The quality of customer service in the retention and loyalty of service companies

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ABSTRACT

The research analyzes how incentives, brand commitment, and brand loyalty affect Internet service providers in Machala, Ecuador. Excellent service is crucial for customer satisfaction and loyalty, especially in a competitive environment. The aim is to determine how incentives influence customer loyalty and commitment by evaluating their impact on perceived brand value and the formation of lasting associations. The study used a questionnaire using Likert scales to assess the opinions of 384 users of online services in Machala. Variables such as incentives, loyalty, and commitment were examined through a structural analysis illustration, assessing the consistency and legitimacy of the concepts. The study found that incentives strongly affect loyalty ($\beta = 0.81$) and customer commitment ($\beta = 0.49$). Commitment also positively influences loyalty ($\beta = 0.42$). Clearly communicating the benefits and additional advantages is essential for retaining customers.
Incentives are fundamental for fostering customer loyalty and commitment. Organizations should focus on methods that enhance service excellence and provide personalized interactions.

KEYWORDS: Incentives, Commitment, Loyalty

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INTRODUCTION

Currently, service quality is an integral factor in the success of companies, considering internal processes, customer needs, and service delivery capacity. For this reason, Internet service providers focus their efforts on the continuous improvement of this aspect, as it allows them to satisfy users and optimize interaction, often generating loyalty toward the company.

In today's globalized world, emerging markets are pushing for adequate service quality that meets the high expectations of customers (Jiang et al., 2020). From this perspective, it can be added that companies must be capable of meeting customer goals, and to achieve this, it is necessary to provide personalized service and excellent customer care, which ensures growth in their client portfolio.

In the city of Machala, the commercial sector has experienced significant growth, benefiting many companies. For example, in the case of companies providing internet services, there has been an increase in the number of customers purchasing these services; however, there are shortcomings in the quality of service provided has a negative impact on customer loyalty.

For this reason, it is crucial to address service quality, as it is the main differentiator against the competition. If a company offers good service, it can manage sustainable alternatives. Moreover, customer satisfaction goes beyond technical efficiency; it also encompasses the quality of care and support received—crucial elements for establishing long-term relationships.

Figure 1.
Relationship between Incentives, Retention, and Loyalty
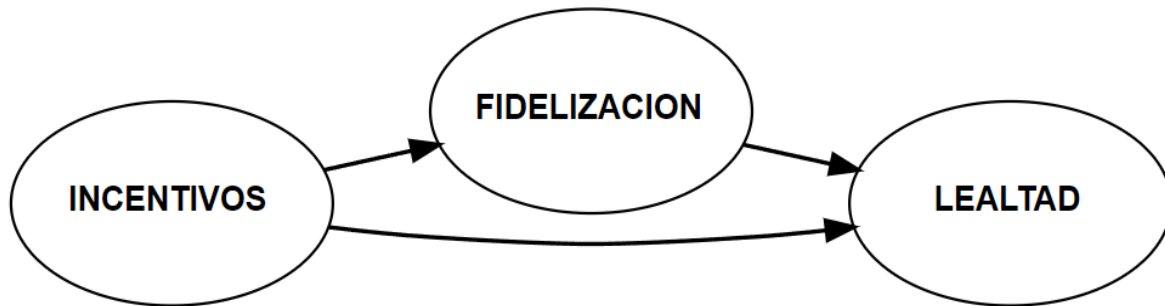
Note. Service quality is a key factor in strengthening the relationship between incentives, loyalty, and customer retention.

In Figure 1, the relationship between incentives, loyalty, and retention is essential for the commercial development of a company, particularly when offering a basic service like internet in a competitive market such as Machala. Customer retention refers to the strategies and actions implemented by companies to retain their customers, usually through incentives or tangible benefits. Meanwhile, customer loyalty involves both an emotional and rational commitment to the brand, based on trust and perceived value.

Through well-designed strategies, the use of incentives can lead customers to take specific actions aligned with the company's objectives, such as making payments for the service, recommending it to potential customers, or strengthening their brand loyalty. In other words, service quality can be defined as a key factor in customer retention. When these factors are considered by companies

offering internet services in the city of Machala, they can effectively retain customers and attract new ones.

As mentioned earlier, this study will evaluate internet service companies in the city of Machala, considered an efficient commercialization area where companies can expand and offer quality services. In this context, the general objective of the research is: To identify how the impact of incentives, retention, and loyalty influences internet service companies, through the analysis of their effect on perceived brand value, customer engagement, and the construction of long-term relationships.

