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Service Quality and Premium Price Perception in Building Customer Loyalty: The Mediating Role of Satisfaction in Surety Bond Services

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Abstract: This study examines the relationships among service quality, premium price perception, customer satisfaction, and customer loyalty in business-to-business (B2B) Surety Bond services. The study was conducted at PT Asuransi Kredit Indonesia (PT Askrindo) Bandung Branch Office. A quantitative cross-sectional design was applied. Data were collected from 140 representatives of business entities or principals that had experience using Surety Bond services. Respondents were selected through purposive sampling, with one respondent representing one customer organization. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The results indicate that service quality has a positive and significant effect on customer satisfaction ($\beta=0.818$, $t=10.509$, $p<0.001$). Customer satisfaction also has a positive and significant effect on customer loyalty ($\beta=0.689$, $t=5.462$, $p<0.001$). Furthermore, customer satisfaction significantly mediates the relationship between service quality and customer loyalty ($\beta=0.563$, $t=4.521$, $p<0.001$). In contrast, premium price perception does not significantly influence customer satisfaction or customer loyalty and does not have a significant indirect effect on loyalty through satisfaction. The findings suggest that customer loyalty in B2B Surety Bond services is primarily developed through reliable and satisfying service experiences rather than premium price evaluations alone. The study highlights the strategic importance of process accuracy, service responsiveness, information clarity, employee competence, document accuracy, and customer relationship management in strengthening retention within the Surety Bond business.

Keywords: B2B Services, Customer Loyalty, Customer Satisfaction, Premium Price Perception, Service Quality, Surety Bond.

INTRODUCTION

Customer loyalty is a strategic concern for service organizations because it is associated with repeat usage, relationship continuity, customer retention, and positive recommendations. In financial service industries, loyalty is particularly important because customers often

evaluate not only the product itself but also the reliability, responsiveness, and consistency of the service process. This issue is relevant to the guarantee industry, where service providers support customers in meeting contractual and project-related obligations.



Source: PT Asuransi Kredit Indonesia (PT Askrindo), 2026.

Surety Bond is a guarantee instrument used to protect the obligee or project owner against the risk that the principal fails to perform contractual obligations. It is commonly used in construction projects, procurement activities, service contracts, infrastructure projects, and other business transactions that require contractual assurance. The relationship in a Surety Bond arrangement involves three main parties: the surety company, the principal, and the obligee. Unlike retail insurance products, Surety Bond services operate primarily in a business-to-business environment, where organizational customers evaluate the provider based on service capability, administrative accuracy, processing speed, document reliability, and the ability to support project-related requirements.

For business customers, obtaining a Surety Bond is often connected to tender participation, contract execution, project continuity, and compliance with procurement requirements. Consequently, delays in document processing, incomplete information, inconsistent service procedures, or inaccurate issuance can create operational consequences for customers. In this context, service quality is not limited to interpersonal interaction; it represents the provider's ability to deliver an accurate, responsive, and reliable process across the customer journey.

PT Asuransi Kredit Indonesia (PT Askrindo) Bandung Branch Office provides Surety Bond services to organizational customers in Bandung and surrounding areas. The customers consist of business entities with different project characteristics, levels of experience, and service requirements. This context makes customer loyalty an important managerial concern. Customers may continue using a Surety Bond provider when they are satisfied with the service process, perceive the provider as dependable, and believe that the provider can support their contractual needs consistently.

Service quality is widely recognized as an important antecedent of customer satisfaction. In the context of Surety Bond services, service quality can be reflected in process reliability, employee responsiveness, document accuracy, information clarity, professional assurance, and attention to customer needs. These dimensions are particularly relevant because organizational customers need both technical support and certainty in completing guarantee-related processes.

Premium price perception may also influence customers' evaluations of the service provider. Customers may assess whether the premium is fair, competitive, transparent, and aligned with the benefits of the guarantee. However, in B2B guarantee services, a favorable price perception may not always be sufficient to create customer satisfaction or loyalty. Customers may place greater importance on timely issuance, administrative clarity, risk coverage, service reliability, and the provider's ability to fulfill business requirements.

