The influence of image and product attributes on customer satisfaction and its implications for customer loyalty of Kimia Farma Apotek (KFA) in the Bandung City area

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Abstract

The retail segment has the largest contribution to the total net sales value of Kimia Farma Group, which is run by the company’s subsidiary, PT Kimia Farma Apotek (KFA). Kimia Farma’s retail segment is experiencing a relatively non-ideal revenue trend from 2017 to 2022. The main challenges faced are the purchasing power of the community, the increasingly fierce level of competition, and risks related to customer loyalty. Based on this background, this study aims to examine the effect of Kimia Farma’s image and product attributes on customer loyalty, both directly and indirectly through customer satisfaction. The research was conducted with a quantitative approach at the Kimia Farma Pharmacy in Bandung, with the unit of observation being Kimia Farma pharmacy customers in Bandung City. The sample was 235 respondents, who were taken using the Multistage Random Sampling technique. Structural Equation Modeling was used to conduct causality analysis. The results revealed that: Kimia Farma’s image and product attributes play a role in shaping customer satisfaction, but have no direct impact in creating customer loyalty; customer satisfaction plays a role in creating customer loyalty; customer satisfaction mediates the effect of Kimia Farma’s image and product attributes on customer loyalty; product attributes have a greater role than Kimia Farma’s image in encouraging customer satisfaction which will create customer loyalty. This research provides managerial benefits for increasing customer loyalty at Kimia Farma Pharmacy in Bandung City, by increasing customer satisfaction, which is supported by the development of product attributes and the image of Kimia Farma.

Introduction

PT Kimia Farma Apotek is a subsidiary of Kimia Farma Group which was officially established on January 4, 2003. The main challenges faced by Kimia Farma’s retail segment are the purchasing power of the community which has not fully recovered and the increasingly fierce level of competition. Based on the 2022 Annual Report, Kimia Farma’s net sales from 2018-2020 have increased. The increase in 2018 amounted to 8.459 trillion Rupiah, in 2019 amounted to 9.398 trillion Rupiah, and in 2020 reached 10.006 trillion Rupiah. However, from 2021-2022 it has decreased, namely in 2021 it amounted to 12.857 trillion Rupiah and in 2022 it decreased to 9.606 trillion Rupiah.

Kimia Farma’s retail segment has the largest contribution to the total value of Kimia Farma’s net sales. The Retail segment in Kimia Farma Group is the sale of medicines and pharmaceutical products directly to customers. The business activities of this segment are carried out by the Company’s subsidiaries, namely PT Kimia Farma Apotek (KFA), which manages a network of pharmacies under the Apotek Kimia Farma brand, and Kimia Farma Dawaa Co., Ltd. which operates in Saudi Arabia. In 2022, there was a decrease in revenue from external customers in the retail segment of -9.84% compared to 2021. Similarly, interest income decreased by -6.75%
in 2022 compared to 2021. Meanwhile, the sales target of Kimia Farma products and private label products in all Kimia Farma pharmacies was 10%, but in realization, the retail segment experienced a decrease in revenue.

The revenue trend shows a relatively non-ideal condition, especially since the last year (2022) shows a significant downward trend. Based on the 2022 Annual Report (published in 2023) of PT Kimia Farma, Tbk. the cause of this decline is the purchasing power of the community which has not fully recovered and the increasingly fierce level of competition which is the main challenge faced by the retail segment in 2022. (PT Kimia Farma 2022 Annual Report, 2023). There are 3 risk events at Kimia Farma Apotek, namely: the risk of sales targets at KFA not being achieved, the risk of customers preferring competing pharmacies, and the risk of low customer experience in using KF Mobile.

Research reveals that customer loyalty has a positive effect on business performance (Fernandes Sampaio et al., 2020), marketing organization performance (Harzaviona & Syah, 2020), and customer advocacy (Tarigan & Hatane, 2019). Other studies reveal that customer loyalty is related to customer satisfaction (Tarigan & Hatane, 2019; Harzaviona & Syah, 2020; Abor et al., 2020; Alfin and Nurdin, 2017; Nugrahani & Hatta, 2020; Indarto, 2020; and Moosa & Kashiramka, 2022).

On the other hand, Indarto's (2020) findings reveal that satisfaction is influenced by product attributes. This is supported by research by Harisman et al. (2021) and Dung (2019). Meanwhile, the findings of Hapsari & Yoestini (2020) and Sulistiyanto & Soliha (2015) found that brand image has a positive effect on customer loyalty.

Based on theoretical studies from Kotler & Keller (2016), Norouzi et al. (2013), Choi et al. (2014), Barbu (2012), Ting et al. (2019), Shi & Methavasaraphak (2020), Narendra et al. (2017), Srinath (2016), Benner (2010), and Erjavec et al. (2016), it can be assumed that customer loyalty is influenced by customer satisfaction, company image, and product attributes.

