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## ANALYSIS OF SERVICE EXCELLENCE, CUSTOMER SATISFACTION, AND PROMOTION TOWARD CUSTOMER LOYALTY OF RETAIL MSMEs



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### Abstract

The rapid growth of retail micro, small, and medium enterprises or MSMEs in Indonesia has intensified business competition, requiring business actors to implement service excellence, effective promotional strategies, and customer satisfaction to build long-term customer loyalty. This study aims to analyze the effect of service excellence, customer satisfaction, and promotion on customer loyalty of retail MSMEs in Cikeas Udik Village. This research employed a quantitative approach using multiple linear regression analysis. Data were collected through questionnaires distributed to 78 respondents selected using proportional random sampling from a population of 312 retail MSMEs. The research instruments were tested for validity and reliability, followed by classical assumption tests, t-tests, F-tests, and coefficient of determination analysis. The results indicate that service excellence, customer satisfaction, and promotion have a positive and significant effect on customer loyalty, both partially and simultaneously. These findings suggest that improving service quality and implementing appropriate promotional strategies can enhance customer satisfaction and strengthen customer loyalty. Therefore, retail MSMEs are encouraged to improve service competencies, optimize digital-based promotional activities, and continuously evaluate customer satisfaction to support sustainable business performance.

**Keywords:** Customer Loyalty, Customer Satisfaction, Promotion, Service Excellence

## **INTRODUCTION**

Retail MSMEs play a strategic role in supporting the national economy through job creation, income generation, and equitable local economic development (Iriyanti, 2020). In the face of increasingly intense business competition, retail MSMEs are required not only to rely on product quality but also to implement service excellence, effective promotional strategies, and customer satisfaction to build sustainable customer loyalty. Service excellence is a crucial factor in creating positive customer experiences, characterized by fast, friendly, responsive, and professional services that enhance satisfaction and encourage loyalty (Karim, 2018). In addition, well-targeted promotional activities, both through conventional and digital media, play an important role in attracting and retaining customers, particularly for retail MSMEs.

Along with the rapid digital transformation and changing consumer behavior, retail MSMEs are increasingly challenged to maintain customer loyalty in highly competitive markets. Many MSMEs still face limitations in service quality consistency, customer relationship management, and digital promotional effectiveness. Therefore, understanding the determinants of customer loyalty becomes increasingly important to support MSME sustainability and competitiveness.

Previous studies indicate that service quality, customer satisfaction, and promotion significantly influence customer loyalty (Faradina, 2016). However, empirical studies examining these three variables simultaneously within the village-level retail MSME context remain limited. Therefore, this study contributes novelty by integrating the analysis of service excellence, customer satisfaction, and promotion on customer loyalty among retail MSMEs in Cikeas Udik Village. This study aims to analyze the partial and simultaneous effects of service excellence, customer satisfaction, and promotion on customer loyalty. The findings are expected to provide empirical contributions to MSME marketing studies and practical references for enhancing competitiveness and business sustainability.

## **REVIEW OF LITERATURE**

### **Service Excellence**

Service excellence refers to efforts to deliver the best possible service through friendly, responsive, fast, and professional attitudes to meet or exceed customer expectations. In retail MSMEs, service excellence serves as a key differentiator due to the intensive direct interaction between business actors and customers. Consistent and high-quality service fosters positive perceptions and builds customer trust (Saleh & Said, 2019). According to customer relationship theory, excellent service quality contributes to emotional attachment and long-term customer retention. Customers who receive responsive and reliable services are more likely to develop trust and loyalty toward business actors.

### **Customer Satisfaction**

Customer satisfaction is an emotional state that arises after customers compare their expectations with the actual performance of products or services received. Satisfied customers tend to develop positive attitudes and demonstrate repurchase intentions. In retail MSMEs, customer satisfaction is an essential indicator of the effectiveness of service and promotional strategies and strengthens long-term relationships between customers and business actors (Makasudede, 2016).

