

# THE EFFECT OF PRODUCT QUALITY AND BRAND IMAGE ON CUSTOMER LOYALTY WITH CUSTOMER SATISFACTION AS A MEDIATION VARIABLE

## (Study On Customers Elita Veil in Yogyakarta)

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### Abstract

This study empirically examines the effect of product quality and brand image on customer loyalty, with customer satisfaction as a mediating variable on Elita's veil customers in Yogyakarta. This type of research is quantitative research with associative design. The population of this research is the Elita Veil customers in Yogyakarta. The sampling technique is a purposive sampling method and research data by 100 respondents— data collection through Google form by distributing questionnaires. The analytical method used is multiple linear regression. The data analysis technique used Smart Partial Least Square (PLS). The results showed: that product quality has a positive effect on customer satisfaction, brand image has a positive effect on customer satisfaction, product quality has an effect on customer satisfaction, brand image has no effect on customer satisfaction, product quality has an effect on customer loyalty, product quality has a positive effect on customer loyalty, brand image has no positive effect on customer loyalty, customer satisfaction has a positive effect on customer loyalty, customer satisfaction mediates product quality on customer loyalty, customer satisfaction does not mediate brand image on customer loyalty.

**Keywords:** Product Quality, Brand Image, Customer Satisfaction, Loyalty

### 1. Introduction

Yogyakarta Special Region is a province in Indonesia where the majority of its population is Muslim, consisting of both males and females. Although Muslims make up the majority, Yogyakarta is not a province based on Islam. According to the population census conducted by the Central Statistics Agency in March 2021, there are 3,671,189 inhabitants in Yogyakarta. Islam is the most followed religion in Yogyakarta, with a percentage of 92.823% or approximately 3,408,041 individuals. On the other hand, other religions such as Catholicism, Christianity, Hinduism, Buddhism, Confucianism, and local indigenous beliefs account for 7.168% or around 263,148 individuals distributed throughout the Yogyakarta region. Out of this total, approximately 46.746%, or about 1,716,134 individuals, are Muslims or female Muslims.

The population census indicates a significant and profitable opportunity for any industry to enter the potential market in Yogyakarta. One of the potential business opportunities in the context of the Muslim market is the hijab fashion industry. Elita is a well-known hijab brand in the Yogyakarta community. Elita is a small hijab industry in Yogyakarta, established in 2012, famous for being a brand for modest fashion hijab products sold at affordable prices. Elita consistently controls the production process, from planning to manufacturing.

Elita has a Unique Selling Point (USP) that aligns with its target market: all women. Their hijab models can be worn as turbans, scarves, or shawls. Additionally, Elita specializes in producing plain hijabs for everyday wear. In order to compete with an increasing number of competitors, Elita maintains and improves the quality of its products by introducing various hijab innovations to gain loyal customers. This enables them to capture a significant market share by delivering results or performance that meets or exceeds customer expectations. Elita innovates to ensure product development, from consistently delivering targeted performance and improving product quality to ensuring defects-free. Product quality refers to high-performance capability and the ability to fulfill its intended functions.

Creating a brand image for the produced products becomes essential to ensure easy recognition and recall by customers. In addition, the brand image serves as a function for penetrating strategic and competitive markets. Consistent use of a brand and high-quality products impact customer loyalty. Customer loyalty is established through customer experiences in using, wearing, and purchasing a product. Customers are considered loyal if they repeat purchases of a specific brand and exhibit a positive attitude and commitment.

Brand image and product quality influence customer satisfaction. To anticipate competitors, Elita needs to establish good relationships with each customer. In order to retain customers, the company must strive for customer satisfaction, as satisfaction plays a role in determining customer loyalty. Customer satisfaction is the pleasure or disappointment that arises after comparing the product's performance with the expected performance. Customers feel dissatisfied or disappointed when the product's performance falls below expectations.

Conversely, customers feel satisfied when the product's performance meets their expectations. If the performance exceeds expectations, customers feel delighted. Based on the above background, the researcher is interested in conducting a study titled "The Influence of Product Quality on Customer Loyalty with Customer Satisfaction as a Mediating Variable" (A Study on Elita Hijab Customers in Yogyakarta).