Based on the description above, the study aims to determine the condition of image, product attributes, customer satisfaction, and customer loyalty in Kimia Farma Pharmacy customers in Bandung City; and test and analyze the effect of Kimia Farma's image and product attributes both directly and indirectly on customer loyalty through customer satisfaction at Kimia Farma Pharmacy in Bandung City.

**Literature Review**

**Theoretical and Conceptual Background**

**Image**

Organizational image is the perception of an organization that exists in consumers' minds (Zeithaml & Bitner, 2010). Image is the public's perception of a company or its products (Kotler & Keller, 2016). The company's image is based on what people associate with a company in terms of perception, conclusions, and beliefs about that company (Norouzi et al., 2013). According to Kotler & Keller (2016), an effective image will do three things: convey a single message that solidifies the product's character, communicate the product message differently to avoid confusion with similar messages from competitors, and deliver emotional strength that stirs the hearts and minds of buyers. Image can be found in several elements, including symbols, physical space, events, and media (Kotler & Keller, 2016). In this study, the variable of Kimia Farma Image is measured by the dimensions revealed by Kotler and Keller (2016), including symbols, physical space, events, and media.

**Product Attributes**

Product attributes are the inherent qualities of a product considered important as factors driving consumers' purchase intentions towards the product (Choi et al., 2015). Product attributes have three characteristics: brand, packaging, and product quality (Kotler & Armstrong, 2021). Ting et al. (2019) explain that once consumers believe they have gathered sufficient information, they evaluate alternative products and choose the most suitable one. Therefore, the evaluation of product attributes (or alternative comparison) becomes a determinant of pharmaceutical product purchase and use. Product attributes consist of product reputation, safety, price, authority, packaging, and authenticity. Based on this conceptual study, the variable 'product attributes' in this research is measured with dimensions referring to Ting et al. (2019), which include: Product reputation, Product safety, Product price, Product authority, Product packaging, and Product authenticity.

**Customer satisfaction**

Most studies indicate that higher levels of customer satisfaction lead to greater customer loyalty, which in turn results in better company performance (Kotler & Armstrong, 2021). In relation to the pharmacy industry, customer satisfaction with medication services can help pharmacies develop marketing strategies, as well as improve quality management and long-term sustainability (Shi & Methavasaraphak, 2020).

In pharmacy research, Shi & Methavasaraphak (2020) examined factors influencing customer satisfaction in pharmacies, which include: convenience, price, product quality, and service quality. Srinath (2016) studied the influence of customer satisfaction and loyalty in a renowned cosmetic store network in Bangkok, Thailand, called Boots Store. Customer satisfaction was measured through respondents' perceptions of: the pharmacy department at Boots, satisfaction at Boots compared to other drugstores, satisfactory service, and customers feeling they made the right choice in purchasing medicines at Boots. Furthermore, Narendra et al. (2017)
tested the influence of service quality on customer satisfaction at Apotek Kimia Farma Gatot Subroto in Bandung. The level of customer satisfaction was measured using the SERVQUAL (Service Quality) model against five service quality dimensions: tangible, reliability, responsiveness, assurance, and empathy.

Based on the aforementioned studies, for the purposes of this research, customer satisfaction at Apotek Kimia Farma is measured with dimensions and indicators taking into account the opinions of Shi & Methavasaraphak (2020), Srinath (2016), and Narendra et al. (2017), which include: comfort, price, product quality, and tangible reliability.

**Customer Loyalty**

Marshall and Johnston (2015) define loyalty as the low propensity of customers towards a company to consider switching to another company and having the desire and ability to participate in communicating the company's message to others. Loyalty, according to Griffin (2002), is manifested by repeat purchasing, buying beyond the product/service line, and showing resistance to competitive pulls. Other researchers identify indicators to measure customer loyalty as stated by Erjavec et al. (2016): willingness to repurchase, positive word of mouth, and recommending to others. Based on the comparison of these concepts, the concept of customer loyalty in this research is Purchase commitment, Recommendation, and invulnerability.

**Empirical Review & Hypothesis Development**

The effect of image on customer satisfaction

Sulistiyanto & Soliha (2015) examined pharmacies and found that brand image has a positive effect on customer satisfaction. A good image represents good service that will make customers satisfied or the company's products and services.

The effect of product attributes on customer satisfaction

Wang et al. (2018) found seven product attributes that affect customer satisfaction. When a product is designed, it must be considered how the planned attributes can affect customer satisfaction. Indarto (2020) shows that product attributes have a significant effect on customer satisfaction. Product attributes have a significant effect on customer loyalty. Customer satisfaction has a significant effect on customer loyalty. Based on these studies, it is concluded that better product attributes that can meet customer expectations, will create customer satisfaction.