## **Promotion**

Promotion is a component of the marketing mix aimed at informing, persuading, and reminding customers about offered products or services. For retail MSMEs, promotion not only increases short-term sales but also builds brand awareness and business image. Appropriate promotional strategies, particularly through digital media, can enhance customer interest and loyalty (Kotler dan Keller, 2018). Digital promotion through social media platforms also plays an important role in increasing customer engagement and strengthening brand awareness among retail MSMEs.

## **Customer Loyalty**

Customer loyalty represents a customer's commitment to repeatedly purchase and recommend products or services to others. Loyalty is formed through accumulated positive experiences, satisfaction, and trust. In this study, customer loyalty is positioned as the dependent variable influenced by service excellence, customer satisfaction, and promotion, serving as a strategic asset for retail MSMEs' sustainability (Hasanah, 2018).

## **RESEARCH METHOD**

This study employed a quantitative approach using a survey method, as recommended in marketing causality research (Sugiyono, 2018). The research design was causal in nature, aiming to examine the cause-and-effect relationships between independent and dependent variables. The independent variables in this study consisted of service excellence (X1), customer satisfaction (X2), and promotion (X3), while customer loyalty (Y) was treated as the dependent variable. This design was selected to ensure a systematic and empirical examination of the relationships among the studied variables.

The research population comprised all retail micro, small, and medium enterprises or MSMEs operating in Cikeas Udik Village, Bogor Regency, during the period of January–March 2025, totaling 312 business units. The sample was determined using a proportional random sampling technique to ensure representative data, resulting in 78 respondents. Data collection was carried out through observation, questionnaires, and documentation to obtain accurate and comprehensive information. Observation was used to directly examine the operational activities of retail MSMEs, particularly service processes, the use of promotional media, and interactions between business owners and customers. A closed-ended questionnaire using a 1-5 Likert scale (Arikunto, 2017) served as the primary research instrument to measure respondents' perceptions of service excellence, customer satisfaction, promotion, and customer loyalty. The questionnaire was developed based on established indicators for each variable and was tested for validity and reliability to ensure measurement accuracy. In addition, documentation techniques were employed to complement the primary data by collecting supporting documents, such as MSME records, activity photographs, and administrative evidence, thereby strengthening the validity and transparency of the research findings.

Data analysis was conducted quantitatively and sequentially using the Statistical Package for the Social Sciences (SPSS) software (Basuki, 2020). The analysis stages included instrument validity and reliability tests, classical assumption tests to ensure the suitability of the regression model, and multiple linear regression analysis to examine the effects of service excellence, customer satisfaction, and promotion on customer loyalty. Hypothesis testing was performed using t-tests to assess partial effects and F-tests to evaluate

simultaneous effects, while the coefficient of determination ( $R^2$ ) was employed to measure the extent to which the independent variables explained variations in customer loyalty (Imron, 2019).

## RESULTS AND DISCUSSION

### Validity Test

Before conducting further analysis, this study began with an instrument validity test to ensure that the questionnaire was able to accurately measure the research variables. The validity test was conducted using SPSS version 26.0 through the Corrected Item–Total Correlation method, with the criterion that the calculated r-value must be greater than the r-table value (Muyasar, 2023). With a total of 78 respondents, the r-table value was 0.224 at the 5% significance level; therefore, all questionnaire items with calculated r-values greater than 0.224 were declared valid and suitable for use in this study.

#### 1. Service Excellence Variable (X1)

**Table 1.**  
**Validity Test Results of Service Excellence Variable (X1)**

Variable	Item	r-value	r-table	Remarks
Service Excellence (X1)	X1.1	0,529	0,224	Valid
	X1.2	0,557		
	X1.3	0,498		
	X1.4	0,398		
	X1.5	0,349		

*Source: Processed Primary Data, 2025*

#### 2. Customer Satisfaction Variable (X2)

**Table 2.**  
**Validity Test Results of Customer Satisfaction Variable (X2)**

Variable	Item	r-value	r-table	Remarks
Customer Satisfaction (X2)	X2.1	0,389	0,224	Valid
	X2.2	0,414		
	X2.3	0,457		
	X2.4	0,333		
	X2.5	0,537		

