# Analysis of The Influence of Customer Perceived Values, Customer Engagement, and Customer Satisfaction on Customer Loyalty

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**Submitted:**
**09 NOVEMBER 2024**

**Accepted:**
**23 DECEMBER 2024**

***ABSTRACT***

*The growth of the retail business in Indonesia has led to increasing competition among industry players, pushing each to compete more aggressively in their marketing efforts. As the fashion industry in Indonesia continues to evolve, retail fashion companies are striving to create high-quality products to attract and engage customers, with the ultimate goal of fostering customer loyalty. Additionally, findings show that 118 out of 126 respondents tend to compare products from various brands before making a purchase. Therefore, this study aims to examine the relationships between customer perceived value, customer engagement, and customer satisfaction in relation to customer loyalty in the retail fashion industry. The analysis was conducted quantitatively by distributing questionnaires to 235 respondents, which were then analyzed using Structural Equation Modeling Partial Least Squares (SEM-PLS). The results indicate that customer perceived value (including product quality, service quality, and price fairness), customer engagement, and customer satisfaction (both product and brand satisfaction) have a positive and significant relationship with customer loyalty. Based on these findings, managerial implications have been developed for the fashion retail industry to refine their strategies and enhance customer loyalty.*

***Keywords***: *Customer Engagement, Customer Loyalty, Customer Perceived Value, Customer Satisfaction, Structural Equation Modeling.*

***ABSTRAK***

*Pertumbuhan bisnis retail di Indonesia telah mengakibatkan persaingan yang semakin ketat di antara pelaku bisnis tersebut, mendorong setiap pelaku bisnis untuk bersaing lebih kompetitif dalam upaya persaingan mereka. Seiring berjalannya perkembangan industri fashion di Indonesia, perusahaan-perusahaan retail fashion pakaian bersaing dalam membuat produk berkualitas untuk menarik dan melibatkan pelanggan dalam membeli produk-produk mereka, dengan tujuan utama untuk loyalitas pelanggan. Ditambah hasil temuan 118 dari 126 responden menyatakan bahwa mereka cenderung untuk membandingkan produk dari berbagai merek sebelum melakukan pembelian. Sehingga, penelitian ini bertujuan untuk menguji hubungan customer perceived value, customer engagement, dan customer satisfaction terhadap customer loyalty di industri retail fashion pakaian. Metode analisis dilakukan secara kuantitatif dengan menyebarkan kuesioner kepada 235 sampel yang kemudian dianalisis menggunakan Structural Equation Modeling Partial Least Square (SEM-PLS). Hasil menunjukkan bahwa customer*

**JIMKES**
Jurnal Ilmiah Manajemen Kesatuan
Vol. 13 No. 1, 2025
pp. 531-540
IBI Kesatuan
ISSN 2337 – 7860
E-ISSN 2721 – 169X
DOI: 10.37641/jimkes.v13i1.3088

*perceived value (Product Quality, Service Quality, dan Price Fairness), customer engagement, dan customer satisfaction (product dan brand satisfaction) memiliki hubungan positif dan signifikan terhadap customer loyalty. Terdapat implikasi manajerial yang dirancang untuk industri retail fashion pakaian dengan tujuan memperbaiki strategi mereka guna meningkatkan loyalitas pelanggan.*

***Kata kunci**: Keterlibatan Pelanggan, Loyalitas Pelanggan, Nilai yang Dirasakan Pelanggan, Kepuasan Pelanggan, Pemodelan Persamaan Struktural.*

## INTRODUCTION

The growth of the retail sector in Indonesia has experienced continuous development since the 1980s, closely aligned with the expansion of the national economy (Martinus, 2011). This growth is fueled by increasing consumer demand, rising disposable incomes, and urbanization, which have contributed to the evolving landscape of the retail industry. Retail business can be defined as a series of business activities involving the sale of goods or services, whether in the form of tangible products, services, or a combination of both. These activities are typically carried out by companies or business entities and are directly targeted at end consumers for personal, family, or household needs. In Indonesia, the retail industry has evolved significantly, transitioning from traditional markets to modern retail formats such as supermarkets, hypermarkets, convenience stores, and online platforms. This shift is influenced by changing consumer behavior, technological advancements, and increased internet penetration. The rise of e-commerce has played a pivotal role in reshaping the retail landscape, allowing businesses to reach a broader customer base and enhancing convenience for consumers. As a result, competition has intensified, encouraging retailers to innovate and improve customer experiences.