The effect of image on customer loyalty

Sulistiyanto & Soliha (2015) examined pharmacies and found that brand image has a positive effect on customer loyalty. In this type of online service, it is proven that the image of e-pharmacy has a positive mediating role in the relationship between post-order convenience, touch information, and E-pharmacy with online customer loyalty (Aeknarajindawat et al., 2020). Based on this research, it can be concluded that the image of a company or brand image will have an impact on increasing customer satisfaction. A good image represents good service that will make customers satisfied or the company's products and services.

The effect of product attributes on customer loyalty

Indarto (2020) shows that product attributes have a significant effect on customer satisfaction. Product attributes have a significant effect on customer loyalty. Customer satisfaction has a significant effect on customer loyalty. In research at the Kimia Farma Pharmacy in Makassar City, it was found that facilities and service quality have a positive effect on customer satisfaction (Harisman et al., 2021). Pharmacies must focus on training by improving pharmacists' relationships with consumers, as a key dimension of service quality in driving pharmacy loyalty (Dung, 2019). Based on this research, it is concluded that the better the product attributes perceived by customers, it will create customer loyalty.

The effect of customer satisfaction on customer loyalty

Srinath (2016) examined the effect of customer satisfaction and loyalty on a well-known cosmetics store chain in Bangkok, Thailand: Boots Store. The results showed that there is a relationship between customer satisfaction and loyalty. Each dimension of service quality, namely responsiveness, tangibility, empathy, assurance, and reliability, has an impact on customer satisfaction, which can therefore be increased through the creation of loyalty through each dimension. In addition, there is a relationship between customer satisfaction and relative attitude. If customers are satisfied with the service, they will develop a pleasant and positive attitude and this will create future repurchase intentions, i.e. customer loyalty. Research by Alfin & Nurdin (2017), Nugraheni & Hatta (2020), Indarto (2020) found that customer satisfaction affects customer loyalty. Likewise, research by Moosa & Kashiramka (2022) found similar findings in the banking services industry. Other studies reveal that customer loyalty is related to customer satisfaction (Tarigan & Hatane, 2019; Harzaviona & Syah, 2020; Abror et al., 2020). Based on these findings, it can be said that perceived customer satisfaction will have an impact on increasing customer loyalty.

The effect of image on customer loyalty through customer satisfaction

Hapsari & Yostini (2020) conducted research on service quality, customer perceived value, and company image on customer satisfaction and their impact on customer loyalty at Kimia Farma Pandanaran pharmacies. The results showed that service quality, customer perceived value, and company image have a positive and significant effect on customer satisfaction, and customer
satisfaction has a positive and significant effect on customer loyalty. Based on these findings, it can be said that image will create customer satisfaction which will have an impact on increasing customer loyalty.

**The effect of product attributes on customer loyalty through customer satisfaction**

Indarto (2020) shows that product attributes have a significant effect on customer satisfaction. Product attributes have a significant effect on customer loyalty. Customer satisfaction has a significant effect on customer loyalty. Based on these findings, it can be said that product attributes will create customer satisfaction which will have an impact on increasing customer loyalty.

Based on the description above, the following research model on figure 1 is prepared:

![Figure 1: Research Model; Source: processed from various sources (2023)](image)

**Research and Methodology**

The research was conducted with a quantitative research approach design. The quantitative approach is used to identify all concepts that are the research objectives (Malhotra, 2010). The unit of analysis in this study was the Kimia Farma Pharmacy in Bandung, so the population in this study were customers of the Kimia Farma Pharmacy in Bandung City, where the population size was unknown. Hair et al. (2010) recommend that if the population is unknown, the minimum sample size is 5 times the number of question items contained in the questionnaire. The indicators in this study consisting of 2 independent variables and 2 dependent variables totaled 47, so the total questions in this study were 47 questions, thus the minimum sample size for this study was 47 x 5 = 235.

The sampling technique will use a sampling process technique carried out through two or more sampling stages (Cochran, 1977). This technique was taken because of the unavailability of a sample frame that contains the smallest sample units and the unit of analysis (Apotek Kimia Farma) is geographically dispersed in the city of Bandung, so it is necessary to use a combination sampling determination in several ways, namely cluster and systematic random sampling. The following describes the sampling stages.

i. The first stage is to select Kimia Farma pharmacies in Bandung City.

ii. The second stage, from each selected pharmacy, then selected pharmacy customers as respondents by systematic random sampling based on the order of arrival to the pharmacy. Filling out the questionnaire is done by distributing links to selected respondents.

