfaction. This satisfaction will drive loyalty in the form of repurchases and recommendations. On the other hand, prices that are perceived to be incompatible with the benefits reduce satisfaction and negatively impact loyalty. Research by Shen & Yahya (2021), Elgarhy & Mohamed (2023), Artamevia & Bernarto (2022), Pinaraswati et al. (2024), Wahyuni et al. (2024), and Syah et al. (2022) shows that price has an indirect influence on loyalty through customer satisfaction as a mediator.

Based on the theory and research results, the following hypotheses were formulated:

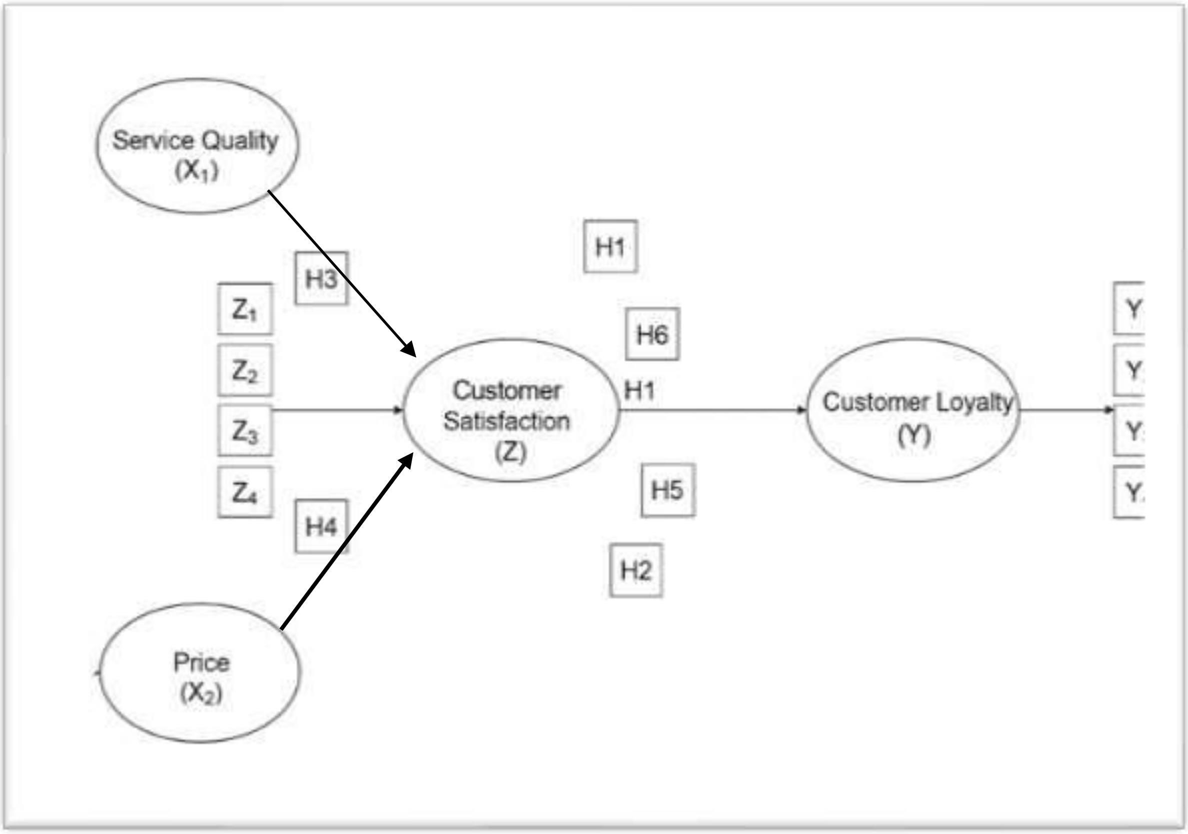
H5: Customer satisfaction has a positive and significant effect on customer loyalty.

H6: Customer satisfaction mediates the influence of service quality on customer loyalty.

H7: Customer satisfaction mediates the influence of price on customer loyalty.

The conceptual framework of the research is described as follows.

