

MARKETING | RESEARCH ARTICLE

Service Quality, Product Diversity, and Customer Loyalty: The Intervening Role of Purchase Decisions

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ABSTRACT

This research examines the impact of service quality and product diversity on customer loyalty, specifically analyzing the mediating role of purchase decisions at Toko Madura Pak Faedi. Due to the unspecified and dynamic nature of the customer population at this family-owned retail business, this study employs a quantitative research design with a non-probability purposive sampling technique. Primary data was collected from a sample of 45 respondents representing customers who have completed transactions at the research site utilizing structured questionnaires. Data analysis was performed using Structural Equation Modeling (SEM) processed through SmartPLS software to evaluate the hypothesized relationships between latent variables. The results reveal that both service quality and product diversity exert a positive and significant influence on purchase decisions. Furthermore, purchase decisions are shown to be a critical and significant predictor of long-term customer loyalty. The major findings suggest that product diversity does not have a direct statistical effect on loyalty but operates through a full mediation mechanism via purchase decisions, while service quality influences loyalty through both direct and indirect pathways. For practitioners, these findings imply that owners of small-scale family businesses should prioritize transaction efficiency and consistent inventory availability to trigger the initial purchase decisions necessary to build lasting consumer commitment.

Keywords: Service Quality, Product Assortment, Purchase Decision, Customer Loyalty, Product Diversity.

I. Introduction

The Indonesian retail sector has undergone a seismic shift over the last decade, defined by a relentless expansion of modern franchised minimarkets that utilize standardized supply chains, massive capital, and digital integration. However, amidst this corporate dominance, the "Toko Madura" has emerged as a remarkable economic anomaly. Establishments like Toko Madura Pak Faedi do not merely survive; they exhibit a unique resilience that challenges conventional retail theories. Operating in high-density, high-velocity environments such as Tembalangan and Sigura-gura, these outlets leverage 24-hour operations and extreme physical proximity to capture a market segment that modern competitors often overlook. The primary motivation for this study stems from the paradoxical behavior of modern consumers—specifically the Gen-Z

and Millennial demographics (university students) who dominate the Tembalangan area. These consumers are typically characterized by low brand loyalty and high pragmatism, yet they show a consistent reliance on Toko Madura. This study seeks to investigate whether this loyalty is a byproduct of accidental convenience or a deliberate psychological commitment formed through specific store attributes. In an environment saturated with choices, understanding how an informal, "high-touch" service model competes with an "impersonal, high-tech" corporate model provides a critical gap in current marketing management literature.

Despite the breadth of existing retail studies, a significant Contextual and Mediation Gap remains. Most contemporary academic literature focuses on modern, organized retail environments where loyalty is driven by digital programs and standardized service. There is a profound lack of empirical evidence regarding the "informal service logic" of traditional 24-hour outlets. Specifically, a Theoretical Gap exists in how "Social Trust" replaces "Brand Equity" in the traditional sector. While global studies discuss product assortment, they often fail to capture the Socio-Relational Gap—how a granular, hyper-local variety (from gasoline to individual household items) functions as a barometer of reliability for transient student populations. Furthermore, prior research frequently assumes a direct linear path from store attributes to loyalty, overlooking the Transactional Validation Gap. In the unique Toko Madura model, perceived diversity does not automatically generate commitment; it requires the mediating "Validation Gateway" of a successful, frictionless purchase to bridge the gap between initial interest and long-term behavioral loyalty.

The justification for selecting Service Quality (X_1) and Product Diversity (X_2) lies in their role as the "dual engines" of traditional retail. Service quality in this context is not just about speed; it is about social trust and informal rapport, which compensates for the lack of modern physical facilities. Simultaneously, Product Diversity serves as a barometer for social reliability. In a student hub, the ability of a shop to provide a granular assortment—from gasoline to individual stationery items—acts as a "one-stop solution." This study posits that while product variety brings customers through the door, it is the quality of the interaction that secures their long-term allegiance. A significant portion of this research focuses on the Purchase Decision (Z) as a mediating variable to address the aforementioned mediational gap. The transition from store perception to long-term loyalty is not automatic; in the traditional retail sector, a customer may admire a store's variety but only becomes "loyal" after a series of successful, frictionless transactions. By positioning the purchase decision as a "Validation Gateway," this research clarifies how repeated transactional successes evolve into deep-seated psychological commitment (Y). The primary objective is to evaluate these dynamics using a Partial Least Squares (PLS) framework to provide empirical weight to the informal retail sector, ultimately offering actionable managerial insights for small-scale entrepreneurs to prioritize service rapport over mere inventory expansion in order to survive the pressure of modern retail modernization.