Literature Review and Hypothesis Development

Theoretical Background

The background of the relationship between retention, incentives, and loyalty in the growth of a company dates back to studies primarily focused on the field of relationship marketing, which is characterized by the strong consumer loyalty toward a company's products over a given period. These ideas go back to the 1980s with the contributions of Berry (2002), who emphasized the importance of long-term relationships between a company and its consumers, basing the strength of that relationship on trust and satisfaction with the service provided.

By the end of the decade, the service quality theory proposed by Parasuraman et al. (1988) highlighted how consumers, based on their perception of the service or product, would be willing to develop a loyalty relationship with the selling brand. Later, in 1999, Oliver's model of satisfaction and loyalty further developed these concepts by linking satisfaction with repeat purchasing behavior.

Currently, customer retention has been enhanced by various digital implementations, such as personalized marketing programs, aimed at strengthening the emotional bonds that can be formed with consumers. These aspects are vital for retaining customers and improving a company's financial performance, making this type of strategy fundamental in the pursuit of commercial competitiveness.

Independent Variable

Retention

Currently, customer retention is a fundamental aspect in the development of any company, employing a variety of strategies to build long-term relationships that help define the company's strategic goals. It is also essential to differentiate from competitors and ensure that the customer considers the brand as their primary choice when making economic decisions (Seminario et al., 2022).

Retention is achieved through consistent experiences. A clear example of this is ongoing and positive interactions (V. Kumar, 2018). Customer retention programs are key tools for better understanding the customer and successfully connecting them with the brand (V. Kumar, 2018). Additionally, these programs aim to design effective strategies to engage with clientele by identifying target market segments. One particularly valuable resource is word-of-mouth as a promotional method supported by strong communication and interpersonal relationships (Barrientos & Caldevilla, 2022).

Service quality is understood as the expectations held by the customer—what they anticipate before receiving the service—as well as the perception they form after the service has been delivered. These expectations are shaped by various factors, such as recommendations from friends, past experiences, or the company's reputation (Silva et al., 2021).

Moreover, service quality can vary depending on the context in which it is offered and the available competition. Meeting or exceeding these expectations is essential for generating satisfaction, loyalty, and differentiation in the market.

Within this framework, retention emerges as a key component, as results from consistent service quality that not only meets but exceeds customer expectations.

Thus, service quality can be defined as the effort companies make to satisfy customer needs and desires, ensuring that the service provided aligns with those expectations. This quality is determined by two main factors: the customer's experience at any given time and the fulfillment of expected standards, which may be set by the company itself or stem from the customer's prior expectations of the service (Norawati et al., 2021).

In this way, high service quality not only meets the customer's needs but surpasses them, contributing to the creation of a positive brand image. It is vital to the structure of a company, as providing high-quality service strengthens long-term relationships (Homburg et al., 2017). Additionally, service quality affects various strategic aspects such as market differentiation and competitiveness, since customers tend to prefer brands that deliver a superior and consistently reliable experience (Silva et al., 2021).

Consequently, companies should place greater importance on understanding these two variables —expectation and perception—to coordinate and implement improvements in service quality. This involves not only fulfilling promises made to customers, but also continuously striving to enhance all aspects of service, from staff training to innovation in products and services. The goal is to satisfy customers of internet service companies in the city of Machala—not only by meeting but exceeding their expectations— to retain customers and encourage positive feedback and recommendations.

Customer service is considered one of the key tools for ensuring service quality, focusing on assisting users or consumers throughout the purchasing process. All companies, regardless of type, aim to maintain their financial stability by employing strategies aligned with their business goals (Ordoñez & Zaldumbide, 2020). In this sense, customer service has gained increasing relevance in recent decades, given the growing competition fueled by service innovations and rising customer expectations—not only for higher quality but also for better pricing to meet their needs (Martínez et al., 2022).

Service quality plays a crucial role in shaping the customer's perception of their experience with the company. However, this depends not only on network performance but also on factors such as security, information, organization, and above all, the user's satisfaction with the product (Cordero et al., 2023). Personalized attention and beneficial experiences strengthen the connection between the buyer and the brand, making the relationship more meaningful and engaging.

Customer experience encompasses the overall impression a customer forms of a company, based on all interactions—before, during, and after the purchase. It includes factors such as the quality of the product or service, customer service, ease and convenience. Additionally, elements such as branding, marketing, and social media presence also contribute significantly to shaping customer experience.

Consequently, a positive experience can generate loyalty and recommendations, while a negative one can lead to customer churn and harm the company's reputation (Rane et al., 2023). Positive experience fosters customer satisfaction, leading to a stronger connection to the company's services.

