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ENHANCING CUSTOMER LOYALTY THROUGH SERVICE QUALITY AND SOCIAL INFLUENCE: THE MEDIATING EFFECT OF BRAND IMAGE

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ABSTRACT: Modern cooperatives must professionalize services, strengthen reputation, and retain customers in competitive markets. This study contributes to cooperative management literature by explaining how brand image converts service quality and social influence into customer loyalty. Using a quantitative explanatory design, questionnaires were collected from 190 customers of a modern cooperative in Malang Regency, Indonesia, and analyzed using partial least squares structural equation modeling. The results show that service quality and social influence positively affect both brand image and customer loyalty. Brand image also positively affects customer loyalty and partially mediates the effects of service quality and social influence on loyalty. These findings confirm that cooperative customer loyalty depends on reliable service, favorable institutional perceptions, and community influence. Managers should integrate service professionalism, community-based communication, and consistent brand-building initiatives to strengthen sustainable customer relationships.

Keywords: Service Quality; Social Influence; Brand Image; Customer Loyalty; Modern Cooperative

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INTRODUCTION

Cooperatives remain important socio-economic institutions because they combine business activity with collective values, mutual assistance, member participation, and community welfare. In Indonesia, cooperatives are commonly classified into five major types: consumer cooperatives, producer cooperatives, service cooperatives, multipurpose cooperatives, and savings and loan cooperatives (Sulistyo,2025). Their institutional presence is substantial. In 2021, Indonesia had 127,846 active cooperatives, with East Java recording 22,845 units, West Java 15,621 units, and Central Java 10,270 units (Badan Pusat Statistik, 2021). This scale indicates that cooperatives remain embedded in Indonesia's economic structure, especially as community-based organizations that support micro, small, and medium economic actors. However, numerical presence alone does not guarantee sustainability. The Indonesian government reported that approximately 82,000 cooperatives were dissolved during 2019–2024 because of inactivity, weak management, and violations of cooperative principles (Antaranews.com, 2024). Cooperative development policy also identifies several persistent problems, including improper establishment motives, misuse of legal status, weak managerial capacity, limited innovation, and digital transformation challenges in human resources, institutions, financing, production, and marketing (Permenkop UKM No. 5 Tahun 2020; Permenkop UKM No. 5 Tahun 2021). These conditions show that cooperatives must strengthen not only their legal and organizational foundations but also their managerial professionalism, service orientation, and customer relationship capability.

The challenge becomes more urgent as cooperatives operate in an increasingly competitive and digitally mediated marketplace. Weak marketing may reduce sales, hinder promotion, weaken consumer trust, and decrease long-term competitiveness (Kotler & Keller, 2016). For this reason, effective marketing strategy is considered essential for cooperatives to increase income, expand market share, and strengthen their competitive position (Permenkop UKM No. 5 Tahun 2020; Permenkop UKM No. 5 Tahun 2021). Modern cooperatives are also expected to demonstrate stronger business capability through access to off takers, technology utilization, financing access, large-scale production, ecosystem synergy, standard operating procedures, certification, and member-based value creation (Permenkop UKM No. 5 Tahun 2021). In Malang Regency, the number of cooperatives has continued to increase, indicating growing public awareness of cooperatives as community-based economic institutions (Badan Pusat Statistik, 2024). Nevertheless, growth in cooperative numbers must be accompanied by loyalty-building strategies because customer loyalty reflects a strong commitment to continue using or repurchasing products and services despite competing alternatives (Kotler & Keller, 2016). Loyalty is also understood as the outcome of emotional bonds between customers and brands, making it central to long-term relationship management (Kapferer, 2012).

The observed cooperative in Malang Regency, Indonesia represents a relevant empirical context because it combines community-based cooperative identity with modern business development. Since 1975, Koperasi SAE Pujon has supplied cow milk to PT Nestlé Indonesia and partnered with PT Frisian Flag Indonesia, supported by 21,188 cows and daily milk production of around 121 tons (Radar Batu, 2024). The cooperative has also developed modern service units such as minimarket and café facilities, which place it in direct interaction with broader customers beyond traditional cooperative members. Its organizational dynamics show both strength and vulnerability. The number of members reached 8,776 in 2022 increased to 9,642 in 2023 during its 61st anniversary (Malang Posco Media, 2023) and declined to 9,424 in 2024 while remaining positioned as one of the largest dairy cooperatives in East Java (Radar Batu, 2024). Another pre-annual meeting report in early 2025 recorded 5,203 members (Radar Malang, 2025). The cooperative's residual income also reportedly reached around IDR 3.7 billion in 2024, declining from the previous year (Amrullah, 2024). These developments indicate that a modern cooperative may possess strong production capacity and reputation while still needing strategies to preserve loyalty, trust, and member-customer attachment.

