

**THE EFFECT OF SERVICE QUALITY AND COST
ON RETENTION MEDIATED BY SATISFACTION
(STUDY ON SLTA KEBANGSAAN)**

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Article History

Submitted: 19 Mei 2025

Revised: 8 Juni 2025

Accepted: 13 Juni 2025

How to Cite:

Yunianto, and Rudy C. Tarumingkeng. "The Effect Of Service Quality And Cost On Retention Mediated By Satisfaction (Study On Slta Kebangsaan)" *NUANSA: Jurnal Penelitian Ilmu Sosial Dan Keagamaan Islam* 22, no. 1 (2025): 94–108.



Abstrak:

This study aims to analyse the effect of service quality and tuition fees on student satisfaction and retention at SLTA Kebangsaan. The method used was descriptive quantitative through a questionnaire survey of 100 selected students. The results showed that service quality (facilities, teaching, and administrative services) and tuition fees have no direct effect on student retention. However, both factors significantly increase student satisfaction, which in turn has a positive impact on retention. The key finding of this study reveals that satisfaction acts as a full mediator in the relationship between service quality-cost and retention. The practical implications of this study emphasise the importance of schools prioritising increasing student satisfaction through service quality improvements and cost policy adjustments, as satisfaction is a key determinant in building students' long-term loyalty. This study provides a strategic contribution for school managers in formulating more effective student retention policies

“Penelitian ini bertujuan untuk menganalisis pengaruh kualitas pelayanan dan biaya pendidikan terhadap kepuasan dan retensi siswa di SLTA Kebangsaan. Metode yang digunakan adalah deskriptif kuantitatif melalui survei kuesioner terhadap 100 siswa terpilih. Hasil penelitian menunjukkan bahwa kualitas layanan (fasilitas, pengajaran, dan layanan administrasi) dan biaya pendidikan tidak berpengaruh langsung terhadap retensi siswa. Namun, kedua faktor tersebut secara signifikan meningkatkan kepuasan mahasiswa, yang pada gilirannya berdampak positif pada retensi. Temuan utama dari penelitian ini mengungkapkan bahwa kepuasan bertindak sebagai mediator penuh dalam hubungan antara kualitas layanan-biaya dan retensi. Implikasi praktis dari penelitian ini menekankan pentingnya sekolah memprioritaskan peningkatan kepuasan siswa melalui peningkatan kualitas layanan dan penyesuaian kebijakan biaya, karena kepuasan merupakan faktor penentu utama dalam membangun loyalitas jangka panjang siswa. Penelitian ini memberikan kontribusi strategis bagi pengelola sekolah dalam merumuskan kebijakan retensi siswa yang lebih efektif.”

Keyword:

Service Quality¹, Cost², Retention³, Satisfaction⁴

Introduction

Retaining customers is the main goal for companies in various sectors. Customer management is not only determined by the service provided, but also by various other elements, including the quality of service and the price offered. Customers who feel satisfied with the services they receive tend to show greater levels of loyalty, which in turn contributes to retention. However, the relationship between service quality, price and customer retention is not always direct, but can be influenced by the level of customer satisfaction.

Competition is getting tougher for schools, especially those that are privately managed, they are required to provide the best service in order to maintain the number of students in the admission of new learners (PPDB). Service quality and tuition fees are two important factors that play a role in shaping the perceptions and satisfaction of both

students and parents. This, in turn, influences their decision to choose to continue their education. At SLTA Kebangsaan, there is a worrying phenomenon: the student retention rate tends to be low, where the number of learners/students is decreasing from year to year, and most of the graduates of SMP Kebangsaan choose to continue their education to other schools after completing their education level.