Figure 1. Research Conceptual Framework



RESEARCH METHODS

This research will be conducted on retail companies in Klungkung Regency. This is based on the fact that Klungkung Regency is experiencing rapid economic growth, especially in the trade and retail sectors. The markets in this area have a unique character because they combine modern retail and traditional markets, thus creating dynamic competition and demanding retail companies to adapt to diverse consumer preferences. The population in this study is all customers who have shopped at retail companies in Klungkung Regency. The determination of the minimum sample number in this study refers to the statement of Hair et al., (2020) who stated that an adequate sample size is at least 5-10 multiplied by the number of indicators so that the analysis results have good validity and reliability. In this study, 17 indicators were used with a sample number of 6 times the number of indicators. So that the number of respondents to be taken in the study is 17 indicators x 6, namely 102 respondents who are consumers of retail companies in Klungkung Regency. The data collection method used is the survey method using questionnaires. Statement items are measured on *a Likert* scale using five numbers from 1 (strongly disagree) to 5 (strongly agree). The data analysis technique used is inferential statistical analysis to analyze the influence of service quality and price on customer loyalty with customer satisfaction as a mediating variable.

RESEARCH RESULTS

Evaluation Results of Measurement Model (*Outer Model*)

1. Evaluation of Measurement Models (Measurement Model/Outer Model)

   1) *Convergent Validity*

   Convergent Validity is a criterion in measuring the validity of indicators that are reflexive. This evaluation is carried out through an examination of the *outer loading* coefficient of each indicator against its latent variable. An indicator is said to be valid, if the *outer loading* coefficient is between 0.60 – 0.70. However, for analyses whose theory is unclear, *an outer loading* of 0.50 is recommended (Lathan and Ghozali, 2012:78), and significant at the *alpha level* of 0.05 or *t-*

statistic of 1.96. The *outer loading* value of each indicator against its late variable can be seen in Table 4.

Table 4. Outer Loading *Value* of Model Estimation Results

Indicators	Price (x2)	Satisfaction Client (z)	Quality Service (x1)	Loyalty Client (y)
X11			0,818	
X12			0,874	
X13			0,769	
X14			0,862	
X15			0,861	
X21	0,889			
X22	0,864			
X23	0,879			
X24	0,836			
Y1				0,914
Y2				0,854
Y3				0,870
Y4				0,884
Z1		0,893		
Z2		0,773		
Z3		0,825		
Z4		0,853		

Source: Processed Data (2025)

Table 4 shows the results of the calculation of *outer loading* from each construct indicator having an *outer loading* value of > 0.50, so there is no need to reconstruct the model. The results of the calculation of *the outer loading* value in Table 5.7 show that all indicators have met the valid requirements based on *the discriminant validity* criteria, namely *the outer loading* value > 0.50 and statistically significant.

2) *Discriminant* Validity

Measurement of the validity of indicators – indicators that form latent variables, can also be done through *discriminant validity*. Discriminating validity can be done by comparing the *AVE Root* Coefficient (√AVE or *Square Root Average Variance Extracted*) of each variable with the correlation values between variables in the model. A variable is said to be valid, if *the root of AVE* (√AVE or *Square root Average Variance Extracted*) of each construct is greater than the correlation value between constructs (Lathan and Ghozali, 2012:78).

Table 5. Discriminant Validity *Test*

	Price (x2)	Satisfaction Customer (z)	Quality Service (x1)	Loyalty Customer (y)
Price (x2)	0,867			
Customer satisfaction (z)	0,797	0,837		
Quality of service (x1)	0,770	0,785	0,838	
Customer loyalty (y)	0,790	0,812	0,794	0,881

Source : Processed Data (2025)

Table 5 shows that the value of the construct indicator index in each block has shown a value greater than the value of other construct indicators in the same block. In the price block, it shows a value of 0.867, in the customer satisfaction block, it shows a value of 0.837. In addition, the service quality block shows a value of 0.838 and the customer loyalty block shows a value of 0.881. This shows that the indicator is declared valid based on the criteria of discrimination validity.

3) *Composite Reliability* and *Cronbach Alpha*

Composite reliability and *cronbach alpha* are a measurement of reliability between indicator blocks in the research model. A measurement can be said to be reliable, if *the composite reliability* and *cronbach alpha* have a value greater than 0.70. The results of the calculation *of composite reliability* and *cronbach alpha* in this study are shown in the following table.

Table 6. Composite Reliability *and* Cronbach Alpha *Tests*

Variable	*Cronbach's alpha*	*Composite reliability*
Price (x2)	0,890	0,924
Customer satisfaction (z)	0,857	0,903
Quality of service (x1)	0,894	0,921
Customer loyalty (y)	0,904	0,933

Source: Processed Data (2025)

Based on Table 6, it can be seen that each construct has *a composite reliability* value and *a cronbach alpha* greater than 0.70 so that it has met the requirements for discriminant validity.