The central research problem is how customer loyalty can be strengthened in a cooperative setting where customers evaluate not only products and services but also social reputation, local legitimacy, and institutional credibility. Customer loyalty is crucial because loyal customers repeatedly transact, recommend the organization, and remain attached even when alternative providers are available (Kotler & Keller, 2016). Service quality is one of the major determinants of such loyalty because reliable, responsive, and trustworthy services can strengthen customer confidence and relational commitment (Ali, 2020). In cooperative settings, service quality and trust have been found to significantly influence customer or member loyalty (Angelita & Yuliani, 2024; Pradayanti & Hasibuan, 2025). Service quality and cooperative benefits also significantly influence member participation (Khairani & Marwan, 2022). These findings suggest that cooperatives must manage service quality as a strategic loyalty driver, not merely as an operational routine.

Previous research has provided substantial evidence that service quality contributes to customer loyalty in various contexts. In Indonesian marketplace settings, service quality, product quality, and price increase customer loyalty both directly and indirectly through satisfaction (Soetiyono & Alexander, 2025). Service, satisfaction, and trust also significantly affect customer loyalty in other service contexts (Oktavia et al., 2022). In cooperative research, service quality significantly influences cooperative loyalty through member satisfaction as a mediating variable (Puspita et al., 2024). In a business-to-business study involving 270 companies in Guangdong, China, service quality was positively related to relationship quality, which then enhanced customer loyalty (Ali, 2020). Other studies similarly reported significant effects of service quality on customer loyalty (Ali, 2020; Kiranmayi & Jesvina, 2020; Oktavia et al., 2022; Wang et al., 2005). However, this relationship is not always consistent, since several studies found that service quality did not significantly influence customer loyalty (Agustin, 2021; Ardi & Mahdin, 2021; Katoni, 2021; Keni & Sandra, 2021; Wowiling, 2019). These mixed findings indicate the need to examine additional mechanisms that may explain when and how service quality becomes loyalty.

Social influence is another important factor because customers often form perceptions and decisions based on family, friends, reference groups, or broader social environments (Kotler & Keller, 2016). Social influence can increase customer loyalty, including in lifestyle cooperative or producer cooperative contexts (Wang et al., 2012). In digital financial services, a study of 423 FinTech users using SEM with AMOS 26.0 found that social influence helped shape e-loyalty through recommendations from friends, family, and online communities (Alkhwaldi et al., 2022). Social influence has also been reported to significantly affect customer loyalty (Alkhwaldi et al., 2022). However, its direct effect is not always stable because social influence may operate through more complex relationships rather than always directly producing customer loyalty (Muthohharoh, 2024). Other research even found that social influence did not significantly affect customer loyalty in certain contexts (Assa et al., 2024). These inconsistencies are important for cooperatives because cooperative customers are embedded in local communities, peer networks, and member-based social relations, making social influence potentially stronger but theoretically underexplained.

Brand image offers a relevant mechanism for integrating service experience and social influence into loyalty formation. Brand image refers to the set of beliefs, ideas, and impressions that a person holds about an organization or product and that eventually influences consumer behavior (Kotler & Keller, 2016). A favorable brand image can shape consumer perceptions of brand quality and value (Kotler & Keller, 2016). In loyalty research, brand image has been shown to strengthen customer loyalty because customers with strong brand perceptions are more likely to remain loyal, repurchase, recommend, and actively engage with the brand (Li & Lee, 2024). In cooperative contexts, cooperative brand image significantly affects customer loyalty, especially when the cooperative is perceived as transparent, professionally managed, and service-oriented (Khusniati & Harahap, 2024). Service quality and brand image also significantly influence loyalty (Fikriah & Hartono, 2023). Moreover, social influence from close circles, social media, and electronic word-of-mouth contributes significantly to brand image formation, which then encourages purchase intention (Liang et al., 2024). Therefore, brand image can be understood as a strategic bridge that converts service quality and social influence into customer loyalty.

