ISSN 2409-2665
Journal of Logistics, Informatics and Service Science
Vol. 13 (2026) No. 5, pp. 147-167
DOI:10.33168/JLISS.2026.0509

Service Quality and Product Quality as Determinants of Purchasing Decisions in Modern Retail Industry: Evidence from Medan City

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Abstract. This study examines the determinants of purchasing decisions within modern retail service systems in Medan City, focusing on the roles of product quality, service quality, and consumer loyalty. Drawing on service quality theory and consumer decision models, the research conceptualizes modern retail as an integrated service delivery system in which operational performance and product attributes jointly influence consumer behavioral outcomes. Data were collected from 258 modern retail consumers using purposive sampling and analyzed through Structural Equation Modeling–Partial Least Squares (SEM-PLS). The findings indicate that both product quality and service quality significantly and directly influence consumer loyalty and purchasing decisions. However, consumer loyalty does not exert a direct effect on purchasing decisions, nor does it significantly mediate the relationship between product quality, service quality, and purchasing decisions. The results suggest that operational service performance and tangible product attributes function as primary drivers of consumer purchasing behavior, while loyalty plays a more limited explanatory role within this retail context. The study contributes to service science by clarifying the structural relationships between service performance factors and decision outcomes in modern retail systems and provides managerial implications for strengthening retail service competitiveness

Keyword: Service quality; product quality; purchasing decision; consumer loyalty; retail service systems; SEM-PLS

1. Introduction

The advancement of the economy and the development of socio-economic life have transformed people's lifestyles. This includes consumer interest in shopping. Consumers who are loyal to a product will certainly recommend it to others. Loyal consumers will also naturally reject offers from other products (Umashankar et al., 2017; Ruiz-Mafe et al., 2016). According to Sudirman (2019), consumer loyalty is someone who exhibits regular purchasing behavior or a condition that requires consumers to purchase at least twice within a certain time interval. The primary goal of achieving consumer loyalty is because it is highly profitable for the company. Marketers generally want to retain the customers they create indefinitely. Widyawati (2017) explains that consumers who exhibit high brand loyalty can be seen from their continued use of a particular product.

Product quality is also another factor impacting purchasing decisions and consumer loyalty. Higher product quality leads to higher consumer trust in that product. Diputra et al. (2021) believe that better product quality will maintain high levels of customer satisfaction, thus encouraging customers to make subsequent purchases. A high level of trust in a product's quality is likely to lead to consumers choosing and making a purchase decision. High product quality leads to consumer satisfaction. Satisfaction or dissatisfaction with a product influences subsequent consumer behavior. If consumers are satisfied with the performance of a product they have purchased, they are more likely to repurchase that product or service (Kartikasari & Albari, 2019).

Service quality is also another factor that impacts purchasing decisions and employee loyalty. Good employee service quality, such as friendly attitudes and prompt service, makes consumers feel comfortable, thus strengthening their purchasing decisions (Mukti and Aprianti, 2021). Good service quality encourages consumers to linger and enjoy the product, leading to repeat purchases. According to Octaviani (2013), good service quality will increase marketing because consumers will be motivated to share positive stories about the service or business with others. Based on the above issues, it is recognized that companies need to understand the aspects that influence consumer purchasing decisions, which is the primary foundation of this research. Another reason is the increasing number of modern retail industries being established in Medan, which is also a crucial point where management needs to understand the characteristics of each consumer and the reasons why consumers decide to and are loyal to that industry. Therefore, researchers are interested in examining consumer behavior in the modern retail industry, particularly regarding loyalty and consumer purchasing decisions in Medan**.**

2. Literature Review

2.1 Buying decision

Purchasing decisions are purchasing responses to product selection decisions, brand selection, channel selection, purchase timing, and purchase amount to decide on a purchase (Sharma & Kumar, 2023). Schiffman and Kanuk (2007) define purchasing decisions as the selection of two or more alternative purchasing decision choices, meaning that for someone to make a decision, several alternative choices must be available.

Consumer decisions about a product or service are a process of evaluating and accepting brand information, considering how other brands can meet consumer needs, and ultimately deciding on the brand they choose (Hossain et al., 2023). Consumers' desire to purchase arises when they feel attracted to, want to use, and own the product they see. When purchasing a product or service, a consumer must go through several stages or processes in the purchasing decision process.

2.2 Consumer Loyalty

According to Oliver (2014), customer loyalty is a deeply held commitment by consumers to consistently purchase or prioritize a product or service. This leads to repeat purchases of the same brand, even though the consumer experiences situational or marketing influences from competitors to switch to another

brand. Meanwhile, according to Susriyanti et al. (2023), consumer loyalty is a consumer who is said to be loyal if the consumer shows regular purchasing behavior or there is a condition that requires the consumer to buy at least twice within a certain time interval. Another definition is expressed by Srivastava & Kaul, 2016), explaining that consumer loyalty is a repeat purchase solely concerning the purchase of the same particular brand repeatedly. According to Narvanen et al. (2020), consumer loyalty is defined as a deeply held commitment to repurchase or support a preferred product or service in the future, even though situational influences and marketing efforts have the potential to cause consumers to switch.

2.3 Product Quality

According to Ke et al. (2023), a product is anything, whether physical or non-physical, that can be offered to the market for attention, possession, use, or consumption that might satisfy expectations or needs. According to Suchánek et al. (2014), product quality is the ability of a product to perform its function, including overall durability, reliability, accuracy, ease of operation, and repair of the product, as well as other product attributes.

Mahsyar & Surapati (2020) believe that better product quality will maintain high levels of customer satisfaction, thus encouraging customers to make subsequent purchases. Thus, customer loyalty is gradually built. Several studies have shown that improving product quality benefits companies by increasing customer loyalty. Nofrizal et al. (2023) studied start-up companies in Indonesia during the COVID-19 pandemic and found that improving product quality increases customer loyalty. Good quality products will increase consumer expectations, leading not only to intentional purchases but also to loyalty and repeat purchases (Rohmah et al., 2023; Brata et al., 2017).

2.4 Quality of Service

According to Tosun (2015), service quality is the activity, benefit, or satisfaction offered for sale by comparing customer perceptions of the service they receive and the service they expect against a company's service attributes. Better service will influence the level of customer satisfaction, thus increasing the perceived quality of the business. Conversely, if the service provided is poor and unsatisfactory, the business will be deemed of lower quality. According to Budianto (2019), the definition of service quality is something that is decided by the customer or consumer. This means that service quality is based on the consumer's experience with the product or service, measured against these requirements. The definition of service criteria focuses on efforts to meet consumer needs and desires and the accuracy of delivery to match consumer expectations.