**Validity and Reliability Test**

In this study, the validity test used is construct validity, namely determining validity by correlating the score obtained by each question item with its total score. Reliability testing in this study was carried out by looking at the Cronbach's Alpha value. A research instrument is said to be reliable if the Cronbach's Alpha value is > 0.60 (Ghozali, 2016). Therefore, the decision-making criteria in the reliability test are as follows: If the Cronbach's Alpha value is > 0.60, then the question items in the questionnaire are reliable. If the Cronbach's Alpha value < 0.60, then the question items in the questionnaire are not reliable.
Analysis Design

The research design used to analyze and interpret the data is:

1. Descriptive analysis, is the process of exploring research variables to explain the extent to which respondents respond to the variables studied. In this study, it was used to determine the extent of the response of the management of the Kimia Farma pharmacy in Bandung to the variables studied. The results are displayed in tabulated and graphic form as well as statistical measures including categorizing scores. (Saunders et al., 2020). The score categorization in this study which is divided into a scale of 5 is revealed as follows:

   Score: 1.00 – 1.80 : Very Low
   Score: 1.80 – 2.60 : Low
   Score: 2.61 – 3.40 : Enough
   Score: 3.41 – 4.20 : Good
   Score: 4.21 – 5.00 : Very Good

Causality analysis, used to obtain evidence of a causal relationship between variables. This analysis is to answer the research objectives, using Structural Equation Modeling (SEM). SEM is a confirmatory method used to determine whether a model is valid and to test the theory of causal relationships (Bollen, 1989).

Findings and Discussions

Descriptive Analysis

The average value of these variables was obtained through a survey of 235 Kimia Farma Apotek customers in the Bandung City Area is figured out on figure 2 below.

![Figure 2](image-url)

Based on the interpretation of the average index in the score categorization, it is known that all research variables consisting of Kimia Farma's image, product attributes, customer satisfaction, and customer loyalty are in the good category. Based on the average index of each variable, it can be seen that Kimia Farma's image and customer loyalty have the highest average score (3.53), followed by product attributes (3.47), and finally customer satisfaction (3.45). This illustrates that Kimia Farma in the Bandung City area has a brand image and customer loyalty that is considered better than other aspects. On the other hand, customer satisfaction of Kimia Farma pharmacies actually has the lowest level of assessment when compared to other aspects, thus indicating that Kimia Farma management must pay more attention to quality and service development to increase customer satisfaction.
Research Model Evaluation (Goodness of Fit)

Table 1 displays goodness of fit testing.

Table 1 provides the results of various goodness-of-fit indices to evaluate how well the proposed model fits the observed data. Table 1 shows that the Chi-Square value = 926.05, and the Chi-Square p-value = 0.97319 > 0.05. Based on the Chi-Square index, the research model is fit (Hair et al., 2010). The RMSEA value of 0.005 is less than 0.05, Goodness of Fit Index (GFI) and AGFI > 0.80. So, it can be concluded that the research model is fit.

Table 1: Goodness of Fit

<table>
<thead>
<tr>
<th>No.</th>
<th>Degree of Fit</th>
<th>Value</th>
<th>Acceptable level</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chi Square</td>
<td>926.05</td>
<td>P-value = 0.97319</td>
<td>Close fit</td>
</tr>
<tr>
<td>2</td>
<td>Root Mean Square Error of Approximation (RMSEA)</td>
<td>0.000</td>
<td>RMSEA≤ 0.08 (good fit)</td>
<td>Close fit</td>
</tr>
<tr>
<td>3</td>
<td>Goodness of Fit Index (GFI)</td>
<td>0.94</td>
<td>&gt;0.80</td>
<td>Close fit</td>
</tr>
<tr>
<td>4</td>
<td>Adjusted Goodness of Fit Index (AGFI)</td>
<td>0.93</td>
<td>&gt;0.80</td>
<td>Close fit</td>
</tr>
<tr>
<td>5</td>
<td>Parsimony Goodness of Fit Index (PGFI)</td>
<td>0.84</td>
<td>&gt;0.80</td>
<td>Fit</td>
</tr>
<tr>
<td>6</td>
<td>Comparative Fit Index (CFI)</td>
<td>1.00</td>
<td>&gt;0.90</td>
<td>Close fit</td>
</tr>
</tbody>
</table>

Source: data processed with LISREL 8.5(2024)

The high p-value 0.97319 (P-value > 0.05) indicates that there is no significant difference between the model and the observed data, suggesting a close fit. An RMSEA value of 0.000 indicates a perfect fit, meaning the model approximates the observed data exceptionally well (Acceptable Level: RMSEA ≤ 0.08 (good fit); RMSEA < 0.05 (close-fit)). A GFI value of 0.94 indicates a high level of fit between the model and the data, suggesting that the model explains a large portion of the variance in the observed data. An AGFI value of 0.93, adjusted for the degrees of freedom, indicates a high goodness of fit, supporting the conclusion that the model fits the data well. The PGFI value of 0.84 indicates that the model achieves a good balance between fit and parsimony, meaning it is both a good fit and relatively simple. A CFI value of 1.00 indicates a perfect fit compared to an independent baseline model, suggesting that the proposed model fits the data extremely well.

