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The Influence of Service Quality and Price Perception on Customer Loyalty with Customer Satisfaction as an Intervening Variable at Tazkia Tour Umrah and Hajj Travel Agency

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Abstract: This study aims to analyze the influence of service quality and price perception on customer loyalty, with customer satisfaction as a mediating variable, at Tazkia Tour Umrah and Hajj Travel Agency. A total of 81 respondents who had used the agency's services were surveyed using a structured questionnaire. Data were analyzed with the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach. The results indicate that service quality has a positive and significant effect on customer satisfaction, and price perception also has a positive and significant effect on customer satisfaction. Service quality further demonstrates a significant direct effect on customer loyalty, while price perception does not directly influence loyalty. Customer satisfaction has a strong and significant effect on loyalty, acting as a partial mediator in the relationship between service quality and loyalty, and as a full mediator between price perception and loyalty. The R-Square results show that customer satisfaction is explained by service quality and price perception at 50.3%, while customer loyalty is explained by service quality, price perception, and customer satisfaction at 72.5%. These findings highlight the importance of enhancing service quality and ensuring fair and transparent pricing to strengthen customer satisfaction, which in turn fosters long-term customer loyalty. The study contributes to both theoretical development in service marketing and practical implications for managing Umrah and Hajj travel services.

Keywords: Service Quality, Price Perception, Customer Satisfaction, Customer Loyalty, SEM-PLS.

INTRODUCTION

The Umrah and Hajj travel industry in Indonesia has been experiencing rapid growth over the past decade, driven by the increasing demand of Muslims who wish to perform religious pilgrimages. As one of the countries with the largest Muslim population in the world, Indonesia represents a significant market for Umrah and Hajj services. This condition creates fierce competition among travel agencies, including Tazkia Tour Umrah and Hajj Travel

Agency, which must continuously innovate and provide the best service to maintain competitiveness and customer loyalty.

In the service industry, particularly religious travel, customer expectations are uniquely high. Unlike conventional tourism, Umrah and Hajj involve sacred experiences that require not only technical accuracy in travel arrangements but also spiritual guidance, reliability, and comfort throughout the journey. Therefore, service quality becomes a critical determinant in shaping customer experiences. According to Parasuraman, Zeithaml, and Berry (1988), service quality can be measured through five key dimensions: tangibles, reliability, responsiveness, assurance, and empathy. If travel agencies fail to deliver satisfactory service, customers are more likely to switch to competitors.

Another important factor influencing customer behavior is price perception. In the context of Umrah and Hajj, price is not only viewed in monetary terms but also in relation to fairness, transparency, and the value received. Monroe (2003) argued that customers are more loyal to service providers who set prices perceived as fair and proportional to the benefits delivered. In the competitive Umrah and Hajj travel market, even small differences in pricing and service transparency can significantly impact customer decisions.

At the same time, customer satisfaction plays an essential mediating role between service quality, price perception, and customer loyalty. Kotler and Keller (2019) describe satisfaction as the result of evaluating whether service performance meets or exceeds customer expectations. In this context, if Tazkia Tour can maintain both high-quality service delivery and fair pricing, it is expected to increase customer satisfaction, which ultimately strengthens loyalty. Loyal customers not only continue to use the service but also recommend it to others, creating sustainable business growth (Oliver, 1999).

However, despite the critical importance of these factors, studies specifically addressing the mediating role of satisfaction in the Umrah and Hajj travel industry remain limited, particularly within the Indonesian context. Therefore, this research is designed to investigate the influence of service quality and price perception on customer loyalty, with customer satisfaction as an intervening variable, at Tazkia Tour Umrah and Hajj Travel Agency. By doing so, this study contributes to both academic understanding and practical strategies for service improvement in religious travel agencies.

Service quality has long been recognized as one of the main determinants of customer satisfaction and loyalty. Parasuraman, Zeithaml, and Berry (1988), through the SERVQUAL model, emphasized five key dimensions: tangibles, reliability, responsiveness, assurance, and empathy. In the context of Umrah and Hajj travel agencies, service quality is not only related to physical facilities but also includes the reliability of document processing, the certainty of schedules, personal attention, and spiritual guidance for pilgrims. Previous studies consistently show that superior service quality leads to higher customer satisfaction, which ultimately strengthens customer loyalty (Zeithaml, Berry, & Parasuraman, 1996).