In the retail business domain, sales are primarily dominated by end consumers, accounting for more than 50% of total sales, while a smaller portion comes from the business segment. The increasing purchasing power of the middle class has further boosted retail sales, especially in the fashion, electronics, and lifestyle segments. Over time, competition in the fashion retail industry has continued to intensify in line with the rapid development of this sector, both in the number of traditional and modern retail businesses. The growth of the retail business in Indonesia has created intense competition among industry players, driving each to adopt more competitive marketing strategies, such as personalized promotions, digital marketing, and loyalty programs, to attract and retain customers (Farida & Setiawan, 2022). The textile and apparel industry reached its highest growth in the third quarter of 2019, recording a 15.08% increase, surpassing the overall economic growth of only 5.02%. This remarkable achievement highlights the industry's significant contribution to the national economy, positioning it as one of the key drivers of growth. The industry’s impressive performance can be attributed to its adaptive strategies and continuous innovation, enabling it to remain competitive in the global market. Additionally, this industry has been prioritized in the "Making Indonesia 4.0" roadmap, demonstrating its significance in entering the Industry 4.0 era.

This strategic initiative aims to enhance productivity, efficiency, and sustainability by leveraging advanced technologies such as automation, artificial intelligence, and the Internet of Things (IoT). To support this understanding, a survey conducted among 126 respondents revealed that 118 of them tend to compare products from various brands before making a purchase, emphasizing the importance of effective marketing strategies in fostering customer loyalty. This finding highlights the growing consumer awareness and access to information, which influences purchasing decisions. It also suggests that consumers are becoming more selective, prioritizing quality, price, and brand reputation. This aligns with Bowen & Chen (2001), who stated that loyal customers are generally less likely to switch to competing brands or products.

The survey also indicated that the majority of respondents, 94%, expressed a tendency to compare products with other brands before making a purchase decision. This underlines the necessity for companies to implement competitive pricing, distinctive branding, and personalized marketing strategies to retain customer loyalty in an increasingly competitive market. In recent decades, there has been an increasing focus on Customer Perceived Value (El-Adly, 2019). Furthermore, this concept serves as an antecedent to various behavioral outcomes, including customer loyalty and satisfaction. Sharma (2020), found that customer satisfaction and customer engagement positively influence customer loyalty. These findings have significant implications for various organizational success metrics, including profitability, sales growth, and shareholder value (Anderson et al., 2004).

Therefore, this study aims to provide a deeper understanding of the relationship between customer perceived value, customer engagement, and customer satisfaction in influencing customer loyalty. Customer perceived value is measured through three dimensions: product quality, service quality, and price fairness (Dhasan & Aryupong, 2019). Meanwhile, customer satisfaction is assessed through two dimensions: product satisfaction and brand satisfaction (Hui & Yee, 2015). This study aims to examine the relationship between customer perceived value, customer engagement, and customer satisfaction with customer loyalty in the fashion retail industry. It is expected to contribute by providing insights to fashion retail companies and readers, so that they can gain a better understanding of strategies to increase customer loyalty. In addition, this study helps businesses make more informed decisions regarding product development and marketing strategies in the future.

## LITERATURE REVIEW

According to Berman and Evans (2001), retailing is characterized by three main features: small average sales, impulsive purchasing, and the influence of store or company popularity on revenue. Small average sales indicate that individual transactions in retail are typically low in value, which necessitates a high volume of sales to achieve profitability. This highlights the importance of attracting a large number of customers and encouraging repeat purchases. Impulsive purchasing, on the other hand, refers to unplanned buying decisions made by customers while in the store. This behavior is often influenced by strategic product placement, appealing store layouts, and persuasive promotional tactics. Lastly, the popularity of a store or company significantly impacts its revenue, as customers are more likely to visit well-known and trusted retailers.