Despite these insights, existing loyalty studies still leave an important gap. Service quality, social influence, brand image, and customer loyalty have been widely examined in commercial firms, marketplaces, banking, FinTech, and other service sectors, but fewer studies explain their integrated relationship in cooperatives as socially embedded, member-oriented institutions (Ali, 2020; Alkhwaldi et al., 2022; Khusniati & Harahap, 2024; Li & Lee, 2024; Liang et al., 2024; Soetiyono & Alexander, 2025). The inconsistency of findings on service quality and social influence also suggests that their effects on loyalty may depend on mediating mechanisms such as brand image (Agustin, 2021; Ardi & Mahdin, 2021; Assa et al., 2024; Katoni, 2021; Keni & Sandra, 2021; Muthohharoh, 2024; Wowiling, 2019). Furthermore, cooperative loyalty differs from ordinary commercial loyalty because cooperatives are evaluated through service professionalism, local reputation, community trust, member identity, and perceived collective value (Khusniati & Harahap, 2024; Permenkop UKM No. 5 Tahun 2021). Therefore, a model that places brand image as a mediator between service quality, social influence, and customer loyalty is needed to explain loyalty formation in modern cooperatives.

This study aims to examine the effects of service quality and social influence on customer loyalty through brand image in a modern cooperative in Malang Regency, Indonesia. Specifically, the study investigates whether service quality and social influence directly affect customer loyalty, whether both variables shape brand image, whether brand image affects customer loyalty, and whether brand image mediates the relationships between service quality, social influence, and customer loyalty. The novelty of this study lies in positioning customer loyalty as a cooperative management issue rather than a generic marketing outcome. By integrating service quality, social influence, brand image, and customer loyalty in one structural model, the study extends customer loyalty research into a cooperative context where service encounters, community influence, institutional reputation, and collective values interact. This contribution is expected to enrich cooperative management literature and offer practical guidance for modern cooperatives seeking to improve loyalty through professional service delivery, positive social influence, and credible brand image.

THEORETICAL REVIEW

Service quality is a central factor in building customer loyalty because customers tend to maintain relationships with organizations that provide reliable, responsive, and satisfying services. In service-based institutions, customer loyalty is formed when customers perceive that the service provider consistently meets or exceeds their expectations. This relationship is particularly important in cooperatives, where customers evaluate not only the products or services offered but also the professionalism, responsiveness, and reliability of the institution. When cooperative services are delivered efficiently and respectfully, customers are more likely to repeat transactions, maintain long-term relationships, and recommend the cooperative to others. Ali (2020) found that service quality strengthens relationship quality and customer loyalty, while Puspita Dewi et al. (2024) confirmed that service quality significantly improves cooperative member loyalty. Similarly, Do et al. (2023) showed that high service quality increases repurchase intention by reducing perceived uncertainty and strengthening customer confidence. Based on this reasoning, the following hypothesis is proposed:

H1: Service quality has a positive effect on customer loyalty

Social influence also plays an important role in shaping customer loyalty. Customers often rely on recommendations, opinions, and experiences shared by family members, friends, communities, and social groups when deciding whether to continue using a product or service. In cooperative settings, social influence may be even stronger because cooperatives are embedded in local communities and are closely connected to collective trust, shared values, and interpersonal relationships. Positive recommendations from trusted social circles can strengthen customers' confidence in the cooperative and encourage repeat transactions. Alkhwaldi et al. (2022) found that social influence contributes to trust and e-loyalty among financial technology users. Wu et al. (2021) also showed that social influence strengthens loyalty in mobile commerce, while Tang et al. (2024) emphasized that peer feedback and social interaction significantly affect repurchase behavior. Therefore, social influence is expected to increase customer loyalty.