Customer satisfaction is expected to play a central mediating role in this relationship. According to Expectancy-Disconfirmation Theory, satisfaction emerges when customers compare their actual experience with their prior expectations. When the service process meets or exceeds expectations, customers are more likely to develop a favorable overall evaluation.

In turn, satisfied customers are more likely to reuse the service, maintain a business relationship, and recommend the provider to other organizations.

Previous studies have discussed the relationships among service quality, price perceptions, satisfaction, and loyalty in various service contexts. However, evidence from the Surety Bond industry, particularly in an Indonesian B2B setting, remains limited. This study contributes by examining how service quality and premium price perception influence customer loyalty through customer satisfaction among organizational users of Surety Bond services.

The purpose of this study is to analyze:

1. The effect of service quality on customer satisfaction.
2. The effect of premium price perception on customer satisfaction.
3. The effects of service quality and premium price perception on customer loyalty.
4. The effect of customer satisfaction on customer loyalty.
5. The mediating role of customer satisfaction in the relationships between service quality, premium price perception, and customer loyalty.

Literature Review and Hypothesis Development

Service Quality and Customer Satisfaction

Service quality refers to customers' evaluation of how well a service provider delivers its services relative to customer expectations. In Surety Bond services, quality is reflected in reliable procedures, clear information, employee competence, administrative accuracy, responsiveness, and the ability to address customers' requirements. Customers depend on the provider's service performance because delays or errors in guarantee processing may affect their ability to meet contractual obligations.

Expectancy-Disconfirmation Theory explains that satisfaction is formed when customers compare perceived performance with their initial expectations. If customers perceive that the service process is accurate, responsive, and aligned with their business needs, they are more likely to experience satisfaction. In the insurance and financial service context, service quality has frequently been identified as an important determinant of satisfaction.

H1: Service quality has a positive and significant effect on customer satisfaction.

Premium Price Perception and Customer Satisfaction

Premium price perception refers to the customer's evaluation of the financial sacrifice required to obtain a Surety Bond service. This evaluation includes whether the premium is perceived as fair, competitive, transparent, and proportionate to the value of the guarantee and the benefits received.

A positive premium price perception may enhance satisfaction when customers believe that the price is reasonable relative to the service benefits, guarantee coverage, and risk protection. Nevertheless, in B2B Surety Bond services, premium evaluation may be only one component of a broader value assessment. Customers may prioritize certainty of issuance, procedural efficiency, service responsiveness, and document accuracy when evaluating their overall satisfaction.

H2: Premium price perception has a positive and significant effect on customer satisfaction.

Service Quality and Customer Loyalty

Service quality may influence customer loyalty by creating a favorable service experience. Organizational customers that receive reliable, accurate, and responsive services may be more likely to continue their relationship with the provider. However, loyalty in a B2B context is more complex than customer satisfaction alone because it can also be influenced by

project requirements, procurement rules, contract values, alternative providers, and organizational policies.

Therefore, while service quality is expected to contribute positively to loyalty, its direct effect may depend on whether customers translate positive service experiences into overall satisfaction.

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

Premium Price Perception and Customer Loyalty

Customers may be more willing to maintain a relationship with a provider when they perceive the premium as fair and aligned with the benefits received. A transparent and acceptable premium structure can support positive value perceptions and reduce the likelihood of customer switching.

However, in Surety Bond services, loyalty may not be determined solely by price. Customers may consider service certainty, administrative support, provider credibility, guarantee issuance speed, and the provider's ability to address business needs more strongly than premium levels.

H4: Premium price perception has a positive and significant effect on customer loyalty.

Customer Satisfaction and Customer Loyalty

Customer satisfaction reflects a favorable overall evaluation of the customer's experience with a product and service provider. Satisfied customers are generally more likely to continue using the service, recommend the provider, and maintain a long-term relationship. In a B2B Surety Bond setting, satisfaction can encourage customers to reuse the provider's services in future projects or contractual arrangements.

H5: Customer satisfaction has a positive and significant effect on customer loyalty.

The Mediating Role of Customer Satisfaction

Service quality may influence loyalty indirectly through satisfaction. High-quality service can produce satisfaction by meeting customer expectations, and this satisfaction can motivate customers to maintain the relationship. When the direct effect of service quality on loyalty is weak or insignificant, satisfaction may function as the primary mechanism through which service quality shapes loyalty.