Therefore, retailers must develop strategies that maximize purchases and enhance brand popularity to optimize revenue. In the context of clothing retail, these characteristics are particularly relevant. Clothing has been an essential aspect of human life since ancient times, serving not only as a body covering but also as a form of self-expression and cultural identity. It plays a crucial role in daily life for both men and women. According to Rouzi et al. (2022), clothing goes beyond physical protection, functioning as a shield against embarrassment and maintaining social decorum. This psychological aspect of clothing influences purchasing decisions, as consumers often seek apparel that aligns with their identity, social status, and cultural values. Clothing is defined as items worn, such as shirts, trousers, and other apparel, while dressing refers to the act of wearing clothes, grooming, or putting on attire. In this regard, clothing retailers should focus on strategies that not only encourage impulsive purchases but also build brand popularity by aligning with consumers' cultural and social preferences.

Perceived value refers to the benefits or outcomes received by customers in proportion to the total costs incurred (McDougall & Levesque, 2000). Simply put, it is a comparison between the benefits and costs experienced by customers, including the physical attributes, services, and technical support provided when using a product (Ariningsih, 2009). In other words, perceived value is subjective and influenced by an individual’s personal assessment of the product's utility and the costs associated with acquiring it. This perspective highlights the importance of understanding customer expectations and experiences to enhance perceived value. In line with this, Dhasan and Aryupong (2019) identified three key dimensions of customer perceived value: product quality, service quality, and price fairness. Product quality, as defined by Kotler (2002) and Heizer & Render (2009), encompasses the totality of a product's or service's features and characteristics. It relates to how well a product satisfies customer needs, either stated or implied. High product quality often leads to increased customer satisfaction, loyalty, and positive word-of-mouth. Service quality is another crucial component of perceived value.

According to Berry et al. (1988), service quality is the comparison between customer expectations and actual service performance. It involves aspects such as reliability, responsiveness, assurance, empathy, and tangibles. A positive service experience enhances perceived value, as customers feel their needs are met effectively and efficiently. Price fairness, on the other hand, concerns the customer's evaluation of whether the price of a product is reasonable or justifiable (Pratama et al., 2023; Firdaus & Surianto, 2024). If customers perceive the price as fair compared to the benefits they receive, their perceived value increases. Conversely, perceived unfairness can lead to dissatisfaction and negative perceptions. Understanding and managing these dimensions—product quality, service quality, and price fairness—are essential for businesses aiming to enhance perceived value and foster customer loyalty (Dovaliene et al., 2015; Kusumawati & Sri Rahayu, 2020).

According to Retnosari and Nadlifatin (2024), customer engagement is the process of interacting with customers through dialogue and experiences to support their purchasing decisions. This interaction goes beyond transactional exchanges, aiming to create meaningful connections that enhance the customer journey. More specifically, customer engagement involves consumers in searching for, evaluating, and making decisions regarding a brand (Vivek et al., 2012; Erislan, 2024; Handayani & Sutawijaya, 2024). By actively participating in these processes, customers feel more connected to the brand, which can lead to increased loyalty and advocacy. Engagement is not merely about facilitating purchases but about creating emotional interactions that resonate with customers on a personal level (Kumar et al., 2019). This approach transforms customers from passive buyers to active participants, enabling them to contribute to brand development and improvement. When brands prioritize emotional connections, they foster a sense of belonging and trust, which significantly influences purchasing behavior. Positioning customer engagement as a strategic program that addresses customer complaints and fosters effective two-way interactions can help companies maintain long-term relationships (Cook, 2011). By listening to feedback and responding appropriately, brands demonstrate that they value customer opinions. This responsiveness not only resolves issues but also builds loyalty, encouraging repeat purchases and positive word-of-mouth.