In addition to service quality, price perception also plays a critical role in shaping customer behavior. Monroe (2003) defined price perception as customers' evaluation of the fairness, transparency, and value of the price paid relative to the benefits received. In religious travel services, customers are highly sensitive to price transparency, refund policies, and the alignment between prices and promised facilities. A fair and transparent price is more likely to build customer trust, enhance satisfaction, and encourage long-term loyalty.

Customer satisfaction itself is widely regarded as a post-consumption evaluation that compares service performance with customer expectations (Kotler & Keller, 2019). The expectancy-disconfirmation model suggests that when service performance exceeds expectations, satisfaction increases. In the Umrah and Hajj context, satisfaction is not only determined by functional aspects such as scheduling and accommodation but also by emotional

and spiritual experiences. Caruana (2002) confirmed that satisfaction functions as a mediating variable between service quality, price perception, and customer loyalty.

Customer loyalty is defined as a strong commitment to repurchase or continue using a service consistently in the future, despite marketing efforts from competitors (Oliver, 1999). Loyalty can be reflected in repeat purchase intentions, resistance to switching, and positive word-of-mouth recommendations. In religious travel services, loyalty is especially significant because satisfied customers are more likely to return for future trips and recommend the agency to family and friends, thereby generating a multiplier effect for sustainable growth.

Research Gap

Although numerous studies have examined the relationships between service quality, price perception, satisfaction, and loyalty, most of them were conducted in general service industries such as banking, retail, or hospitality. Research specifically focusing on Umrah and Hajj travel agencies—especially in the Indonesian context—remains limited. Furthermore, prior studies often highlight the direct effects of service quality and price perception on loyalty, while the mediating role of satisfaction has not been extensively explored in religious travel services. This gap highlights the need for further investigation.

Novelty

The novelty of this study lies in its focus on Umrah and Hajj travel services in Indonesia, specifically at Tazkia Tour, by positioning customer satisfaction as a mediating variable linking service quality and price perception to customer loyalty. Unlike most previous studies, this research does not only examine satisfaction from a functional perspective but also considers emotional and spiritual dimensions that are particularly relevant in religious travel. Therefore, the study is expected to provide both academic contributions—by developing an empirical model contextualized to the Umrah and Hajj industry—and practical contributions for travel agencies in designing service improvements and transparent pricing strategies to strengthen customer loyalty.

METHODS

Research Design

This study adopts a quantitative research design with an explanatory approach, aiming to examine the causal relationships between service quality, price perception, customer satisfaction, and customer loyalty. The research also incorporates a mediating analysis to test the role of customer satisfaction as an intervening variable.

Population and Sample

The population of this study consists of all customers who have used the Umrah and Hajj services offered by Tazkia Tour Travel Agency. Due to the large and undefined population, a purposive sampling technique was applied, targeting customers who had completed their pilgrimage within the last two years. A total of 150 respondents were collected as the research sample, which is considered sufficient for Structural Equation Modeling–Partial Least Squares (SEM-PLS) analysis, following the rule of thumb (Hair et al., 2019).

Data Collection

Primary data were gathered using a structured questionnaire distributed both online and offline. Respondents were asked to rate their perceptions using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. The questionnaire consisted of four main sections: demographic information, service quality, price perception, customer satisfaction, and customer loyalty.

1. Service Quality (X1): Measured by five dimensions of SERVQUAL—tangibles, reliability, responsiveness, assurance, and empathy.
2. Price Perception (X2): Measured through fairness, transparency, competitiveness, and value for money.
3. Customer Satisfaction (Z): Measured by overall satisfaction, comparison with expectations, and emotional experience.
4. Customer Loyalty (Y): Measured by repurchase intention, word-of-mouth recommendation, and resistance to switching.

Data Analysis

Data were analyzed using SEM-PLS with SmartPLS software, as this method is suitable for predictive research models and smaller sample sizes. The analysis involved two stages:

1. Measurement Model (Outer Model):
   a. Reliability Test: Cronbach's Alpha and Composite Reliability (CR) values > 0.70.
   b. Convergent Validity: Indicator loadings > 0.70 and Average Variance Extracted (AVE) > 0.50.
   c. Discriminant Validity: Fornell-Larcker criterion and HTMT ratio < 0.85.
2. Structural Model (Inner Model):
   a. R^2 (Coefficient of Determination): To measure the explanatory power of independent variables.
   b. Path Coefficients: To evaluate the direct relationships among variables.
   c. t-statistics and p-values: Obtained through bootstrapping (5,000 resamples) to assess hypothesis testing.
   d. Mediation Test: Conducted by assessing the indirect effect of service quality and price perception on customer loyalty through customer satisfaction.