Similarly, premium price perception may influence loyalty through satisfaction when customers perceive that the premium is fair and proportionate to the benefits received. However, this indirect relationship may not be significant when price is not the main factor shaping customer satisfaction in B2B guarantee services.

H6: Customer satisfaction mediates the relationship between service quality and customer loyalty.

H7: Customer satisfaction mediates the relationship between premium price perception and customer loyalty.

METHOD

This study employed a quantitative research approach with a cross-sectional design. The research was conducted among organizational customers using Surety Bond services at PT Askrindo Bandung Branch Office. The unit of analysis was the customer organization or principal, while the unit of observation was an individual representative who had relevant knowledge or involvement in the organization's use of Surety Bond services.

The study used non-probability sampling with a purposive sampling technique. The respondents were selected based on the following criteria: they represented a principal customer of PT Askrindo Bandung Branch Office; had experience using Surety Bond services;

were involved in the application, document administration, guarantee issuance, premium payment, guarantee amendment, guarantee extension, or business decision-making process; and completed the questionnaire appropriately. A total of 140 valid responses were used for the analysis, with one respondent representing one customer organization.

Primary data were collected using a structured questionnaire with a five-point Likert scale, ranging from strongly disagree to strongly agree. The instrument consisted of 28 indicators: 12 indicators for service quality, 8 indicators for premium price perception, 4 indicators for customer satisfaction, and 4 indicators for customer loyalty.

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The evaluation involved two stages. First, the measurement model was assessed through convergent validity, discriminant validity, and internal consistency reliability. Second, the structural model was assessed using the coefficient of determination (R^2), predictive relevance (Q^2), effect size (f^2), path coefficients, and bootstrapping-based mediation analysis.

RESULTS AND DISCUSSION

Respondent Profile

The final sample consisted of 140 respondents representing organizational customers of Surety Bond services. Most respondents held positions related to finance, procurement, operations, legal affairs, or administration. A total of 94 respondents, or 67.1%, were heads of divisions or managers in finance, procurement, operational, and legal functions. The remaining respondents included general managers or managers, directors, and company owners. This profile indicates that the respondents possessed relevant involvement in the use and administration of Surety Bond services.

Table 1. Respondent Characteristics by Position

Position	Frequency Percentage	
Head of division/manager in finance, procurement, operations, or legal	94	67.1%
General manager/manager	25	17.9%
Director	15	10.7%
Company owner	6	4.3%
Total	140	100.0%

Source: Primary data processed, 2026.

Most respondents represented limited liability companies, accounting for 117 respondents or 83.6% of the sample. The remaining respondents represented limited partnerships, state-owned or regionally owned enterprises, foundations, and cooperatives.

Table 2. Respondent Characteristics by Business Entity Type

Business Entity Type	Frequency Percentage	
Limited liability company	117	83.6%
Limited partnership	13	9.3%
State-owned/regionally-owned enterprise	7	5.0%
Foundation	2	1.4%
Cooperative	1	0.7%
Total	140	100.0%

Source: Primary data processed, 2026.

The respondents also had substantial experience using Surety Bond services. A total of 83 respondents, or 59.3%, had used the service for at least three years. In addition, 90 respondents, or 64.3%, had used Surety Bond services at least four times. These findings indicate that the respondents had sufficient experience to evaluate service quality, premium price perception, satisfaction, and loyalty.

Measurement Model Assessment

The measurement model assessment confirmed that all constructs met the requirements for convergent validity and internal consistency reliability. The Average Variance Extracted values were 0.762 for service quality, 0.806 for premium price perception, 0.875 for customer satisfaction, and 0.886 for customer loyalty. All values exceeded the recommended threshold of 0.50.

Table 3. Convergent Validity and Reliability Results

Construct	Cronbach's Alpha	rho_A	Composite Reliability	AVE	Conclusion
Service quality	0.971	0.973	0.975	0.762	Reliable and valid
Premium price perception	0.965	0.971	0.971	0.806	Reliable and valid
Customer satisfaction	0.952	0.952	0.965	0.875	Reliable and valid
Customer loyalty	0.957	0.958	0.969	0.886	Reliable and valid

Source: Primary data processed using SmartPLS, 2026.