Structural Evaluation Results (*Structural Model/Inner Model*)

In the evaluation of this structural model, it will be carried out through several approaches, including: a) *R-Square (R2),* b) *Q-Square Predictive Relevance (Q2),* and c) *Goodness of Fit (GoF).*

1. Evaluation of Structural Models Through *R-Square* (R2)

R-Square (R2) can show the strong weak influence caused by the dependent variable on the independent variable. *R-Square (R2)* can also indicate the strength and weakness of a research model. According to Chin (Lathan and Ghozali, 2012:85), *the R-Square (R2) value* of 0.67 is classified as a strong model, *R-Square (R2)* is 0.33 a moderate model, and *R-Square (R2)* is 0.19 classified as a weak model.

Table 7. Evaluation of Inner Structural Models

Construct	*R-square*	*R-square adjusted*
Customer satisfaction (z)	0,708	0,702
Customer loyalty (y)	0,746	0,738

Source: Processed Data (2025)

Table 8 shows that the $R^{2 \text{ value}}$ of customer satisfaction is 0.708 which is based on Chin's criteria (Lathan and Ghozali, 2012:85), the model is a strong model criterion. This means that the variation in service quality and price variables is able to explain the variation in customer satisfaction by 70.8% percent, the remaining 29.2% percent is explained by variations in other variables outside the analyzed model. Table 5.10 also shows that the R^2 value of customer loyalty is 0.746 which is based on the Chin criteria (Lathan and Ghozali, 2012:85), so the model is a strong model criterion. This means that the variation of the variables of service quality, price, and customer satisfaction is able to explain the variation in customer loyalty of 74.6% percent, the remaining 25.4% percent is explained by the variation of other variables outside the analyzed model.

2. Structural Model Evaluation through Q-Square Predictive Relevance (Q2)

Q-Square Predictive Relevance (Q2) is a measure of how well observations are made to give results to the research model. The criteria for strong model weakness measured based on *Q-Square Predictive Relevance (Q2)* according to Lathan and Ghozali (2012:85) are as follows: 0.35 (strong model), 0.15 (moderate model), and 0.02 (weak model). The Q-Square formula is:

Q2 = 1 - (1 - R12) (1-R22).

Q2 = 1 – (1 – 0.708) (1 – 0.746)

Q2 = 1 – (0.292)(0.254)

Q2 = 0.926

Based on these results, the estimation model is included in the strong criteria, meaning that 92.6 percent of endogenous construct variations can be predicted by exogenous construct variations.

3. Evaluation of Structural Models through Goodness of Fit (GoF)

Goodness of Fit (GoF) is a measurement of the overall (global) accuracy of the model, because it is considered a single measurement of the *outer model* measurement and *the inner model* measurement. The strong criteria for weak models based on *the measurement of Goodness of Fit (GoF)* according to Lathan and Ghozali (2012:88), are as follows: 0.36 (*GoF large*), 0.25 (*medium GoF*), and 0.10 (*GoF small*) (Tenenhaus *et al*., 2004: 175).

Table 8. Evaluation *of Goodness of Fit*

Construct	***R square***	***Communality***
Price		0,867
Customer satisfaction	0,708	0,837
Quality of service		0,838
Customer loyalty	0,746	0,881
Average	0,727	0,8558

Source: Processed Data (2025)

Calculations with *GoF* show an average value of R^2 of 0.727 while the average of Communality is 0.8558, then the value of GoF is $\sqrt{}$ AR^2 * A. Com = $\sqrt{}$ 0.727 * 0.8558 = $\sqrt{}$ 0.622 = 0.788 This means that the global model is a good predictor *(large)*.

4. Hypothesis Testing

At the hypothesis testing stage, each path between latent variables is carried out with a t-test. There are two types of influences tested, namely (1) direct influence and (2) indirect influence. If the statistical t-value is greater at the t-value of table 2.00758 or the p-value test results are below 0.05, which is an alpha level of 5% on one side, then there is a significant influence between variables.

1) Direct Influence

There are 5 direct effects tested in this study which are shown in the following table.