RESULTS AND DISCUSSION

Outer Model Testing (Measurement Model)

Validity Test

An indicator is considered valid if it has a factor loading value above 0.50 in order to adequately represent its intended construct. Based on the SmartPLS output, all indicators in this study meet the minimum threshold for validity, with factor loadings exceeding 0.50 after the elimination of several items that did not meet the criteria. The loading factor diagram for each construct after item elimination is presented in the research model diagram.

These results confirm that the indicators used in this study are valid and capable of reflecting the constructs they are intended to measure. In other words, the measurement model fulfills the requirement of convergent validity, thereby ensuring that each construct is well represented by its corresponding indicators.

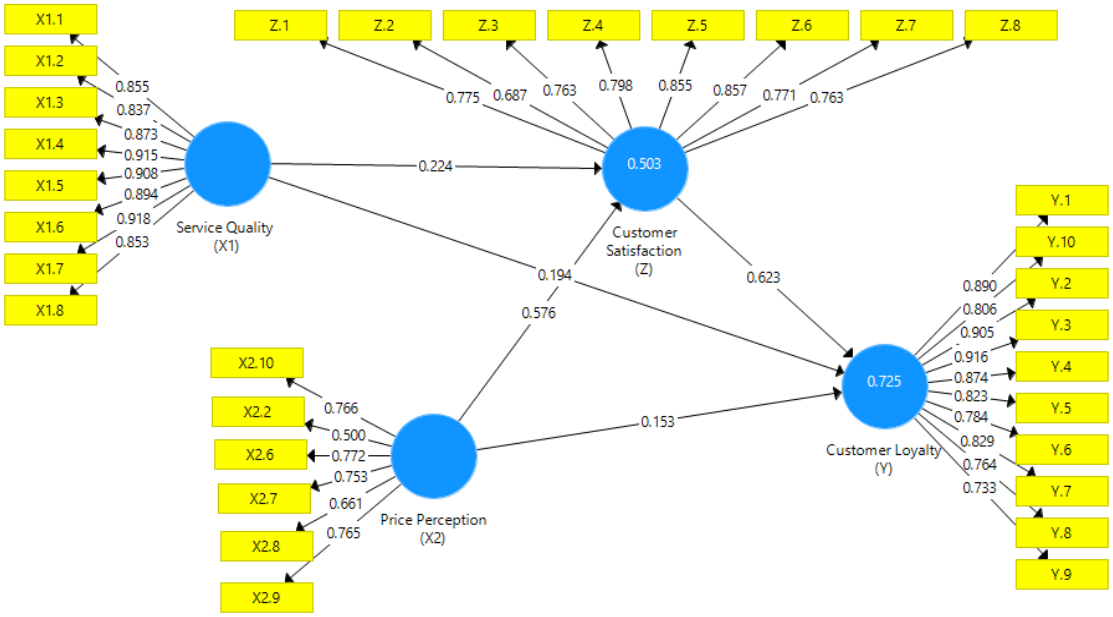


Figure 1: Outer Loadings

Another method to assess discriminant validity is by examining the square root of the Average Variance Extracted (AVE) values for each construct. The recommended threshold for AVE is above 0.50 (Fornell & Larcker, 1981). In this study, the results presented in Figure 1 and the corresponding table show that all constructs have AVE values greater than 0.50. This indicates that the latent variables in the model are able to capture more than half of the variance of their respective indicators, thus meeting the requirements of convergent validity and supporting discriminant validity as well.