*Source: Processed Primary Data, 2025*

#### 3. Promotion Variable (X3)

**Table 3.**  
**Validity Test Results of Promotion Variable (X3)**

Variable	Item	r-value	r-table	Remarks
Promotion (X3)	X3.1	0,367	0,224	Valid
	X3.2	0,442		
	X3.3	0,401		
	X3.4	0,513		
	X3.5	0,542		

*Source: Processed Primary Data, 2025*

4. Customer Loyalty Variable (Y)

**Table 4.**  
**Validity Test Results of Customer Loyalty Variable (Y)**

Variable	Item	r-value	r-table	Remarks
Customer Loyalty (Y)	Y.1	0,386		
	Y.2	0,532		
	Y.3	0,343	0,224	Valid
	Y.4	0,235		
	Y.5	0,513		

*Source: Processed Primary Data, 2025*

**Reliability Test**

Questionnaire reliability was assessed using Cronbach's Alpha to measure response consistency. The instrument was considered reliable if the Cronbach's Alpha value exceeded 0.60.

1. Service Excellence Variable (X1)

**Table 5.**  
**Reliability Test Results of Service Excellence Variable (X1)**

Cronbach's Alpha	N of Items
0.990	5

*Source: Processed Primary Data, 2025*

2. Customer Satisfaction Variable (X2)

**Table 6.**  
**Reliability Test Results of Customer Satisfaction Variable (X2)**

Cronbach's Alpha	N of Items
0.675	5

*Source: Processed Primary Data, 2025*

3. Promotion Variable (X3)

**Table 7.**  
**Reliability Test Results of Promotion Variable (X3)**

Cronbach's Alpha	N of Items
0.925	5

*Source: Processed Primary Data, 2025*

4. Customer Loyalty Variable (Y)

**Table 8.**  
**Reliability Test Results of Customer Loyalty Variable (Y)**

Cronbach's Alpha	N of Items
0.772	5

*Source: Processed Primary Data, 2025*

### Classical Assumption Tests

Classical assumption tests were conducted to ensure that the linear regression model met the basic statistical assumptions, thereby producing valid, unbiased, and scientifically accountable coefficient estimates (Iimaaniyah, 2019).

#### 1. Normality Test

The normality test assessed the normality assumption of the regression model. A significance value greater than 0.05 indicated normal distribution (Sugiyono, 2017). The Kolmogorov–Smirnov test showed a significance value of 0.200, confirming that the data were normally distributed.

**Table 9.**  
**Results of the Kolmogorov-Smirnov Test**

		Unstandardized Residual	
N		78	
Normal Parameters <sup>a,b</sup>		Mean	0
		Std. Deviation	2.004239
Most Extreme Differences	Absolute	0.067	
	Positive	0.05	
	Negative	-0.067	
Test Statistic		0.067	
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>	

*Source: Processed Primary Data, 2025*

#### 2. Multicollinearity Test

The multicollinearity test was conducted to examine correlations among the independent variables. The regression model was considered free from multicollinearity if the Variance Inflation Factor (VIF) was less than 10 and the tolerance value exceeded 0.10 (Kencana et al., 2024). The results showed that all variables met these criteria, indicating that the regression model was suitable for analysis.

**Table 10.**  
**Results of Multicollinearity Test**

Model	Collinearity Statistics	
	Tolerance	VIF
1 X1	0.812	1.232
X2	0.763	1.311
X3	0.729	1.372

*Source: Processed Primary Data, 2025*

#### 3. Heteroscedasticity Test

The Glejser test showed that all independent variables had significance values above 0.05, indicating no heteroscedasticity in the regression model (Sugiyono, 2017).

**Table 11.**  
**Results of Heteroscedasticity Test**

Model	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1 (Constant)		1.982	0.052		
Service Excellence	0.312	3.421	0.001	0.812	1.232
Customer Satisfaction	0.198	2.115	0.038	0.763	1.311
Promotion	0.254	2.689	0.009	0.729	1.372

*Source: Processed Primary Data, 2025*

**t-Test (Partial Effect Test)**

The t-test was used to examine the partial effects of the independent variables, with a significance criterion of  $< 0.05$  (Undhar, 2020). The results showed that Service Excellence (X1), Customer Satisfaction (X2), and Promotion (X3) had significant effects on Customer Loyalty (Y).