II. Literature Review and Hypothesis Development

2.1. Theoretical Framework and Relationship Between Variables

The theoretical framework of this study is built upon a synthesis of contemporary retail management theories, specifically focusing on the transition from store attributes to consumer behavioral outcomes. As established by Andriany & Tamara (2021) in the *Golden Ratio of Marketing and Applied Psychology of Business*, the sustainability of small-scale retail enterprises depends on the strategic synergy between service quality and product assortment. Their research emphasizes that high-touch service delivery, when paired with a curated variety of products, significantly lowers the psychological barriers for customers to execute a transaction. In the context of "Toko Madura," this implies that while convenience is a given, the interpersonal rapport and availability of specific daily needs are what initially drive the consumer's choice to shop. However, the path from store attributes to long-term commitment is not always direct. A critical investigation by Hanif (2024) in the *Golden Ratio of Business Management* highlights the role of purchase decisions as a "validation gateway" in the consumer journey. This study suggests that while superior service and product diversity attract potential interest, it is the successful and satisfying execution of a purchase decision that ultimately

bridges the gap between initial perception and long-term behavioral loyalty. Without this transactional validation, the perceived quality of a store remains a static impression rather than a driver of repeat behavior. Therefore, the purchase decision is positioned as a vital intervening variable that reinforces the impact of store attributes on loyalty. Furthermore, the unique resilience of traditional retail models is deeply rooted in the social fabric of the community. Research by Hanif (2025) in the *Golden Ratio of Social Science and Education* underscores that loyalty in traditional outlets is heavily influenced by social trust and community-based service ethics. This informal rapport creates a direct and powerful pathway to loyalty that modern, impersonal franchised minimarkets often struggle to replicate. Based on these theoretical and empirical backgrounds, this study proposes that the integration of service excellence and strategic product variety—validated through a smooth purchasing process—is the primary engine for building lasting consumer commitment at Toko Madura Pak Faedi.

Service Quality and Purchase Decisions Service quality in traditional retail is not merely a transactional requirement but a relational foundation. According to Andriany & Tamara (2021), service quality directly dictates satisfaction levels. However, a critical evaluation of their work suggests a focus on modern service sectors, often overlooking the "informal rapport" found in traditional outlets. In Toko Madura, where facilities are minimal, service quality—manifested through speed and friendliness—acts as a primary driver for purchase decisions. When a customer perceives the service as efficient and reliable, the psychological barrier to transacting is lowered, leading directly to a purchase choice. **Product Diversity and Purchase Decisions** Product diversity, or assortment, represents the utility a store provides to its community. Hanif (2025) argues that comprehensive inventory is a strategic tool to attract local consumers. Yet, many studies fail to address the "curated necessity" aspect; it is not the volume of goods, but the relevance to daily needs that triggers a transaction. In high-density areas, the availability of specific daily items (e.g., specific basic necessities or local snacks) at any hour directly influences the consumer's decision to choose one outlet over another. **The Role of Purchase Decisions in Fostering Loyalty** Loyal behavior is a byproduct of consistent, positive transaction experiences. Hanif (2024) posits that trust and user experience are the main drivers of repeat behavior. However, a significant gap in current literature is the assumption that store attributes lead directly to loyalty without the necessity of a successful "trial" or purchase. This study proposes that the Purchase Decision is the essential gateway; a consumer cannot become loyal to a store's service or products without first undergoing the psychological validation of a successful transaction.