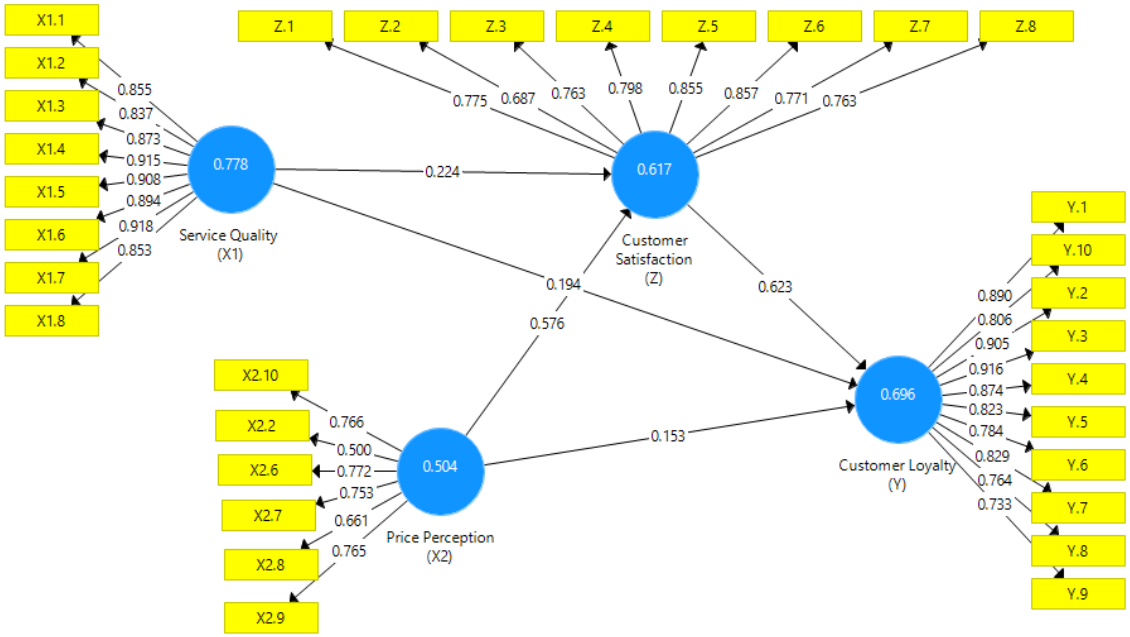


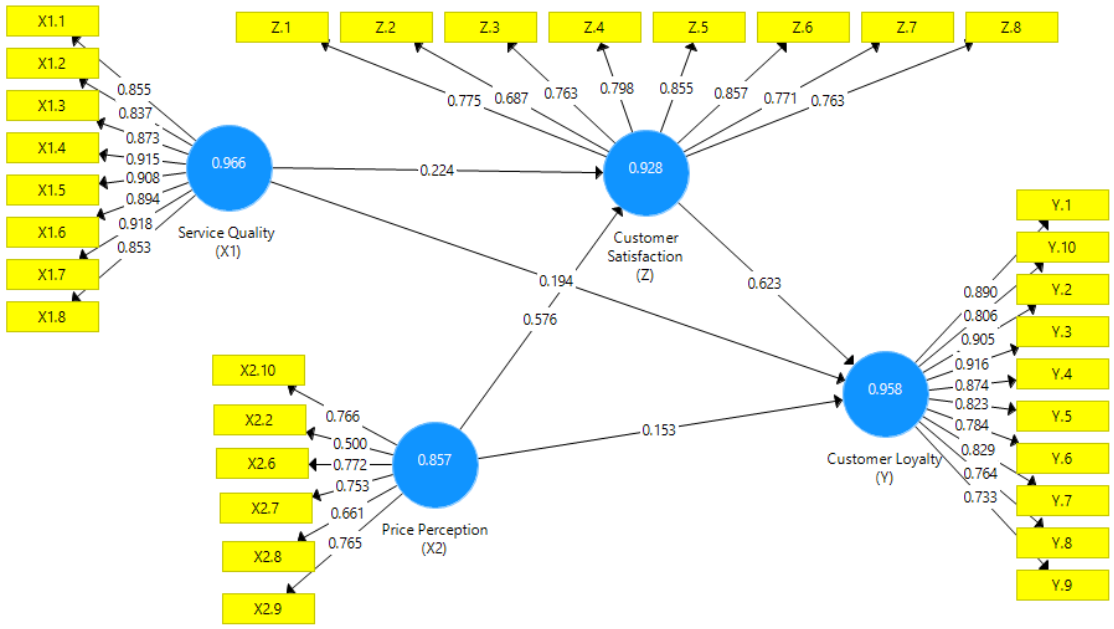
Figure 2: Average Variance Extracted (AVE)

Based on Figure 2 and the corresponding table, it can be concluded that all constructs or variables in this study meet the criteria for good convergent validity. This is indicated by the Average Variance Extracted (AVE) values, which are all above 0.50, in accordance with the recommended threshold (Fornell & Larcker, 1981). These results confirm that each construct

is able to explain more than 50% of the variance of its indicators, thus fulfilling the requirements of convergent validity.