There are two main factors that influence service quality: expected service and perceived service. If the service received or perceived service meets consumer expectations, then service quality is perceived (Tjiptono, 2015). If the service received exceeds consumer expectations, then service quality is perceived as ideal or satisfactory. Conversely, if the service received is lower than consumer expectations, then service quality is perceived as poor. Therefore, whether service quality is good or not depends on the service provider's ability to consistently meet consumer expectations.

3. Methodology

The type of research conducted is quantitative. Simply put, quantitative research is understood as research conducted with a specific purpose, namely as an alternative to testing a research hypothesis and basing its conclusions on the possibility of rejecting the null hypothesis. The research to be conducted will examine the determinants of purchasing decisions of modern retail consumers in Medan City using five independent variables: product quality (X1), service quality (X2), one intervening variable, namely "consumer loyalty," and one dependent variable, namely "purchase decision." The population in this study is the people of Medan City. The number of samples used is 240-480 respondents. This study applies a descriptive analysis method, while the analysis of hypothesis testing

uses SEM-PLS. A questionnaire is a tool for disseminating statements based on the variables to be tested in this study. Furthermore, the research data obtained are primary and secondary data. The research questionnaire is distributed online. The questionnaire used a Likert Scale Summated Rating with an interval measurement scale (Cooper et al., 2006).

3.1 Validity and Reliability Test

The validity test of the indicator model or reflective dimension can be conducted by analyzing convergent validity and discriminant validity. Based on the convergent validity test, loading factors and AVE values of 0.50 to 0.60 are considered sufficient, while based on the discriminant validity test, there is a suggestion that the root value of the AVE should be greater than 0.50 (Ghozali, 2018). The validity test of the indicator model or formative dimension is conducted by analyzing the cross-loading value, where the stipulation is that a construct value greater than 0.50 is considered valid. Meanwhile, the reliability test on the indicator model or reflective dimension can be conducted using two criteria: composite reliability and Cronbach's alpha (Ghozali, 2018). A construct is declared reliable if the Cronbach's alpha and composite reliability values are above 0.70.

3.2 Research Hypothesis

The hypotheses of this research are H1 : Product quality has a positive and significant effect on consumer loyalty, H2 : Service quality has a positive and significant effect on consumer loyalty, H3 : Product quality has a positive and significant effect on purchasing decisions, H4 : Service quality has a positive and significant effect on purchasing decisions, H5 : Consumer loyalty has a positive and significant effect on consumer decisions, H6 : Product quality has a positive and significant effect on purchasing decisions, with consumer loyalty as an intervening variable, and H7: Service quality has a positive and significant effect on purchasing decisions, with consumer loyalty as an intervening variable.

4. Result And Discussion

4.1 Descriptive Variable Indicators

The results of the tabulation of respondents' answers to the product quality variable can be described as follows:

Table 1. Description of Product Quality Variable Indicators

No.	Statement	Number and Percentage of Respondents' Answers									
		Strongly Disagree		Don't agree		Disagree Less		Agree		Strongly agree	
		∑	%	∑	%	∑	%	∑	%	∑	%
1	I feel that the quality of products in modern retail meets the desired specifications.	0	0,00	24	9,30	42	16,28	144	55,81	48	18,60
2	I feel that the quality of products in modern retail meets quality standards.	6	2,33	3	1,16	24	9,30	174	67,44	51	19,77
3	I choose to buy products at modern retail because I am sure the products are of good quality.	0	0,00	12	4,65	60	23,26	129	50,00	57	22,09
4	I choose to buy products in modern retail because the products are durable and long-lasting.	0	0,00	12	4,65	33	12,79	120	46,51	93	36,05

5	I bought the product at a modern retailer because I was satisfied with the performance of the product offered.	0	0,00	15	5,81	21	8,14	177	68,60	45	17,44
6	I bought the product in modern retail because the product offered caught my attention.	3	1,16	12	4,65	21	8,14	186	72,09	36	13,95
7	I am satisfied with the quality of the products purchased at modern retail.	3	1,16	6	2,33	21	8,14	159	61,63	69	26,74

Source: Processed Primary Data, 2024

Table 1 provides an overview of respondents' perceptions and views on the quality of products obtained when transacting in modern retail with the following description.

The first statement states that I feel the product quality in modern retail is in accordance with the desired specifications, respondents who stated that they strongly agree were 48 people or equal to 18.60%. Respondents who stated that they agree were 144 people or equal to 55.81%. Respondents who stated that they disagree were 42 people or equal to 16.28%. Respondents who stated that they disagree were 24 people or equal to 9.30%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 77.41% of respondents who stated that product quality that is in accordance with the desired specifications of respondents is an important thing for consumers to pay attention to when deciding to buy products in modern retail. However, there are 25.58% of respondents who stated the opposite that product quality that is in accordance with the desired specifications of respondents is not the main thing for consumers when deciding to buy products in modern retail.

The second statement states that I feel the quality of products in modern retail is in accordance with quality standards, respondents who stated that they strongly agree were 51 people or equal to 19.77%. Respondents who stated that they agree were 174 people or equal to 67.44%. Respondents who stated that they disagree were 24 people or equal to 9.30%. Respondents who stated that they disagree were 3 people or equal to 1.16%. Respondents who stated that they strongly disagree were 6 people or equal to 2.33%. From the tabulation, basically there are 87.21% of respondents who stated that product quality that is in accordance with quality standards is an important thing for consumers to pay attention to when deciding to buy products in modern retail. However, there are 25.58% of respondents who stated the opposite that product quality that is in accordance with quality standards is not the main thing for consumers when deciding to buy products in modern retail.

Based on the results of respondents' answers regarding the third statement stating that I choose to buy products in modern retail because I believe the product is of good quality, respondents who stated that they strongly agree were 57 people or equal to 22.09%. Respondents who stated that they agree were 129 people or equal to 50.00%. Respondents who stated that they disagree were 60 people or equal to 23.26%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 72.09% of respondents who stated that respondents considered choosing to buy products in modern retail because they believe the product is of good quality. However, there are 27.91% of respondents who stated the opposite that choosing to buy products in modern retail because of good quality is not the basis of consumer confidence in the product.

Based on the results of respondents' answers regarding the fourth statement stating that I choose to buy products in modern retail because the products are durable and long-lasting, respondents who stated that they strongly agree were 93 people or equal to 36.05%. Respondents who stated that they agree were 120 people or equal to 46.51%. Respondents who stated that they disagree were 33 people or equal to 12.79%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 82.56% of respondents

who consider that in choosing to buy products in modern retail because of the durable and long-lasting products. However, there are 17.44% of respondents who stated the opposite that respondents consider that in choosing to buy products in modern retail not because of the durable and long-lasting products.