## 2. Research Method

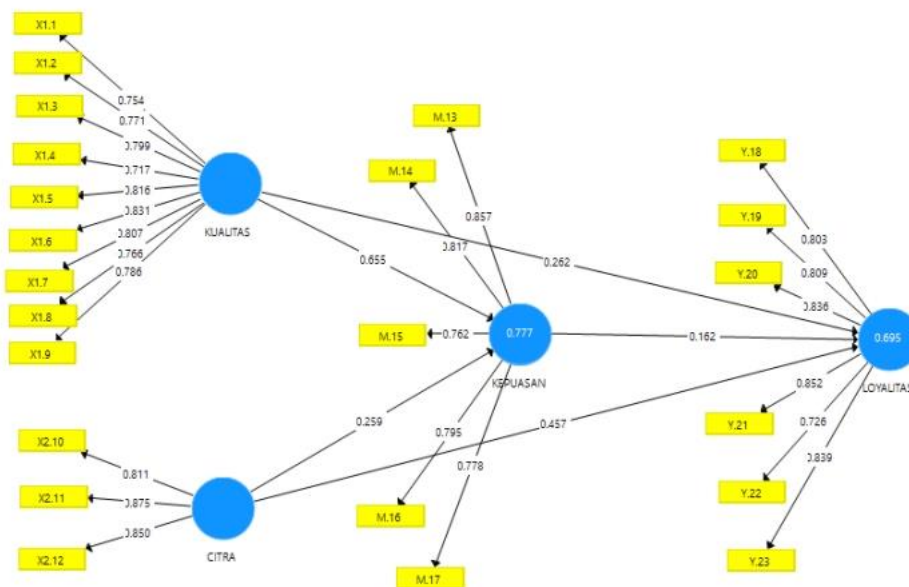
The research method used in this study is quantitative with an associative research design. This study utilizes secondary and primary data from questionnaires, articles, and published journals. The data was obtained from the official website of Elita's hijab customers and Elita's official website. The sampling technique used in this research is the purposive sampling method. The sample size in this study consists of 100 respondents who meet the predetermined criteria set by the researcher. This research employs descriptive statistical analysis and hypothesis testing, which are analyzed and processed using Smart Partial Least Squares (Hair, J. F., Ringle, C. M., & Sarstedt, M., 2019).

## 3. Result

The coefficients were tested based on the results of the Inner Model (Structural Model) analysis, which included R-Square, Path Coefficients, T-Statistics (Bootstrapping), Predictive Relevance (Blindfolding), and Model Fit. To determine whether a hypothesis can be accepted or rejected, significant values between constructs, T-Statistics, and P-Values were considered. These values can be observed from the Bootstrapping results. The rule of thumb used in this study was a T-Statistic value  $>1.96$  with a significance level of P-value  $<0.05$  to indicate statistical significance. The regression coefficient test values for this research are presented in the following table and figure.

**Table 1. Regression Result**

Hipotesis	Sample	Mean	Deviation	T-Statistics	P-Values	Keterangan
X1 -> M	0.643	0.652	0.088	7.303	0.000	Signifikan
X2 -> M	0.272	0.264	0.089	3.066	0.002	Signifikan
X1 -> Y	0.509	0.510	0.125	4.063	0.000	Signifikan
X2 -> Y	0.305	0.528	0.039	0.178	0.103	Tidak Signifikan
M -> Y	0.315	0.315	0.133	2.371	0.000	Signifikan
X1 -> M -> Y	0.203	0.203	0.089	2.279	0.023	Signifikan
X2 -> M -> Y	0.086	0.087	0.050	1.728	0.085	Tidak Signifikan



**Figure 1. Bootstrapping result**

- 3.1. Based on the questionnaire results for the product quality variable, it can be observed that the lowest average score of 82.4% indicates that respondents perceive Elita's hijab to have materials that are not easily damaged, falling under the "agree" category. Meanwhile, the highest item score, averaging 87.2%, falls under the "strongly agree" category. This implies that respondents' perception of Elita's hijab product quality is highly positive. Therefore, Elita needs to maintain the quality of its products to ensure continued excellence.
- 3.2. Based on the questionnaire results for the brand image variable, it can be observed that the lowest average score of 73.0% falls under the "agree" category. Meanwhile, the highest item score, with an average of 88.6%, falls under the "strongly agree" category. This indicates that respondents strongly agree with the perception of Elita's brand image.
- 3.3. Based on the questionnaire results for the customer satisfaction variable, it can be observed that the lowest average score of 82.0% indicates that respondents are in the "agree" category. Meanwhile, the highest item score, averaging 87.2%, falls under the "strongly agree" category. This implies that respondents highly agree with the perception of customer satisfaction regarding Elita's hijab.
- 3.4. Based on the questionnaire results for the customer loyalty variable, it can be observed that the lowest average score of 64.4% indicates that respondents are in the "agree" category. Meanwhile, the highest item score, averaging 84.0%, falls under the "strongly agree" category. This indicates that respondents strongly agree with the perception of customer loyalty toward Elita's hijab brand.

