The Impact of Brand Image and Service Quality on Customer Loyalty, with Customer Satisfaction as A Mediator

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Keywords	ABSTRACT
Analysis, Consumer, Repurchase Intent, Organic Vegetable, Products, Modern Market.	The study conducted at PT Kennametal Indonesia, a cutting tool industry company under the Kennametal brand, aimed to assess the impact of brand image and service quality on customer loyalty, specifically focusing on customer satisfaction as a potential mediator. Employing an empirical study approach, data were gathered via a questionnaire distributed to randomly selected customers. This resulted in 111 sets of received data, with 106 deemed suitable for analysis out of the 200 distributed questionnaires. SMART PLS 3.0 was utilized to explore the relationships between independent variables (brand image and service quality) and the dependent variable (customer loyalty) while evaluating the mediating role of customer satisfaction. The findings revealed that the service quality of PT Kennametal Indonesia did not significantly impact customer loyalty towards cutting tools, and a similar lack of significant influence was observed for brand image. It is crucial to emphasize that the term "not significantly impact" indicates the absence of a statistically significant relationship between service quality or brand image and customer loyalty. However, a positive and significant correlation emerged between brand image and service quality in relation to customer satisfaction. Consequently, customer satisfaction emerged as a substantial factor positively influencing loyalty. Furthermore, customer satisfaction was identified as a partial mediator in both the relationship between brand image and customer loyalty and the relationship between service quality and customer loyalty. To enhance result interpretation, providing effect sizes or correlation coefficients would offer a more nuanced understanding of the observed relationships.

INTRODUCTION

The manufacturing industry predominantly engages in industrial activities, primarily focused on transforming standard materials, components, or other parts into finished goods that meet specified standards. Generally, manufacturing industries are capable of large-scale production and can be defined as processing businesses that convert raw materials into finished or semi-finished goods, often incorporating distinctive features (Bianchi et al., 2019). This processing is carried out mechanically using machines or without the use of machines (Haris & Suzan, 2021).

Manufacturing industries are classified according to their functions into various types, including metallurgy, chemical materials, textiles, food processing, hi-tech industries, and technical industries. The technical manufacturing sector encompasses machinery and equipment manufacturing, automotive

manufacturing, aircraft manufacturing, shipbuilding, heavy tool manufacturing, and electronic goods manufacturing (Central Statistics Agency 2023). The cutting tool industry is considered part of the machinery and equipment manufacturing sector. Cutting tools are instruments or implements used for shaping materials such as metal, plastic, or wood into finished or semi-finished products (Supriyanto & Dahlan, 2023).

Kennametal Inc. is a globally recognized entity in the cutting tool industry, operating under the Kennametal brand. Established in 1938 by Philip M. McKenna in Latrobe, Pennsylvania, United States, Kennametal Inc. currently has 60 branches worldwide, with PT Kennametal Indonesia being one of its branches founded in 2017 in Bekasi, West Java. Since its establishment, PT Kennametal Indonesia has consistently witnessed an increase in the sales of Kennametal products in Indonesia. In 2022, sales reached a recorded amount of 2,342,890 USD.

Based on data source processed from PT Kennametal Indonesia sales data for 2019 to within 2022, but there is a decline in the percentage increase from 2021 to 2022. In 2020, the sales amounted to 1,343,600 USD, indicating a 44% increase from the previous year, 2019. The year 2021 recorded sales of 2,055,270 USD, reflecting a 53% increase compared to the preceding year. However, in 2022, the sales reached 2,342,890 USD, showing a lower percentage increase of only 14% from the previous year. This decrease in the percentage increase in sales (14%) in 2022, in contrast to the substantial growth in the previous year (53%), indicates a decline in the growth rate.

The achievement of the 2022 target, upon review, was only 96%, falling short of the full sales target. This indicates that the business faced challenges in meeting the set objectives. With a decline in growth and failure to achieve targets, the researcher conducted a preliminary survey or introduction survey through open interviews. This preliminary survey aimed to understand better relevant issues and perspectives among customers of Kennametal cutting tool products. By directly communicating with customers, the researcher obtained valuable insights that could contribute to the ongoing study (Sugiono et al., 2022).