Based on the results of respondents' answers regarding the fifth statement stating that I buy products in modern retail because I am satisfied with the performance of the products offered, respondents who stated that they strongly agree were 45 people or equal to 17.44%. Respondents who stated that they agree were 177 people or equal to 68.60%. Respondents who stated that they disagree were 21 people or equal to 8.14%. Respondents who stated that they disagree were 15 people or equal to 5.81%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 86.04% of respondents who consider that in purchasing products in modern retail because they are satisfied with the performance of the products offered. However, there are 13.96% of respondents who stated the opposite that respondents consider that in purchasing products in modern retail not because they are satisfied with the performance of the products offered.

Based on the results of respondents' answers regarding the sixth statement stating that I buy products in modern retail because the products offered attract attention, respondents who stated that they strongly agree were 36 people or equal to 13.95%. Respondents who stated that they agree were 186 people or equal to 72.09%. Respondents who stated that they disagree were 21 people or equal to 8.14%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they strongly disagree were 3 people or equal to 1.16%. From the tabulation, basically there are 86.04% of respondents who stated that respondents consider buying products in modern retail because the products offered attract attention. However, there are 13.96% of respondents who stated the opposite that respondents consider buying products in modern retail not because the products offered attract their attention.

Finally, based on the results of respondents' answers regarding the seventh statement stating that I am satisfied with the quality of products purchased at modern retail, respondents who stated that they strongly agree were 69 people or equal to 26.74%. Respondents who stated that they agree were 159 people or equal to 61.63%. Respondents who stated that they disagree were 21 people or equal to 8.14%. Respondents who stated that they disagree were 6 people or equal to 2.33%. Respondents who stated that they strongly disagree were 3 people or equal to 1.16%. From the tabulation, basically there are 88.37% of respondents who stated that respondents were satisfied with the quality of products purchased at modern retail. However, there are 11.63% of respondents who stated the opposite, that they felt dissatisfied with the quality of products purchased at modern retail. Furthermore, the results of the tabulation of respondents' answers to the service quality variable can be described in the following table 2:

Table 2. Description of Service Quality Variable Indicators

No.	Statement	Number and Percentage of Respondents' Answers									
		Strongly Disagree		Don't agree		Neutral		Agree		Strongly agree	
		∑	%	∑	%	∑	%	∑	%	∑	%
1	I feel that modern retail employees can provide services according to customer needs.	0	0,00	21	8,14	18	6,98	111	43,02	108	41,86
2	I feel that modern retail employees can provide solutions and accept consumer complaints.	3	1,16	9	3,49	39	15,12	126	48,84	81	31,40
3	I feel that modern retail employees are responsive in helping customers.	0	0,00	12	4,65	27	10,47	180	69,77	39	15,12

4	I feel safe in making transactions in modern retail	0	0,00	6	2,33	24	9,30	174	67,44	54	20,93
5	I feel that modern retail employees provide friendly service.	3	1,17	6	2,33	18	7,03	166	64,84	63	24,61
6	I feel that modern retail employees give individual attention to their customers.	0	0,00	9	2,34	12	4,65	138	53,49	99	38,37
7	I feel that modern retail has clean and comfortable stores.	0	0,00	3	3,49	15	5,81	159	61,63	81	31,40
8	I feel that modern retail employees have a neat appearance.	0	0,00	6	1,16	12	4,65	159	61,63	81	31,40

Source: Processed Primary Data, 2024

Table 2 provides an overview of respondents' perceptions and views on the quality of service obtained when transacting in modern retail with the following description. The first statement states that I feel that modern retail employees can provide services according to customer needs, 108 respondents who stated that they strongly agree, or 41.86%. Respondents who stated that they agree, or 111 respondents, or 43.02%. Respondents who stated that they disagree, or 18 respondents, or 6.98%. Respondents who stated that they disagree, or 21 respondents, or 8.14%. There were no respondents who stated that they strongly disagree. From the tabulation, basically, 84.88% of respondents assessed that modern retail employees can provide services according to customer needs. However, there were 15.12% of respondents who stated that modern retail employees are less able to provide services according to customer needs.

The second statement states that I feel that modern retail employees can provide solutions and accept consumer complaints, respondents who stated that they strongly agree were 81 people or equal to 31.40%. Respondents who stated that they agree were 126 people or equal to 48.84%. Respondents who stated that they disagree were 39 people or equal to 15.12%. Respondents who stated that they disagree were 9 people or equal to 3.49%. Respondents who stated that they strongly disagree were 3 people or equal to 1.16%. From the tabulation, basically there are 80.24% of respondents who stated that respondents think that modern retail employees can provide solutions and accept consumer complaints. However, there are 19.76% of respondents who stated the opposite that respondents think that modern retail employees can be less capable of providing solutions and accepting consumer complaints.

Based on the results of respondents' answers regarding the third statement stating that I feel that modern retail employees are responsive in helping customers, respondents who stated that they strongly agree were 39 people or equal to 15.12%. Respondents who stated that they agree were 180 people or equal to 69.77%. Respondents who stated that they disagree were 27 people or equal to 10.47%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 84.89% of respondents who stated that respondents think that modern retail employees are responsive in helping customers. However, there are 15.11% of respondents who stated the opposite, that respondents think that modern retail employees are less responsive in helping customers.

Based on the results of respondents' answers regarding the fourth statement stating that I feel safe in transactions in modern retail, respondents who stated that they strongly agree were 54 people or equal to 20.93%. Respondents who stated that they agree were 174 people or equal to 67.44%. Respondents who stated that they disagree were 24 people or equal to 9.30%. Respondents who stated that they disagree were 6 people or equal to 2.33%. Respondents who stated that they strongly disagree. From the tabulation, basically, there are 88.37% of respondents who stated that respondents feel safe in

transactions in modern retail. However, there are 11.63% of respondents who stated the opposite, that respondents feel less safe in transactions in modern retail.

Based on the results of respondents' answers regarding the fifth statement stating that I feel that modern retail employees provide friendly service, respondents who stated that they strongly agree were 63 people or equal to 24.61%. Respondents who stated that they agree were 166 people or equal to 64.84%. Respondents who stated that they disagree were 18 people or equal to 7.03%. Respondents who stated that they disagree were 6 people or equal to 2.34%. Respondents who stated that they strongly disagree were 3 people or equal to 1.17%. From the tabulation, basically there are 89.45% of respondents who stated that respondents feel that modern retail employees provide friendly service. However, there are 10.55% of respondents who stated the opposite that respondents feel that modern retail employees provide service that is less friendly to consumers.

