

# Comparison of the Effect of Brand Image on Customer Satisfaction with Customer Loyalty as an Intervening Variable at Indomaret and Alfamart Retailers

Dian Mulyaningtyas<sup>1</sup> , Veramitha Putri Ayu<sup>2</sup>, Saifullah<sup>3</sup>

dian@polibatam.ac.id<sup>1</sup>, veramitha5@gmail.com<sup>2</sup>, Saifullah27821@gmail.com<sup>3</sup>

Politeknik Negeri Batam, Management and Business Department, Batam City, Indonesia<sup>1,2,3</sup>

**Abstract:** Indomaret and Alfamart, which still hold the largest market share for the minimarket retail category, are the focus of this study to compare the effect of brand image on customer satisfaction and customer loyalty and to determine the comparison of the effect of customer satisfaction on customer loyalty and customer loyalty that mediates brand image on customer loyalty. Indomaret and Alfamart customers who participated in this study consisted of 150 samples. Samples were selected online using google forms using non-probability sampling techniques. Data analysis was conducted using Partial Least Squares (PLS). According to the research findings, consumer happiness is positively and significantly influenced by brand image. Brand Image has a positive and significant effect on Indomaret customer loyalty but no effect on Alfamart. Customer satisfaction has a positive and significant effect on customer loyalty and customer satisfaction can mediate brand image. For the overall comparison, there is no significant difference between Indomaret and Alfamart.

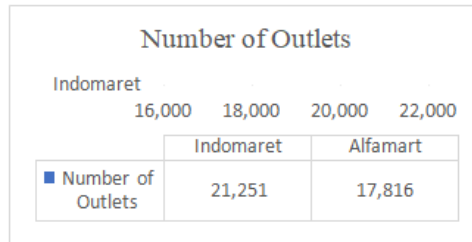
**Keywords:** Indomaret, Alfamart, Brand Image, Customer Satisfaction, Customer Loyalty

## 1. Introduction

One of the growing segments of the economy is the retail business sector [1] With the emergence of various retail companies, traditional markets have evolved into contemporary markets under the influence of modernity. As a result, there has been increased competition to build a reputation in the community for providing practical and efficient solutions to people's needs [2]

The two most dominant minimarkets in Indonesia are Alfamart and Indomaret. When viewed from brand reputation, Indomaret and Alfamart continue to innovate to create a good reputation. Brand image, as defined by Kotler and Keller in Prilano, [3] refers to the attitudes and preferences associated with a brand. Brand image is a conglomeration of perceptions, including preferences and

beliefs, about a particular brand. The number of Indomaret and Alfamart locations in 2022 is shown below.



**Fig. 1** Comparison of Indomaret and Alfamart Outlets in 2022

It is clear from Figure 1 that Indomaret is ahead of Alfamart. This shows that Indomaret, the retailer with the largest number of stores, continues to expand its location network. In addition, Indomaret is superior to Alfamart. To increase customer satisfaction, stores compete with each other in various ways, including by offering a variety of appropriate facilities such as: friendly and helpful staff, easy payment methods, and competitive product prices [4]. Consumers will feel dissatisfied if product performance does not match their expectations [5]. However, consumers will be satisfied if the performance matches expectations. There is intense competition between the two minimarkets to capture the hearts of customers in order to build a positive reputation in the neighborhood in terms of gaining consumer satisfaction and loyalty. Customers will inevitably question which minimarket is the best and why given the level of competition that exists [6]. Kotler & Keller define customer loyalty as a steadfast devotion to a good or service that regularly shows customer interest [7], and although influenced by other marketing, will continue to buy comparable goods.

Because this form of company results in indirect competition among business people to get customers, the authors are interested in comparing these two brands. Based on the description above, the purpose of this study is to determine the effect of *Brand Image* on *Customer Satisfaction* and *Customer Loyalty* of Indomaret and Alfamart Retail in Indonesia.

## 2. Methods

### 2.1 Research Model

This research uses quantitative methodology and explanatory research design. The data sources used are primary and secondary data. While secondary data was collected from previous studies and related references, primary data was collected through distributing questionnaires using Google Forms. The Likert scale was used in this research questionnaire to measure views, attitudes, and perceptions of individual or group social phenomena. This scale has a 1–5-point scale for scores.