Customer experience is essential to companies' marketing strategies, serving as a tool to engage consumers through innovative strategies. These strategies aim to engage and influence customers through sensory experiences to encourage visits to company reference points (Dubuc-Pina, 2022).

A recommendation system suggests specific items among a broader range, based on user preference. Recommendation systems are increasingly used in an evolving and interconnected society, as they help reduce information overload by redirecting the user toward relevant content, offering the most appropriate recommendations. Therefore, they play a crucial role in improving user experience and guiding decision-making.

Superior service quality not only strengthens customer loyalty but also promotes long-term retention. Key factors related to service quality and its impact on customer satisfaction include immediate response, transaction wait times, and prompt attention to prompt attention to complaints, all of which are key indicators of perceived service quality (Zavala & Valencia, 2021).

Incentives

It is essential to recognize the value of customers, reward their loyalty, and share some of the benefits generated through their relationship with the company. Implementing incentive programs is seen as a positive factor in building customer trust and enhancing consumer experience and the development of an optimal consumer experience. In this regard, incentives are linked to factors such as marketing and communication, which help support effective customer retention strategies. (Arcentales & Ávila, 2021).

Furthermore, companies today are focusing on how they utilize social media to launch customer loyalty programs using different types of economic incentives. This strategy does not necessarily require monetary investment, as the aim is for the audience to actively engage in sharing and promoting the brand's content (Barragán et al., 2022).

Relatedly, customer retention is defined as the next step following an interaction between the customer and the company offering a chance for existing customers to return and make repeat purchases from the same company (Sağlam & Montaser, 2021, p. 192). Retaining customers is essential for reducing acquisition costs (Zeithaml et al., 2020).

Moreover, the dimensions of customer retention include both repeat purchases and referrals to other consumers. Repeat purchases refer to customers continuing to buy products or services from the same company while referrals involve customers encouraging others to make purchases from the same company (Harriet et al., 2024).

Therefore, prioritizing retention to retain customers is more important than losing customers; it is a critical factor to manage, especially in highly competitive markets or when new customer acquisition becomes difficult. (Cavaliere et al., 2021). Most companies focus on processes that emphasize service quality to retain their customers, adapting to changing expectations and offering added value. This approach allows them not only to secure a strong customer base but also to build a reputation that distinguishes them from the competition—an essential aspect in increasingly competitive markets (Flores et al., 2021).

Additionally, customer orientation refers to the ability of company staff to assist and serve customers, with employees acting as guides in both decision-making and service delivery. Customer orientation can be understood in terms of two dimensions: needs and enjoyment. The needs dimension relates to

the employee's belief in their ability to meet customer demands. Enjoyment, on the other hand, is associated with the employee's satisfaction and enthusiasm in interacting with and serving customers (Aburayya et al., 2020).

Dependent Variable

Loyalty

Loyalty is the commitment a person makes to another person or to a company. As a regular buyer, the customer demonstrates a preference and recognizes the company that best meets their expectations. This allows them to recommend the company's services objectively, without being influenced by competitors (Khairawati, 2020, p. 17).

Loyalty is based on commitment to the company, in which the customer does not merely act as a conventional buyer, but rather demonstrates a consistent and predictable pattern of behavior. Likewise, the customer seeks to maintain a positive attitude and choose companies that meet their needs, with the intention of making continuous purchases (Hari et al., 2019).

Therefore, customers are more likely to develop loyalty toward a company when they are offered quality service, promotions, product variety, discounts and special bonuses. This not only creates a memorable experience for the customer but also helps establish a strong emotional bond. In this way, companies encourage continued purchasing and can implement retention strategies to meet customer needs. Additionally, companies feel rewarded when customers demonstrate loyalty (Chee & Husin, 2020).

From this, it is possible to evaluate the experiences customers have had with the competitive sector, and and respond quickly to show that the company offers superior growth potential and service quality. In the case of internet service providers, it is essential to ensure strong signal quality and to provide reliable and efficient service to customers (Albari & Kartikasari, 2019).

Hypothesis Development

After conducting a thorough investigation into this issue, three main hypotheses have been formulated, offering a comprehensive perspective on the impact of service quality. These hypotheses focus on key aspects that could transform how internet service providers manage customer service strategies and improve their competitive positioning in the market.

H1. Incentives significantly strengthen customer loyalty.

Incentives have a positive impact on brand consolidation and on achieving loyalty from both new and existing customers. Incentives are considered a functional commercial tool based on the rewards offered to customers for their loyalty. Currently, there are countless loyalty programs based on incentives, emphasizing that investing in the brand's identity facilitates the creation of the emotional bond needed for the customer to remain connected to the service or product for an extended period (Mejía, 2020).