Based on the results of respondents' answers regarding the sixth statement stating that I feel that modern retail employees provide individual attention to their customers, 99 respondents stated that they strongly agree, or 38.37%. Respondents who stated that they agree, or 138 respondents, or 53.49%. Respondents who stated that they disagree, or 12 respondents, or 4.65%. Respondents who stated that they disagree, or 9 respondents, or 3.49%. There were no respondents who stated that they strongly disagree. From the tabulation, basically, 91.86% of respondents stated that respondents felt that modern retail employees provide individual attention to their customers. However, there were 8.14% of respondents who stated the opposite, that respondents felt that modern retail employees provide less individual attention to their customers and seem indifferent to consumers.

Based on the results of respondents' answers regarding the seventh statement stating that I feel that modern retail has a clean and comfortable store, respondents who stated that they strongly agree were 81 people or equal to 31.40%. Respondents who stated that they agree were 159 people or equal to 61.63%. Respondents who stated that they disagree were 15 people or equal to 5.81%. Respondents who stated that they disagree were 3 people or equal to 1.16%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 93.03% of respondents who stated that respondents feel that modern retail has a clean and comfortable store. However, there are 6.97% of respondents who stated the opposite, that respondents feel that modern retail has a store that is less clean and uncomfortable.

Finally, based on the results of respondents' answers regarding the eighth statement stating that I feel modern retail employees have a neat appearance, respondents who stated that they strongly agree were 81 people or equal to 31.40%. Respondents who stated that they agree were 159 people or equal to 61.63%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they disagree were 6 people or equal to 2.33%. Respondents who stated that they strongly disagree. From the tabulation, basically, there are 93.03% of respondents who stated that respondents consider modern retail employees to have a neat appearance. However, there are 6.97% of respondents who stated the opposite, that respondents see modern retail employees as having a less neat appearance when serving customers. Furthermore, the results of the tabulation of respondents' answers to the consumer loyalty variable can be described in the following table 3b:

Table 3. Description of Consumer Loyalty Variable Indicators

No.	Statement	Number and Percentage of Respondents' Answers									
		Strongly Disagree		Don't agree		Neutral		Agree		Strongly agree	
		∑	%	∑	%	∑	%	∑	%	∑	%
1	While shopping at modern retail, I felt satisfied with the service provided.	0	0,00	18	6,98	15	5,81	147	56,98	78	30,23

2	I would recommend this modern retail to others.	0	0,00	12	4,65	36	13,95	132	51,16	78	30,23
3	I will continue to shop at modern retail.	3	1,16	9	3,49	18	6,98	165	63,95	63	24,42
4	I consider this modern retail to be the main choice among other modern retailers.	3	1,16	9	3,49	24	9,30	192	74,42	30	11,63
5	I feel like I have a good relationship with this modern retailer.	0	0,00	9	3,49	30	11,63	138	53,49	81	31,40
6	I feel that this modern retailer offers attractive rewards and benefits to consumers.	0	0,00	12	4,65	30	11,63	129	50,00	87	33,72
7	I will convey directly to this modern retailer regarding the inconvenience/dissatisfaction with the service.	0	0,00	12	4,65	6	2,33	147	56,98	93	36,05

Source: Processed Primary Data, 2024

Table 3 provides an overview of respondents' perceptions and views on consumer loyalty towards modern retail with the following description. The first statement states that while shopping at modern retail I feel satisfied with the service provided, respondents who stated that they strongly agree were 78 people or equal to 30.23%. Respondents who stated that they agree were 147 people or equal to 56.98%. Respondents who stated that they disagree were 15 people or equal to 5.81%. Respondents who stated that they disagree were 18 people or equal to 6.98%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 87.21% of respondents who stated that they are loyal to modern retail because they feel satisfied while shopping. However, there are 12.79% of respondents who stated that they are not loyal to modern retail because they feel less satisfied while shopping.

The second statement states that I would recommend this modern retail to others, respondents who stated that they strongly agree were 78 people or equal to 30.23%. Respondents who stated that they agree were 132 people or equal to 51.16%. Respondents who stated that they disagree were 36 people or equal to 13.95%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 81.39% of respondents who stated that they are loyal and would recommend this modern retail to others. However, there are 18.61% of respondents who stated that they are not loyal to modern retail and do not intend to recommend this modern retail to others.

Based on the results of respondents' answers regarding the third statement stating that I will continue shopping at modern retail, respondents who stated that they strongly agree were 63 people or equal to 24.42%. Respondents who stated that they agree were 165 people or equal to 63.95%. Respondents who stated that they disagree were 18 people or equal to 6.98%. Respondents who stated that they disagree were 9 people or equal to 3.49%. Respondents who stated that they strongly disagree were 3 people or equal to 1.16%. From the tabulation, basically there are 88.37% of respondents who stated that they are loyal to modern retail and will continue shopping at modern retail. However, there are 11.63% of respondents who stated that they are not loyal to modern retail and are not interested in continuing shopping at modern retail.

Based on the results of respondents' answers regarding the fourth statement stating that I consider this modern retail to be the main choice among other modern retailers, respondents who stated that they strongly agree were 30 people or equal to 11.63%. Respondents who stated that they agree were 192 people or equal to 74.42%. Respondents who stated that they disagree were 24 people or equal to 9.30%.

Respondents who stated that they disagree were 9 people or equal to 3.49%. Respondents who stated that they strongly disagree were 3 people or equal to 1.16%. From the tabulation, basically there are 86.05% of respondents who stated that they are loyal to modern retail because they consider this modern retail to be the main choice among other modern retailers. However, there are 13.95% of respondents who stated that they are not loyal to modern retail because they do not consider this modern retail to be the main choice and prefer other modern retailers.

Based on the results of respondents' answers regarding the fifth statement stating that I feel I have a good relationship with this modern retail, respondents who stated that they strongly agree were 81 people or equal to 31.40%. Respondents who stated that they agree were 138 people or equal to 53.49%. Respondents who stated that they disagree were 30 people or equal to 11.63%. Respondents who stated that they disagree were 9 people or equal to 3.49%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 84.89% of respondents who stated that they are loyal to modern retail because they feel they have a good relationship with this modern retail. However, there are 15.11% of respondents who stated that they are not loyal to modern retail because they do not feel they have a good relationship with this modern retail.

Based on the results of respondents' answers regarding the sixth statement stating that I feel this modern retail offers attractive rewards and benefits for consumers, respondents who stated that they strongly agree were 87 people or equal to 33.72%. Respondents who stated that they agree were 129 people or equal to 50.00%. Respondents who stated that they disagree were 30 people or equal to 11.63%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they strongly disagree. From the tabulation, basically there are 83.72% of respondents who stated that they are loyal to modern retail because they offer attractive rewards and benefits for consumers. However, there are 16.28% of respondents who stated that they are not loyal to modern retail because they do not offer attractive rewards and benefits for consumers.