Through the Merdeka Curriculum and the Pancasila Student Profile Strengthening Project (P5), SMA and SMK Kebangsaan have endeavoured to provide high-quality teaching and mould students' personalities. Both schools have A accreditation from BAN-S/M, the facilities in both schools are well-equipped and taught by certified teachers. SMK Kebangsaan has 3 parallels at each level supported by adequate classrooms, 3 computer laboratories, 3 practice rooms, a field, prayer room, teachers' room, school administration staff room, meeting room, and male & female toilet facilities. Likewise, SMA Kebangsaan has 6 classrooms with 2 study groups per level, adequate facilities such as a computer laboratory that doubles as a language laboratory, complete practical equipment, and teachers who are certified educators. However, according to the data for the 2024-2025 academic year, the number of new student admissions (PPDB) for both schools is only 146 new students divided into 114 continuing to SMK Kebangsaan and 32 continuing to SMA Kebangsaan. This phenomenon raises concerns about the factors that influence students' decision to continue their education at SLTA Kebangsaan and shows a relatively low retention rate.

The low interest of junior high school graduates who continue their education to SMK and SMA Kebangsaan raises questions about the factors that influence them or their parents not to choose SLTA Kebangsaan for their children to continue their education. Is the quality of services provided in line with their expectations? Is the cost of education a major obstacle in students' decision to stay? In addition, student satisfaction may act as a mediating factor that determines whether the services and fees offered are sufficient to encourage them to continue their studies at SLTA Kebangsaan. Therefore, this study aims to analyse the effect of service quality and cost on student retention, with satisfaction as the mediating variable.

Previous studies have shown that service quality and price play a crucial role in shaping customer satisfaction, which in turn impacts customer retention. Studies conducted by Hidayat and Peridawaty (2019) and Hartanto and Khuzaini (2022) confirm that high service quality significantly increases customer satisfaction, which then contributes to loyalty and repeat purchase decisions. In addition, research by Budiansari and Sujana (2021) and Choiriah and Liana (2019) revealed that although competitive prices can attract customers, the satisfaction factor remains the main mediator in building long-term loyalty. In other words, an affordable price is not enough if the service quality does not meet customer expectations.

In addition, several studies such as those conducted by Pratama et al. (2019) and Firatmadi (2017) show that customer satisfaction is not only influenced by service and price, but also by emotional factors and perceived value provided by the company. High satisfaction creates a sense of trust and emotional attachment to the brand, which then increases the likelihood of customers to keep using the service. This is in line with the findings of Syahputri (2023) who highlighted that the service industry, particularly with regard to direct customer service, should focus on improving the overall customer

experience. Thus, these studies reinforce the understanding that service quality and price in synergy with customer satisfaction will create stronger retention, build sustainable loyalty, and increase the company's competitiveness in the market.

The long-term viability of the SLTA Kebangsaan education programme may also be affected by the consequences of this low retention rate. Inadequate retention may result in a smaller number of students, affecting the school's operational effectiveness and standard of education services. On the other hand, schools can make more successful plans to increase students' desire to continue their education in the same environment if the elements that affect student retention are recognised and properly addressed. Therefore, it is important to investigate the factors that influence the decision to stay in SLTA Kebangsaan as well as the consequences of low retention rates for the institution. It is also hoped that this research will provide solutions to the school on how to attract more students and keep them enrolled in high school at the same institution.

According to (Prasetyo, 2023) 'Customer satisfaction in this case depends on product and service factors, as well as good relationships with customers'. In the education sector, this means that student satisfaction is influenced by many factors, including the quality of teaching, school facilities, relationships between students and teachers, and the learning experiences students have at school.

Previous research has provided mixed results regarding the effect of service quality and cost on customer retention, particularly when satisfaction is the mediating variable. Studies by Zeithaml et al. (1996) in Ritawaty, H. N. (2019) shows that service quality has a significant impact on customer satisfaction, which in turn positively affects customer retention. This research supports the view that customers who are satisfied with service quality will be more likely to remain loyal to the company. Meanwhile, research by Lovelock & Wirtz (2016) confirms that reasonable and competitive costs are also important factors that influence customer satisfaction, especially in the context of the service industry, where customers tend to consider the value received over the costs incurred. The results of this study indicate that the combination of good service quality and appropriate costs can strengthen customer retention through increased satisfaction. Furthermore, a study by Fornell et al. (1992) in Ritawaty, H. N. (2019) strengthens these findings by stating that customer satisfaction is a significant mediation between service quality and customer loyalty.