The population studied in this study consisted of customers who shopped at Indomaret and Alfamart. Because the research population is not known with certainty, in this study a purposive sampling approach was used with the number of respondents to be surveyed as many as 150 people.

The sample was calculated using the Cochran formula.

This study uses the brand image variable (X) as the dependent variable, customer satisfaction (M) as the intervening variable and customer loyalty (Y) as the independent variable.

**2.2 Relationship between Variables and Hypothesis Formulation**

2.2.1 Relationship between Brand Image and Customer Satisfaction

Customers will be happier when they buy products or services with a positive brand image. This shows that higher customer satisfaction correlates with better brand perception.

2.2.2 Relationship between Brand Image and Customer Loyalty

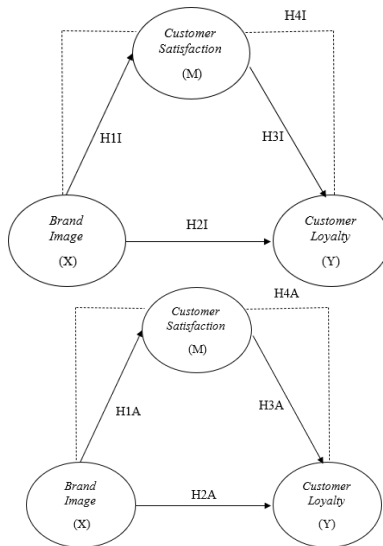
The brand reputation of a product affects how likely consumers are to choose to buy it. Repeat business and increased trust in the company and goods can result from this.

2.2.3 Relationship between Customer Satisfaction and Customer Loyalty

Customer satisfaction is the attitude that consumers have towards a product or service as a whole after utilizing it and making a purchase; this refers to the experience of using or consuming the product or service after making a purchase. Customers who are satisfied with the products or services they buy will continue to use the brand.

2.2.4 The Relationship between Customer Satisfaction Mediates Brand Image on Customer Loyalty

A strong *brand image* indicates that the company's products and services are of high quality and meet expectations. Customers who are satisfied with the company's products or services are likely to recommend them to others and buy again from the company.



**Figure 2.** Indomaret and Alfamart Framework of Thought

The development of the research hypothesis is as follows:

1. H1I: Brand Image affects Customer Satisfaction Indomaret
2. H1A: Brand Image affects Customer Satisfaction Alfamart
3. H2I: Brand Image affects Indomaret Customer Loyalty
4. H2A: Brand Image affects Alfamart's Customer Loyalty.
5. H3I: Customer Satisfaction affects Indomaret Customer Loyalty
6. H3A: Customer Satisfaction affects Alfamart's Customer Loyalty.
7. H4I: Customer Satisfaction Mediates Brand Image on Indomaret Customer Loyalty
8. H4A: Customer Satisfaction Mediates Brand Image on Customer Loyalty Alfamart

### 3. Results and Discussion

#### 3.1 Evaluation of the Measurement Model (Outer Model)

To evaluate the validity and reliability of the model, the Measurement Model Evaluation (outer model) is used.

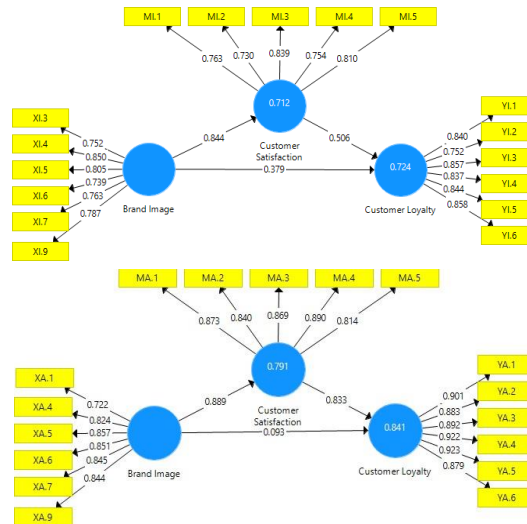


Figure 3. Outer Model of Indomaret and Alfamart

The research model was created and rechecked after a number of indicators on Indomaret and Alfamart were removed until all indicators had a value greater than 0.7. After that, it can be said that all indicators are reliable. Since all indicators are reliable, there is no difference between Indomaret and Alfamart in this comparison.