Finally, based on the results of respondents' answers regarding the seventh statement stating that I will convey directly to this modern retailer regarding the inconvenience with the service, respondents who stated that they strongly agreed were 93 people or equal to 36.05%. Respondents who stated that they agreed were 147 people or equal to 56.98%. Respondents who stated that they disagreed were 6 people or equal to 2.33%. Respondents who stated that they disagreed were 12 people or equal to 4.65%. Respondents who stated that they strongly disagreed. From the tabulation, basically there are 93.03% of respondents who stated that they are loyal to modern retail because they are quick to respond to inconvenience/dissatisfaction with the service they received. However, there are 6.97% of respondents who stated that they are not loyal to modern retail because they are less responsive in accepting inconvenience/dissatisfaction with the service they received. Furthermore, the results of the tabulation of respondents' answers to the purchasing decision variables can be described in the following table 4 :

Table 4. Description of Purchasing Decision Variable Indicators

No.	Statement	Number and Percentage of Respondents' Answers									
		Strongly Disagree		Don't agree		Neutral		Agree		Strongly agree	
		∑	%	∑	%	∑	%	∑	%	∑	%
1	I bought the product in modern retail because it suits my needs.	0	0,00	9	3,49	36	13,95	120	46,51	93	36,05
2	I bought the product in modern retail because the specifications and design were what I wanted.	0	0,00	6	2,33	45	17,44	111	43,02	96	37,21

3	I know about the product in modern retail from advertisements and I am interested in buying it.	0	0,00	12	4,65	21	8,14	114	44,19	111	43,02
4	I bought the product in modern retail because I had tried it and it suited my needs.	0	0,00	9	3,49	36	13,95	135	52,33	78	30,23
5	I buy products in modern retail because they suit my lifestyle.	0	0,00	9	3,49	15	5,81	186	72,09	48	18,60
6	I bought the product at a modern retailer because I was attracted to the product design.	0	0,00	15	5,81	27	10,47	135	52,33	81	31,40
7	I bought the product in modern retail because I saw it directly in the store.	0	0,00	9	3,49	12	4,65	102	39,53	135	52,33
8	I will make repeat purchases of products in modern retail after I feel the benefits I feel.	0	0,00	3	1,16	30	11,63	198	76,74	27	10,47
9	After purchasing the product in modern retail because I was very satisfied.	0	0,00	18	6,98	6	2,33	165	63,95	69	26,74

Source: Processed Primary Data, 2024

Table 4 provides an overview of respondents' perceptions and views on consumer purchasing decisions in modern retail with the following description. The first statement states that I buy products in modern retail because they suit my needs. 93 respondents, or 36.05%, strongly agree. 120 respondents, or 46.51%, agree. 36 respondents, or 13.95%, disagree. 9 respondents, or 3.49%, disagree. There are no respondents who strongly disagree. From the tabulation, 82.56% of respondents basically decided to make a purchase in modern retail because it suits my needs. However, 17.44% of respondents stated the opposite by deciding not to make a purchase in modern retail even though it suits my needs.

The second statement states that I buy products in modern retail because the specifications and designs match what I want, respondents who stated strongly agree were 96 people or equal to 37.21%. Respondents who stated agree were 111 people or equal to 43.02%. Respondents who stated disagree were 45 people or equal to 17.44%. Respondents who stated disagree were 6 people or equal to 2.33%. Respondents who stated strongly disagree were none. From the tabulation, basically there are 80.23% of respondents decided to make purchases in modern retail because the specifications and designs match what I want. However, there are 19.77% of respondents who stated the opposite by deciding not to make purchases in modern retail even though the specifications and designs match what they want.

Based on the results of respondents' answers regarding the third statement stating that I know the product in modern retail from advertisements/relatives/neighbors and I am interested in buying it, respondents who stated that they strongly agree were 111 people or equal to 43.02%. Respondents who stated that they agree were 114 people or equal to 44.19%. Respondents who stated that they disagree were 21 people or equal to 8.14%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they strongly disagreed were none. From the tabulation, basically there are 87.21% of respondents decided to make a purchase in modern retail because they knew the product in modern retail from advertisements/relatives/neighbors and I am interested in buying it. However, there are 12.79% of respondents who stated the opposite by deciding not to make a purchase in modern retail even though they knew the product in modern retail from advertisements and I am interested in buying it.

Based on the results of respondents' answers regarding the fourth statement stating that I buy products in modern retail because I have tried them and they suit my needs, respondents who stated that they strongly agree were 78 people or equal to 30.23%. Respondents who stated that they agree were

135 people or equal to 52.33%. Respondents who stated that they disagree were 36 people or equal to 13.95%. Respondents who stated that they disagree were 9 people or equal to 3.49%. Respondents who stated that they strongly disagree. From the tabulation, basically, there are 82.56% of respondents who decided to make a purchase in modern retail because I have tried it and it suits my needs. However, there are 17.44% of respondents who stated the opposite by deciding not to make a purchase in modern retail even though they have tried it and it suits their needs.

Based on the results of respondents' answers regarding the fifth statement stating that I buy products in modern retail because they suit my lifestyle, respondents who stated that they strongly agree were 48 people or equal to 18.60%. Respondents who stated that they agree were 186 people or equal to 72.09%. Respondents who stated that they disagree were 15 people or equal to 5.81%. Respondents who stated that they disagree were 9 people or equal to 3.49%. Respondents who stated that they strongly disagree. From the tabulation, basically, 90.15% of respondents decided to buy products in modern retail because they suit my lifestyle. However, there were 9.85% of respondents who stated the opposite by deciding not to make purchases in modern retail even though they suit my lifestyle.

Based on the results of respondents' answers regarding the sixth statement stating that I buy products in modern retail because I am attracted to the product design, respondents who stated that they strongly agree were 81 people or equal to 31.40%. Respondents who stated that they agree were 135 people or equal to 52.33%. Respondents who stated that they disagree were 27 people or equal to 10.47%. Respondents who stated that they disagree were 15 people or equal to 5.81%. Respondents who stated that they strongly disagreed were none. From the tabulation, basically, 83.73% of respondents decided to buy products in modern retail because they were attracted to the product design. However, there were 16.27% of respondents who decided not to make a product purchase in modern retail even though they were attracted to the product design.

Based on the results of respondents' answers regarding the seventh statement stating that I buy products in modern retail because I can see the products directly in the store, respondents who stated that they strongly agree were 135 people or equal to 52.33%. Respondents who stated that they agree were 102 people or equal to 39.53%. Respondents who stated that they disagree were 12 people or equal to 4.65%. Respondents who stated that they disagree were 9 people or equal to 3.49%. Respondents who stated that they strongly disagreed were none. From the tabulation, basically, there are 91.86% of respondents who decided to buy products in modern retail because they can see the products directly in the store. However, there are 8.14% of respondents who decided not to buy products again in modern retail even though they can see the products directly in the store.