Reliability Test

A construct is declared reliable if the composite reliability value exceeds 0.70. According to the SmartPLS output, all constructs in this study show composite reliability values greater than the minimum threshold of 0.70. This indicates that all constructs have good internal consistency and can be considered reliable as measurement tools for their respective latent variables.



Construct Reliability and Validity

Matrix | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (... | Copy to Clipboard: | Excel For

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Customer Loyalty_(Y)	0.951	0.953	0.958	0.696
Customer Satisfaction_(Z)	0.910	0.914	0.928	0.617
Price Perception_(X2)	0.804	0.835	0.857	0.504
Service Quality _(X1)	0.959	0.961	0.966	0.778

Figure 3: Composite Reliability
Source: SmartPLS Output, 2024

From the SmartPLS output in Figure 3, it can be seen that the composite reliability values for all constructs are above 0.70. Based on these results, all constructs are considered to have good reliability, exceeding the minimum threshold that has been established. This indicates that the measurement instruments used in this study are reliable in assessing the latent variables.

Inner Model Testing (Structural Model)

The analysis of variance (R^2) or Coefficient of Determination Test is used to measure the extent to which independent variables influence the dependent variables. The value of the coefficient of determination can be observed in Figure 3 and Table 3 below. A higher R^2 value indicates a stronger explanatory power of the model, whereas a lower R^2 value shows that the independent variables only weakly explain the dependent variable.

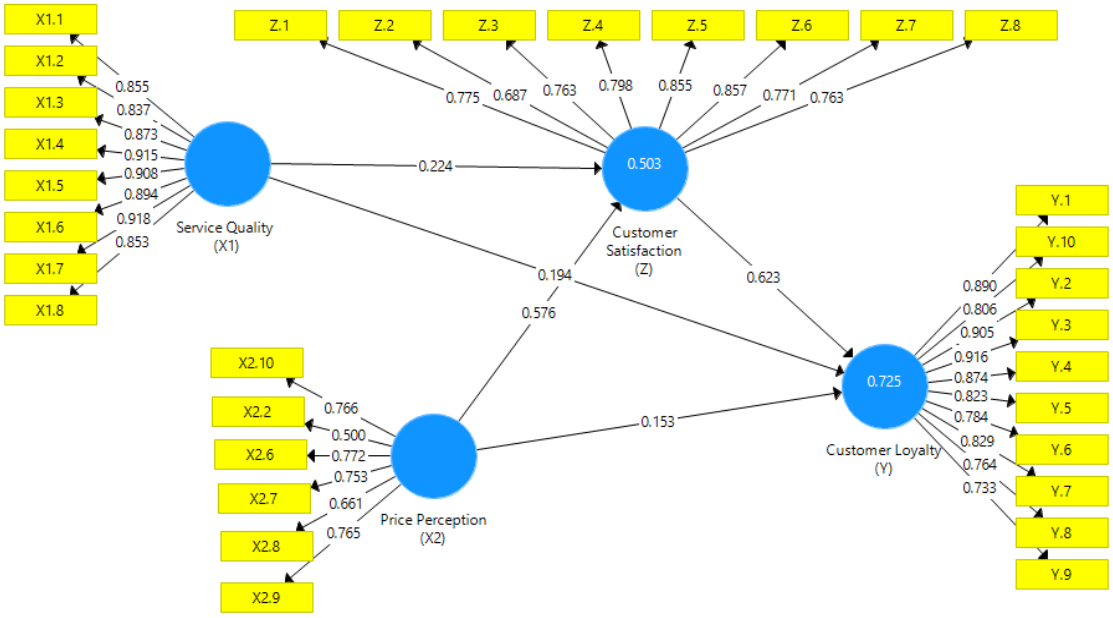


Figure 4: Evaluation of R Square Value

Table 3. Evaluasi Nilai R Square

R Square

Matrix | R Square | R Square Adjusted

	R Square	R Square Adjusted
Customer Loyalty_(Y)	0.725	0.714
Customer Satisfaction_(Z)	0.503	0.490

Source: Inner Model Test Results

In Table 4.3, it can be seen that the R-Square value for the construct Customer Loyalty is 0.725 or 72.5%. This indicates that 72.5% of the variance in Customer Loyalty can be explained by the predictor variables in the model. Meanwhile, the R-Square value for the construct Customer Satisfaction is 0.503 or 50.3%, which means that Customer Satisfaction is strongly explained by the exogenous variables included in the model. These results suggest that the model has substantial explanatory power, particularly in predicting Customer Satisfaction and Customer Loyalty.