2.2. Service Quality

Service quality is defined as the consumer's assessment of the overall excellence or superiority of a service compared to their initial expectations. Andriany & Tamara (2021) explain that in the retail sector, service quality is a primary driver of consumer satisfaction. In community-based retail environments, the interpersonal performance of staff serves as the foundation for how customers perceive the brand's value (Andriany & Cahyani, 2025). However, Andriany & Tamara (2021) also suggest that service quality must be consistent to trigger a psychological commitment to a store. When service is perceived as high-quality, consumers are more likely to bypass competing options and proceed with a transaction. Based on these theoretical and empirical backgrounds, the following hypotheses are formulated:

H1: Service quality has a significant positive influence on purchase decisions.

H3: Service quality has a significant positive influence on customer loyalty.

2.3. Product Diversity

Product diversity refers to the breadth and depth of the assortment offered by a retailer to satisfy the varying needs of its target market. Hanif (2025) argues that for traditional retailers, the availability of a comprehensive and diverse inventory is a strategic implementation to attract local consumers. Diversity is not

merely about the volume of goods but the alignment of products with the daily necessities of the customer base. While some studies suggest a direct link to loyalty, others emphasize that diversity primarily serves to fulfill an immediate need, thereby driving the initial choice of store. According to Hanif (2025), indicators for this variable include: (1) Breadth of product categories, (2) Depth of brands available, and (3) Availability of daily necessities.

H2: Product diversity has a significant positive influence on purchase decisions.

H4: Product diversity has a significant positive influence on customer loyalty.

2.4. Purchase Decision

A purchase decision is the specific stage in the consumer buying process where the individual evaluates available alternatives and executes a real transaction. Hanif (2024) asserts that these decisions are heavily influenced by the User Experience (UX), where ease of transaction and trust act as the primary catalysts. In many retail models, a purchase decision is not an end-point but a critical mediator; a consumer cannot develop a sense of loyalty without first experiencing a successful and satisfying purchase transaction. Building on this logic, the act of purchasing serves as the bridge between store attributes and long-term commitment.

H5: Purchase decisions have a significant positive influence on customer loyalty.

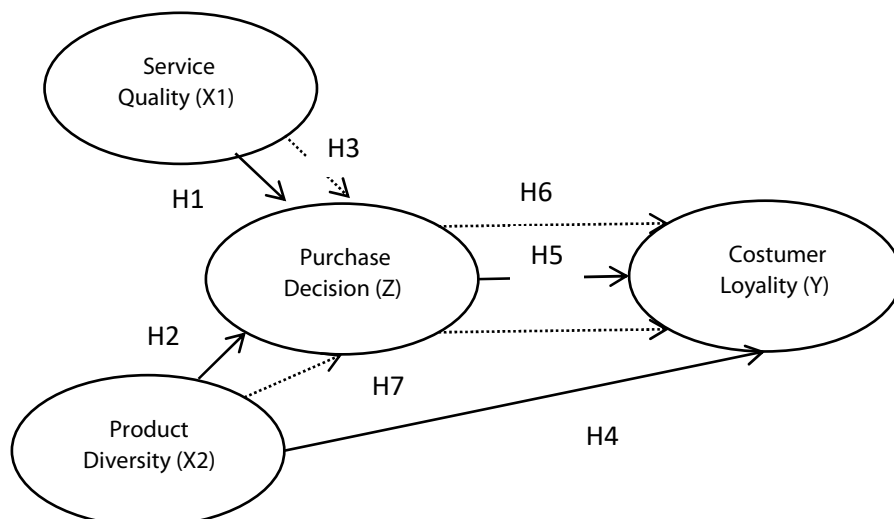
2.5. Customer Loyalty

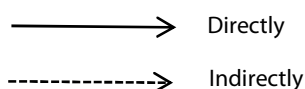
Customer loyalty is a deep-seated commitment to rebuy or repatronize a preferred product or service consistently in the future. Hanif (2024) emphasizes that loyalty is a combination of consumer trust and the cumulative positive experiences felt during past transactions. Furthermore, Hanif (2025) notes that in traditional retail, loyalty is often reinforced by shared values and ethical business practices between the owner and the local community. Because loyalty is often the result of satisfied needs filtered through successful transactions, this research examines the role of purchase decisions as a mediator.