H2: Social influence has a positive effect on customer loyalty

Service quality also contributes to the formation of brand image. Customers develop perceptions of an organization based on the quality of service encounters they experience. Responsive employees, reliable procedures, clear communication, and empathetic treatment create a positive impression of the institution. In cooperatives, service quality becomes a visible signal of managerial capability and institutional credibility. Customers who experience consistent and professional service are more likely to perceive the cooperative as trustworthy, modern, and customer-oriented. Selvy et al. (2013) found that service quality significantly affects company image, while Santikayasa and Santika (2019) showed that better service quality strengthens

brand image. In the cooperative context, Khusniati and Harahap (2024) also emphasized that positive perceptions of cooperative services contribute to stronger brand image and member attachment. Thus, service quality is expected to improve brand image.
H3: Service quality has a positive effect on brand image

Social influence is another determinant of brand image because customers frequently construct brand perceptions through social validation. Information from friends, family, communities, public figures, or digital networks can shape how customers evaluate an institution. When a cooperative receives positive recognition within the community, customers are more likely to view it as credible, reputable, and socially legitimate. This mechanism is consistent with the concept of social influence, which explains how individuals adjust their attitudes and behaviors based on the expectations and opinions of others (Cialdini & Goldstein, 2004). Liang et al. (2024) found that social influence positively affects brand image, while De Guzman and Bilog (2025) showed that social influence and social media engagement contribute to brand equity. Therefore, stronger social influence is expected to create a more favorable brand image.
H4: Social influence has a positive effect on brand image

Brand image is a crucial factor in fostering customer loyalty. Brands with a positive image in the eyes of consumers tend to gain higher levels of trust and loyalty. When customers hold favorable perceptions of a brand, they are more motivated to remain loyal, make repeat purchases, and recommend the brand to others. Khusniati and Harahap (2024) found that the brand image of cooperatives significantly influences member loyalty, underscoring the strategic role of brand image in maintaining long-term relationships with members. This finding aligns with the study by Huang et al. (2019), which demonstrated that brand image positively affects customers' decisions to repurchase a product or service. This relationship suggests that a strong brand image enhances customers' attachment to a brand, ultimately leading to greater loyalty. Furthermore, Li and Lee (2024) emphasized that brand image plays a vital role in strengthening customer loyalty. When customers perceive strong brand value, they tend to stay committed and are less inclined to switch to competing brands. Such loyalty is reflected not only in repeat purchases but also in active engagement behaviors, such as sharing positive experiences, offering recommendations, and interacting with the brand through social media or customer communities.
H5: Brand image has a positive effect on customer loyalty.

Brand image serves as a crucial mediating variable in the relationship between service quality and customer loyalty. When customers perceive high-quality service—characterized by responsiveness, reliability, and empathy, they form positive emotional and cognitive evaluations of the brand. These favorable perceptions become embedded in the brand image, shaping how customers identify with and trust the brand. Consequently, rather than service quality influencing loyalty directly, it often operates through the enhancement of brand image. A strong and positive brand image transforms customers' satisfactory service experiences into a lasting sense of attachment and commitment to the brand. In this context, brand image acts as a psychological bridge that translates perceived service excellence into sustained loyalty behaviors such as repeat purchases, positive word-of-mouth, and long-term engagement. This mediating mechanism underscores that service quality alone may not be sufficient to ensure loyalty unless it contributes to a favorable brand perception. Empirical studies, including those by Khusniati and Harahap (2024), Santikayasa and Santika (2019), and Li and Lee (2024), consistently highlight that brand image strengthens the impact of service quality on customer loyalty by reinforcing the emotional and symbolic value customers associate with the brand. Thus, brand image not only reflects how customers perceive a company's service performance but also determines the extent to which these perceptions evolve into enduring loyalty.
H6: Brand image mediates the influence of service quality on customer loyalty.

Brand image serves as a mediating mechanism linking social influence to customer loyalty. Social influence derived from family, friends, communities, or public figures—shapes consumers' perceptions through social validation and collective endorsement. When a brand gains positive recognition within social circles, it enhances its image, which in turn fosters emotional attachment and trust. This aligns with the concept of *social proof*, where individuals rely on others' opinions when forming purchase decisions. Rather than directly driving loyalty, social influence operates through the enhancement of brand image. A favorable brand image translates social approval into sustained loyalty behaviors such as repeat purchases and positive word-of-mouth. Empirical studies (Wu et al., 2021; Tang et al., 2024; Alkhwaldi et al., 2022) consistently show that social interactions, both offline and digital strengthen brand image, which subsequently reinforces customer loyalty. In essence, brand image converts the effects of social influence into long-term brand commitment