Hypothesis Testing

Hypothesis testing aims to answer the research questions regarding the influence of certain exogenous latent constructs on specific endogenous latent constructs, both directly and indirectly through mediating variables. In this study, hypothesis testing is assessed using the t-statistic value (t-count) compared with the critical value of the t-table, which is 1.96 at the 5% significance level ($\alpha = 0.05$).

1. If the t-statistic (t-count) < 1.96, then H_0 is rejected, indicating that the relationship is not significant.
2. If the t-statistic (t-count) > 1.96, then H_a is accepted, indicating that the relationship is significant.

This procedure ensures that each proposed hypothesis can be evaluated objectively based on the statistical criteria for significance in the SEM-PLS framework.

Table 4. Result For Inner Weights

Path Coefficients

Mean, STDEV, T-Values, P-Va... | Confidence Intervals | Confidence Intervals Bias C... | Samples | Copy to Clipboard: | Excel Format | R

	Original Sampl...	Sample Mean (...	Standard Deviatio...	T Statistics (|O/STDEV|)	P Values
Customer Satisfaction_(Z) -> Customer Loyalty_(Y)	0.623	0.618	0.097	6.428	0.000
Price Perception_(X2) -> Customer Loyalty_(Y)	0.153	0.152	0.098	1.554	0.121
Price Perception_(X2) -> Customer Satisfaction_(Z)	0.576	0.585	0.087	6.604	0.000
Service Quality _(X1) -> Customer Loyalty_(Y)	0.194	0.199	0.066	2.954	0.003
Service Quality _(X1) -> Customer Satisfaction_(Z)	0.224	0.217	0.081	2.755	0.006

Total Indirect Effects

Mean, STDEV, T-Values, P-Va... | Confidence Intervals | Confidence Intervals Bias C... | Samples | Copy to Clipboard: | Excel Format | R Form

	Original Sampl...	Sample Mean (...	Standard Deviation ...	T Statistics (|O/STDEV|)	P Values
Customer Satisfaction_(Z) -> Customer Loyalty_(Y)					
Price Perception_(X2) -> Customer Loyalty_(Y)	0.359	0.364	0.088	4.098	0.000
Price Perception_(X2) -> Customer Satisfaction_(Z)					
Service Quality _(X1) -> Customer Loyalty_(Y)	0.139	0.133	0.053	2.653	0.008
Service Quality _(X1) -> Customer Satisfaction_(Z)					

Source: Inner Model Test Results

Based on the results of the data testing in Table 4, the findings of the research hypotheses are presented starting from the first hypothesis through the seventh hypothesis. The following are the results and discussion of each hypothesis:

H1: Service Quality (X1) → Customer Satisfaction (Z)

The results show that service quality has a positive and significant effect on customer satisfaction, with a coefficient of 0.224, t-statistic 2.755, and p-value 0.006. This means that the better the service quality provided by Tazkia Tour, the higher the level of customer satisfaction. This finding is consistent with the SERVQUAL model developed by Parasuraman et al. (1988), which identifies service quality as a primary predictor of satisfaction. Caruana (2002) also emphasized that superior service quality increases customer satisfaction across various service sectors.

H2: Price Perception (X2) → Customer Satisfaction (Z)

The data analysis indicates that price perception has a positive and significant effect on customer satisfaction, with a coefficient of 0.576, t-statistic 6.604, and p-value 0.000. This means that customers who perceive the Umrah and Hajj package prices as fair, transparent, and proportional to the benefits received will feel more satisfied with the services provided. This finding is consistent with the price theory proposed by Monroe (2003) and is supported by Xia, Monroe, and Cox (2004), who found that price fairness positively affects customer satisfaction.

H3: Service Quality (X1) → Customer Loyalty (Y)

The test results reveal that service quality has a positive and significant effect on customer loyalty, with a coefficient of 0.194, t-statistic 2.954, and p-value 0.003. This indicates that good service—such as reliable document processing, proper religious guidance, and comfortable facilities—can increase customers' intention to reuse Tazkia Tour's services or

recommend them to others. This finding supports Zeithaml, Berry, and Parasuraman (1996), who stated that service quality has a direct impact on customer loyalty.