The consistently high values across all goodness-of-fit indices suggest that the proposed model is well-validated against the observed data. This means that the model is robust and accurately reflects the relationships within the data set. Researchers and practitioners can have high confidence in the model's results and interpretations due to the strong goodness-of-fit measures. This supports the reliability of any conclusions or recommendations derived from the model. The close fit of the model indicates its suitability for practical applications, such as predicting outcomes or informing decision-making processes. Organizations and analysts can use the model to guide strategic planning and policy formulation with a high degree of confidence in its accuracy. Given the excellent fit, further research could extend the model to different contexts or populations to test its generalizability. Additionally, researchers might explore the inclusion of new variables or constructs to see if the model's fit remains strong under various conditions. In conclusion, the goodness-of-fit indices demonstrate that the model is highly effective in capturing the observed data's underlying structure, providing a reliable foundation for further analysis and application.

Therefore, the structural model framework in this study is as follows:

**Satisfaction = 0.29*Image + 0.50*Attributes, R² = 0.39**

A positive relationship exists between image and satisfaction, with a coefficient of 0.29 indicating that a one-unit increase in image leads to a 0.29 increase in satisfaction, holding other variables constant. A stronger positive relationship exists between attributes and satisfaction, with a coefficient of 0.50 indicating that a one-unit increase in attributes leads to a 0.50 increase in satisfaction, holding other variables constant. The model explains 39% of the variance in satisfaction. This indicates that while image and attributes are significant predictors, there may be other factors influencing satisfaction that are not included in the model.

**Loyalty = 0.81* Satisfaction + 0.035*Image + 0.053* Attributes, R² = 0.73**

Satisfaction has a strong positive impact on loyalty, with a coefficient of 0.81 indicating that a one-unit increase in satisfaction leads to a 0.81 increase in loyalty, holding other variables constant. Image has a weak positive relationship with loyalty, with a coefficient of 0.035 indicating that a one-unit increase in image leads to a 0.035 increase in loyalty, holding other variables constant. Attributes also have a weak positive relationship with loyalty, with a coefficient of 0.053 indicating that a one-unit increase in attributes leads to a 0.053 increase in loyalty, holding other variables constant. The model explains 73% of the variance in loyalty. This high R² value indicates that satisfaction, image, and attributes together are strong predictors of loyalty, with satisfaction being the most influential factor.
Since attributes have a significant impact on satisfaction and satisfaction has a substantial impact on loyalty, organizations should focus on improving product or service attributes to enhance customer satisfaction, which in turn will drive customer loyalty. Although the impact of image on satisfaction and loyalty is weaker compared to attributes and satisfaction, it is still a positive factor. Companies should maintain and improve their brand image as part of a holistic strategy to boost both satisfaction and loyalty.

The high R² value for the loyalty model indicates that satisfaction is a crucial driver of loyalty. Thus, efforts to improve customer satisfaction should be prioritized, alongside strategies to enhance product attributes and brand image. Given that 39% of satisfaction is explained by image and attributes, there is room to explore other variables that might influence satisfaction. Future research could investigate additional factors such as service quality, customer support, and value for money.

Figure 3 below shows a path diagram of a research model of processing results using LISREL 8.5.

![Figure 3: Structural and Measurement Models](image)

The strong impact of attributes on satisfaction and the significant effect of satisfaction on loyalty suggest that companies should prioritize improving product or service attributes to enhance customer satisfaction, which will subsequently drive loyalty. While the effect of image on satisfaction and loyalty is weaker, it is still positive. Therefore, maintaining a positive brand image is essential for overall customer experience and loyalty. The strong relationship between satisfaction and loyalty highlights the importance of focusing on customer experience. Initiatives aimed at improving satisfaction are likely to result in higher customer retention and
loyalty. Companies should adopt a comprehensive approach that includes enhancing product attributes, maintaining a positive image, and continuously measuring customer satisfaction to build and sustain loyalty.

<table>
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<th>t count</th>
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<td>Satisfaction</td>
<td>Comfort</td>
<td>Satis1</td>
<td>0.62</td>
<td>-</td>
<td>0.783</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Satis2</td>
<td>0.61</td>
<td></td>
<td>0.835</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>Satis3</td>
<td>0.59</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Satis4</td>
<td>0.61</td>
<td>7.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product quality</td>
<td>Satis5</td>
<td>0.61</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Satis6</td>
<td>0.63</td>
<td>7.15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tangible reliability</td>
<td>Satis7</td>
<td>0.58</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Satis8</td>
<td>0.6</td>
<td>6.92</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Satis9</td>
<td>0.55</td>
<td>6.58</td>
<td></td>
</tr>
<tr>
<td>Loyalty</td>
<td>Purchase commitment</td>
<td>Loyal1</td>
<td>0.70</td>
<td>-</td>
<td>0.79</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loyal2</td>
<td>0.73</td>
<td>8.30</td>
<td>0.869</td>
</tr>
<tr>
<td></td>
<td>Recommendation</td>
<td>Loyal3</td>
<td>0.71</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loyal4</td>
<td>0.75</td>
<td>8.17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Invulnerability</td>
<td>Loyal5</td>
<td>0.75</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loyal6</td>
<td>0.71</td>
<td>8.22</td>
<td></td>
</tr>
</tbody>
</table>
Table 2 above shows a measurement model where all factor loadings are > 0.50, with a calculated t value greater than the t table (1.96). Composite Reliability is used to see the level of reliability of indicators and dimensions in measuring research variables. Composite Reliability is greater than 0.70 (Nunnaly, 1994). Minimum Cronbach Alpha 0.7. This value illustrates adequate convergent validity, meaning that one latent variable can explain on average more than half of the variance of the indicator. Based on these values, it can be concluded that the dimensions and indicators are declared valid and reliable in measuring research variables.