##### 3.1.1 Convergent Validity

Convergent validity is evaluated using the cross-loading value. Indicators that are declared valid are indicators that meet convergent validity in the valid category and have a value greater than 0.7.

**Table 1.** *Cross Loading of Indomaret and Alfamart*

Indikator	Brand Image	Customer Satisfaction	Customer Loyalty
XI.3	<b>0,752</b>	0,649	0,549
XI.4	<b>0,850</b>	0,708	0,655
XI.5	<b>0,805</b>	0,633	0,595
XI.6	<b>0,739</b>	0,613	0,570
XI.7	<b>0,763</b>	0,673	0,709
XI.9	<b>0,787</b>	0,681	0,699
ML1	0,652	<b>0,763</b>	0,649
ML2	0,628	<b>0,730</b>	0,562
ML3	0,715	<b>0,839</b>	0,711
ML4	0,618	<b>0,754</b>	0,633
ML5	0,673	<b>0,810</b>	0,658
YL1	0,701	0,706	<b>0,840</b>
YL2	0,652	0,652	<b>0,752</b>
YL3	0,678	0,719	<b>0,857</b>
YL4	0,610	0,611	<b>0,837</b>
YL5	0,691	0,698	<b>0,844</b>
YL6	0,684	0,725	<b>0,858</b>
Indikator	Brand Image	Customer Satisfaction	Customer Loyalty
XA.1	<b>0,722</b>	0,597	0,494
XA.4	<b>0,824</b>	0,756	0,691
XA.5	<b>0,857</b>	0,756	0,689
XA.6	<b>0,851</b>	0,741	0,722
XA.7	<b>0,845</b>	0,759	0,785
XA.9	<b>0,844</b>	0,776	0,711
MA.1	0,861	<b>0,873</b>	0,809
MA.2	0,747	<b>0,840</b>	0,752
MA.3	0,722	<b>0,869</b>	0,827
MA.4	0,824	<b>0,890</b>	0,824
MA.5	0,857	<b>0,814</b>	0,711
YA.1	0,772	0,838	<b>0,901</b>
YA.2	0,733	0,796	<b>0,883</b>
YA.3	0,734	0,807	<b>0,892</b>
YA.4	0,734	0,830	<b>0,922</b>
YA.5	0,785	0,857	<b>0,923</b>
YA.6	0,744	0,817	<b>0,879</b>

All loading factor values on the indicators in each instrument in the Alfamart cross loading table above are more than 0.7 and are recognized for their validity. Because all indicators are reliable, there is no difference between Indomaret and Alfamart in this comparison. Since all indicators are reliable, there is no difference between Indomaret and Alfamart in this comparison.

### 3.1.2 Discriminant validity

The AVE results in this discriminant validity test must be higher than 0.50.

**Table 2.** AVE value of Indomaret and Alfamart

<b>Indomaret</b>	
<b>Variable</b>	<b>Average Variance Extracted (AVE)</b>
<i>Brand Image</i>	0.614
<i>Customer Satisfaction</i>	0.608
<i>Customer Loyalty</i>	0.693
<b>Alfamart</b>	
<b>Variable</b>	<b>Average Variance Extracted (AVE)</b>
<i>Brand Image</i>	0.681
<i>Customer Satisfaction</i>	0.736
<i>Customer Loyalty</i>	0.810

Since the AVE for each variable in this study is more than 0.50, it can be said that the values of all variables are accurate. Since all indicators are reliable, there is no difference between Indomaret and Alfamart in this comparison. Since all indicators are reliable, there is no difference between Indomaret and Alfamart in this comparison.