H2. Incentives are seen as a key business tool that rewards customer loyalty.

Engagement refers to how customers are attracted to participate or interact with the service or product offered by the company. This can be achieved by implementing strategies designed to build a stronger relationship with the customer, prioritizing their satisfaction with the service, and thus emphasizing the achievement of business objectives (Vera & Ornelas, 2020).

H3. Long-term relationships resulting from retention significantly impact customer loyalty.

Customer retention involves strategies aimed at building a solid brand–customer relationship, thereby generating trust and fostering a prolonged relationship between the consumer and the company These actions bring benefits such as improved customer segmentation, higher sales, and financial stability through better targeting of customer needs (Espinosa & Schol, 2022).

METHODOLOGY

This research takes a quantitative approach to determine how incentives impact customer retention and loyalty by analyzing their effect on perceived brand value, customer engagement, and the development of long-term relationships.

This approach also aims to collect and analyze numerical data to answer the research questions and is characterized by the systematic collection of quantifiable information followed by detailed analysis (Vizcaino et al., 2023).

Population and Sample

This study used a non-random convenience sampling method, selecting participants based on their availability. This approach is appropriate given that the objective of the study is to analyze the effects of incentives and customer loyalty on internet service providers located in the city of Machala.

The analysis group consisted of internet service users who voluntarily agreed to participate in the survey, which facilitated efficient and accurate data collection in the city (Velasco & Martínez, 2019).

Although convenience sampling does not guarantee an exact representation of the general population, it has provided valuable data for understanding consumer loyalty and retention dynamics in the region's telecommunications sector. In total, 384 surveys were conducted, providing accurate and relevant information for the study.

Data Collection Instrument

A Likert scale survey was administered. This type of scale quantifies respondents' perceptions using a range of options scored from one to five. For this study, the following response options were used: Strongly disagree, Disagree, Neutral, Agree, and Strongly agree.

The constructs of incentives, loyalty, and retention were measured using the following scales:

Incentives (IYP):

- Measured items included clear communication of promotions, recognition of loyal customers, and perceived benefits.
- Reliability: Cronbach's alpha = 0.93
- Average Variance Extracted (AVE): 0.76

Loyalty (LEA):

- Items evaluated: Repeat purchases, provider preference, and recommendations to third parties.
- Reliability: Cronbach's alpha = 0.91
- Average Variance Extracted (AVE): 0.78

Retention (FID):

- Items evaluated: Service recommendation, preference as first choice, and fulfillment of expectations.
- Reliability: Cronbach's alpha = 0.92
- Average Variance Extracted (AVE): 0.69

All factor loadings exceeded the 0.50 threshold, ranging from 0.78 to 0.90. Discriminant validity was also confirmed using the Fornell–Larcker criterion and HTMT ratios (all < 0.85).

Dependent Variable: Loyalty

Customer loyalty was measured through indicators such as repeat purchases, service preference, third-party recommendations, customer satisfaction, perceived service quality, and the company's long-term operation.

Independent Variables: Incentives and Retention

Incentives:

Incentives refer to rewards offered by a company to encourage customer loyalty. For example, discounts or promotions on internet services. In this context, internet service providers should leverage incentives as strategic tools to enhance customer retention and loyalty, ultimately contributing to business growth.

Retention:

Retention refers to strategies companies use to maintain long-term customer relationships. These strategies should focus on offering personalized services, meeting customer needs, and fostering a sense of belonging.

Data Analysis Techniques

The data were analyzed using correlation analysis within a structural equation modeling (SEM) framework. This method allows for evaluating and quantifying the relationships between independent and dependent variables, providing deeper insight into the underlying dynamics of the study.

Correlation analysis was initially used to determine the existence and strength of associations among the variables considered in the research. Correlation coefficients were calculated based on the data characteristics and the statistical assumptions satisfied.

Subsequently, the SEM model allowed for the simultaneous analysis of multiple relationships between latent and observed variables, overcoming the limitations of traditional analyses such as multiple regression.