The Cronbach's alpha, rho_A, and composite reliability values of all constructs exceeded 0.70, indicating strong internal consistency. Therefore, the constructs were considered reliable and appropriate for structural model testing.

Structural Model Assessment

The structural model showed substantial explanatory power. Service quality and premium price perception explained 84.4% of the variance in customer satisfaction. Meanwhile, service quality, premium price perception, and customer satisfaction jointly explained 75.8% of the variance in customer loyalty.

Table 4. Coefficient of Determination Results

Endogenous Construct	Predictors	R Square	Adjusted R Square	Interpretation
Customer satisfaction	Service quality; premium price perception	0.844	0.842	Substantial
Customer loyalty	Service quality; premium price perception; customer satisfaction	0.758	0.753	Substantial

Source: Primary data processed using SmartPLS, 2026

The predictive relevance analysis also indicated positive predictive capability. The Q²Predict values were 0.838 for customer satisfaction and 0.667 for customer loyalty. Since both values were greater than zero, the model demonstrated predictive relevance for both endogenous constructs.

Table 5. Predictive Relevance Results

Endogenous Construct	Q ²	Predict	RMSE	MAE	Interpretation
Customer satisfaction	0.838	0.413	0.293		Predictive relevance established
Customer loyalty	0.667	0.592	0.415		Predictive relevance established

Source: Primary data processed using SmartPLS, 2026.

The effect size analysis showed that service quality had a large effect on customer satisfaction ($f^2=1.482$). Customer satisfaction had a medium effect on customer loyalty ($f^2=0.306$). In contrast, service quality had no substantive direct effect on customer loyalty after satisfaction was included in the model.

Table 6. Effect Size Results

Relationship	f^2	Interpretation
Service quality → Customer satisfaction	1.482	Large effect
Premium price perception → Customer satisfaction	0.033	Small effect
Service quality → Customer loyalty	0.003	No substantive effect
Premium price perception → Customer loyalty	0.028	Small effect
Customer satisfaction → Customer loyalty	0.306	Medium effect

Source: Primary data processed using SmartPLS, 2026.

Hypothesis Testing

Table 7. Direct Effects Testing Results

Hypothesis	Relationship	Path Coefficient	t-statistic	p-value	Decision
H1	Service quality → Customer satisfaction	0.818	10.509	<0.001	Supported
H2	Premium price perception → Customer satisfaction	0.121	1.445	0.149	Not supported
H3	Service quality → Customer loyalty	0.071	0.672	0.501	Not supported
H4	Premium price perception → Customer loyalty	0.142	1.074	0.283	Not supported
H5	Customer satisfaction → Customer loyalty	0.689	5.462	<0.001	Supported

Source: Primary data processed using SmartPLS, 2026

The results support H1, indicating that service quality has a positive and significant effect on customer satisfaction. The path coefficient of 0.818 shows that service quality is the strongest predictor of customer satisfaction in the model. Customers evaluate their satisfaction based on the quality of their interaction with the Surety Bond provider, including information accuracy, process reliability, employee competence, responsiveness, and administrative precision.

H2 was not supported. Premium price perception had a positive but statistically insignificant relationship with customer satisfaction. This result suggests that customers may consider the premium as part of their value assessment, but it is not the primary determinant of satisfaction in this Surety Bond setting. Customers appear to give greater weight to service

performance, process certainty, guarantee benefits, and the provider's ability to meet business requirements.

H3 was not supported. Service quality did not have a significant direct effect on customer loyalty. This finding implies that high-quality service does not automatically lead to customer loyalty. In B2B Surety Bond services, customers may appreciate good service but still make loyalty decisions based on broader considerations such as project characteristics, tender requirements, company policies, guarantee needs, and available alternatives.

H4 was not supported. Premium price perception did not significantly influence customer loyalty. A fair or competitive premium is not sufficient by itself to create loyalty. Customers may be more concerned with whether the provider can deliver the guarantee accurately, promptly, and consistently.

H5 was supported. Customer satisfaction had a positive and significant effect on customer loyalty. This finding indicates that satisfied customers are more likely to reuse Surety Bond services, maintain a relationship with the provider, prefer the provider in future needs, and recommend the provider to others.