### 3.1.3 Composite Reliability

When conducting SEM-PLS analysis, a construct is considered reliable if its composite reliability value is more than 0.7. The following table displays the findings of the composite reliability test:

**Table 3.** Composite Reliability Value of Indomaret and Alfamart

<b>Indomaret</b>	
<b>Variable Laten</b>	<b>Composite Reliability</b>
<i>Brand Image</i>	0.905
<i>Customer Satisfaction</i>	0.886
<i>Customer Loyalty</i>	0.931
<b>Alfamart</b>	
<b>Variable Laten</b>	<b>Composite Reliability</b>
<i>Brand Image</i>	0.927
<i>Customer Satisfaction</i>	0.933
<i>Customer Loyalty</i>	0.962

In Indomaret and Alfamart, all research variables have a reliability value if the value is more than 0.70. This indicates the reliability of all test questions used to assess each research variable.

### 3.2 Structural Model Analysis (*Inner Model*)

The structural model evaluation step includes the model fit and hypothesis testing stages. The R-Square ( $R^2$ ) and Godnes of Fit/Q-Square ( $Q^2$ ) metrics are used in the model fit test. By examining the significance level of the relationship between variables, partial hypotheses are tested. Since all parameters are achievable, there is no difference between Indomaret and Alfamart in this comparison.

#### 3.2.1 Inner Model Analysis

The R-Square value is the first thing PLS analyzes when evaluating the inner model. The results of data processing using smartPLS 3.0 Professional are as follows:

**Table 4.** *R-Square* Value of Indomaret and Alfamart

Indomaret	
Variable	R-Square
<i>Customer Satisfaction</i>	0.712
<i>Customer Loyalty</i>	0.724
Alfamart	
Variable	R-Square
<i>Customer Satisfaction</i>	0.791
<i>Customer Loyalty</i>	0.841

Based on the information in table 3 above, it is clear that the customer satisfaction variable at Indomaret has an R-Square value of 0.712 which indicates that the variable has an influence of 71.2% and the remaining 28.8% is influenced by other elements. The customer loyalty variable is 0.724 which indicates that the customer satisfaction variable has an influence of 72.4% on it, with other elements having an influence of 27.6%.

Based on the data presented in table 3 above, it can be seen that the Alfamart customer satisfaction variable has an R-Square value of 0.791 which indicates that the variable has an influence of 79.1% with the remaining 20.9% influenced by other factors. The customer loyalty variable has a coefficient value of 0.841 which indicates that the variable has an influence of 84.1%, with other factors influencing the remaining 15.9%. The Q-Square value indicates the quality of the fit evaluation. The significance of the Q Square value is the same as that of the R-Square coefficient of determination.

The following are the calculation results for Indomaret and Alfamart:

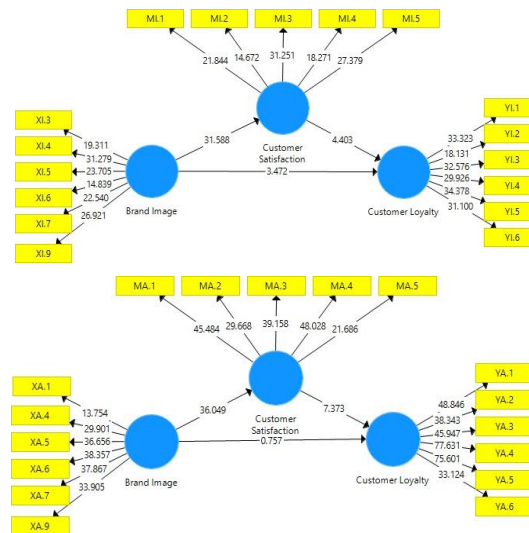
$$\begin{aligned}
 Q^2 &= 1 - [(1 - R12) (1 - R22)] \\
 &= 1 - [(1 - 0.712) (1 - 0.724)] \\
 &= 1 - [(0.288) (0.726)] \\
 &= 1 - [(0.219)] \\
 &= 0.791
 \end{aligned}
 \tag{1}$$

$$\begin{aligned}
 Q^2 &= 1 - [(1 - R12) (1 - R22)] \\
 &= 1 - [(1 - 0.791) (1 - 0.841)] \\
 &= 1 - [(0.219) (0.159)] \\
 &= 1 - [(0.033)] \\
 &= 0.767
 \end{aligned}
 \tag{2}$$

The Q-Square value of Indomaret is 0.791 as estimated above. As can be seen, the research model can explain 79.1% of the variation in the research data, while the remaining 20.9% is explained by other variables outside the scope of this research model. The Q-Square value of Alfamart is 0.767. This illustrates the amount of variation in research data that can be explained by the researcher's model by explaining 76.7%, while the remaining 23.3% is explained by other elements outside the scope of this research model. With these findings, it can be said that this research model has a good goodness of fit.