Customer satisfaction refers to consumers' response to the fulfillment of their expectations, which plays a critical role in influencing their purchasing decisions and loyalty. It involves an evaluation of whether the characteristics of a product or service provide a level of satisfaction that meets or exceeds consumer expectations (Oliver, 1997). When customers feel that their expectations are met, they are more likely to have a positive perception of the brand, leading to repeat purchases and brand loyalty. Hui & Yee (2015) categorized customer satisfaction into two distinct types: product satisfaction and brand satisfaction. Product satisfaction is associated with the specific attributes and functionalities of a product. It reflects the extent to which the product fulfills the needs and expectations of consumers. For example, a customer buying a smartphone would evaluate its features, performance, and usability to determine if it meets their needs. Brand satisfaction, on the other hand, is a broader evaluation that encompasses consumers' overall experiences with a brand.

It is shaped by repeated interactions and cumulative experiences with the brand's products or services (Grisaffe & Nguyen, 2011). Customer satisfaction is crucial for business growth and development, as highlighted by Abdullah & Tantri (2012). Satisfied customers are more likely to become loyal patrons, leading to increased sales and positive word-of-mouth. Loyalty, as defined by Srivastava (2015), is a strong commitment to consistently repurchase from a brand. Al Hazmi et al. (2024) and Chrisdwiandra (2024) emphasize that loyalty reflects a company's success in building long-term, mutually beneficial relationships, serving as a strong foundation for future growth.

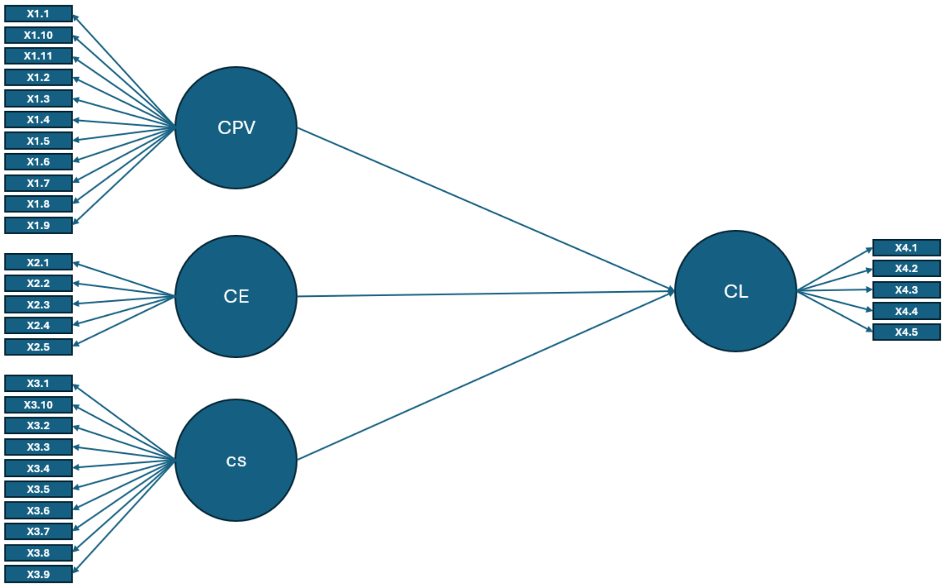


**Figure 1.** Research Framework

**H1**: Customer Perceived Value has a significant influence on Customer Loyalty
**H2**: Customer Engagement has a significant influence on Customer Loyalty
**H3**: Customer Satisfaction has a significant influence on Customer Loyalty