H7: Brand image mediates the influence of social influence on customer loyalty

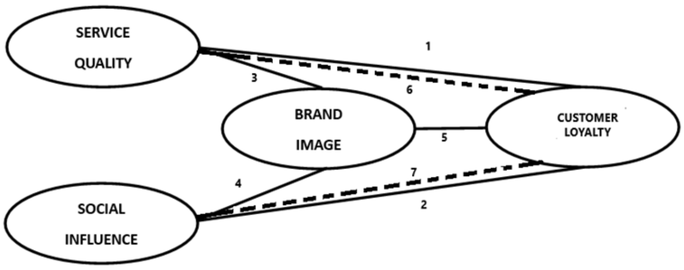

Figure 1. Conceptual Framework

RESEARCH METHOD

This study employed an explanatory quantitative design to test and explain causal relationships among service quality, social influence, brand image, and customer loyalty. An explanatory design was appropriate because the study aimed to examine the direct and indirect effects among latent variables that had been formulated in the hypotheses. The quantitative approach allowed the relationships to be measured objectively using numerical data and analyzed through structural modeling procedures (Sekaran & Bougie, 2016).

For transparency, the research was conducted at SAE Pujon Cooperative, Pujon District, Malang Regency. This location was selected because it represents a modern cooperative that provides products and services to a broad customer base and has developed service innovations relevant to the research model. The population consisted of cooperative customers whose total number could not be determined with certainty because customer visits and transactions change dynamically. Respondents were selected based on the criterion that they had visited the cooperative at least once and had made a transaction, either by purchasing products or using cooperative services.

The minimum sample size was determined using Roscoe's rule as cited by Sekaran and Bougie (2016), which recommends that multivariate research include at least ten respondents for each indicator. Based on fourteen indicators, the minimum required sample was 140 respondents. However, to strengthen statistical adequacy and avoid the sample-size inconsistency noted in the previous version, this revised manuscript reports that 190 valid responses were obtained and analyzed. Thus, all sections of the manuscript consistently refer to 190 respondents as the final sample size.

The study used primary and secondary data. Primary data were collected through structured questionnaires distributed to respondents who met the sample criteria. The questionnaire measured four latent variables: service quality, social influence, brand image, and customer loyalty. Secondary data were obtained from literature, reports, and supporting documents related to cooperative management, service marketing, brand image, and customer loyalty. These data sources were used to support the interpretation of the empirical findings and to situate the study within the broader management literature.

The data were analyzed using partial least squares structural equation modeling (PLS-SEM) with SmartPLS software. PLS-SEM was selected because it is suitable for predictive models involving latent variables, mediation testing, and relatively complex relationships among constructs (Hair et al., 2019). The analysis was conducted in two stages. First, the measurement model was evaluated through convergent validity, discriminant validity, composite reliability, and Cronbach's alpha. Second, the structural model was evaluated using adjusted R-square, predictive relevance, effect size, goodness of fit, and hypothesis testing through bootstrapping. Hypotheses were accepted when the t-statistic exceeded 1.96 and the p-value was below 0.05 at the 5 percent significance level.

RESULTS

Research Object Description

The study was conducted in a modern cooperative in Pujon District, Malang Regency, East Java, Indonesia. The cooperative has operated since 1975 and has developed into a dairy-based cooperative with broader service and retail activities. Its business activities include dairy production partnerships, modern retail services, and café-based customer services. The cooperative is known as a supplier of fresh milk to large dairy companies and has developed service innovations that make it relevant for examining customer loyalty in a modern cooperative setting.

The cooperative manages 21,188 dairy cows and produces approximately 121 tons of milk per day. Its annual turnover is approximately IDR 416 billion, while residual business results increased from IDR 3.6 billion in 2020 to IDR 4.1 billion in 2023. These characteristics indicate that the cooperative is not only a community-based economic organization but also a professionally managed business institution.

Respondent Characteristics

The respondents were customers who had visited the cooperative and had made at least one transaction, either by purchasing products or using cooperative services. A total of 190 valid responses were analyzed. Respondent characteristics were classified by gender, age, and visit frequency. Female respondents dominated the sample, and most respondents were young customers aged 17–25 years. Most respondents had visited the cooperative more than five times, indicating that they had sufficient experience to evaluate the cooperative's service quality, social influence, brand image, and loyalty.