### 3.2.2 Bootstrapping Indomaret and Alfamart

After determination testing, path analysis was conducted using bootstrapping on SmartPLS 3.0 to ascertain the causal relationship between exogenous and endogenous variables to make predictions based on the findings of path analysis in this model.



**Figure 4.** Outer Model of Indomaret and Alfamart



The t-statistic results indicate the importance of the variables and the nature of the relationship between the variables, whether positive or negative, based on the original sample values. If the t-statistic result is more than 1.96, the test condition for the exogenous factor has a substantial impact on the endogenous latent variable. Table 4 contains the path coefficient values and the conclusion of the research hypothesis.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics ((O-STDEV)/VI)	P Values
XI MI	0.844	0.845	0.025	34.329	0.000
XA MA	0.889	0.891	0.002	39.747	0.000
XI YI	0.379	0.382	0.113	3.373	0.001
XI YES	0.093	0.102	0.127	0.733	0.453
MI YI	0.506	0.502	0.116	4.342	0.000
MA YES	0.833	0.825	0.117	7.116	0.000

**Table 5.** Indomaret and Alfamart  
*Specific Indirect Effect Value*

Item	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics ((O-STDEV)/VI)	P Values
XI MI YI	0.427	0.421	0.098	4.347	0.000
XA MA YES	0.741	0.728	0.096	7.695	0.000

The following explanation explains the results of the relationship between variables at Indomaret and alfamart:

1. Brand image has an impact on customer satisfaction at Indomaret, as indicated by the T-statistic value of 34.329 which is greater than 1.96, so the hypothesis H1I which states that "brand image affects customer satisfaction at Indomaret" can be accepted. Hypothesis H1A "brand image affects customer satisfaction at Alfamart" is accepted because Alfamart's brand image has a positive and substantial effect on customer satisfaction. This is because the T- statistic value of 39.747 is higher than 1.96. This is in line with the research of Julian Wibisono and Hatane Semuel (2019), which examines the relationship between brand image and customer satisfaction. The findings show that brand image has a positive and

substantial impact on customer satisfaction. Since both Indomaret and Alfamart have a T-Statistic value  $> 1.96$ , there is no difference between them in comparing the impact of brand image on customer satisfaction.

2. Because the T-statistic value of 3.373 is higher than 1.96, the H2I hypothesis which states that "brand image affects customer loyalty at Indomaret" is accepted. Brand image has a positive and significant influence on customer loyalty. This is in line with Nelva Kirana Nurafindraningrum's research (2021) which examines brand image and customer loyalty issues. The findings show that there is a positive and substantial relationship between brand image and loyalty. Because the T- statistic value of 0.733 is smaller than 1.96, the H2A hypothesis which states "brand image affects customer loyalty at Alfamart" can be rejected. brand image does not have a positive and substantial effect on customer loyalty. Since Alfamart has a T-Statistic value of 1.96, Alfamart is rejected for the comparison of brand image to customer happiness, but Indomaret is approved.
3. Given that the T-statistic value of 4.342 is higher than 1.96 and that customer satisfaction has a positive and substantial impact on Indomaret's customer loyalty, hypothesis H3I which states "customer satisfaction affects customer loyalty at Indomaret" is accepted. Given that the T-statistic value of 7.116 is higher than 1.96 and that customer satisfaction has a positive and significant impact on Alfamart's customer loyalty, hypothesis H3A which states "customer satisfaction affects customer loyalty at Alfamart" can be accepted. This is in line with the research of Julian Wibisono and Hatane Samuel (2019), who examined the impact of brand image on customer satisfaction and loyalty. The findings reveal that customer satisfaction has a positive and substantial impact on customer loyalty. Since both Indomaret and Alfamart have a T-Statistic value  $> 1.96$ , there is no difference between them when comparing customer satisfaction with customer loyalty.
4. The T-statistic value of 4.347 is greater than 1.96 in accordance with the findings of the indirect effect evaluation above, indicating that hypothesis H4I which states that "customer satisfaction mediates brand image on customer loyalty" is accepted. Because the T-statistic value of 7.695 is higher than 1.96, the indirect effect on customer loyalty through customer satisfaction is accepted, thus supporting the statement in hypothesis H4A that "customer satisfaction mediates brand image on customer loyalty". According to research by Sri Rosmayanti et al. (2023), which examines the problem of the influence of brand image and customer relationships on customer loyalty through the perspective of customer satisfaction, the results of his research show that customer satisfaction has a significant and positive influence on customer loyalty. Because both Indomaret and Alfamart have a T-Statistic value  $> 1.96$ , there is no difference between the two in comparing the mediation of customer satisfaction on brand image on customer loyalty.