However, not all studies are in line with these findings. Research by Ranaweera & Neely (2023) shows that the effect of service quality on retention is not always significant, especially if other factors such as emotional experience and customer trust are not considered. This research highlights that service quality may not be enough to guarantee loyalty if it is not supported by other emotional elements. On the other hand, a study by Bolton & Lemon (2019) found that while competitive pricing can influence customer decisions in the short term, its influence on retention tends to weaken when satisfaction is not achieved. In addition, research by Verhoef (2023) revealed that the mediating effect of satisfaction on the relationship between service quality and retention is not always significant, especially in situations where customers have many more attractive alternatives in the market.

From the results of these studies, there is a gap in the literature that needs to be further explored, namely the extent to which service quality and cost simultaneously affect

retention through satisfaction, as well as how industry context, customer characteristics and other external factors can moderate this relationship. This research aims to bridge the gap by examining the effect of service quality and cost on retention through satisfaction in a specific relevant context.

This study will explore the service quality, cost, satisfaction, and retention of students studying at SLTA Kebangsaan. The findings from this study are expected to provide strategic inputs for the school in improving the quality of education services and retaining more students to continue their education in the same institution.

Literature Review

1. Service Quality

Service quality is a major factor in creating customer satisfaction and increasing long-term customer retention. According to Parasuraman, Zeithaml, and Berry (1988) in Ritawaty, H. N. (2019) service quality can be measured through five main dimensions, namely reliability, responsiveness, assurance, empathy, and tangibles. When companies are able to provide consistent services and meet customer expectations, the level of customer satisfaction tends to increase (Zeithaml, Bitner, & Gremler, 2018).

2. Cost

Cost is one of the important factors that influence customer decisions to use certain services. Costs that are considered affordable and in accordance with the benefits received will have a positive impact on customer satisfaction and decisions to continue using the service. The theory regarding the effect of cost on retention and satisfaction can refer to the value-for-money theory, namely the perception that the price paid is comparable to the quality of service received by the customer (Ritawaty, 2019).

3. Satisfaction

Customer satisfaction is an emotional state that arises after customers compare their expectations with the actual experience they get from a product or service. Satisfaction plays an important role as a mediating variable in the relationship between service quality, cost, and retention. High satisfaction can strengthen the effects of good service quality and cost on customer loyalty. Satisfaction theory can refer to the Expectancy-Disconfirmation Theory by Oliver (2017), which states that satisfaction occurs when customer expectations are met or exceeded by actual experience.

4. Retention

Customer retention is the company's ability to keep customers loyal in the long term. Customer satisfaction plays an important role as a mediator in the effect of service quality and cost on retention. When customers are satisfied, they tend to be more loyal and continue to use the same service. Retention theory refers to the Customer Loyalty model by Reichheld (2016), which states that companies that can provide consistent value through good service quality and competitive costs will have higher retention rates.

Research Method

This research uses descriptive quantitative design with survey method through questionnaire distribution. The sampling technique was carried out by purposive sampling with the criteria of active students at SLTA Kebangsaan. Data analysis was conducted using validity, reliability, linear regression, and hypothesis testing to measure the effect of service

quality and tuition fees on student satisfaction and retention. The results of the study are expected to provide an empirical picture of the factors that influence students' decision to stay in the school.

The research subjects in this study were students of SLTA Kebangsaan who provided ratings on their satisfaction with the quality of services and tuition fees, as well as the impact on their loyalty and willingness to recommend the school to potential new students. The objects of the study include factors that influence student retention, namely service quality (including educational facilities, teaching quality, teacher-student relationship, and administrative services), tuition fees (including direct and additional tuition fees), level of satisfaction (measured through questionnaires), and student retention as seen from loyalty and willingness to become referral agents.