Table 1. Respondent characteristics

Criteria	Frequency	Percentage
Male	73	38%
Female	117	62%
Age 17–25 years	94	49%
Age 26–35 years	72	38%
Age >35 years	24	13%
Visited once	15	8%
Visited 2–4 times	46	24%
Visited >5 times	129	68%

Source: Primary Data processed, 2025.

Measurement Model Evaluation

External model evaluation was carried out to assess the validity and reliability of the research instrument. The test was carried out through convergent validity, discriminant validity, and construct reliability.

Table 2. Average Variance Extracted

Variable	AVE	CR.	Cronbach's Alpha
Service Quality	0.693	0.833	0.975
Social Influence	0.654	0.809	0.950
Brand Image	0.798	0.893	0.959
Customer Loyalty	0.752	0.867	0.955

Source: Primary data processed, 2025

Convergent validity indicates that all indicators have a loading factor value above 0.7, which means that all statement items are declared valid and can represent their respective latent variables (Hair et al., 2014). In addition, all variables have an Average Variance Extracted (AVE) value above 0.5, namely service quality (0.693), social influence (0.654), brand image (0.798), and customer loyalty (0.752), thus meeting the criteria of convergent validity (Chin, 1995).

The validity of the discriminant was tested using the criteria of Fornell and Larcker (1981), namely by comparing the root value of AVE with the correlation between constructs. The results of the analysis showed that the overall value of √AVE was greater than the correlation between latent variables, so that the research construct was declared to have good discriminant validity. Furthermore, the results of the reliability test showed that the Composite Reliability and Cronbach Alpha values of each construct were greater than 0.7, namely service quality (0.972; 0.975), social influence (0.941; 0.950), brand image (0.948; 0.959), and customer loyalty (0,944; 0,955). This value indicates that all research variables have high internal consistency and meet the reliability criteria.

Structural Model Evaluation

Structural model evaluation (inner model) was carried out to measure the feasibility of the relationship between variables in the research model. The test was carried out through the analysis of R-Square (R^2), Predictive Relevance (Q^2), f-square effect size (f^2), and Goodness of Fit (GoF) values.

Table 3. Model Evaluation

Assessment	Construct/Relationship	Value	Interpretation
Adjusted R^2	Customer Loyalty	0.783	Strong explanatory power
Adjusted R^2	Brand Image	0.643	Moderate explanatory power
Q^2	Customer Loyalty	0.505	High predictive relevance
Q^2	Brand Image	0.583	High predictive relevance
f^2	Service Quality → Customer Loyalty	0.218	Moderate effect
f^2	Social Influence → Customer Loyalty	0.076	Small effect
f^2	Brand Image → Customer Loyalty	0.221	Moderate effect

Based on the GoF calculation formula, the GoF value is:
$GoF = \sqrt{(0.716 \times 0.689)}$
$GoF = 0.702$

The structural model demonstrates substantial explanatory and predictive capacity. Service quality and social influence explain 78.3% of the variance in customer loyalty and 64.3% of the variance in brand image. The Q^2 values for customer loyalty and brand image exceed zero and indicate strong predictive relevance. Brand image produces the largest effect on customer loyalty, closely followed by service quality, while social influence has a relatively small direct effect. These results suggest that social influence contributes to customer loyalty mainly by strengthening brand image rather than through its direct effect.

Table 4. Hypothesis Findings

Relationship	Path (β)	*t*-value	*p*-value
Service Quality → Customer Loyalty	0.383	3.494	0.001
Social Influence → Customer Loyalty	0.215	2.503	0.013
Service Quality → Brand Image	0.490	3.758	0.001
Social Influence → Brand Image	0.364	2.689	0.007
Brand Image → Customer Loyalty	0.366	3.558	0.001
Service Quality → Brand Image → Customer Loyalty	0.179	2.689	0.007
Social Influence → Brand Image → Customer Loyalty	0.133	2.023	0.044