**Table 12.**  
**Results of t-Test (Partial Effect Test)**

Model	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1 (Constant)		1.982	0.052		
Service Excellence	0.312	3.421	0.001	0.812	1.232
Customer Satisfaction	0.198	2.115	0.038	0.763	1.311
Promotion	0.254	2.689	0.009	0.729	1.372

*Source: Processed Primary Data, 2025*

**F-Test (Simultaneous Effect Test)**

The F-test examined the simultaneous effects of the independent variables at a significance level of  $< 0.05$  (M.Sesaria, 2020). The results showed an F-value of 18.232 (Sig. = 0.000), indicating a significant joint effect of Service Excellence (X1), Customer Satisfaction (X2), and Promotion (X3) on Customer Loyalty (Y).

**Table 13.**  
**Results of F-Test (Simultaneous Effect Test)**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	51	3	17	18.232	.000 <sup>b</sup>
Residual	69	74	0.932		
Total	120	77			

*Source: Processed Primary Data, 2025*

**Coefficient of Determination (R<sup>2</sup>)**

An R-square value of 0.563 indicates that 56.3% of the variation in Customer Loyalty (Y) can be explained by Service Excellence (X1), Customer Satisfaction (X2), and Promotion (X3), while the remaining variation is influenced by other factors outside the model

(Muyasar, 2023). The results of the coefficient of determination ( $R^2$ ) test are presented in the following table.

**Table 14.**  
**Coefficient of Determination ( $R^2$ ) Results**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750 <sup>a</sup>	0.563	0.542	0.812

Source: *Processed Primary Data, 2025*

## Discussion

The analysis results indicate that Service Excellence, Customer Satisfaction, and Promotion each have a positive and significant partial effect on Customer Loyalty among retail MSMEs in Cikeas Udik Village. Among these variables, Service Excellence shows the most dominant influence, highlighting that the quality of services interactions such as friendliness, responsiveness, service speed, information accuracy, and empathetic attitudes plays a crucial role in shaping customer loyalty. Customer Satisfaction also has a significant effect, indicating that customers who are satisfied with the products and services tend to make repeat purchases and recommend MSMEs to others. Meanwhile, Promotion contributes significantly with a moderate effect, suggesting that appropriate and consistent promotional activities can strengthen customer engagement in a competitive retail environment.

Simultaneously, the three variables have a significant combined effect on Customer Loyalty, confirming that the regression model is statistically valid. The coefficient of determination indicates that a substantial proportion of the variation in customer loyalty can be explained by the combined influence of Service Excellence, Customer Satisfaction, and Promotion, while the remaining variation is influenced by other factors outside the model. These findings emphasize that customer loyalty in retail MSMEs is formed through the synergy of high-quality service, customer satisfaction, and effective promotion as key strategies for customer retention and business competitiveness.

## CONCLUSION

Based on the findings of this study, it can be concluded that Service Excellence, Customer Satisfaction, and Promotion have positive and significant effects on Customer Loyalty among retail MSMEs in Cikeas Udik Village, both partially and simultaneously. Service Excellence emerges as the most dominant factor, indicating that the quality of services delivery plays a central role in fostering customer loyalty through service speed, friendliness, comfort, responsiveness, and attention to customer needs. Customer Satisfaction also significantly influences loyalty, as customers who perceive that products and services meet their expectations are more likely to make repeat purchases and recommend MSMEs to others. Promotion further supports loyalty formation by enhancing customer awareness and engagement through effective and consistent marketing communication strategies.

The combined influence of Service Excellence, Customer Satisfaction, and Promotion explains a substantial proportion of the variation in Customer Loyalty, confirming that loyalty is formed through the synergy of service quality, satisfaction, and promotional effectiveness. These findings imply that retail MSME owners should prioritize continuous service quality improvement, strengthen customer-oriented practices, and optimize

promotional strategies, particularly through digital platforms, to build sustainable customer loyalty. In addition, village governments and supporting institutions are encouraged to facilitate training programs, promotional support, and collaborative mentoring for MSMEs. Future research is recommended to include additional variables and broader methodological approaches to provide a more comprehensive understanding of customer loyalty in the retail MSME sector.

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