Table 9. Results of Testing the Hypothesis of Direct Influence Between Variables

Hypothesis	Influence Immediately	Coefficient	T Statistics	Probability Value	Decision
H1	Quality of service - > Customer loyalty	0,307	2,811	0,005	Accepted
H2	Pricing -> Customer Loyalty	0,270	2,710	0,007	Accepted
H3	Quality of service - > Customer satisfaction	0,421	3,789	0,000	Accepted
H4	Price -> Customer Satisfaction	0,473	4,490	0,000	Accepted
H5	Customer Satisfaction - > Customer Loyalty	0,355	2,671	0,008	Accepted

Source: Processed Data (2025)

Based on the tests presented in Table 9, it is shown that the path coefficient is positive and the statistical t > t table (1.98447) and p-value = 0.005 < 0.05 so that H1 is accepted. This means that the quality of service has a positive and significant effect on customer loyalty in retail companies in Klungkung Regency. Based on the tests presented in Table 10, it shows that the path coefficient is positive and t-statistically > table (1.98447) and p-value = 0.007 < 0.05 so that H2 is accepted. This means that prices have a positive and significant effect on customer loyalty in retail companies in Klungkung Regency. Based on the tests presented in Table 10, it shows that the path coefficient is positive and the statistical t is > t table (1.98447) and p-value = 0.000 < 0.05 so that H3 is accepted. This means that the quality of service has a positive and significant effect on customer satisfaction in retail companies in Klungkung Regency. Based on the tests presented in Table 10 shows that the path coefficient is a positive value and the statistical t > t table (1.98447) and p-value = 0.000 < 0.05 so that H4 is accepted. This means that prices have a positive and significant effect on customer satisfaction in retail companies in Klungkung Regency. Based on the tests presented in Table 10, it shows that the path coefficient is a positive value and a statistical t > t table (1.98447) and p-value = 0.008 < 0.05 so that H5 is accepted. This means that customer satisfaction has a positive and significant effect on customer loyalty in retail companies in Klungkung Regency.

2) Indirect Influence

Indirect influence hypothesis testing is carried out with the aim of testing the existence or absence of the indirect influence of exogenous variables on endogenous variables through intervening variables. The test criteria stated that if the *indirect effect coefficient* was positive and the statistical t ≥ t table (1.98447) was stated, then it was stated that there was a significant influence between exogenous variables on endogenous variables through *intervening variables.*

Table 10. Indirect Influence Hypothesis Testing Results

Hypothesis	*Specific Indirect Effect*	Coefficient	T Statistics	Probability Value	Decision
H6	Quality of Service -> Customer Satisfaction -> Customer Loyalty	0,149	2,065	0,039	Accepted
H7	Price -> Customer satisfaction -> Customer loyalty	0,168	2,375	0,018	Accepted

Source: Processed Data (2025)

Based on the tests listed in Table 10, it shows that the path coefficient is positive and t-statistical > t table (1.98447) and p-value = 0.039 < 0.05 so that H6 is accepted. This means that customer satisfaction is able to mediate the influence of service quality on customer loyalty in retail companies in Klungkung Regency with the nature of mediation as a partial mediation. Based on the tests listed in Table 11, it is shown that the path coefficient has a positive value and a statistical t > t table (1.98447) and p-value = 0.018 < 0.05 so that H7 is accepted. This means that customer satisfaction is able to mediate the influence of price on customer loyalty in retail companies in Klungkung Regency with the nature of mediation as a partial mediation.

Discussion of Research Results

The Effect of Service Quality on Customer Loyalty in Retail Companies in Klungkung Regency

Based on the analysis of data that has been carried out regarding the influence of service quality on customer loyalty, this study found that service quality has a positive and significant effect on customer loyalty in retail companies in Klungkung Regency. This means that the better the customer's perception of the quality of service provided, the higher the level of loyalty shown by customers to the retail company.