H6: Purchase decisions significantly mediate the relationship between service quality and customer loyalty.

H7: Purchase decisions significantly mediate the relationship between product diversity and customer loyalty.

III. Research Method





The conceptual framework of this study illustrates a complex interplay between store attributes and behavioral outcomes. Specifically, the model positions Service Quality and Product Diversity as exogenous variables that drive Customer Loyalty, with Purchase Decision acting as a critical intervening mechanism. This path analysis follows the logic of the Service-Profit Chain, where organizational inputs lead to transactional actions, which ultimately solidify into long-term psychological commitment. The model proposes five direct effects (H1 to H5) and two indirect effects (H6 and H7). A central feature of this framework is the dual-pathway of Service Quality (X1). Unlike physical goods, service is consumed and evaluated simultaneously, allowing it to influence loyalty both directly through rapport and indirectly through the ease of the purchase decision. In contrast, Product Diversity (X2) is hypothesized to rely more heavily on the mediation of a successful purchase to validate its utility to the consumer.

According to Hair et al. (2019) in the *European Business Review*, PLS-SEM path modeling is the superior method for explaining the variance of dependent variables in complex marketing models, particularly when testing mediation effects like purchase decisions. Research by Kasiri et al. (2017) in *Heliyon* confirms that the integration of service quality and product excellence is not an option but a requirement for achieving loyalty in the modern retail landscape. Diallo & Cliquet (2016), writing for the *International Journal of Retail & Distribution Management*, emphasize that for traditional retailers, "image" (often driven by service rapport) is a primary determinant of survival against modern competitors. Mantrala et al. (2009) in the *Journal of Retailing* suggest that product diversity triggers a "one-stop-shop" mindset, which directly accelerates the consumer's purchase decision process. Given the student-heavy demographic in areas like Tembalangan, Priporas et al. (2017) in *Computers in Human Behavior* note that younger consumers prioritize transaction speed and service efficiency above all other store attributes.

3.1. Population and Sampling

The population of this study consists of customers of Toko Madura Pak Faedi in Tembalangan. Due to the unspecified and dynamic nature of the customer base in this family-owned retail setting, a non-probability purposive sampling technique was utilized. A total of 45 respondents were selected based on the criteria that they had completed at least one transaction at the store within the last month. While 45 is considered a small sample, it is statistically sufficient for Partial Least Squares (PLS) analysis, which is robust for smaller sample sizes (minimum 30–50) compared to covariance-based SEM.

3.2. Data Collection and Instrumentation

Primary data was gathered through structured questionnaires using a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The instruments were adapted from established marketing literature:

- a. Service Quality: Speed, friendliness, and reliability (Andriany & Tamara, 2021).
- b. Product Diversity: Breadth, depth, and availability of daily needs (Hanif, 2025).
- c. Purchase Decision: Transaction ease and immediate choice (Hanif, 2024).
- d. Customer Loyalty: Repeat purchase and word-of-mouth (Hanif, 2025).

The data collection process for this research employed a structured quantitative approach, utilizing a digital survey instrument deployed via Google Forms to ensure data precision and accessibility. The primary data was gathered from a purposive sample of consumers situated within the immediate vicinity of Toko

Madura Pak Faedi, specifically targeting the high-density residential and academic corridors of Tembalangan and Sigura-gura. To maintain the integrity of the "Validation Gateway" framework, the survey was distributed using a Location-Based Convenience Sampling technique. This involved placing QR codes at the physical storefront and distributing digital links through local community networks and student communication channels. This strategy ensured that the respondents were active participants in the local retail ecosystem, having had recent, direct experience with the store's service quality and product assortment.