Based on the results of respondents' answers regarding the eighth statement stating that I will repurchase products in modern retail after I feel the benefits I feel, respondents who stated that they strongly agree were 27 people or equal to 10.47%. Respondents who stated that they agree were 198 people or equal to 76.74%. Respondents who stated that they disagree were 30 people or equal to 11.63%. Respondents who stated that they disagree were 3 people or equal to 1.16%. Respondents who stated that they strongly disagreed were none. From the tabulation, basically there are 87.48% of respondents who will repurchase products in modern retail after I feel the benefits I feel. However, there are 12.52% of respondents who will not repurchase products in modern retail after I feel the benefits I feel.

Finally, based on the results of respondents' answers regarding the ninth statement stating that after purchasing a product at a modern retailer because they were very satisfied, 69 respondents stated that they strongly agreed, or 26.74%. Respondents who stated that they agreed, or 165 respondents, or 63.95%. Respondents who stated that they disagreed, or 6 people, or 2.33%. Respondents who stated that they disagreed, or 18 people, or 6.98%. Respondents who stated that they strongly disagreed. From the tabulation, basically, there are 90.69% of respondents who stated that respondents assessed or felt satisfied after making a purchase at a modern retailer, which resulted in a decision to purchase at that

retailer. However, there are 9.31% of respondents who assessed or felt less satisfied after making a purchase at a modern retailer, which resulted in a decision to purchase at that retailer.

4.2 Measurement Model (Outer Model)

4.2.1 Convergent Validity Test

The convergent validity test is conducted by examining the loading factor value of each instrument on the construct variable. A loading value greater than 0.6 indicates a good loading factor value for the instrument measuring the construct variable. The second convergent validity test is performed by examining the Average Variance Extracted value for the construct variable. An Average Variance Extracted value greater than 0.5 indicates a good average variance extracted for the construct variable. The results of this convergent validity test are explained as follows:

Table 5. Loading Factor and Average Variance Extracted Values

Variable Instruments			**Convergent Validity Test Results**	
Variable	**Questionnaire Statement**	**Code**	**Loading Factor**	**Average Variance Extracted**
Product Quality (X1)	I feel the quality of products at modern retailers meets my desired specifications.	X11	0,724	0,619
	I feel the quality of products at modern retailers meets quality standards.	X12	0,800	
	I choose to buy products at modern retailers because I believe they are of good quality.	X13	0,764	
	I choose to buy products at modern retailers because they are durable and long-lasting.	X14	0,783	
	I buy products at modern retailers because I am satisfied with the performance of the products offered.	X15	0,743	
	I buy products at modern retailers because the products offered are attractive.	X16	0,850	
	I am satisfied with the quality of the products purchased at modern retailers.	X17	0,678	
Quality of Service (X2)	I feel that modern retail employees can provide services according to customer needs.	X21	0,674	0,579
	I feel that modern retail employees can provide solutions and address customer complaints.	X22	0,727	
	I feel that modern retail employees are responsive in helping customers.	X23	0,821	
	I feel safe when transacting at modern retail.	X24	0,801	
	I feel that modern retail employees provide friendly service.	X25	0,724	
	I feel that modern retail employees give individual attention to their customers.	X26	0,741	
	I feel that modern retail has a clean and comfortable store.	X27	0,741	
	I feel that modern retail employees are well-groomed.	X28	0,712	
Consumer Loyalty (Z)	While shopping at modern retail, I was satisfied with the service provided.	Z1	0,819	0,638
	I would recommend this modern retail to others.	Z2	0,767	
	I will continue to shop at modern retail.	Z3	0,820	

	I consider this modern retail a top choice among other modern retailers.	Z4	0,804	
	I feel that I have a good relationship with this modern retailer.	Z5	0,778	
	I feel that this modern retailer offers attractive rewards and benefits to customers.	Z6	0,816	
	I will report any inconvenience/dissatisfaction with the service directly to this modern retailer. I bought a product at a modern retailer because it met my needs.	Z7	0,783	
Buying decision (Y)	I bought a product at a modern retailer because the specifications and design matched my needs.	Y1	0,760	0,590
	I learned about the product at a modern retailer from an advertisement/relative/neighbor and was interested in purchasing it.	Y2	0,779	
	I bought a product at a modern retailer because I tried it and it suited my needs.	Y3	0,807	
	I bought a product at a modern retailer because it fit my lifestyle.	Y4	0,721	
	I bought a product at a modern retailer because I was attracted to the product design.	Y5	0,712	
	I bought a product at a modern retailer because I saw it in person in the store.	Y6	0,786	
	I will repurchase the product at a modern retailer after experiencing the benefits.	Y7	0,757	
	After purchasing the product at a modern retailer, I was very satisfied.	Y8	0,773	
	I feel that modern retail employees can provide services according to customer needs.	Y9	0,814	

Referring to Table 5, it is known that the loading factor value of each research variable instrument is at a value greater than 0.6 so it can be concluded that the convergent validity test with the loading factor approach has been fulfilled, in other words the construct variable instrument in the research is valid. Meanwhile, based on the AVE value to determine the requirements for a model to have good validity, it can also be seen if each latent variable with a reflective indicator has an AVE > 0.5. The analysis results shown in Table 5 show that the AVE value of each latent variable has a value > 0.5 and it can be said that the SEM PLS model meets the requirements for good convergent validity.

4.2.2 Discriminant Validity Test

Discriminant validity testing uses the Fornell-Larcker Criterion technique. The Fornell-Larcker Criterion postulate states that if the root value of the Average Variance Extracted is higher than the correlation value of other construct variables, then discriminant validity can be said to be good. The results of the discriminant validity test in this study can be seen in Table 6 below:

Table 6. Fornell-Larcker Criterion Test

	Buying decision	**Quality of Service**	**Product quality**	**Consumer Loyalty**
Purchasing Decisions	0,768			
Product Quality	0,914	0,761		
Service Quality	0,923	0,859	0,787	
Consumer Loyalty	0,923	0,914	0,910	0,799

Table 6 shows that the correlation value of the construct variable matrix itself is greater than the value of the construct variable matrix with other constructs. The correlation value of the purchasing decision variable matrix is 0.768. The correlation value of the service quality variable matrix is 0.761. The correlation value of the product quality variable matrix is 0.787. The correlation value of the consumer loyalty variable matrix is 0.799.

4.2.3 Reliability Test of Research Instruments

The reliability testing of the research instrument was conducted by examining the composite reliability and Cronbach's alpha values for each latent variable. If the composite reliability and Cronbach's alpha values for each latent variable are greater than 0.7, the model can be considered reliable. The following are the results of the research instrument reliability testing.