Mediation Testing

Table 8. Indirect Effects Testing Results

Hypothesis	Mediation Path	Indirect Effect	t-statistic	p-value	Decision
H6	Service quality → Customer satisfaction → Customer loyalty	0.563	4.521	<0.001	Supported
H7	Premium price perception → Customer satisfaction → Customer loyalty	0.084	1.430	0.153	Not supported

Source: Primary data processed using SmartPLS, 2026.

The results support H6. Customer satisfaction significantly mediated the relationship between service quality and customer loyalty. The indirect effect was 0.563, with a ttt-statistic of 4.521 and a ppp-value below 0.001. Since the direct effect of service quality on loyalty was not significant, the mediation pattern can be classified as indirect-only mediation.

This result means that service quality builds customer loyalty primarily by increasing customer satisfaction. Service improvements must therefore create meaningful and satisfying customer experiences before they can lead to stronger loyalty. In Surety Bond services, reliable processes, timely responses, clear information, and accurate documents are important because they reduce uncertainty and help customers fulfill project and contractual requirements.

H7 was not supported. Customer satisfaction did not significantly mediate the relationship between premium price perception and customer loyalty. This result is consistent with the insignificant direct relationship between premium price perception and customer satisfaction. In this setting, premium evaluations alone do not appear to create enough satisfaction to influence customer loyalty.

Discussion

The study confirms the central role of service quality in creating customer satisfaction in B2B Surety Bond services. The strong path coefficient from service quality to customer satisfaction demonstrates that customers place considerable importance on the service process. For organizational customers, the Surety Bond service is not simply a financial product; it is a business-support mechanism that must be delivered accurately and within the required timeframe.

The findings are consistent with the idea that satisfaction results from the comparison between expectation and perceived performance. When the provider delivers reliable procedures, clear communication, competent support, and accurate documents, customers are more likely to perceive that their expectations have been met. This positive evaluation produces satisfaction.

The result that premium price perception does not significantly influence satisfaction provides an important contextual insight. In B2B guarantee services, customers do not evaluate premiums only on the basis of whether they are low or high. Instead, customers may assess whether the service provider can provide certainty, meet contractual timelines, issue accurate documents, and offer responsive assistance. A competitive premium may be appreciated, but it may not compensate for poor service performance or uncertainty in the issuance process.

The absence of a direct relationship between service quality and loyalty further highlights the importance of satisfaction as an intervening mechanism. Service quality may be necessary, but it is not sufficient to generate loyalty directly. Customers become loyal when they interpret high-quality service as a satisfying overall experience. This is especially relevant in B2B settings, where loyalty may depend on a combination of operational outcomes, relationship quality, project needs, and organizational decision-making processes.

The significant relationship between satisfaction and loyalty demonstrates that satisfaction should be treated as a strategic performance indicator. Customers who are satisfied with their Surety Bond experience are more likely to continue their relationship with the provider, reuse the service when future projects require guarantees, and recommend the provider to other organizations.

The study also offers relevance to digital business management. Although this study did not specifically measure digital service quality, its findings suggest areas where digital process improvement may support customer satisfaction. For example, digital status tracking, electronic document checklists, automated notifications, customer relationship management systems, and digital communication channels may enhance information clarity, responsiveness, and process transparency. Future studies should directly examine digital service quality, digital trust, digital process convenience, and technology-enabled customer relationship management in the Surety Bond industry.

Managerial Implications

The results indicate that PT Askrindo Bandung Branch Office should prioritize service quality as the primary path toward customer loyalty. The company should focus on improving the complete customer journey, beginning with initial consultation and application, continuing through document verification and guarantee issuance, and extending to post-issuance support.

First, the company should establish clear service-level standards for initial responses, document verification, status updates, and issuance completion. Customers need certainty regarding when and how their applications will be processed.

Second, the company should improve the clarity of customer information. Application requirements, document lists, procedures, estimated processing times, and possible constraints should be communicated in a concise and understandable manner. Clear information can reduce repeated administrative processes and customer uncertainty.

Third, proactive communication should be strengthened. Customers should receive regular updates on the status of applications, incomplete documents, progress in verification, and issuance estimates. Communication may be supported through designated contact persons, email, business messaging applications, or integrated digital communication systems.