In this study, service quality was measured using five indicators that refer to the five dimensions of *service quality*, namely *tangible, reliability, responsiveness, assurance, and empathy*. Based on the results of respondents' answers from the distribution of the questionnaire, it is known that *the empathy* indicator, represented by the statement "employees serve all customers with a fair and non-discriminatory attitude", obtained the highest average score indicating that customers feel served fairly, friendly, and without discriminatory treatment, which is an important foundation in forming emotional attachment and loyalty to the company. Meanwhile, the indicator with the lowest average score is in the *responsiveness aspect,* namely with the statement "employees respond immediately when I need help" which shows that although the overall quality of service is good, the speed and accuracy of response from employees is still lacking in customer perception. The results of this study support the *framework of Customer Value-Based Theory*, which explains that customer loyalty will be created when customers feel that the value they receive from a product or service outweighs the sacrifices they make. In this context, good service quality creates added value for customers in the form of a sense of security, comfort, appreciation, and trust. When customers feel that the services provided are really useful and pay attention to their needs thoroughly, then they will remain loyal even if there are other alternatives. This research is in line with research conducted by Kavitha & Gopinath (2020) on the small business and banking industry in Tamil Nadu, India, which found that improving service quality through reliability and friendliness has a positive effect on customer loyalty. Similar things were also found by Sitinjak (2020) in the context of users of PT TIKI/JNE courier services in Jakarta, where quality service forms loyalty to the brand. Thi et al., (2020) in the Southeast Asian hospitality sector also proved that service quality that includes speed and accuracy of service drives customer loyalty. Furthermore, research by Velazquez et al., (2021) in the restaurant industry in Mexico shows that the dimensions of physical evidence and empathy have a great influence in creating customer loyalty. Likewise, Fida et al., (2020) in the Islamic banking sector in Oman, who prove that reliability, personal attention, and a sense of security provided through quality service significantly boost customer loyalty. The results of this study emphasized that in the context of retail companies in Klungkung Regency, the quality of service that is considered fair, professional, responsive, and provides a sense of comfort, is a key element that shapes customer loyalty.

The Effect of Price on Customer Loyalty in Retail Companies in Klungkung Regency

Based on the analysis of data that has been carried out regarding the influence of price on customer loyalty, this study found that price has a positive and significant effect on customer loyalty in retail companies in Klungkung Regency. This means that the better the customer's perception of the price offered, the higher the level of loyalty shown by customers towards the retail company.

In this study, prices were measured using four indicators, namely price affordability, price conformity with product quality, price consistency, and clarity of price information. Based on the results of respondents' answers from the distribution of the questionnaire, it is known that the indicator of price conformity with the quality of the product or service obtains the highest average value, which indicates that customers feel that the price paid has reflected the value or quality of the product they received. This is the main driver in building loyalty, because customers tend to remain loyal to companies that are considered to provide *value for money*. Meanwhile, the indicator with the lowest average value is in the aspect of price information clarity, which shows that there are still customers who expect a more transparent and easy-to-understand presentation of price information. The results of this study support the *framework of Customer Value-Based Theory*, which states that customer loyalty is formed when the value received from a product or service is valued as greater than the sacrifice expended. In this context, the sacrifice in the form of price is considered worth it even less than the benefits of the product or service obtained. When customer value perception is high, they will remain loyal even though there are many other alternatives on the market.

This research is in line with research conducted by Shen & Yahya (2021) on digital banking customers in Malaysia which showed that competitive prices and commensurate with the benefits of the service increase customer loyalty. Elgarhy & Mohamed (2023) in the fast food industry in Egypt also found that fair price perceptions drive customer loyalty significantly. Wiguna & Padmantyo (2023) stated that in logistics services in Yogyakarta, price suitability affects customer loyalty. Rahellea & Rianto (2023) in a study of the price strategy of packaged coffee in Indonesia explained that prices that reflect product value strengthen consumer loyalty. Similarly, Hidayati & Qomariyah (2023) in a study on Coffee Shop Convo, Jombang, showed that price has a positive effect on purchase decisions and customer loyalty. The results of this study emphasized that in the context of retail companies in Klungkung Regency, prices that are perceived to be fair, consistent, and reflect the quality of the products offered are important elements in forming and maintaining customer loyalty.

The Effect of Service Quality on Customer Satisfaction in Retail Companies in Klungkung Regency

Based on the analysis of data that has been carried out regarding the influence of service quality on customer satisfaction, this study found that service quality has a positive and significant effect on customer satisfaction in retail companies in Klungkung Regency. This means that the better the quality of service provided by the retail company, the higher the level of satisfaction felt by customers. These results show that quality service not only meets consumer needs functionally, but also forms a deeply positive perception of the overall shopping experience.

In this study, service quality was measured using five SERVQUAL indicators, namely *reliability*, *responsiveness*, assurance, empathy, and tangible evidence. Based on the results of respondents' answers from the questionnaire that has been distributed, it is known that indicators that reflect the quality of service, namely physical evidence (*tangibles*) have the highest average. This indicates that respondents rate fair attitude and equal treatment on the part of employees as the most prominent and valued aspects of service, which directly create comfort and a sense of appreciation for customers. On the other hand, based on the results of the questionnaire distribution, it was found that assurance indicators that reflect service quality had the lowest average value which indicates that there is room for improvement in terms of the speed of response or employee response to customer needs. The results of this study support the framework of thinking in *Customer Value-Based Theory*, which emphasizes that customer satisfaction is formed when customers feel that the value they receive from a product or service is comparable to or exceeds their expectations. In this context, customers who obtain fair, responsive, and reliable service are likely to feel that they receive high value from the transactions made, which ultimately increases overall satisfaction.