Table 7. Reliability Test of Research Instruments

Variable	**Reliability Test**		**Conclusion**
	Cronbachs' Alpha	**Composite Reliability**	
Product Quality	0,876	0,907	Reliabel
Service Quality	0,878	0,906	Reliabel
Consumer Loyalty	0,905	0,925	Reliabel
Purchase Decisions	0,913	0,928	Reliabel

Based on Table 7, it can be seen that all latent constructs have good reliability, are accurate and consistent because they meet the requirements with a composite reliability value and Cronbach's alpha value for each latent construct of more than 0.7.

4.3 Structural Model and Hypothesis Testing

4.3.1 Inner Model Test

Evaluation of the structural model is carried out by analyzing the value of the coefficient of determination or R^2. Value R^2 seen from the construct of endogenous variables or variables that are influenced. According to Chin (1998), the value R^2 categorized into three categories, namely value R^2 0.67 (strong), 0.33 (moderate) and 0.19 (weak). The values R^2 can be seen in Table 8.

Table 8. R-Square Value

Variable Let	***R-Square* (R^2)**	***R-Square Adjusted***
Consumer Loyalty	0,911	0,909
Purchase Decisions	0,957	0,956

The endogenous variables used in this study mostly have values R^2 which falls into the strong category. Value R^2 First, product quality and service quality are able to explain the diversity of consumer loyalty by 91.1%, and the remainder is explained by other independent variables not included in this research model. Then, the value R^2 Second, product quality, service quality, and consumer loyalty are able to explain the diversity of purchasing decisions by 95.7 percent and the remainder is explained by other independent variables that are not in this research model.

Acquisition of value R^2 is used to calculate the value Q^2 or predictive relevance. According to Hair et al. (2006), basically the value of Q^2 has the same interpretation as the value R^2 that is, the higher the value of the data, it can be said that the model has good predictive relevance, meanwhile if the value $Q^2 < 0$ then the model does not have good predictive relevance (Chin, 1998). The results obtained Q^2 Based on the calculation, it is 0.997, indicating that 99.7% of the data diversity from the study can be explained by the structural model. The remaining 0.3% indicates that there are other variables not included in the model that can influence consumer loyalty and purchasing decisions of modern retail consumers in Medan City.

4.3.2 Hypothesis Testing

Hypothesis testing in this study was obtained by comparing the t-table or probability value (p-value) with the confidence level. In this study, the confidence level used was α = 0.05 with a t-table value of 1.96. The results of both direct and indirect hypothesis testing can be seen in Table 9 below.

Table 9. Results of Hypothesis Testing of Direct and Indirect Effects

Hypothesis	Original Sample	t-statistics	p-values	Conclusion
Product Quality (X1) → Consumer Loyalty (Z)	0,431	6,548	0,000	H1 Accepted
Service Quality (X2) → Consumer Loyalty (Z)	0,555	11,419	0,000	H2 Accepted
Product Quality (X1) → Purchase Decision (Y)	0,187	3,563	0,000	H3 Accepted
Service Quality (X2) → Purchase Decision (Y)	0,262	6,190	0,000	H4 Accepted
Consumer Loyalty (Z) → Purchase Decision (Y)	0,095	1,647	0,100	H5 Rejected
Product Quality (X1) → Consumer Loyalty (Z) → Purchase Decision (Y)	0,041	1,396	0,163	H6 Rejected
Service Quality (X2) → Consumer Loyalty (Z) → Purchase Decision (Y)	0,053	1,718	0,086	H7 Rejected

Based on the results of Table 9, the results of direct hypothesis testing for each variable, both directly affecting consumer loyalty and purchasing decisions, were obtained. Referring to this, it was found that of the seven proposed direct and indirect hypotheses, three were rejected. The details are as follows.

The test results of the direct influence of product quality on consumer loyalty are significant, based on the test t-statistic value of 6.548, greater than 1.96, with a p-value of 0.000, less than 0.05. The magnitude of product quality's influence on loyalty is 0.431 or 43.1%. This means that the higher the quality of the product produced, the greater the consumer loyalty towards modern retail in Medan City.

Next, the test results for the direct influence of service quality on consumer loyalty are significant, based on the t-statistic value of 11.419, greater than 1.96, with a p-value of 0.000, less than 0.05. The magnitude of service quality's influence on loyalty is 0.555, or 55.5%. This means that the better the quality of service provided to consumers, the greater the consumer loyalty to modern retail in Medan City.

Furthermore, the test results for the direct influence of product quality on purchasing decisions were significant, based on a t-statistic of 3.563, greater than 1.96, and a p-value of 0.000, less than 0.05. The magnitude of product quality's influence on purchasing decisions was 0.187, or 18.7%. This means that increasing product quality will further improve purchasing decisions for modern retail consumers in Medan.

Next, the test results of the direct influence of service quality on purchasing decisions are significant based on the test t-statistic value of 6.190, greater than 1.96, with a p-value of 0.000, less than 0.05. The magnitude of service quality's influence on loyalty is 0.262 or 26.2%. This means that the better the quality of service provided to consumers, the more it will improve the purchasing decisions of modern retail consumers in Medan City.

Furthermore, the test results for the direct influence of consumer loyalty on purchasing decisions were insignificant, based on the t-statistic value of 1.647, which is smaller than 1.96, with a p-value of 0.100, which is greater than 0.05. The magnitude of the promotion's influence on purchasing decisions was 0.095, or 9.5%. This means that increasing consumer loyalty does not necessarily increase purchasing decisions for modern retail consumers in Medan City.

The test results of the indirect influence of product quality on purchasing decisions through consumer loyalty are insignificant based on the test t-statistic value of 1.396, smaller than 1.96, with a p-value of 0.163, greater than 0.05. The magnitude of product quality influencing purchasing decisions through consumer loyalty is 0.041 or 4.1%. It can be interpreted that consumer loyalty is not able to

increase the influence of product quality in increasing purchasing decisions of modern retail consumers in Medan City.

Next, the test results of the indirect influence of service quality on purchasing decisions through consumer loyalty were insignificant based on the test t-statistic value of 1.718, smaller than 1.96, with a p-value of 0.086, greater than 0.05. The magnitude of service quality influencing purchasing decisions through consumer loyalty was 0.053 or 5.3%. This means that consumer loyalty was unable to increase the influence of service quality in improving purchasing decisions of modern retail consumers in Medan City.