#### 4. Discussion

This study examines whether customer satisfaction mediates the influence of product quality and brand image on customer loyalty. The following is a more transparent discussion of the research findings obtained by the researchers:

##### 4.1. The Influence of Product Quality on Customer Satisfaction

The research results indicate that product quality positively influences customer satisfaction. A high-quality product that meets or exceeds customer expectations leads to customer satisfaction. This finding is consistent with the research conducted by Wahyono, which states that product quality directly affects customer satisfaction. Therefore, higher product quality can enhance customer satisfaction.

#### 4.2. The Influence of Brand Image on Customer Satisfaction

The research findings demonstrate that brand image positively influences customer satisfaction. This implies that having a good brand image leads to higher customer satisfaction. This can be observed when a company has distinct characteristics that set it apart from others, making it easier for customers to remember.

#### 4.3. The Influence of Product Quality on Customer Loyalty

The research results show that product quality positively influences customer loyalty. This means that higher product quality leads to increased customer loyalty. This finding aligns with Wahyono's research, which states that product quality directly affects customer loyalty. Therefore, higher product quality can enhance customer loyalty.

#### 4.4. The Influence of Brand Image on Customer Loyalty

The research findings indicate that brand image does not positively influence customer loyalty. Instead, the study suggests that customers make purchases based on the quality of the product itself rather than the brand image. This finding contradicts Wahyono's research, which emphasizes the benefits for companies that maintain a consistent brand image to increase customer preference and loyalty.

#### 4.5. The Influence of Customer Satisfaction on Customer Loyalty

The research results show that customer satisfaction positively influences customer loyalty. This means satisfied customers are more likely to repeat purchases from the same company. This finding is consistent with Wahyono's research, which states that customer satisfaction directly affects customer loyalty. Therefore, higher customer satisfaction can enhance customer loyalty.

#### 4.6. Product quality influences customer loyalty to Elita's hijab, with customer satisfaction as a mediating variable.

The research findings indicate that customer satisfaction mediates the relationship between product quality and customer loyalty. This finding is in line with Wahyono's research, which suggests that product quality positively influences customer loyalty through customer satisfaction. Customer satisfaction can mediate the impact of product quality on customer loyalty.

#### 4.7. The brand image does not influence customer loyalty for Elita's hijab, with customer satisfaction as a mediating variable.

The research findings indicate that brand image is the customers' evaluation of a brand in the market. Evaluations can be based on personal experience or reputation heard from others. Brand image is a set of customer beliefs about a specific brand, and it becomes associated with the brand in customers' minds. Satisfying customer needs is crucial for a company's survival and can enhance competitiveness. Satisfied customers are more likely to make repeat purchases, representing the most considerable sales volume. This study is supported by R. Rawis's (2020) findings, which suggest that Elita's customers believe customer satisfaction does not mediate the relationship between brand image and customer loyalty.

## 5. Conclusion

Based on the research findings and discussions above, the following conclusions can be drawn:

### 5.1. Product quality has a positive influence on customer satisfaction.

- 5.2. Brand image has a positive influence on customer satisfaction.
- 5.3. Product quality has a positive influence on customer loyalty.
- 5.4. The brand image does not have a positive influence on customer loyalty.
- 5.5. Customer satisfaction has a positive influence on customer loyalty.
- 5.6. Customer satisfaction mediates the relationship between product quality and customer loyalty.
- 5.7. The brand image does not mediate the relationship between brand image and customer loyalty.

Therefore, Elita hijab should focus on maintaining and improving product quality to ensure customer satisfaction and loyalty. Additionally, efforts should be made to enhance the brand image in the eyes of the public or the surrounding community to attract more customers and create customer satisfaction, ultimately leading to increased customer loyalty.

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