The results of this study are in line with research conducted by Laely et al., (2020) which found that service quality that includes reliability, punctuality, and empathy has a positive and significant effect on customer satisfaction among McDonald's consumers in Kediri. Maimunah (2020) also shows that the five dimensions of SERVQUAL significantly increase customer satisfaction. The results of this study are also in line with a study conducted by Velazquez et al., (2021) on restaurant customers in Mexico which proves that physical evidence and empathy have a major impact on customer satisfaction and loyalty. The results of this study are also in line with research conducted by Hu et al., (2023) and Isnaini et al. (2025) which found that service quality has a positive and significant effect on customer satisfaction. Aprelyani (2025) in his research also found that fast, responsive, and informative service has a significant influence on customer satisfaction.

The Effect of Price on Customer Satisfaction in Retail Companies in Klungkung Regency

Based on the analysis of data that has been carried out regarding the influence of price on customer satisfaction, this study found that price has a positive and significant effect on customer satisfaction in retail companies in Klungkung Regency. This means that the better the customer's perception of the price offered, the higher the level of satisfaction felt by customers with the product or service from the retail company.

In this study, prices were measured using four indicators, namely price affordability, price conformity with product quality, price consistency, and clarity of price information. Based on the results of respondents' answers from the questionnaire distribution, it is known that the indicator of price conformity with the quality of the product or service obtained the highest average value, which indicates that customers feel that the price set by the retail company has reflected the value or quality of the product they receive. In other words, a price that is considered fair and equal to the benefits received is a major factor that drives customer satisfaction. Meanwhile, the indicator with the lowest average value is in the aspect of clarity of price information, which shows that even though prices are considered feasible, there are still customers who expect a clearer and more transparent presentation of price information, both in the form of price tags, promotions, and discount systems. This is an important note for retail companies to improve the clarity of price communication to customers, in order to maximize their satisfaction. The results of this study support the framework of Customer Value-Based Theory, which explains that customers will feel satisfied if the value they get from a product or service (both functionally and emotionally) is worth or exceeds the sacrifice they make, in this case the price. Competitive, transparent, and consistent prices for product quality will form a positive perception of value and create customer satisfaction.

This research is also in line with a study conducted by Zietsman et al. (2022) in South Africa which showed that prices that match product quality can increase customer satisfaction even though the price is relatively high. A similar thing was also found by Shen & Yahya (2021) in Malaysia's digital banking sector, where proportional prices have a significant effect on customer satisfaction. Research by Elgarhy & Mohamed (2023) in Egypt also found that the perception of price fairness significantly affects customer satisfaction in the fast food sector. Furthermore, research by Hermawan et al. (2025) on retail stores in Tasikmalaya shows that reasonable price perception has a positive impact on consumer satisfaction. Sari & Tooy (2024) in the context of internet services in Bandung found that competitive prices and relevant promotions increase customer satisfaction. Research by Sari & Setiawan (2021) also shows that fair and transparent tariffs affect the satisfaction of online transportation users. This is also strengthened by findings from Rismawati et al. (2021) in the Greater Jakarta area which show that transparency and trust in prices at car repair shops increase customer satisfaction. In the culinary field, Kuswandi & Nuryanto (2021) noted that price rationality is able to significantly increase customer satisfaction. Overall, these findings emphasize that in the context of retail in Klungkung Regency, fair price perception, in accordance with product benefits, and clearly conveyed is an important element that shapes customer satisfaction.