The population in this study totalled 115 students of SMK 321 and SMA in the 2024-2025 academic year. Meanwhile, a sample of 100 respondents was taken based on the calculation of the number of indicators (17 indicators) multiplied by 5-10, taking into account limited resources.

this technique is used to answer problem formulations or test hypotheses. In this study, SmartPLS 3 was used with the Partial Least Square (PLS) approach, which is able to overcome the weaknesses of traditional regression. PLS-SEM is a Structural Equation Modeling (SEM) method that does not require the assumption of normal data distribution and is suitable for small samples. This method relies on bootstrapping for statistical analysis without dependence on normality.

The PLS analysis process includes three main stages: weight estimate, inner and outer model estimation, and means and location estimation. In the outer model, validity (convergent and discriminant) and reliability (Cronbach's Alpha & Composite Reliability) are tested. Convergent validity is considered good if the indicator-construct correlation is above 0.70, while discriminant validity requires an AVE value > 0.50 and higher than the correlation of other constructs. Reliability is said to be fulfilled if the Composite Reliability and Cronbach's Alpha values are > 0.70 .

Furthermore, the inner model is used to test the relationship between latent variables. Predictive power is measured through R-Square, where a value of 0.70 indicates a strong model, 0.50 is moderate, and 0.25 is weak. In addition, Goodness of Fit (GoF) is used to assess the fit of the model. The influence of variables can be direct (measured through path coefficients) or indirect (through mediating variables). The significance of the effect is tested by bootstrapping, where results are considered significant if the t-statistic > 1.96 or p-value < 0.05 . With its flexibility, PLS-SEM is an effective choice for complex data analysis, even with limited samples.

Result and Discussion

Based on the results of PLS analysis in PLS Algorithm for validity and reliability tests, the coefficient of model determination and the path coefficient for the equation model, it has been shown based on the results of the PLS Algorithm Smart PLS output, which can be observed in Figure 1. below:

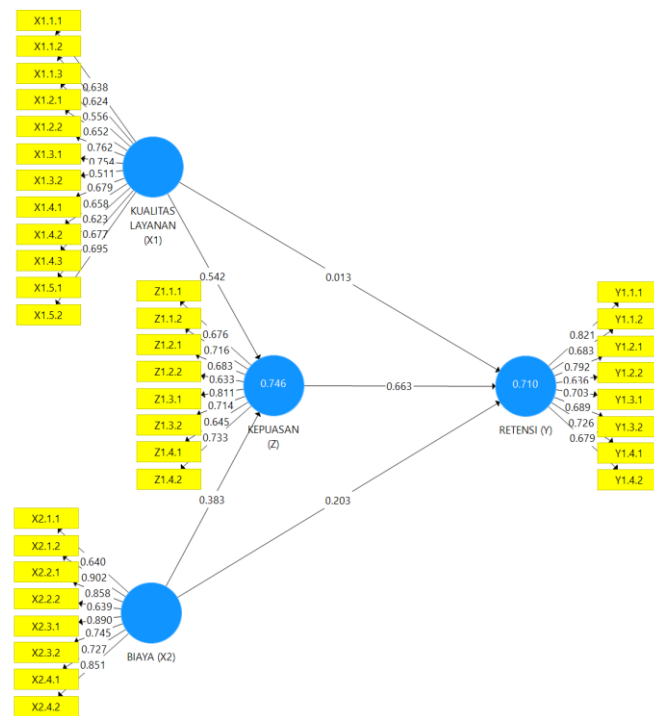


Figure 1. Outer Model Testing Results

Convergent Validity Test

The Convergent Validity test of the measurement model using reflexive indicators can be observed based on the correlation between the indicator item score and the construct score. An individual reflexive measure is declared high if it has a correlation of more than 0.70 using the construct it intends to measure. However, in scale development stage research, the outer loading value above 0.50 based on existing theory is still acceptable (Ghozali & Latan, 2015). Below the outer loading value of each indicator of the research variable can be explained in Table 4.7.