**Hypothesis Test Results**

The results of hypothesis testing are shown in Table 3 below:

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path Coeff.</th>
<th>Standard Error</th>
<th>t-count</th>
<th>Prob.</th>
<th>R²</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Image positively affects satisfaction</td>
<td>0.29</td>
<td>0.059</td>
<td>4.89</td>
<td>0.000</td>
<td>0.084</td>
<td>Significant</td>
</tr>
<tr>
<td>2 Product attributes positively affect satisfaction</td>
<td>0.50</td>
<td>0.061</td>
<td>8.26</td>
<td>0.000</td>
<td>0.250</td>
<td>Significant</td>
</tr>
<tr>
<td>3 Image positively affects loyalty</td>
<td>0.04</td>
<td>0.061</td>
<td>0.57</td>
<td>0.569</td>
<td>0.001</td>
<td>Insignificant</td>
</tr>
<tr>
<td>4 Product attributes positively affect loyalty</td>
<td>0.05</td>
<td>0.066</td>
<td>0.81</td>
<td>0.419</td>
<td>0.003</td>
<td>Insignificant</td>
</tr>
<tr>
<td>5 Satisfaction has a positive effect on loyalty</td>
<td>0.81</td>
<td>0.160</td>
<td>5.08</td>
<td>0.000</td>
<td>0.656</td>
<td>Significant</td>
</tr>
<tr>
<td>6 Image positively affects loyalty through satisfaction</td>
<td>0.23</td>
<td>0.067</td>
<td>3.53</td>
<td>0.001</td>
<td>0.055</td>
<td>Significant</td>
</tr>
<tr>
<td>7 Product attributes positively affect loyalty through satisfaction</td>
<td>0.41</td>
<td>0.094</td>
<td>4.30</td>
<td>0.000</td>
<td>0.164</td>
<td>Significant</td>
</tr>
</tbody>
</table>

The first hypothesis is accepted, which means that Kimia Farma's image has a significant influence in shaping customer satisfaction at Kimia Farma Pharmacy in Bandung City. The results of this research are in line with the research results of Sulistiyanto and Soliha (2015) who examined pharmacies and found that brand image had a positive effect on customer satisfaction.

The results of testing the second hypothesis show that product attributes have a significant effect on customer satisfaction at Kimia Farma Pharmacy in Bandung City. Product attributes are important for companies to pay attention to, because according to Ting et al. (2019), once consumers believe they have gathered sufficient information, they evaluate alternative products and choose the most suitable product. The results of testing the second hypothesis support the research results of Wang et al. (2018) and Indarto (2020) that product attributes influence customer satisfaction. When a product is designed, it must be considered how the planned attributes can influence customer satisfaction (Wang et al., 2018). The better the product attributes can meet customer expectations, the more customer satisfaction will be created (Indarto, 2020).

The results of testing the third hypothesis show that Kimia Farma's image has no significant effect on customer loyalty. Even though Kimia Farma's image is high, it cannot create customer loyalty. The results of testing the third hypothesis do not support the research results of Sulistiyanto & Soliha (2015) who examined pharmacies and found that brand image had a positive effect on customer loyalty. The results of testing this hypothesis also contradict previous findings that in this type of online service, it is proven that the image of e-pharmacy has a positive mediating role in this case the relationship between post-order convenience, tactile information and E-pharmacy with online customer loyalty (Aeknarajindawat et al., 2020). Product image cannot directly lead to customer satisfaction. This is because several factors can influence the ability to create customer loyalty, such as intense competition. The pharmaceutical and pharmacy industry is often very competitive. The existence of other pharmacies or brands that also have a good image and offer comparable services can divide customer loyalty. In addition, although Kimia Farma's image may be generally positive, direct customer experiences at different branches or locations may vary. Inconsistent service quality in various places can affect customer loyalty. On the other hand, when customers are affected by price factors or promotions offered by other pharmacies, they may be more prone to switching despite having a positive perception of Kimia Farma. These factors may influence customers' purchasing decisions. Customer preferences and needs may also change over time. If Kimia Farma does not always adapt to these changes and stay on top of customer needs, it can be difficult to maintain loyalty.