H4: Price Perception (X2) → Customer Loyalty (Y)

Unlike the other variables, the results show that price perception does not have a significant effect on customer loyalty, with a coefficient of 0.153, t-statistic 1.554, and p-value 0.121. This means that fair and transparent pricing alone is not sufficient to directly drive loyalty. Loyalty is more strongly determined by satisfaction and service quality rather than price itself. This finding aligns with Kotler and Keller (2019), who emphasized that customer loyalty is more strongly influenced by service experiences and emotional satisfaction than by price factors.

H5: Customer Satisfaction (Z) → Customer Loyalty (Y)

The findings demonstrate that customer satisfaction has a positive and significant effect on loyalty, with a coefficient of 0.623, t-statistic 6.428, and p-value 0.000. This indicates that customers who are satisfied with Tazkia Tour's services are more likely to continue using the same services in the future and recommend them to others. This result is consistent with Oliver (1999), who stated that satisfaction is a key determinant of loyalty, and is supported by Fornell et al. (1996), who found that customer satisfaction is closely related to retention and loyalty.

H6: Service Quality (X1) → Customer Loyalty (Y) through Customer Satisfaction (Z)

The mediation test results show that service quality (X1) has a positive and significant effect on customer loyalty (Y) through customer satisfaction (Z), with a coefficient of 0.139, t-statistic 2.653 (>1.96), and p-value 0.008 (<0.05). This means that service quality not only has a direct effect on customer loyalty but also has an indirect effect through customer satisfaction as a mediating variable. In practice, this indicates that good service—such as punctuality, adequate facilities, and professional guidance—enhances customer satisfaction, which in turn strengthens customer loyalty. Thus, customer satisfaction acts as a partial mediator in the relationship between service quality and loyalty. This finding is consistent with Caruana (2002), who emphasized that satisfaction is an important mediator in the effect of service quality on loyalty in the service sector. It also supports Zeithaml, Berry, and Parasuraman (1996), who found that service quality increases loyalty mainly through satisfaction.

H7: Price Perception (X2) → Customer Loyalty (Y) through Customer Satisfaction (Z)

The mediation test results indicate that price perception (X2) has a positive and significant effect on customer loyalty (Y) through customer satisfaction (Z), with a coefficient of 0.359, t-statistic 4.098 (>1.96), and p-value 0.000 (<0.05). This confirms that although price perception does not directly affect loyalty (as shown in the direct path analysis), fair, transparent, and reasonable pricing still influences loyalty through improved customer satisfaction.

In other words, Tazkia Tour customers who perceive that the package price is consistent with the benefits received will be more satisfied, and this satisfaction will then drive their loyalty to reuse the services and recommend them to others. This indicates that customer satisfaction serves as a full mediator in the relationship between price perception and loyalty. This finding is consistent with Xia, Monroe, and Cox (2004), who found that price fairness does not always directly affect loyalty but operates through satisfaction. Similarly, Sweeney and Soutar (2001) discovered that perceived value (value for money) influences loyalty primarily when customers feel satisfied with the quality of services received.

CONCLUSION

Summary of Hypotheses

1. **H1: Service Quality (X1) → Customer Satisfaction (Z)**
   ✅ Accepted — Service quality has a positive and significant effect on customer satisfaction.
2. **H2: Price Perception (X2) → Customer Satisfaction (Z)**
   ✅ Accepted — Price perception has a positive and significant effect on customer satisfaction.
3. **H3: Service Quality (X1) → Customer Loyalty (Y)**
   ✅ Accepted — Service quality has a positive and significant effect on customer loyalty.
4. **H4: Price Perception (X2) → Customer Loyalty (Y)**
   ❌ Rejected — Price perception does not have a significant effect on customer loyalty.
5. **H5: Customer Satisfaction (Z) → Customer Loyalty (Y)**
   ✅ Accepted — Customer satisfaction has a positive and significant effect on customer loyalty.
6. **H6: Service Quality (X1) → Customer Loyalty (Y) through Customer Satisfaction (Z)**
   ✅ Accepted — Customer satisfaction partially mediates the effect of service quality on customer loyalty.
7. **H7: Price Perception (X2) → Customer Loyalty (Y) through Customer Satisfaction (Z)**
   ✅ Accepted — Customer satisfaction fully mediates the effect of price perception on customer loyalty.

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