Fourth, employee competence should be continuously improved. Frontline and operational personnel should be able to explain Surety Bond benefits, product terms, premium

calculation considerations, document requirements, and issuance procedures consistently and accurately.

Fifth, customer satisfaction should be measured regularly at key service points. Satisfaction assessment should not be conducted only after guarantee issuance. The company can collect customer feedback after consultation, document submission, verification, issuance, and complaint resolution.

Sixth, the company should implement a structured complaint-handling and service-recovery mechanism. Delays, incorrect information, administrative issues, and customer complaints should be addressed promptly, transparently, and with clear completion targets.

Seventh, premium communication should focus on value transparency rather than price alone. Customers should understand how premiums relate to guarantee value, risk level, project characteristics, coverage, contractual requirements, and service support.

Finally, customer relationship management should be strengthened after issuance. A dedicated relationship officer, scheduled follow-up, reminders for potential future guarantee needs, and proactive customer engagement can support retention and long-term B2B relationships.

Table 9. Managerial Priority Programs

Priority	Program	Empirical Basis
1	Improve process reliability, response speed, and certainty of Surety Bond issuance	Service quality significantly influences customer satisfaction ($\beta=0.818$)
2	Measure and improve customer satisfaction at critical service touchpoints	Customer satisfaction significantly influences customer loyalty ($\beta=0.689$)
3	Strengthen complaint handling, service recovery, and administrative problem resolution	Service quality affects loyalty through customer satisfaction
4	Improve transparency in premium value communication	Premium perception is not significant but remains part of customer value assessment
5	Develop B2B customer relationship management and post-issuance follow-up	Loyalty supports retention and relationship continuity

Source: Developed based on the study findings, 2026.

CONCLUSION

This study examined the effects of service quality and premium price perception on customer loyalty through customer satisfaction in B2B Surety Bond services at PT Askrindo Bandung Branch Office. The results show that service quality is the strongest determinant of customer satisfaction. Customer satisfaction, in turn, has a significant positive effect on customer loyalty.

Customer satisfaction significantly mediates the relationship between service quality and customer loyalty. This result indicates that service quality does not directly create loyalty; rather, service quality must first generate a satisfying customer experience. The study therefore identifies customer satisfaction as the key mechanism that translates service quality into customer loyalty.

Premium price perception does not significantly influence customer satisfaction or customer loyalty. It also does not have a significant indirect effect on loyalty through satisfaction. This result suggests that, in the Surety Bond context, customer loyalty is shaped more strongly by service experience, process certainty, responsiveness, information clarity, document accuracy, and the provider's ability to fulfill customers' business needs than by premium evaluations alone.

The practical implication is that Surety Bond providers should focus on delivering reliable and satisfying services. Process accuracy, timely responses, clear information, competent employees, customer feedback management, and relationship-building initiatives should be positioned as core strategies for strengthening customer retention and loyalty.

Limitations and Future Research

This study has several limitations. First, the study focused only on customers of PT Askrindo Bandung Branch Office. Therefore, the findings should not be generalized directly to all PT Askrindo branches, other guarantee companies, other insurance products, or the broader insurance and guarantee industry.

Second, the study used a cross-sectional design and collected data at one point in time. Customer satisfaction and loyalty may develop over a longer period, particularly as customers experience multiple project cycles, repeated guarantee usage, and ongoing interactions with the provider.

Third, the model was limited to service quality, premium price perception, customer satisfaction, and customer loyalty. Future studies may include customer trust, corporate image, relationship quality, perceived value, digital service quality, digital process convenience, complaint handling, perceived risk, and commitment as additional determinants of loyalty.

Fourth, premium price perception was measured as a subjective customer evaluation. Future studies may combine survey data with objective company data, including actual premium values, guarantee amounts, project values, guarantee types, risk levels, processing duration, usage frequency, retention rates, and customer complaint records.

Finally, future research may directly investigate digital business variables in Surety Bond services. Digital application tracking, e-document processing, digital communication quality, platform usability, digital trust, and technology-enabled customer relationship management may provide important insights into how guarantee companies can improve customer experience and loyalty in increasingly digital business environments.

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