The research instrument was designed using a 5-point Likert Scale, ranging from "Strongly Disagree" to "Strongly Agree," allowing for the nuanced measurement of latent psychological constructs such as social trust and behavioral loyalty. To mitigate common method bias and ensure the Reliability and Validity of the data, the questionnaire underwent a pre-test phase (pilot study) to refine the clarity of the indicators for Service Quality (X₁), Product Diversity (X₂), Purchase Decision (Z), and Customer Loyalty (Y). Each variable was operationalized into specific observable indicators: service quality focused on responsiveness and informal rapport; product diversity measured the perceived availability of granular daily necessities; and purchase decisions were tracked through frequency and transactional satisfaction.

Furthermore, the data collection period was strategically timed to capture the peak activity of the transient student population, ensuring that the sample captured the pragmatic decision-making processes characteristic of the Gen-Z demographic. Upon completion of the survey period, the raw data was exported from the Google Forms cloud database into a structured format for preliminary screening. This involved a rigorous Data Cleaning phase where incomplete responses and outliers were removed to prevent statistical noise. The final dataset was then imported into SmartPLS 4.0 for structural equation modeling (PLS-SEM). This methodical approach to data collection ensures that the empirical findings are not only statistically significant but also culturally and contextually grounded in the unique socio-economic environment of the Madurese traditional retail sector.

3.3. Data Analysis Method

Data were analyzed using Structural Equation Modeling (SEM) facilitated by SmartPLS 4.0. The analysis followed a two-stage approach:

- a. Measurement Model (Outer Model): Testing validity (Convergent and Discriminant) and reliability (Cronbach's Alpha and Composite Reliability).
- b. Structural Model (Inner Model): Testing the 7 hypotheses through R-square, Path Coefficients, and Bootstrapping for significance ($p < 0.05$).

IV. Results and Discussion

4.1. Descriptive Statistic

The descriptive statistical analysis serves as the foundational layer of this research, providing a comprehensive overview of the data distribution and the fundamental characteristics of the sample population. This process involves the transformation of raw data—collected from the consumer base surrounding Toko Madura Pak Faedi—into meaningful summaries through the calculation of frequencies, percentages, and measures of central tendency. By employing descriptive statistics, this study establishes a demographic baseline that accounts for gender, age, and shopping frequency, which is critical for understanding the pragmatic and transient nature of the Tembalangan student hub. Beyond demographic profiling, descriptive analysis is utilized to evaluate the Mean Scores and Standard Deviations for each indicator across the four latent variables: Service Quality (X₁), Product Diversity (X₂), Purchase Decision (Z), and Customer Loyalty (Y). The mean scores provide an immediate insight into the "Perceived Reality" of the store; for instance, a high mean score in Service Quality indicators would suggest that consumers generally perceive the informal rapport and speed of Toko Madura as superior. Simultaneously, the standard deviation

serves as a metric for Data Consensus, indicating whether respondents' opinions are closely aligned or widely dispersed. High consistency (low standard deviation) in the responses ensures that the subsequent structural model is built upon a stable and representative foundation.

Finally, the descriptive phase includes a rigorous assessment of the data's Normality and Distribution. Before proceeding to PLS-SEM, it is essential to ensure that the data exhibits sufficient variability to justify advanced predictive modeling. This descriptive overview not only validates the quality of the Google Form responses but also provides the contextual "narrative" that explains why certain demographic segments—such as university students—might prioritize product diversity over long-term loyalty. By grounding the quantitative findings in these descriptive realities, the research ensures that the complex mediational paths analyzed later are interpreted through the lens of actual consumer behavior in the Sigura-gura and Tembalangan districts.

Table 1. Respondent Characteristic

No	Demographic Item	Frequency	Percentage
1.	Gender		
	Male	8	27%
	Female	22	73%
2.	Age		
	17 year's old	2	7%
	20 - 30 year's old	18	60%
	31 - 40 year's old	5	17%
	41 - 50 year's old	3	10%
> 50 year's old	2	6%	
3	Shopping Frequency		
	1 time a week	5	17%
	2 - 3 time a week	12	40%
	> 3 time a week	13	43%

The demographic data provides a profound insight into the consumer ecosystem of Toko Madura Pak Faedi, revealing a market dominated by young adult females who exhibit a high intensity of repeat engagement. With females accounting for 73% of the respondents, it is evident that women serve as the primary decision-makers for daily household procurement in this community. This finding aligns with the research of Andriany and Tamara (2021) in the *Golden Ratio of Marketing and Applied Psychology of Business*, which posits that in small-scale retail, the synergy between service excellence and product assortment is a mandatory precursor to consumer satisfaction. For this dominant female segment, the ability to find specific daily necessities (Product Diversity) coupled with a friendly, reliable interaction (Service Quality) lowers the psychological barriers to transacting, thereby facilitating an immediate purchase decision.