#### **4. Conclusion**

The findings of this study lead to a number of conclusions, namely:

1. In Indomaret and Alfamart, brand image is proven to have a good and considerable impact on customer satisfaction.
2. It has been shown that Alfamart's brand image does not have a positive or substantial

- impact on customer loyalty but Indomaret's brand image has a favorable and significant impact.
3. Indomaret and Alfamart have shown that customer satisfaction has a favorable and considerable impact on customer loyalty.
  4. Indomaret and Alfamart have shown that brand loyalty is mediated by customer satisfaction.

## References

- [1] Annisa, Zuhirsyan, M., & Marpaung, M. (2020). PENGARUH BRAND AWARENESS, BRAND IMAGE, MEDIA COMMUNICATION TERHADAP MINAT MEMILIH PRODUK BNI SYARIAH MEDAN. *Jurnal Bilal (Bisnis Ekonomi Halal)*, 1. [www.ibtimes.id](http://www.ibtimes.id)
- [2] Samuel, H., & Wibisono, J. (n.d.). *BRAND IMAGE, CUSTOMER SATISFACTION DAN CUSTOMER LOYALTY JARINGAN SUPERMARKET SUPERINDO DI SURABAYA*. <https://doi.org/10.9744/pemasaran.13.1.27-34>
- [3] Hardiyanti, I., & Madiawati, P. N. (2021). THE INFLUENCE OF BRAND IMAGE, PRODUCT QUALITY AND PRICE ON CUSTOMER LOYALTY THE BODY SHOP THROUGH CUSTOMER SATISFACTION VARIABLES. *E-Proceeding of Management*, 8(4), 1-11.
- [4] Cuong, Dam Tri. (2019). The Effect of Brand Image and Perceived Value on Satisfaction and Loyalty at Convenience Stores in Vietnam. *Journal of Advanced Research in Dynamical and Control Systems*, 11(08). <https://www.researchgate.net/publication/336949413>
- [5] Büyükdağ, N. (2021). The effect of brand awareness, brand image, satisfaction, brand loyalty and WOM on purchase intention: An empirical research on social media. *Business & Management Studies: An International Journal*, 9(4), 1380-1398. <https://doi.org/10.15295/bmij.v9i4.1902>
- [6] Pandiangan, K., Masiyono, & Atmogo, Y. D. (2021). FAKTOR-FAKTOR YANG MEMPENGARUHI BRAND EQUITY: BRAND TRUST, BRAND IMAGE, PERCEIVED QUALITY, & BRAND LOYALTY. *Jurnal Ilmu Manajemen Terapan*, 2(4), 471-484. <https://doi.org/10.31933/jimt.v2i4>
- [7] Rahayu, S., & Faulina, S. T. (2022). Pengaruh Digital Customer Experience dalam Menciptakan Customer Satisfaction dan Customer Loyalty di Era Digital (Studi Kasus OVO). *Jurnal Ekonomi & Ekonomi Syariah*, 5(1), 1-13. <https://doi.org/10.36778/jesya.v5i1>