The results of testing the fourth hypothesis show that product attributes do not have a significant influence on the formation of customer loyalty. The results of this hypothesis testing are not in line with the findings of Indarto (2020) which shows that product attributes have a significant effect on customer satisfaction. The results of this hypothesis test are also not in line with research by Harisman et al. (2021) who researched Kimia Farma Pharmacy in Makassar City and found that facilities and service quality had a positive effect on consumer satisfaction (Harisman et al., 2021). These results also contradict the findings of Dung (2019), that the key dimensions of service quality are in encouraging pharmacy loyalty. In this research, it is shown that product attributes are not able to create customer loyalty. Product attributes are not directly significant in creating loyalty. However, product attributes can
build loyalty through customer satisfaction. This indicates that product attributes that satisfy customers are able to increase customer loyalty. This could be due to the lack of significant differentiation from products offered by other pharmacies, so customers may not feel the added value is large enough to choose Kimia Farma consistently. On the other hand, it is possible that the products sold do not always suit customer needs and preferences, so customers may look for alternative pharmacies that are more suitable. In addition, price and promotional factors from competing pharmacies can influence customers' decisions to be loyal to Kimia Farma Pharmacy.

The results of testing the fifth hypothesis show that customer satisfaction has a significant effect on customer loyalty at Kimia Farma Pharmacy in Bandung City. Customer satisfaction can encourage them to be loyal to Kimia Farma Pharmacy. The results of this hypothesis testing support Srinath’s (2016) research results which show that there is a relationship between customer satisfaction and loyalty. The test results also support the research results of Alfin & Nurdin (2017), Nugraheni & Hatta (2020), Indarto (2020), Moosa & Kashiramka (2022), Tarigan & Hatane (2019), Harzaviona & Syah (2020), and Abor et al. (2020). This is in line with the opinion of Kotler & Armstrong (2021), that most research shows that a higher level of customer satisfaction leads to greater customer loyalty, which in turn results in better company performance. According to Kotler & Armstrong (2021), happy customers not only make repeat purchases but also become brand advocates who are willing to spread the word about their good experiences to others. About the pharmacy industry, customer satisfaction with drug services can help pharmacies develop marketing strategy directions, as well as improve quality management and long-term survival (Shi & Methavasaraphak, 2020).

The results of testing the sixth hypothesis show that image of Kimia Farma has a significant effect on customer loyalty through customer satisfaction. The results of this test indicate the results of testing the third hypothesis where image of Kimia Farma has no significant effect on customer loyalty. This is because it turns out that Kimia Farma's image can influence customer loyalty, only if the image provides customer satisfaction. The results of this research support the research results of Hapsari & Yoesinti (2020) which show that service quality, customer perceived value, and company image have a positive and significant effect on customer satisfaction, and customer satisfaction has a positive and significant effect on customer loyalty.

The results of testing the seventh hypothesis show that product attributes have a significant effect on customer loyalty through customer satisfaction. The results of this test answer the results of testing the fourth hypothesis where product attributes do not have a significant effect on customer loyalty. This is because it turns out that product attributes can influence customer loyalty only if the product attributes provide customer satisfaction. The test results support Indarto’s (2020) findings that product attributes have a significant effect on customer satisfaction and customer satisfaction has a significant effect on customer loyalty.

Based on the results of hypothesis testing, the research findings model in Figure 4 is as follows:

Figure 4: Research Findings

The findings of this research reveal that customer loyalty is more influenced by customer satisfaction with an $R^2$ of 0.656, while Kimia Farma's image and product attributes do not play a direct role in creating customer loyalty. The formation of customer satisfaction is more dominantly built by product attributes than by Kimia Farma's image. Thus, the results of this research reveal a greater role of product attributes than Kimia Farma's image in driving customer satisfaction which will create customer loyalty.

Figure 4 presents the structural model findings for the relationships between Image, Product Attributes, Satisfaction, and Loyalty. The model includes path coefficients ($\gamma$ and $\beta$), R-squared ($R^2$) values, and the significance of each relationship.
Image has a positive effect on Satisfaction ($γ_{11} = 0.29$, $R^2 = 0.084$), explaining 8.4% of the variance in Satisfaction. Image has a very weak and non-significant effect on Loyalty ($γ_{22} = 0.04$, $R^2 = 0.001$ (ns)), explaining only 0.1% of the variance in Loyalty. Product Attributes have a strong positive effect on Satisfaction, explaining 25% of the variance in Satisfaction. ($γ_{12} = 0.50$, $R^2 = 0.250$).

Interpretation: Product Attributes have a very weak effect on Loyalty, explaining only 0.3% of the variance in Loyalty ($γ_{22} = 0.053$, $R^2 = 0.003$)

Satisfaction has a strong positive effect on Loyalty ($β_{11} = 0.81$, $R^2 = 0.656$), explaining 65.6% of the variance in Loyalty. The indirect effect of Image on Loyalty through Satisfaction is positive but explains only 5.5% of the variance in Loyalty ($γ_{11} * β_{11} = 0.23$, $R^2 = 0.055$). The indirect effect of Product Attributes on Loyalty through Satisfaction is positive and explains 16.4% of the variance in Loyalty ($γ_{12} * β_{11} = 0.41$, $R^2 = 0.164$).