## METHODS

This study uses a quantitative approach, by collecting data through an online questionnaire via Google Forms to determine the relationship between variables with a total of 126 respondents (Ghozali, 2016). Initial validation of the completed questionnaire was carried out to ensure its suitability for data testing, following the Malhotra (2009) guidelines. Data were analyzed using Structural Equation Modeling-Partial Least Square (SEM-PLS). The research model includes four exogenous variables: Customer Perceived Value (CPV) (X1), which consists of Product Quality, Service Quality, and Price Fairness. Product Quality indicators include specifications of clothing fit, performance, reliability, and durability. Service Quality is measured by staff service and the overall service experience, while Price Fairness is reflected in a fair and ethical pricing policy. Customer Engagement (CE) (X2) is assessed through customer interaction with the brand, such as following news, discussing the brand, visiting the brand's website, and paying attention to things related to the brand. Customer Satisfaction (CS) (X3) is divided into Product Satisfaction, including satisfaction with product quality, price, and variety, and Brand Satisfaction, which includes satisfaction with the shopping experience and store services. Finally, Customer Loyalty (CL) (X4) is measured based on customers' intention to continue using the brand, loyalty behaviors such as willingness to pay a premium, and preference to wait for the brand if it is out of stock, which reflects their commitment to the brand despite the availability of new alternatives.

**RESULTS**

The questionnaire distribution successfully gathered responses from 235 participants. The following presents the analysis results using the Structural Equation Modeling-Partial Least Square (SEM-PLS) method. Convergent validity assesses the legitimacy of the relationship between indicators and their constructs. This validity level can be identified through the factor loading values of each indicator. An indicator is considered to have adequate validity if its loading factor value is ≥ 0.7 (Ghozali, 2014). Based on the table, all outer loading values are ≥ 0.7, indicating that all indicators meet the criteria for convergent validity. To ensure discriminant validity, researchers typically use the cross-loading approach and the Fornell-Larcker criterion. In the cross-loading approach, an indicator's loading value on its respective latent variable must be higher than its loading on other latent variables. Meanwhile, the Fornell-Larcker criterion compares the square root of the Average Variance Extracted (AVE) for each latent variable with the correlation values between latent variables, where the square root of the AVE for each latent variable must be greater than the highest correlation with any other latent variable.

**Table 1.** Convergent Validity and Cross Loading

| Variable | Indicators | Loading Factors | CE | CL | CPV | CS | Validity |
|---|---|---|---|---|---|---|---|
| CPL (X1) | X1.1 | 0.847 | 0.452 | 0.488 | 0.847 | 0.493 | Valid |
| | X1.2 | 0.852 | 0.497 | 0.547 | 0.852 | 0.526 | Valid |
| | X1.3 | 0.807 | 0.503 | 0.5 | 0.807 | 0.513 | Valid |
| | X1.4 | 0.828 | 0.355 | 0.45 | 0.828 | 0.43 | Valid |
| | X1.5 | 0.799 | 0.523 | 0.589 | 0.799 | 0.494 | Valid |
| | X1.6 | 0.893 | 0.44 | 0.522 | 0.893 | 0.497 | Valid |
| | X1.7 | 0.818 | 0.469 | 0.487 | 0.818 | 0.531 | Valid |
| | X1.8 | 0.768 | 0.43 | 0.45 | 0.768 | 0.507 | Valid |
| | X1.9 | 0.722 | 0.396 | 0.423 | 0.722 | 0.436 | Valid |
| | X1.10 | 0.759 | 0.467 | 0.558 | 0.759 | 0.483 | Valid |
| | X1.11 | 0.755 | 0.406 | 0.439 | 0.755 | 0.438 | Valid |
| CE (X2) | X2.1 | 0.845 | 0.845 | 0.556 | 0.475 | 0.504 | Valid |
| | X2.2 | 0.811 | 0.811 | 0.592 | 0.498 | 0.481 | Valid |
| | X2.3 | 0.843 | 0.843 | 0.508 | 0.462 | 0.52 | Valid |
| | X2.4 | 0.842 | 0.842 | 0.501 | 0.461 | 0.492 | Valid |
| | X2.5 | 0.828 | 0.828 | 0.508 | 0.44 | 0.509 | Valid |
| CS (X3) | X3.1 | 0.845 | 0.531 | 0.562 | 0.545 | 0.845 | Valid |
| | X3.2 | 0.774 | 0.44 | 0.467 | 0.458 | 0.774 | Valid |
| | X3.3 | 0.815 | 0.505 | 0.475 | 0.51 | 0.815 | Valid |
| | X3.4 | 0.811 | 0.422 | 0.475 | 0.458 | 0.811 | Valid |
| | X3.5 | 0.742 | 0.506 | 0.503 | 0.471 | 0.742 | Valid |
| | X3.6 | 0.701 | 0.398 | 0.406 | 0.384 | 0.701 | Valid |
| | X3.7 | 0.773 | - | - | - | - | Valid |
| | X3.8 | 0.712 | - | - | - | - | Valid |
| | X3.9 | 0.734 | - | - | - | - | Valid |
| | X3.10 | 0.811 | 0.48 | 0.503 | 0.487 | 0.811 | Valid |
| CL (Y) | X4.1 | 0.861 | - | - | - | - | Valid |
| | X4.2 | 0.780 | - | - | - | - | Valid |
| | X4.3 | 0.766 | - | - | - | - | Valid |
| | X4.4 | 0.766 | - | - | - | - | Valid |
| | X4.5 | 0.850 | - | - | - | - | Valid |