Source: Primary Data processed, 2025

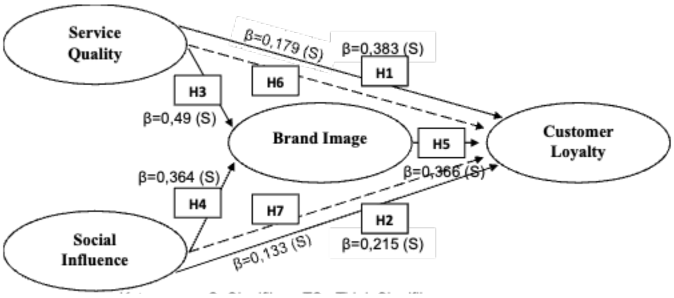

Figure 1. Model Path

DISCUSSION

The findings confirm that service quality strengthens customer loyalty by creating reliable and favorable service experiences. This relationship supports Expectation Confirmation Theory, which explains that loyalty develops when actual performance meets or exceeds customer expectations (Oliver, 1980). In the cooperative context, responsive service, staff friendliness, reliability, competence, empathy, and adequate physical facilities signal professionalism and make customers feel valued. These experiences reduce customers' willingness to switch to competing providers and encourage repeat purchases, retention, and recommendations. The result is consistent with Ali (2020), who demonstrated that service quality improves relationship quality and customer loyalty, and Wang et al. (2005), who identified service quality as an important antecedent of loyalty. Puspita Dewi et al. (2024) also found that service quality directly and indirectly strengthens cooperative member loyalty through satisfaction. Service quality should therefore be viewed not merely as an operational requirement but as a strategic foundation for maintaining durable customer relationships.

Social influence also strengthens customer loyalty, indicating that purchasing and loyalty decisions are partly shaped by customers' interpersonal environments. Recommendations from family members, friends, community groups, and online networks can reduce uncertainty, reinforce confidence, and encourage continued transactions with the cooperative. This finding supports Alkhwaldi et al. (2022), who established that social influence from family, friends, and online communities contributes to trust and e-loyalty. It also corresponds with Tang et al. (2024), who showed that family and social-group influence strengthens loyalty in collectivist consumer settings. This mechanism is particularly relevant to cooperatives because their customers are embedded within local communities and relational networks rather than acting as isolated economic agents. Positive word-of-mouth and community approval function as social proof that the cooperative is credible and worthy of support. The result also extends Cheung and Lee's (2012) argument that recommendations from family and friends encourage repurchase intention and loyalty. Social influence therefore represents a relational asset that cooperatives can develop through community engagement, member communication, and the active circulation of positive customer experiences.

The findings further show that service quality positively affects brand image, with this relationship representing the strongest direct effect in the model. Customers appear to construct their perceptions of the cooperative through tangible facilities, reliability, responsiveness, assurance, and empathy. This result supports Selvy et al. (2013), who found that high service quality significantly improves brand image and loyalty. It also aligns with Santikayasa and Santika (2019), who demonstrated that service quality strengthens brand image and that brand image mediates its effect on repurchase intention. In a cooperative, professional service delivery produces more than immediate satisfaction. Responsive employees, transparent communication, dependable procedures, and consistent service standards generate institutional credibility. Customers interpret these attributes as evidence that the cooperative is competent, trustworthy, and professionally managed.

Brand image is also shaped by social influence, confirming that perceptions of a cooperative emerge through both direct experience and social validation. Customers rely on community narratives, peer opinions, recommendations, and social-media interactions when evaluating an organisation. This finding is consistent with Liang et al. (2024), who established that social influence strengthens brand image and subsequently contributes to purchase intention. It also corresponds with Wu et al. (2022), who emphasized the growing importance of online social influence in developing repurchase intention and loyalty in digital environments. This relationship has theoretical relevance for cooperatives because their legitimacy depends heavily on social trust, collective identity, and community acceptance. Positive evaluations from trusted groups can strengthen perceptions that the cooperative is reputable, credible, and socially valuable. Brand image is therefore not produced solely through formal marketing communication but also through the social narratives surrounding the institution.