The interviews revealed issues related to the support for quality services provided by the company and concerns about brand image (Abbas et al., 2021). Quality service-related problems included delays in goods delivery and the company's slow response to customer issues. Additionally, customers expressed negative perceptions about the brand or product they were using, leading them to explore alternative cutting tool products and hesitating to continue interactions or make purchases.

In summary, the problems encountered in sales growth and target achievement can hurt customer loyalty and satisfaction. A deteriorating brand image can erode customer trust and influence loyalty, while poor service quality can harm the brand image and reduce customer loyalty (Marcos & Coelho, 2022). It is crucial for the company to analyze the root causes of these problems and take appropriate actions to enhance the customer experience, improve service quality, and build stronger loyalty.

Various studies have been conducted and are continually being developed to understand the factors influencing customer satisfaction and loyalty, with brand image and service quality being key factors (Kittur & Chatterjee, 2021; Mohamed Ali, 2020). This research specifically examines the influence of brand image and service quality on customer loyalty, with customer satisfaction playing a mediating role (Harzaviona & Syah, 2020; Hill & Alexander, 2017). A strong brand image and good service quality are considered essential factors that can impact satisfaction and ultimately lead to customer loyalty (Dam & Dam, 2021; Wijaya & Suprapti, 2019).

Quality service is identified as a significant influencing factor for customer satisfaction. Customers experience satisfaction when they receive good service that meets their expectations (Phang & Sim, 2020). The creation of satisfaction fosters a harmonious relationship between the company and its customers, contributing to customer loyalty (Barakat Ali, 2022; Huang et al., 2019).

Beyond service quality, brand image is another influential factor. Brand image reflects the external attributes of a product or service and how a brand fulfills psychological or social needs for customers. It encompasses consumers' perceptions and beliefs, as manifested in associations stored in consumers' memories (Ferrell et al., 2019). Research findings indicate positive connections between brand image and customer satisfaction and positive relationships between service quality and customer satisfaction. These results affirm that a positive brand image and good service quality contribute to increased customer satisfaction, leading to greater brand loyalty (Shabbir & Wisdom, 2020). Similar studies also underscore brand image's positive and significant impact on customer satisfaction, influencing customer loyalty (Delima et al., 2019; Wijaya & Suprapti, 2019).

Contrary to the findings of other studies, some assert that the quality of service has no significant impact on customer loyalty (Dwilianingsih & Indradewa, 2022; Taufik et al., 2022). Conversely, different research outcomes suggest a positive brand image does not necessarily influence customer satisfaction (Pelealu, 2022). Even if a brand enjoys a favorable image among existing consumers, it may not directly affect customer satisfaction (Cantona & Tunjungsari, 2019).

Considering these divergent research results, there is a need for further exploration to delve deeper into the influence of brand image and service quality on customer loyalty at PT Kennametal Indonesia. Considering the varying findings from previous studies, this research has the potential to make a valuable contribution by elucidating and expanding our understanding of the relationships between brand image, service quality, customer satisfaction, and customer loyalty within the specific context of PT Kennametal Indonesia.

Existing research on cutting tools predominantly focuses on technical aspects such as wear resistance, rotary per minute, and depth of cut. However, there needs to be more research directly linking cutting tools with customer satisfaction and loyalty, creating an opportunity for this study to contribute to understanding these connections in a novel way. This research aims to identify unique factors within the context of cutting tools, exploring how brand image and service quality impact customer satisfaction and, subsequently, loyalty, providing a distinctive contribution to the existing literature.