Table 2. Outer Loading Convergent Validity Test (Convergent Validity)

	Cost (X2)	Satisfaction (Z)	Service Quality (X1)	Retention (Y)
X1.1.1			0.638	
X1.1.2			0.624	
X1.1.3			0.556	
X1.2.1			0.652	
X1.2.2			0.762	
X1.3.1			0.754	
X1.3.2			0.511	
X1.4.1			0.679	
X1.4.2			0.658	
X1.4.3			0.623	

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	Cost (X2)	Satisfaction (Z)	Service Quality (X1)	Retention (Y)
X1.5.1			0.677	
X1.5.2			0.695	
X2.1.1	0.640			
X2.1.2	0.902			
X2.2.1	0.858			
X2.2.2	0.639			
X2.3.1	0.890			
X2.3.2	0.745			
X2.4.1	0.727			
X2.4.2	0.851			
Y1.1.1				0.821
Y1.1.2				0.683
Y1.2.1				0.792
Y1.2.2				0.636
Y1.3.1				0.703
Y1.3.2				0.689
Y1.4.1				0.726
Y1.4.2				0.679
Z1.1.1		0.676		
Z1.1.2		0.716		
Z1.2.1		0.683		
Z1.2.2		0.633		
Z1.3.1		0.811		
Z1.3.2		0.714		
Z1.4.1		0.645		
Z1.4.2		0.733		

Based on the data display in Table 4.7 above, it is known that each indicator of the research variable has many outer loading values > 0.7. However, it appears that there are still several indicators that have an outer loading value < 0.7 (Ghozali & Latan, 2015). According to Chin as cited by Ghozali, the outer loading value between 0.5 - 0.6 is considered sufficient to meet the requirements of convergent validity. The data above shows that there are no variable indicators whose outer loading value is below 0.5, so all indicators are declared feasible or valid for research use and can be used for further analysis.

Discriminant Validity Test

The Discriminant Validity test of the indicator measurement model can be observed in the cross loading between the indicator and its construct. If the correlation of the construct with its indicator is higher than the correlation of the indicator with other constructs, it indicates that the latent constructs predict the indicators in their block better than the indicators in other blocks. Table 3 below shows the cross loading value of each indicator.

Table 3. Cross Loading Value (Discriminant validity)

	Cost (X2)	Satisfaction (Z)	Service Quality (X1)	Retention (Y)
X1.1.1	0.491	0.542	0.638	0.430
X1.1.2	0.464	0.484	0.624	0.355
X1.1.3	0.394	0.405	0.556	0.315
X1.2.1	0.459	0.467	0.652	0.472
X1.2.2	0.640	0.650	0.762	0.502
X1.3.1	0.561	0.587	0.754	0.503
X1.3.2	0.332	0.307	0.511	0.347
X1.4.1	0.587	0.513	0.679	0.531
X1.4.2	0.372	0.559	0.658	0.395
X1.4.3	0.410	0.583	0.623	0.545
X1.5.1	0.569	0.638	0.677	0.537
X1.5.2	0.463	0.626	0.695	0.549
X2.1.1	0.640	0.389	0.371	0.383
X2.1.2	0.902	0.598	0.555	0.571
X2.2.1	0.858	0.620	0.701	0.596
X2.2.2	0.639	0.613	0.522	0.719
X2.3.1	0.890	0.609	0.557	0.579
X2.3.2	0.745	0.809	0.610	0.666
X2.4.1	0.727	0.515	0.600	0.416
X2.4.2	0.851	0.622	0.657	0.527
Y1.1.1	0.505	0.705	0.532	0.821
Y1.1.2	0.571	0.556	0.548	0.683
Y1.2.1	0.593	0.672	0.569	0.792
Y1.2.2	0.468	0.485	0.460	0.636
Y1.3.1	0.400	0.471	0.408	0.703
Y1.3.2	0.513	0.601	0.532	0.689
Y1.4.1	0.568	0.619	0.481	0.726
Y1.4.2	0.558	0.620	0.524	0.679
Z1.1.1	0.512	0.676	0.643	0.577
Z1.1.2	0.511	0.716	0.670	0.560
Z1.2.1	0.492	0.683	0.579	0.591