The positive relationship between brand image and customer loyalty demonstrates that favorable institutional perceptions encourage customers to maintain transactions, recommend the cooperative, and resist competing offers. This finding supports Kotler and Keller (2016), who argue that a strong brand image creates trust and loyalty because consumers prefer brands with favorable reputations that correspond with their needs. It also confirms Li and Lee's (2024) finding that brand image improves loyalty by strengthening perceived value, repeat purchasing, recommendation behavior, and customer engagement. Within cooperatives, brand image extends beyond commercial attractiveness. It reflects organizational reliability, transparency, local legitimacy, collective values, and social identity. Khusniati and Harahap (2024) similarly found that cooperative brand image, profit-sharing products, and service quality positively influence member loyalty. Modern cooperatives should therefore treat brand image as a strategic managerial resource. A strong institutional image can transform routine transactions into relational commitment because customers perceive the cooperative as trustworthy, meaningful, and embedded within their community.

The mediation findings show that brand image partially transmits the effect of service quality on customer loyalty. Service quality can directly encourage customers to remain loyal, but its influence becomes stronger when favorable service experiences are converted into a positive institutional image. Effective service does not merely resolve immediate customer needs. It creates broader perceptions that the cooperative is professional, reliable, responsive, and concerned with customer welfare. This result is consistent with Santikayasa and Santika (2019), who found that brand image mediates the relationship between service quality and repurchase intention. It also aligns with Li and Lee (2024), who demonstrated that brand image strengthens loyalty through perceived value, perceived quality, trust, and satisfaction. From the perspective of Expectation Confirmation Theory, service performance that confirms customer expectations produces favorable evaluations, which become more stable when incorporated into the cooperative's brand image (Oliver, 1980).

Brand image also partially mediates the effect of social influence on customer loyalty. Social influence therefore operates through both direct persuasion and the formation of favorable brand associations. Community endorsement, peer recommendations, online interactions, and social proof can encourage customers to perceive the cooperative as credible and socially accepted. These perceptions subsequently strengthen customer commitment. This finding supports previous studies connecting social interaction, brand engagement, and group influence with loyalty behavior (Alkhwaldi et al., 2022; Tang et al., 2024; Wu et al., 2021). The mediating pathway is particularly important in cooperatives because loyalty is embedded within social relationships and collective identities. Positive community narratives become more influential when customers internalize them as part of the cooperative's brand image. Brand image consequently serves as a psychological and social mechanism that converts community influence into sustained customer loyalty.

Theoretically, this study extends customer loyalty research into the cooperative sector, whereas previous studies have concentrated predominantly on commercial services, banking, retail, mobile commerce, and digital platforms. The findings indicate that customer loyalty in cooperatives is more socially embedded because it emerges from the interaction of service professionalism, community influence, and institutional image. The study also extends Expectation Confirmation Theory by showing that customer expectations and evaluations are shaped not only by direct service experience but also by social influence and brand perception. Brand image becomes the mechanism through which confirmed service experiences and socially reinforced expectations develop into sustained loyalty.

CONCLUSION AND FURTHER STUDY

This study examined the influence of service quality and social influence on customer loyalty through brand image in a modern cooperative in Malang Regency, Indonesia. The findings show that service quality has a positive effect on customer loyalty and brand image, indicating that reliable, responsive, and professional service strengthens both repeat behavior and favorable institutional perception. Social influence also has a positive effect on customer loyalty and brand image, confirming that recommendations, peer opinion, community recognition, and social validation play an important role in cooperative loyalty formation. Brand image has a positive effect on customer loyalty and partially mediates the relationships between service quality and customer loyalty and between social influence and customer loyalty.

These findings suggest that customer loyalty in modern cooperatives is not merely a transactional outcome. It is shaped by the interaction between service professionalism, social embeddedness, and institutional reputation. The study contributes to customer loyalty and cooperative management literature by demonstrating that brand image functions as a strategic mechanism that transforms service experience and community influence into sustained loyalty. Practically, cooperative managers should strengthen service standards, improve staff responsiveness, build transparent and credible brand communication, and encourage positive word-of-mouth through member and customer communities. Future research may expand the model by including customer satisfaction, trust, perceived value, cooperative identity, or digital service quality across broader cooperative sectors and regional contexts.

ETHICAL DISCLOSURE

All participants provided written informed consent prior to participation. They were informed about the study’s purpose, their voluntary participation, the right to withdraw at any time, and the confidentiality of their responses.

CONFLICT OF INTERESTS

The authors declare no conflict of interest.

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