5. Discussion

The results of the study indicate that product quality has a significant positive effect on consumer loyalty. This means that when the quality of products offered by modern retailers in Medan City is improved, it will increase consumer loyalty to that modern retailer. As stated by Yuen and Chan (2010), who stated that when a company's customers recommend someone to buy a product, a high level of loyalty is reflected. Thus, customer loyalty is formed gradually. The results of this study indicate that the indicator that best describes product quality is "I buy products at modern retailers because the products offered are attractive." Meanwhile, the indicator that best describes consumer loyalty is "I will continue shopping at modern retailers." From this, it can be concluded that consumers feel that the products offered at modern retailers are very attractive in terms of product quality.

The research results also show that service quality has a significant positive effect on consumer loyalty. This means that improving the quality of service provided by modern retailers in Medan City will increase consumer loyalty to those retailers. Generally, good service quality leads to customer loyalty because it increases customer trust and satisfaction with the company. Customers may be more willing and willing to take actions that benefit the company's strategic health. The company believes that positive perceptions of service quality increase the chances of customers engaging in support of the company and developing loyal behavior. The results of this study indicate that the indicator that best reflects product quality is the responsiveness of modern retail employees in assisting customers (Kambey et al., 2024). Meanwhile, the indicator that best reflects consumer loyalty is customers continuing to shop at modern retailers.

Furthermore, the research results show that product quality has a significant positive effect on purchasing decisions. This means that improving the quality of products offered by modern retailers in Medan City will increase consumers' purchasing decisions towards those retailers. Higher product quality leads to higher consumer trust in that product. This is because high product quality will provide a level of satisfaction to consumers. Satisfaction or dissatisfaction with a product influences subsequent consumer behavior. If consumers are satisfied with the performance of the product they have purchased (Suchanek et al., 2014), improving product quality can improve purchasing decisions (Subhan et al., 2024). This is evident from the indicator that best describes product quality, namely customers purchasing products at modern retailers because the products offered are attractive.

Furthermore, research shows that service quality has a significant positive effect on purchasing decisions. This means that improving the quality of service provided by modern retailers in Medan City will increase consumers' purchasing decisions. Good employee service quality, such as friendly attitudes and prompt service, will create a sense of comfort for consumers, thus strengthening their purchasing decisions (Mukti and Aprianti, 2021). Improving service quality can also improve purchasing decisions (Onsardi et al., 2021; Kembey et al., 2025). This is evident from the indicator that best reflects service quality, namely that customers perceive modern retail employees to be responsive in assisting them.

Consumer loyalty is a customer's commitment to a brand, store, or supplier based on a very positive attitude demonstrated by consistent repeat purchases and a combination of customer likelihood to

repurchase goods and services from the same supplier elsewhere in the future. Consumers who are loyal to a product will certainly recommend that product to others. Loyal consumers will also certainly reject offers from other products (Wilson et al., 2021). However, the statement above does not correspond to the results of this study which show that consumer loyalty has no significant effect on purchasing decisions. This means that when consumer loyalty in modern retail in Medan City is increased, it will not have an impact on the purchasing decisions of modern retail consumers.

Customer loyalty serves as a moderating variable. This means that the level of customer loyalty can influence the extent to which product quality influences purchasing decisions (Nurhilalia & Saleh, 2024). Likewise, good service quality will make consumers feel at home for longer, enjoying the products offered, resulting in repeat purchase decisions. This increases the company's confidence that positive perceptions of service quality increase the chances of customers engaging in support of the company, which will develop loyalty behavior and improve consumer purchasing decisions. Customers with high loyalty tend to stick with a particular brand of product even though the product quality may not always fully meet their expectations (Yoon et al., 2013). However, the above statements do not align with the results of this study, which show that consumer loyalty is unable to significantly mediate the influence of product quality and service quality on purchasing decisions. This means that good product quality and service quality, as well as consumers being loyal to a modern retailer, do not guarantee that they will make a purchase at that modern retailer.

6. Conclusion

This study investigated the structural relationships between product quality, service quality, consumer loyalty, and purchasing decisions within modern retail service systems in Medan City. The empirical findings confirm that both product quality and service quality exert significant and direct effects on consumer loyalty and purchasing decisions. However, consumer loyalty does not directly influence purchasing decisions and does not significantly mediate the relationships between quality factors and purchasing outcomes. These results suggest that consumer purchasing decisions in modern retail settings are primarily driven by immediate evaluations of operational service performance and tangible product attributes rather than by long-term relational attachment alone.

From a service science perspective, the findings highlight the importance of maintaining consistent operational service quality, transaction safety, and product reliability as core drivers of retail competitiveness. Retail managers should prioritize service responsiveness, store environment quality, and product consistency to directly enhance consumer purchasing decisions. The limited mediating role of loyalty indicates that loyalty-based strategies must be continuously supported by consistent service delivery performance to sustain purchasing behavior.

Despite its contributions, this study has several limitations that should be acknowledged.

First, the research employed a cross-sectional design based on self-reported survey data collected from consumers in a single geographic location (Medan City). This limits the ability to infer causal relationships and restricts the generalizability of the findings to other retail environments or regions with different socio-economic characteristics. Future studies may adopt longitudinal designs or multi-city comparative approaches to examine the stability of these structural relationships over time.

Second, the sampling technique used purposive non-probability sampling, which may introduce sampling bias and limit representativeness. Although the sample size is statistically adequate for SEM-PLS analysis, probability-based sampling methods or stratified sampling across different retail formats (e.g., hypermarkets, supermarkets, minimarkets) could provide stronger external validity.

Third, the study focuses exclusively on traditional in-store modern retail contexts and does not incorporate digital or omnichannel retail dimensions. Given the increasing integration of logistics systems, e-commerce platforms, and digital service interfaces, future research could expand the model

by incorporating variables such as digital service quality, online fulfillment reliability, omnichannel integration, and service analytics capability.

Fourth, the model examines only product quality, service quality, and consumer loyalty as determinants of purchasing decisions. Other relevant service-system factors—such as pricing strategy, promotional intensity, logistics efficiency, supply chain reliability, or store accessibility—were not included. Integrating operational logistics variables and service-informatics factors could provide a more comprehensive understanding of retail service system performance.

Finally, consumer loyalty was treated as a single intervening construct. The findings indicate that loyalty did not significantly mediate purchasing decisions, suggesting that loyalty may be multidimensional (e.g., attitudinal vs. behavioral loyalty). Future research could differentiate between these dimensions or integrate real transactional data to capture actual repeat purchase behavior rather than relying solely on perceptual measures.

In summary, while this study provides empirical evidence regarding the structural role of quality dimensions in shaping purchasing decisions within modern retail service systems, further research incorporating broader service logistics, digital integration, and longitudinal data is necessary to enhance theoretical generalizability and operational relevance.

Acknowledgements

I would like to express my gratitude to Prima Indonesia University and my supervisors who assisted me in writing this article.

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