	Cost (X2)	Satisfaction (Z)	Service Quality (X1)	Retention (Y)
Z1.2.2	0.559	0.633	0.544	0.454
Z1.3.1	0.734	0.811	0.616	0.692
Z1.3.2	0.592	0.714	0.464	0.620
Z1.4.1	0.495	0.645	0.556	0.500
Z1.4.2	0.491	0.733	0.564	0.661

Based on the data display above, it can be seen that each indicator of the research variable has the largest cross loading value on the variable it forms compared to the cross loading value on other variables. Based on the results obtained, it can be said that the indicators used in the following study already have a good Discriminant validity test cross loading value in compiling their respective variables. The data above shows that there are no variable indicators whose cross loading value is below 0.5, so all indicators are declared feasible or valid for research use and can be used for further analysis.

Apart from observing the cross loading value, discriminant validity can also be known through another method, namely observing the Average Variant Extracted (AVE) value (Fornell 2016). In Ghazali & Latan (2015), it is explained that other tests are carried out to determine the assessment of the validity of the construct through observing the average variant extracted value. The model is declared good if the average variant extracted (AVE) of each construct has a value greater than 0.50.

Table 4. Value Average Variant Extracted (AVE)

Variable	Average Variant Extracted (AVE)
Service Quality (X1)	0.700
Cost (X2)	0.621
Satisfaction (Z)	0.686
Retention (Y)	0.516

Based on the data display, it can be observed that each research variable has an Average Variant Extracted (AVE) value greater than 0.5. Thus it can be stated that each variable already has a good discriminant validity value.

Reliability Test (Composite Reliability)

Reliability Test (Composite Reliability) is the part used to test the reliability value of several indicators on a variable. A variable can be said to fulfil composite reliability if it has a composite reliability value > 0.7. Below is the composite reliability value of each variable used in the study as follows.

Table 5. Composite Reliability

Variable	Composite Reliability
Service Quality (X1)	0.900
Cost (X2)	0.928
Satisfaction (Z)	0.886

Retention (Y)	0.895
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Based on the data display in Table 4, it can be seen that the composite reliability value of all research variables is > 0.7 . The construct is declared reliable if the composite reliability value is above 0.70 (Ghozali & Latan, 2015). These results can show that each variable has fulfilled composite reliability and in the end a conclusion can be made that all variables tested have met reliability.

Cronbach's Alpha Test

Reliability testing besides using Composite Reliability, can also be strengthened through the use of tests from the results of the Cronbach Alpha value. A variable can be said to be reliable if the result of the Cronbach alpha value is > 0.7 . The table below shows the Cronbach alpha value of each variable:

Table 6. Value Cronbach's Alpha

Variable	Cronbach's Alpha
Service Quality (X1)	0.878
Cost (X2)	0.910
Satisfaction (Z)	0.853
Retention (Y)	0.865

Based on the data display in the table, it can be seen that the Cronbach alpha value of each research variable is > 0.7 . So based on this, the following research results show that each research variable has met the requirements for the Cronbach's alpha value, finally a conclusion can be made that all variables have met the provisions of Cronbach's alpha.