Furthermore, the age profile indicates that 60% of the customers belong to the 20–30 years old bracket, a demographic typically characterized by university students and young professionals who prioritize speed and 24-hour accessibility. This specific consumer group values efficiency over the aesthetic luxury of modern retail chains. As explored by Hanif (2024) in the *Golden Ratio of Business Management*, the purchase decision acts as a critical "validation gateway" in the consumer journey. For these time-sensitive young adults, the ease of completing a transaction serves as the necessary bridge that converts initial store interest into a long-term behavioral commitment. The data confirms that when a store successfully facilitates a frictionless purchasing process, it validates its utility to the consumer, effectively fostering the transition from a one-time shopper to a loyal patron.

The high intensity of shopping frequency, where over 80% of respondents visit the store at least twice a week, further underscores the deep-seated reliance the community has on this retail model. This pattern of high-frequency interaction is a hallmark of traditional retail resilience. Hanif (2025), writing in the *Golden Ratio of Social Science and Education*, argues that loyalty in traditional outlets is heavily influenced by social trust and community-based service ethics. Unlike impersonal franchised minimarkets, Toko Madura builds its competitive advantage through informal rapport and proximity. The fact that nearly half of the respondents shop there more than three times a week indicates that the store is viewed not merely as a commercial outlet, but as a reliable neighborhood solution. Ultimately, the integration of consistent service quality and strategic

product variety—validated by a high volume of successful daily transactions—creates a robust direct pathway to customer loyalty within this unique traditional retail environment.

Table 2. Reliability Test

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extraced (AVE)	Reliability Statement
Service Quality	0,902	0,915	0,924	0,672	Reliabel
Product Diversity	0,885	0,896	0,911	0,631	Reliabel
Purchase Decision	0,928	0,935	0,943	0,735	Reliabel
Customer Loyalty	0,879	0,891	0,908	0,622	Reliabel

The reliability test results demonstrate that the measurement model used in this study is highly robust and statistically sound. Based on the data, all four latent variables—Service Quality, Product Diversity, Purchase Decision, and Customer Loyalty—surpass the required thresholds for reliability and validity in a PLS-SEM framework. Specifically, the Cronbach's Alpha values for all constructs range from 0.879 to 0.928, well above the generally accepted limit of 0.70, indicating high internal consistency among the indicators. This is further supported by the rho_A and Composite Reliability scores, which all exceed 0.89, proving that the items used to measure each variable are highly reliable and consistently represent their respective constructs. Furthermore, the Average Variance Extracted (AVE) values for all variables are significantly higher than the recommended 0.50 benchmark, ranging from 0.622 to 0.735. These results confirm strong convergent validity, meaning that each latent variable explains more than 60% of the variance of its indicators. The Purchase Decision variable exhibits the highest AVE (0.735) and Composite Reliability (0.943), suggesting that the items measuring the consumer's decision-making process are exceptionally precise. Overall, these metrics ensure that the data collection instruments are free from significant measurement error, providing a stable and valid foundation for the subsequent structural model analysis and hypothesis testing.

4.2. Measurement Model Results

The evaluation of the measurement model (outer model) is the first essential step in PLS-SEM analysis to ensure that the indicators utilized are statistically valid and reliable. This process involves a rigorous assessment of three key metrics: internal consistency reliability, convergent validity, and discriminant validity. For this research, the data was processed using SmartPLS 4.0, ensuring that all latent constructs—Service Quality (X₁), Product Diversity (X₂), Purchase Decision (Z), and Customer Loyalty (Y)—met the stringent requirements for academic research.