Discussions

The model shows that Image has a moderate positive impact on Satisfaction ($γ_{11} = 0.29$), suggesting that enhancing the company's image can lead to increased customer satisfaction. However, the direct impact of Image on Loyalty is very weak and not significant ($γ_{22} = 0.04$), indicating that improving Image alone is not sufficient to boost customer loyalty without also improving Satisfaction. Product Attributes have a strong positive impact on Satisfaction ($γ_{12} = 0.50$), indicating that high-quality product attributes significantly enhance customer satisfaction. However, similar to Image, the direct impact on Loyalty is very weak ($γ_{22} = 0.053$), implying that Product Attributes primarily affect Loyalty indirectly through Satisfaction. Satisfaction is the most critical predictor of Loyalty ($β_{11} = 0.81$), explaining a substantial portion of the variance in Loyalty ($R^2 = 0.656$). This highlights the importance of focusing on customer satisfaction to drive loyalty. Both Image and Product Attributes significantly affect Loyalty indirectly through Satisfaction. The indirect effect of Product Attributes on Loyalty ($γ_{12} * β_{11} = 0.41$) is stronger than that of Image ($γ_{11} * β_{11} = 0.23$), emphasizing the importance of product quality in fostering customer loyalty via satisfaction.

Companies should prioritize initiatives that enhance customer satisfaction, as it has the most significant impact on customer loyalty. This could include improving customer service, addressing customer feedback, and ensuring a positive overall customer experience. Given the strong impact of Product Attributes on Satisfaction, businesses should invest in maintaining and improving the quality, features, and benefits of their products. This will not only increase satisfaction but also indirectly boost loyalty.

While Image alone may not significantly drive loyalty, it still plays an essential role in shaping customer satisfaction. Companies should focus on building a strong, positive brand image through consistent marketing efforts, public relations, and corporate social responsibility initiatives. A combined strategy that addresses both tangible aspects (Product Attributes) and intangible aspects (Image) can effectively enhance customer satisfaction and, consequently, loyalty. Businesses should ensure that their brand image and product quality are aligned and mutually reinforcing.

Conclusions

Kimia Farma's image, product attributes, customer satisfaction and customer loyalty at Kimia Farma Pharmacy in Bandung City are in the good category. Kimia Farma Pharmacy in the Bandung City area has a brand image and customer loyalty that is considered better than product attributes and customer satisfaction.

Kimia Farma's image plays a role in shaping customer satisfaction at Kimia Farma Pharmacy in Bandung City. Image is represented by symbols, physical space, events, and media. The symbol contributes more dominantly in shaping Kimia Farma's image, which contributes to shaping customer satisfaction, followed by media, physical space and events.

Product attributes contribute to customer satisfaction at Kimia Farma Pharmacy in Bandung City. Of the six dimensions, product authority is the aspect that best represents product attributes at Kimia Farma pharmacies, which contributes more to creating customer satisfaction, followed by product packaging, product safety, product reputation, product authenticity, and product price.

Image of Kimia Farma plays a role in creating customer loyalty for Kimia Farma Pharmacy in Bandung City. There are other factors that can influence the ability to create customer loyalty. Product attributes do not contribute to forming customer loyalty. This is because other factors can influence the ability to create customer loyalty.

Customer satisfaction contributes to creating customer loyalty at Kimia Farma Pharmacy in Bandung City. Customer satisfaction is formed by aspects of comfort, price, product quality and tangible reliability. Price and tangible reliability have a greater contribution in forming customer loyalty, followed by comfort and product quality.

Image of Kimia Farma contributes to customer loyalty through customer satisfaction. Kimia Farma's image can influence customer loyalty, only if the image provides customer satisfaction. Product attributes contribute to customer loyalty through customer satisfaction. Product attributes can influence customer loyalty, only if the image provides customer satisfaction.

This research is limited to Kimia Farma pharmacies in the Bandung City area, so it cannot be generalized to Kimia Farma pharmacies in other cities. Therefore, further research can examine the variables in this study in a wider unit of analysis, not only in the city of Bandung, for example in West Java or on the island of Java, as well as at the national level. Apart from that, Kimia Farma's image...
and product attributes do not directly create customer loyalty. Based on this, further research can examine other variables that are thought to increase customer loyalty, such as customer relationship management.

Future research could explore additional variables that might impact Satisfaction and Loyalty, such as service quality, customer engagement, and perceived value. Longitudinal studies could also provide insights into how these relationships evolve over time.

By understanding and leveraging these relationships, companies can develop more effective strategies to enhance customer satisfaction and loyalty, ultimately leading to sustainable business growth and success.

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References


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