The Effect of Customer Satisfaction on Customer Loyalty in Retail Companies in Klungkung Regency

Based on the analysis of data that has been carried out regarding the influence of customer satisfaction on customer loyalty, this study found that customer satisfaction has a positive and significant effect on customer loyalty in retail companies in Klungkung Regency. This means that the higher the level of satisfaction felt by customers for the shopping experience at the retail company, the more likely customers are to show loyal behaviors such as making repeat purchases, not easily turning to competitors, and recommending the store to others. In this study, customer satisfaction is measured using five indicators, namely satisfaction with product quality, price, service, overall shopping experience, and the conformity of customer expectations with the reality received. Based on the results of respondents' answers, the indicator with the highest average score is satisfaction with the service, which is represented by the statement "the service provided by the employees is friendly and helps me during shopping". This shows that the service aspect is the main contributor in creating customer satisfaction. On the other hand, the lowest indicator is the correspondence between expectations and reality, specifically the statement "the product I bought was in accordance with my previous expectations".
The results of this study support the *Customer Value-Based Theory* framework, which explains that customers will feel satisfied when the value they get exceeds the sacrifices they have made, both in terms of time, effort, and money. In this context, satisfaction is a reflection of the customer's perceived value subjectively and emotionally. When customers are satisfied, the positive value of the experience will strengthen their relationship with the company, thus forming ongoing loyalty. This research is in line with research conducted by Zahara (2020) on Gojek application users in Indonesia which found that increasing customer satisfaction directly has a positive effect on customer loyalty. Sitinjak (2020) also found a similar thing in Starbucks customers in Medan, where satisfaction significantly increased loyalty. Siagian (2020) in the retail industry and Budiarti (2020) in other retail contexts also emphasized that satisfaction is the main predictor of loyalty. Thi et al., (2020) in the hospitality sector proved that satisfied customers are more likely to return and recommend the service, while Fida et al., (2020) on the Islamic banking sector in Oman showed that customer satisfaction has an impact on increasing loyalty to financial institutions. The results of this study strengthen empirical evidence that in the context of retail companies in Klungkung Regency, customer satisfaction is the main foundation in building loyalty, because when customers feel satisfied, they not only make repeat purchases, but also become indirect promotional agents through recommendations and positive testimonials.
The Role of Customer Satisfaction in Mediating the Influence of Service Quality on Customer Loyalty in Retail Companies in Klungkung Regency

Based on the results of the analysis that has been carried out, it is shown that customer satisfaction is able to mediate part of the influence of service quality on customer loyalty in retail companies in Klungkung Regency. This is shown by the results of significant *indirect effect* testing , where service quality has a positive effect on customer satisfaction, and customer satisfaction has a positive effect on customer loyalty. This means that satisfaction plays an important role in strengthening the relationship between the quality of service provided and the level of customer loyalty. In other words, when a retail company is able to provide excellent services such as employee friendliness, speed of service, and attention to customer needs, it will form a positive perception and satisfaction in customers. Customers who are satisfied with the service they receive tend to show loyal behaviors such as rebuying, not easily turning to competitors, and recommending stores to others.

From the test results, it is also known that the direct relationship between service quality and customer loyalty is significant, although the value of *the indirect effect* through customer satisfaction is also significant. This shows that customer satisfaction acts as a *partial mediator*, meaning that some of the influence of service quality on customer loyalty is channeled through satisfaction, while others still occur directly. The results of this study support *the Customer Value-Based Theory*, which states that customers will feel satisfied and loyal if they get value that is felt to be greater than the sacrifices they have made. This value arises from the perception of the quality of service that is perceived to be useful, efficient, and enjoyable. In this context, quality service creates a perception of positive value in the minds of customers, which results in emotional satisfaction and encourages the formation of long-term loyalty.

These findings are in line with Zahara (2020) research on ride-hailing application users in Indonesia, who found that customer satisfaction mediates significantly the relationship between service quality and customer loyalty, where new service quality is effective in increasing loyalty if customers feel satisfied. Research by Fida et al., (2020) in the Islamic banking sector in Oman also shows that quality service strengthens customer loyalty through satisfaction as a mediating variable. Thi et al., (2020) in the hospitality industry in Vietnam concluded that hotel guests who are satisfied with service tend to return and recommend service, making satisfaction a bridge between quality and loyalty. Devi & Yasa (2021) on fast food restaurants in Bali also found that high service standards only have a significant impact on loyalty if customer satisfaction has been achieved. Siagian (2020) on e-commerce in Jakarta emphasized that without satisfaction, service quality alone is not enough to create loyalty. The results of this study affirm the importance of increasing customer satisfaction as a key strategy in building loyalty, because satisfaction has been proven to strengthen the positive impact of service quality on customer loyalty in retail companies in Klungkung Regency.