4.3. Hypothesis Testing (Inner Model)

Based on the bootstrapping results, the findings are summarized as follows:

Table 3. Hypothesis Testing

Hypothesis	Path	Result	Sig.
H1	Service Quality - Purchase Decision	Accepted	< 0.05
H2	Product Diversity - Purchase Decision	Accepted	< 0.05
H3	Service Quality - Customer Loyalty	Accepted	< 0.05
H4	Product Diversity - Customer Loyalty	Rejected	< 0.05
H5	Purchase Decision - Customer Loyalty	Accepted	< 0.05
H6	Service Quality - Purchase Decision - Loyalty (Mediation)	Partial Mediation	< 0.05
H7	Assortment - Purchase Decision - Loyalty (Mediation)	Full Mediation	< 0.05

The structural model testing for Toko Madura Pak Faedi reveals a nuanced relationship between store attributes and consumer outcomes, with six out of seven hypotheses being supported. A primary finding is that Service Quality (H1) and Product Diversity (H2) both serve as significant positive drivers for Purchase Decisions. This suggests that the immediate decision to buy is triggered by a combination of how the customer is treated and whether the store stocks their daily necessities. However, the paths toward long-term loyalty diverge significantly: while Service Quality (H3) directly influences loyalty, Product Diversity (H4) was rejected as a direct driver. This indicates that simply having a wide range of products does not, by itself, make

a customer loyal. Instead, the variety of goods must first result in a successful and satisfying transaction to have any impact on future commitment.

The mediation analysis further clarifies this dynamic by positioning the Purchase Decision as a critical psychological bridge. For service quality, the result showed Partial Mediation (H6), meaning that while a good purchasing experience helps, the personal rapport and reliability of the service have a lasting impact on the customer that exists independently of any single transaction. In contrast, the relationship between product diversity and loyalty is one of Full Mediation (H7). Because the direct path was rejected, the data proves that the value of a diverse assortment is only realized by the customer once they successfully find and purchase the item they need. For a traditional retailer like Toko Madura Pak Faedi, this highlights a "Validation Gateway": maintaining a diverse stock is essential for getting customers to stop and buy, but it is the human element of superior service that ultimately secures their long-term allegiance.

4.4. Discussion

The discussion regarding the implications of these findings reveals a unique socio-economic dynamic within the Tembalangan traditional retail landscape. While some scholars and practitioners may occasionally downplay the role of Service Quality, suggesting that a store's physical attributes or location are paramount, the empirical data in this study proves that service remains the primary anchor for building long-term commitment. In an environment populated by diverse subjects—ranging from permanent Tembalangan residents to a transient student population—service quality acts as the stabilizing force that bridges individual differences in consumer preferences. Even though each customer enters the store with different tastes and specific needs, a high-standard service experience provides a universal value that fosters a sense of being prioritized and respected.

Conversely, Product Diversity serves as more than just a logistical advantage; it functions as a barometer for social trust. For the Tembalangan community and local students, a store that consistently maintains a wide and relevant assortment is perceived as a reliable and credible institution. This diversity triggers the initial interest and facilitates the Purchase Decision, as customers know they can depend on the store to satisfy their immediate needs. However, the study highlights a critical nuance: while product variety brings people through the door and secures the first transaction, it is the quality of the interaction that ensures they return. Loyal customers may initially be attracted by the knowledge that the store "has everything," but their decision to remain loyal is ultimately filtered back through the lens of service quality. In the competitive academic and residential hub of Tembalangan, where alternatives are plenty, the human element of service is what transforms a functional purchase into a lasting social relationship between the store and its diverse patrons.