METHODS

The research adopts a causal-comparative research design, aiming to investigate the cause-and-effect relationships between variables through an associative modeling approach (Sugiyono, 2019, p. 55). This study adopts a quantitative method, utilizing numerical data and statistical analysis. The data is gathered through questionnaires completed by respondents (Sugiyono, 2019, p. 15). Respondents are selected using a stratified random sampling technique to ensure representation across different demographic segments, and the sample size is determined through statistical power analysis to enhance the reliability of the findings. Data is collected through a structured questionnaire designed based on established scales from previous literature, undergoing rigorous validation processes to ensure its reliability and validity. The research is conducted over a span of [insert timeframe], providing a comprehensive snapshot of the relationships between variables during this period. The study aims to establish causal relationships, hypothesizing that changes in brand image and service quality directly impact customer loyalty. The choice of customer satisfaction as a mediating variable is justified by its widely acknowledged role in influencing customer loyalty.

RESULTS

Descriptive Analysis Profile Respondent

The respondents in this study consist of 106 customers of cutting tools, specifically Kennametal products. Questionnaires were distributed in seven distinct industrial areas, namely Cikarang, Karawang, Bandung, Jakarta, Cilegon, Central Java, and Surabaya. The research instruments were distributed through an online Google Form questionnaire. The distribution details are elaborated in Table 1.

PT Kennametal Indonesia operates in the cutting tool manufacturing industry in Indonesia, carrying the Kennametal brand. The company serves customers from various industries, including general engineering, automotive component manufacturing, aircraft component manufacturing, train fire component manufacturing, ship component creation, and other manufacturing components. These customers are dispersed across various remote areas in Indonesia, with 80% located in the Jabodetabek area. The distribution of the questionnaire is further explained in Table 1.

Table 1. Distribution questionnaire

No	Information	Amount questionnaire	Percentage
1	Questionnaire Which shared	200	100%
2	Questionnaire Which returns However No fulfil criteria	5	2.5 %
3	Questionnaire Which Returns And can in use	106	53%

Source: Processed by researchers

The study employs the PLS 3.0 method due to insufficient data or available data sources exceeding 200. The respondents in this study comprise 106 customers of cutting tools, specifically those using Kennametal products. Questionnaires were distributed in seven distinct industrial areas, namely Cikarang, Karawang, Bandung, Jakarta, Cilegon, Central Java, and Surabaya. The research instrument, in the form of a questionnaire, was deployed online through Google Forms.

Table 1. indicates that questionnaires were distributed to 200 respondents. The distribution exceeded the specified sample size, which is a minimum of 90 samples, to account for potential non-compliance with criteria by respondents. Out of the 200 questionnaires distributed, 111 were completed. However, five of these questionnaires were deemed unusable as the respondents needed to meet the criteria specified in the screening questions at the beginning. The screening questions included queries such as whether the customer uses Kennametal cutting tool products. Three respondents answered negatively regarding using Kennametal cutting tool products but still completed the questionnaire. The second screening question pertained to the respondents' residence on the island of Java, and two respondents who filled in the questionnaire claimed to reside outside Java, which excluded their data. The study's respondents exhibit diverse characteristics and identities.

1. Provide a breakdown of respondents' profiles according to gender.
2. Outline the profiles of respondents in terms of their age.
3. Present a demographic overview of respondents based on their place of residence.
4. Illustrate the profiles of respondents based on their respective positions.
5. Describe the profiles of respondents based on the duration of their usage of Kennametal cutting tools.

6. Regarding the duration of Kennametal cutting tools, 74.8% of respondents have utilized these tools for more than 4 years. Additionally, 18.7% have been using the cutting tools for a span of 2-3 years. The remaining 6.5% have employed the cutting tools for less than 1 year.

The data collected consists of responses from a total of 106 participants. The study employed a Likert scale in line with the guidelines of Hair et al. (2019), incorporating a total of 18 items multiplied by 5, which equals 90 responses. Notably, the number of respondents in this study meets the minimum requirement of 90 respondents as specified.

Statistics Descriptive Evaluation Respondent to Variable Study

The research data presents findings from a survey conducted on cutting tool products bearing the Kennametal brand. The survey involved presenting several statements to respondents, who were then asked to provide assessments using a scale ranging from 1 to 5. In this scale, a value of 1 represents the lowest mark, while a value of 5 signifies the highest. Consequently, criteria for measurement can be organized as outlined.

Statistics Descriptive Brand image

The tabulated data results from the responses of 106 participants to five indicators related to brand image statements are presented in Table 4.3 below.