The most dominant indicators in each research variable reflect the most influential aspects of customer behavior. In customer value perception, the quality of service provided by store staff is the main factor that shapes customer value perception. Customer involvement is indicated by respondents' high attention to news related to the clothing brands they buy. In customer satisfaction, the most representative factor is satisfaction with the products provided by the store. Meanwhile, customer loyalty is most influenced by customers' intention to continue using their chosen clothing brands. As observed from the cross-loading value, the correlation between each variable and its respective construct is higher than its correlation with other constructs. This indicates that the construct meets the criteria of discriminant validity, because the indicators of each variable show a stronger correlation with the measured construct than with other constructs.

**Table 2.** Fornell Criteria and HTMT

| Test | Variables | CE | CL | CPV | CS |
|---|---|---|---|---|---|
| Fornell Criteria | CE | 0.834 | - | - | - |
| | CL | 0.642 | 0.807 | - | - |
| | CPV | 0.562 | 0.621 | 0.806 | - |
| | CS | 0.601 | 0.628 | 0.605 | 0.773 |
| HTMT | CE | - | - | - | - |
| | CL | 0.718 | - | - | - |
| | CPV | 0.606 | 0.683 | - | - |
| | CS | 0.66 | 0.698 | 0.646 | - |

*Source: Authors, 2025*

The correlation values for each construct are stronger with their respective indicators than with other constructs. Overall, all constructs in the model demonstrate good discriminant validity, indicating that each construct is more closely related to its own indicators than to other constructs. Henseler et al. (2015), proposed a more robust alternative approach, the heterotrait-monotrait (HTMT) ratio. An HTMT value of less than 0.90 indicates that the model meets the discriminant validity criteria. As shown in Table 2, all HTMT values are below 0.90, confirming that each latent variable is valid, clearly distinct, and does not overlap with others.

**Table 3.** Composite Reliability

| Variables | Cronbach's Alpha | rho_A | Composite Reliability | Reliability |
|---|---|---|---|---|
| CE | 0.891 | 0.893 | 0.920 | Reliable |
| CL | 0.866 | 0.873 | 0.903 | Reliable |
| CPV | 0.946 | 0.949 | 0.953 | Reliable |
| CS | 0.925 | 0.928 | 0.937 | Reliable |

*Source: Authors, 2025*

The results of table 3 show that all constructs in the model, including CE, CL, CPV, and CS, have composite reliability values greater than 0.70. In addition, the Cronbach's Alpha and rho_A values for each construct are also above the threshold of 0.70, confirming their reliability. Therefore, based on these values, all constructs in the model can be considered reliable. The structural model analysis illustrates the relationships between latent variables or constructs. This model is also used to assess whether the data in the study support the hypotheses regarding the relationships among latent variables. The evaluation of the structural model begins by examining the R-Squared values for each endogenous latent variable to determine the explanatory power of these variables within the model. Subsequently, the estimated path coefficients and T-Statistics are analyzed using the Bootstrapping method. The Q-Square test measures how well the model's observations and parameter estimations align with the data. If the Q-Square value is greater than 0, it indicates that the model has predictive relevance. Conversely, if the Q-Square value is less than 0, it suggests that the model lacks predictive relevance.