Tabel 3. Fornell-Larcker Criterion

	Service Quality	Product Diversity	Costumer Loyalty	Purchase Decision
Service Quality	0,820			
Product Diversity	0,458	0,794		
Costumer Loyalty	0,592	0,554	0,857	
Purchase Decision	0,521	0,498	0,685	0,789

The demographic data (Table 3) reveals a consumer base dominated by females (73%) and a younger demographic, with 67% of respondents under the age of 30. This profile strongly reflects the store's location in a high-density student area like Tembalangan. The high Shopping Frequency—where 83% of respondents visit the store at least twice a week—indicates that Toko Madura Pak Faedi has successfully integrated into the daily routines of its patrons, serving as a foundational element for testing the "Validation Gateway" of purchase decisions and long-term loyalty. The measurement model was assessed using internal consistency reliability, convergent validity, and discriminant validity. As shown in Table 2 (Reliability Test), all constructs demonstrate high internal consistency; the Cronbach's Alpha and rho_A values for all variables exceed the 0.70 threshold, ranging from 0.879 to 0.935. Furthermore, the Composite Reliability (CR) values (0.908 – 0.943) confirm that the indicators for each latent variable are robust. Convergent validity is confirmed via the Average Variance Extracted (AVE), with all values exceeding the 0.50 benchmark (0.622 to 0.735). Discriminant validity was verified using the Fornell-Larcker Criterion (Table 3), where the square root of the AVE for each construct (the diagonal values) is greater than its correlations with any other latent variables, confirming that each variable is statistically distinct.

The structural model analysis (Figure 1 and Table 4) identifies the critical pathways through which store attributes translate into loyalty. The most striking result is the rejection of H4, which proves that in the traditional retail context of Toko Madura, simply having a wide range of products is not enough to secure a customer's long-term loyalty. Instead, the relationship between Product Diversity and Loyalty is governed by Full Mediation (H7); diversity only generates loyalty if it first results in a successful and satisfying Purchase Decision. Conversely, Service Quality serves as a "Social Anchor," influencing loyalty both directly (H3) and through the mediation of the purchase experience (H6). This suggests that while products get the customer through the door, it is the "high-touch" human element of the service that builds the enduring psychological commitment necessary for loyalty in the Tembalangan student hub. Toko Madura operates as an economic anomaly where respondents value the Social Trust built through service quality, as the 24-hour availability and informal rapport create a sense of reliability that offsets the lack of modern physical facilities.

V. Conclusion

The research on Toko Madura Pak Faedi provides a definitive empirical landscape regarding the resilience of traditional retail models amidst modern corporate expansion. This study concludes that the survival of the "Toko Madura" phenomenon is not merely a matter of geographical convenience, but a complex manifestation of social trust and transactional validation. Through PLS-SEM analysis, the research identifies the "Validation Gateway" (Purchase Decision) as a critical mechanism; for the pragmatic Gen-Z student population in Tembalangan, store attributes remain theoretical until proven through successful, frictionless transactions. Notably, the statistical rejection of the direct effect of Product Diversity on Loyalty suggests that merely stocking a wide variety of goods is insufficient. Instead, diversity functions as a "functional magnet" that only converts into long-term behavioral commitment through the successful mediation of the purchase experience.

Complementing this, Service Quality acts as the "Social Anchor" of the business. Unlike the impersonal standardization of modern minimarkets, Toko Madura thrives on informal rapport and 24-hour reliability. This "high-touch" service model provides a sense of dependability that "high-tech" alternatives cannot replicate, establishing the store as an essential neighborhood solution. Consequently, managerial implications emphasize the necessity of prioritizing this "human advantage," optimizing product assortments to meet immediate, hyper-localized needs, and ensuring transactional efficiency to respect the customer's time. Theoretically, this study bridges the gap between traditional retail resilience and modern consumer behavior by challenging the conventional "Assortment-Loyalty" paradigm. It proves that in informal sectors, product variety is a hygiene factor, while "Social Trust" serves as a functional substitute for corporate "Brand Equity." Despite these insights, the research acknowledges limitations regarding its specific demographic scope in academic hubs. Future studies are encouraged to employ mixed-methods—combining quantitative analysis with ethnographic insights into Madurese service ethics—as well as longitudinal designs to track how consumer loyalty evolves from university life into professional careers. Ultimately, Toko Madura Pak Faedi stands as a testament to a successful fusion of traditional values and modern utility, demonstrating that by focusing on human connection and transactional validation, traditional retailers can thrive in an increasingly modernized economic landscape.

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