Path Coefficient Test / Hypothesis Test

In the path coefficient test, it can show how much the relationship or influence of latent constructs is generated by using the boot strapping procedure pattern. In hypothesis testing, it can be seen from the t-statistic value and the probability value For hypothesis testing, namely by using a statistical value, for alpha 5% the t-statistic value used is 1.96. The conditions are as follows:

1. The hypothesis acceptance criteria are H_a is accepted and H_0 is rejected when the t-statistic > 1.96 .
2. The criteria for rejecting the hypothesis is if H_a is rejected and H_0 is accepted when the t-statistic < 1.96 .

The following are the results of testing the research hypothesis based on the results of the regression analysis tested through SmartPls 3.5 which was tested :

Table 7. Direct T-Statistics and P-Values

H		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
H1	SERVICE QUALITY (X1) -> RETENTION (Y)	0.013	0.007	0.083	0.153	0.878
H2	COST (X2) -> RETENTION (Y)	0.203	0.200	0.110	1.847	0.065
H3	SATISFACTION (Z) -> RETENTION (Y)	0.663	0.676	0.099	6.708	0.000
H4	SERVICE QUALITY (X1) -> SATISFACTION (Z)	0.542	0.550	0.069	7.857	0.000
H5	COST (X2) -> SATISFACTION (Z)	0.383	0.377	0.075	5.124	0.000

Hypothesis Influence T-Statistics and P-Values Results Based on the data presentation in the table above, it can be seen that the hypothesis proposed in this study can be formulated, the following are details of the influence between variables:

1. Hypothesis 1: Effect of Service Quality (X1) on Retention (Y)

Based on the table above, it can be seen that for testing the variable Effect of Service Quality (X1), the T statistics value is 0.153 with a ρ -value of 0.878 indicating a positive direction. Because the T statistics value of 0.153 is below 1.96 and the ρ -value is greater than α ($0.000 < 0.05$), H1 is rejected, thus there is no positive and significant effect of the Service Quality variable (X1) on Retention (Y).

2. Hypothesis 2: The Effect of Cost (X2) on Retention (Y)

Based on the table above, it can be seen that for testing the variable Cost Effect (X2), the T statistics value is 1.847 with a ρ -value of 0.065 indicating a positive direction. Because the T statistics value of 1.847 is below 1.96 and the ρ -value is greater than α ($0.065 < 0.05$), H2 is rejected, thus there is no positive and significant effect of the Cost variable (X2) on Retention (Y).

3. Hypothesis 3: Effect of Satisfaction (Z) on Retention (Y)

Based on the table above, it can be seen that for testing the Satisfaction Effect variable (Z), the T statistics value is 6.708 with a ρ -value of 0.000 indicating a positive direction. Because the T statistics value of 6.708 is above 1.96 and the ρ -value is smaller than α ($0.000 < 0.05$), H3 can be accepted, thus there is a positive and significant effect of the Satisfaction (Z) variable on Retention (Y).

4. Hypothesis 4: Effect of Service Quality (X1) on Satisfaction (Z)

Based on the table above, it can be seen that for testing the Service Quality Effect variable (X1), the T statistics value is 7.857 with a ρ -value of 0.000 indicating a positive direction. Because the T statistics value of 7.857 is above 1.96 and the ρ -value is smaller than α ($0.000 < 0.05$), H4 can be accepted, thus there is a positive and significant effect of the Service Quality variable (X1) on Satisfaction (Z).

5. Hypothesis 5: The Effect of Cost (X2) on Satisfaction (Z)

Based on the table above, it can be seen that for testing the Cost Effect variable (X2), the T statistics value is 5.124 with a ρ -value of 0.000 indicating a positive direction. Because the T statistics value of 5.124 is above 1.96 and the ρ -value is smaller than α ($0.000 < 0.05$), H5 can be accepted, thus there is a positive and significant effect of the Cost variable (X5) on Satisfaction (Z).