The Role of Customer Satisfaction in Mediating the Influence of Price on Customer Loyalty in Retail Companies in Klungkung Regency

Based on the results of the analysis that has been carried out, it is shown that customer satisfaction is able to mediate part of the influence of price on customer loyalty in retail companies in Klungkung Regency. This is shown by the results *of significant indirect effect* testing, where price has a positive effect on customer satisfaction, and customer satisfaction has a positive effect on customer loyalty. This means that satisfaction plays a crucial role in strengthening the relationship between the perception of the price offered and the level of customer loyalty. In other words, when retail companies are able to set prices that are reasonable, transparent, and in accordance with the quality of products and services provided, it will cause positive perceptions in customers. Customers who are satisfied with getting value worth their sacrifice tend to show loyalty such as making repeat purchases, not easily turning to competitors, and recommending the store to others.

From the test results, it is also known that the direct relationship between price and customer loyalty is significant, although the *value of the indirect effect* through customer satisfaction is also significant. This shows that customer satisfaction acts as a partial mediator, meaning that some of the price influence on customer loyalty is channeled through satisfaction, while others occur directly. The results of this study support *the Customer Value-Based Theory*, which states that customers will feel satisfied and loyal if they get value that is felt to be greater than the sacrifices they have made. This value arises from the perception that the price paid is equal to or lower than the benefits obtained. In this context, a fair and appropriate pricing strategy creates a perception of positive value that generates emotional satisfaction and encourages the formation of long-term loyalty.

These findings are in line with Shen & Yahya's (2021) research on the airline industry in Southeast Asia which shows that price has a significant effect on customer loyalty, but this influence occurs through customer satisfaction as a mediating variable. This means that competitive prices and proportional to the benefits make customers satisfied so that they become more loyal. These findings are consistent with Elgarhy & Mohamed's (2023) research on fast-food restaurants in Egypt, where perceived fair and proportionate prices to the quality of the food trigger satisfaction which in turn drives customer loyalty.

Artamevia & Bernarto (2022) in a study in the Indonesian e-commerce sector also found that prices that match the value of the product do not directly affect loyalty, but rather through increased consumer satisfaction. Pinaraswati et al., (2024) in a study in the hospitality sector found that the perception of price fairness has a significant impact on loyalty, but this is facilitated by customer satisfaction as a mediator. Wahyuni et al. (2024) researched the hotel industry in Medan and proved that a transparent and reasonable pricing strategy increases apartment resident satisfaction which ultimately strengthens customer loyalty. Research by Syah et al. (2022) on fast food restaurants in Jakarta also revealed that the perception of high but fair prices creates customer satisfaction and ultimately increases their loyalty. The results of this study confirm the importance of establishing a fair, transparent, and commensurate pricing strategy as part of a strategy to increase customer loyalty. This is because it is proven that customer satisfaction strengthens the positive impact of price on customer loyalty in retail companies in Klungkung Regency.

Conclusion

The rapid development of the retail industry today shows the fierce competition to achieve customer loyalty. This study aims to analyze the influence of service quality and price on customer loyalty with customer satisfaction as a mediating variable in retail companies in Klungkung Regency. The results of the study found that service quality has a significant positive effect on customer loyalty, price has a significant positive effect on customer loyalty, service quality has a significant positive effect on customer satisfaction, price has a significant positive effect on customer satisfaction, customer satisfaction has a significant positive effect on customer loyalty, customer satisfaction is able to mediate part of the relationship between service quality and loyalty customers, and customer satisfaction are able to mediate part of the price relationship to customer loyalty in retail companies in Klungkung Regency. In an effort to increase customer loyalty, retail companies in Klungkung Regency need to improve the quality of service by organizing regular training on excellent service ethics that emphasize politeness, friendliness, and professional communication; evaluate prices to match product quality and convey added value through informative promotions; improve the shopping experience by improving product availability, store comfort, and service efficiency; and strengthen customer loyalty through loyalty programs, incentives for repeat customers, responsive after-sales service, and encouraging positive testimonials from customers. This study has several limitations, including only examining the influence of service quality, price, and customer satisfaction on customer loyalty in retail companies in Klungkung Regency, with a limited number of samples so that it is not fully representative of other retail conditions. Data collection through questionnaires also has the potential to cause a subjectivity bias of respondents. In addition, the limited research location in Klungkung Regency limits the generalization of findings to other sectors or regions with different characteristics. Based on the limitations of the study, it is recommended to the next researcher to add variables such as brand image and customer experience, as both have the potential to affect customer loyalty. This addition is expected to enrich academic and practical understanding of the factors that determine loyalty and strengthen theoretical models according to current retail industry developments.

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