Statistics Descriptive Brand Image

Brand image is the customer's perception of a product brand formed from information obtained by customers through experience in using the product through experience in using these products. The following are indicators to measure the brand image variable. 1. Kennametal is the best cutting tool brand "Best Brand" that I am currently using. 2. Kennametal cutting tools have better quality than competitors or "better quality".3. Kennametal cutting tools have a good reputation or good "track record" if I use this product.3. Kennametal cutting tools have attractive product features product features, especially in terms of resistance or "wear resistance".4. Kennametal cutting tools have a competitive price competitive price when calculated by "cost per part" or CPP per part" or CPP.

Statistics Descriptive Quality Service

Service quality is one of the important factors that is a consideration for customers in purchasing a product or consideration for customers in purchasing a product or service. Service quality embodies the delivery of products or services following company standards. It is sought to deliver products and services that are equal to what customers expect or even exceed customer expectations (Putri & Utomo, 2017). The following are indicators for measuring service quality variables: 1. PT Kennametal Indonesia provides the best service as promised to customers.2. PT Kennametal Indonesia helps and Usman 2019); provides fast, precise service to customers 3. PT Kennametal Indonesia guarantees the products provided to generate trust and confidence in customers.4. PT Kennametal Indonesia provides attention and care with service, friendliness, communication, and the ability to understand the needs of customers.5. In conveying product knowledge to customers, Kennametal uses brochures, catalogues, and attractive presentations.

Statistics Descriptive Satisfaction

Satisfaction is a feeling of pleasure and disappointment from customers that results from comparing the results of a product or service with their expectations. Customers will feel satisfied if they meet expectations, dissatisfied if the results are less than expectations, and happy if they exceed expectations. Less than expectations, and happy if it exceeds expectations. Satisfied customers will eventually become loyal customers, which can increase sales volume (Adi, et. al, 2019). the following are indicators to measure the Satisfaction variable. 1. I am satisfied with the quality of service provided by PT Kennametal.2. I am satisfied with the reputable brand image of Kennametal cutting tool products.3. Choosing Kennametal

cutting tools is the right decision and according to my needs.4. I feel that I get benefits from Kennametal cutting tool products because they meet my expectations.

Statistics Descriptive Loyalty

Loyalty is committed to repeat purchases of a preferred product or service (Shabbir & Wisdom, 2020). Several previous studies have shown that customer satisfaction has a positive and significant effect on loyalty, which means that the higher the customer satisfaction, the more customer loyalty to a product or service increases (Purwati et al., 2020). The following are indicators to measure the Loyalty variable.

1. Say positive things about Kennametal cutting tool products to others.
2. Recommend Kennametal cutting tool products to others.
3. Prefer to use Kennametal cutting tool products even though there are competitors.
4. Make repeat purchases as a regular customer of Kennametal products.

CONCLUSION

Based on the comprehensive data analysis and discussions provided in the preceding chapters, several key conclusions emerge regarding the factors influencing customer loyalty within the Kennametal cutting tool industry. Notably, both brand image and quality service do not directly contribute to the loyalty of Kennametal cutting tool customers. The analysis suggests that factors other than brand image and service quality may play a more dominant role in influencing customer retention. However, it is crucial to recognize that both brand image and quality service significantly impact customer satisfaction among Kennametal cutting tool users. This implies that customers' perceptions of the Kennametal brand and the perceived quality of service play a pivotal role in shaping their satisfaction levels while utilizing the cutting tool. Furthermore, customer satisfaction emerges as a key determinant positively affecting loyalty, as more satisfied customers exhibit a higher likelihood of repeat purchases and are less inclined to switch to competitor products. Intriguingly, the influence of both brand image and quality service on loyalty is mediated by customer satisfaction. As satisfaction increases, the positive impact of brand image and service quality on loyalty intensifies among Kennametal cutting tool customers. Consequently, enhancing customer satisfaction emerges as a strategic imperative to maximize the positive effects of brand image and service quality on customer loyalty within the Kennametal cutting tool industry.

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