The following are the results of testing the research hypothesis based on the results of the regression analysis tested through SmartPLS 3.5 which is tested:

Table 8. Indirect T-Statistics and P-Values

H		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
H 6	SERVICE QUALITY (X1) -> SATISFACTION (Z) -> RETENTION (Y)	0.359	0.371	0.067	5.368	0.000
H 7	COST (X2) -> SATISFACTION (Z) -> RETENTION (Y)	0.254	0.256	0.068	3.726	0.000

Hypothesis Influence T-Statistics and P-Values Results Based on the data presentation in the table above, it can be seen that the hypothesis proposed in this study can be formulated, the following are details of the influence between variables:

1. Hypothesis 6: The Effect of Service Quality (X1) on Retention (Y) through Satisfaction (Z) as Mediation.

Based on the table above, it can be seen that the effect of Service Quality (X1) on Retention (Y) through Satisfaction (Z) as Mediation obtained a T statistics value of 5.368 with a ρ -value of 0.000 indicating a positive direction. Because the T statistics value of 5.368 is above 1.96 and the ρ -value is smaller than α ($0.000 < 0.05$), H6 can be accepted, thus there is a positive and significant effect of the variable Effect of Service Quality (X1) on Retention (Y) through Satisfaction (Z) as Mediation. Based on these regression results, it can be concluded that the sixth hypothesis is accepted.

2. Hypothesis 7: The Effect of Cost (X2) on Retention (Y) through Satisfaction (Z) as Mediation.

Based on the table above, it can be seen that the effect of Cost (X2) on Retention (Y) through Satisfaction (Z) as Mediation obtained a T statistics value of 3.726 with a ρ -value of 0.000 indicating a positive direction. Because the T statistics value of 3.726 is above 1.96 and the ρ -value is smaller than α ($0.000 < 0.05$), H7 is accepted, thus there is a positive and significant effect of the Cost variable (X2) on Retention (Y) through Satisfaction (Z) as Mediation. Based on the regression results, it can be concluded that the seventh hypothesis is accepted.

Discussion

The results of this study indicate that service quality (X1) and cost (X2) have a significant effect on customer retention (Y) with customer satisfaction (Z) as mediation. This finding is in line with the research of Wijaya & Sugianto (2022), which reveals that good service quality directly increases customer satisfaction, thus encouraging them to remain loyal. In addition, research by Sari et al. (2021) also supports that competitive costs can affect customer satisfaction, which in turn has an impact on retention. This suggests that both service quality and cost play an important role in building customer loyalty.

Furthermore, this study reinforces the findings of Nugroho & Pratama (2023) which state that customer satisfaction serves as a crucial mediator in the relationship between service quality and customer retention, especially in the service sector. However, in contrast to Lee & Chen's (2020) research, which found that cost does not always have a direct impact on retention without the mediating role of satisfaction. This finding indicates

that customer satisfaction is the determining factor linking service quality and cost with customer retention.

Theoretically, the results of this study support Expectation-Confirmation Theory (ECT), where customer satisfaction is formed when their expectations are met, either through adequate service quality or appropriate costs. Thus, companies need to prioritise improving service quality and setting competitive fees to maximise customer satisfaction, which will ultimately increase retention. The practical implication of this research is the importance of companies to continuously monitor the level of customer satisfaction as an indicator of success in retaining long-term customers.

Conclusion

Based on the results of the research that has been conducted, several interesting findings were found regarding the effect of service quality (X1), cost (X2), and satisfaction (Z) on retention (Y). First, service quality (X1) and cost (X2) directly have no positive and significant effect on retention (Y). However, satisfaction (Z) is proven to have a positive and significant effect in increasing retention (Y). On the other hand, service quality (X1) and cost (X2) each have a positive and significant influence on satisfaction (Z). Furthermore, mediation analysis revealed that satisfaction (Z) acts as a significant mediator in the relationship between service quality (X1) and retention (Y), as well as between cost (X2) and retention (Y). Thus, although service quality and cost do not directly affect retention, they can increase customer retention if they are able to create satisfaction first. This finding indicates that customer satisfaction is a key factor in building retention.

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