**Table 4.** R-Square and Predictive Relevance

| Analysis | Customer Loyalty | Description |
|---|---|---|
| R-Square | 0.548 | Moderate |
| Q-Square | 0,344 | Predictive Relevance |

The results of the study on R-Square showed that each of 0.75, 0.50, and 0.25 indicated strong, moderate, and weak explanatory power. The Customer Loyalty variable showed a variability of 54.8% explained by the existing construct variables, while the remaining 45.2% was influenced by other factors outside the scope of this study. In this study, the $Q^2$ value obtained was 0.344 (> 0) table 4, which shows that the model has good predictive relevance. This means that the model is able to predict the variables in the study, and the parameter estimates produced by the model are relevant and reliable.

The Goodness of Fit (GoF) test is used to evaluate the structural model and measurement model, which provides a simple metric for the overall prediction of the model. The GoF test evaluates the goodness of fit of the path model by looking at the SRMR value. The structural equation model is considered appropriate if the SRMR value is less than 0.08. In this study, the SRMR value obtained was 0.055, indicating that the model fits well. This means that the model effectively captures the relationship between variables with a relatively small prediction error.

**Table 5.** Hypothesis Test Results

| Hypothesis | Original Sample (O) | Mean | STDEV | T Statistic | P Values | Information |
|---|---|---|---|---|---|---|
| H1 | 0.329 | 0.342 | 0.067 | 4.916 | 0.000 | Significant |
| H2 | 0.279 | 0.274 | 0.054 | 5.173 | 0.000 | Significant |
| H3 | 0.262 | 0.259 | 0.055 | 4.731 | 0.000 | Significant |

*Source: Authors, 2025*

The results of the study on hypothesis testing, t-statistic value and probability value (p-value) are used to assess the significance of the relationship. Hypothesis testing for a significance level of 5% or 0.05 (p-value <0.05) is considered significant if the t-statistic value is greater than 1.96. If the t-statistic value is less than 1.96, it is considered insignificant. From the table above, it can be seen that all variables have a significant effect because the t-statistic value exceeds 1.96, and the p-value is less than 0.05. In addition, a positive coefficient value indicates that an increase in the influencing variable will cause an increase in the related variable.

## CONCLUSION

The results showed that the majority of loyal customers are from a younger age group, typically in their late teens to early thirties. This demographic is often highly educated, with many holding college degrees, which can influence their purchasing decisions and brand loyalty. These customers exhibit relatively consistent shopping frequencies, often making purchases monthly or even weekly, depending on the product category. Their loyalty is driven by a combination of factors, with perceived customer value, customer engagement, and customer satisfaction being the most influential. Perceived customer value plays a significant role in fostering loyalty. It is strongly influenced by product quality that meets or exceeds customer expectations, which ensures reliability and satisfaction. Additionally, friendly and professional service enhances the overall shopping experience, making customers feel valued and respected. Price also significantly influences perceived value; prices that are perceived as fair and reasonable encourage repeat purchases. When customers feel that they are getting good value for their money, they are more likely to remain loyal to a brand. Customer engagement is another important factor in building loyalty. Customers who actively seek out information about a brand, engage with it through digital platforms, and share their positive experiences with others often form deeper emotional connections with the brand. This engagement is facilitated by effective communication strategies, including interactive social media content, personalized email campaigns, and loyalty programs that align with customer preferences. Creating engaging and relevant communications fosters a sense of community and belonging, which strengthens the brand-customer relationship. Additionally, customer satisfaction contributes significantly to customer loyalty. When customers are satisfied with the quality of the product, the level of service received, and the overall shopping experience, they are more likely to return for future purchases and recommend the brand to others.

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