Results and Discussion

Descriptive Analysis

Table 1. Multiple Correlation Matrix and Descriptive Statistics of the Variables

	LEA2	LEA3	LEA4	CDS3	FID1	FID2	FID3	FID5	EDC1	EDC2	EDC3	EDC5	RDC1	RDC5	OAC4	OAC5	IYP2	IYP3	IYP4	IYP5
LEA2	1																			
LEA3	0,76	1																		
LEA4	0,79	0,79	1																	
CDS3	0,55	0,61	0,6	1																
FID1	0,6	0,55	0,61	0,62	1															
FID2	0,6	0,57	0,61	0,62	0,76	1														
FID3	0,62	0,61	0,64	0,66	0,72	0,72	1													
FID5	0,6	0,58	0,62	0,7	0,7	0,71	0,73	1												
EDC1	0,68	0,68	0,67	0,58	0,7	0,62	0,62	0,63	1											
EDC2	0,68	0,68	0,67	0,58	0,6	0,63	0,57	0,62	0,79	1										
EDC3	0,68	0,7	0,67	0,59	0,56	0,61	0,62	0,59	0,72	0,75	1									
EDC5	0,7	0,7	0,71	0,57	0,62	0,61	0,62	0,6	0,75	0,72	0,77	1								
RDC1	0,62	0,63	0,65	0,6	0,63	0,65	0,68	0,65	0,64	0,6	0,67	0,7	1							
RDC5	0,7	0,71	0,73	0,62	0,64	0,62	0,67	0,65	0,68	0,69	0,69	0,74	0,75	1						
OAC4	0,64	0,62	0,65	0,54	0,58	0,63	0,6	0,59	0,63	0,64	0,64	0,67	0,69	0,69	1					
OAC5	0,68	0,69	0,73	0,64	0,62	0,62	0,67	0,66	0,68	0,63	0,7	0,71	0,71	0,79	0,73	1				
IYP2	0,66	0,6	0,57	0,47	0,57	0,58	0,52	0,54	0,63	0,66	0,55	0,56	0,56	0,59	0,54	0,59	1			
IYP3	0,67	0,6	0,66	0,57	0,65	0,6	0,66	0,63	0,67	0,65	0,64	0,67	0,65	0,71	0,61	0,72	0,74	1		
IYP4	0,63	0,61	0,67	0,51	0,6	0,6	0,59	0,6	0,62	0,64	0,57	0,63	0,61	0,69	0,61	0,67	0,71	0,83	1	
IYP5	0,71	0,68	0,67	0,54	0,6	0,63	0,63	0,63	0,66	0,64	0,66	0,7	0,73	0,7	0,65	0,69	0,73	0,77	0,79	1

The correlation matrix among the observed indicators reveals significant patterns in the relationship between the variables associated with loyalty (LEA), retention (FID), and incentives (IYP). High correlations within each group of indicators suggest that the items measure well-defined constructs. Additionally, moderate correlations between groups indicate a connection among the dimensions, suggesting that factors such as retention and incentives play a relevant role in customer loyalty.

As shown in Table 1, the loyalty indicators (LEA2, LEA3, LEA4) display high inter-correlations, with values ranging from 0.76 to 0.79. Customers who are willing to subscribe to additional services with their current provider (LEA2) intend to continue using the service as their primary choice (LEA3), and prefer to stay with their current provider even when similar alternatives exist in the market (LEA4). These relationships reinforce the internal consistency of the loyalty construct.

In the case of the retention indicators (FID1, FID2, FID3, FID5), the correlations range from 0.62 to 0.73. The strongest relationships are found between service recommendation (FID3) and preference for the current provider (FID5), suggesting that satisfaction with the benefits and promotions offered has a direct impact on customers' willingness to recommend the company and prioritize it over other options. This underscores the importance of meeting customer expectations regarding benefits and promotions.

Regarding incentives (IYP2, IYP3, IYP4, IYP5), correlations are particularly high, with values between 0.71 and 0.83. This indicates that these items are closely related, measuring aspects such as the provider's effective communication, recognition of customer loyalty, and perception of offered benefits. The highest correlation (0.83) occurs between the variables assessing information about promotions (IYP3) and rewards for loyal customers (IYP4), suggesting that maintaining clear and active communication with customers has a significant impact on their perception of incentives.

Finally, the moderate correlations among the loyalty, retention, and incentive constructs (ranging from 0.55 to 0.71) show that these dimensions are interconnected. For example, incentives and provider communication (IYP) have an impact on retention (FID), which in turn reinforces loyalty (LEA). These relationships highlight that, although each construct measures distinct aspects, together they contribute to an integrated customer experience.

In conclusion, the results suggest that the indicators consistently measure the constructs of loyalty, retention, and incentives. Customer loyalty toward internet providers is influenced by both retention and incentives. Strategies such as clear communication about benefits and promotions, recognition of loyal customers, and providing services that meet customer expectations can significantly strengthen loyalty. Internet companies should focus on optimizing these aspects to improve customer perception and foster long-term relationships.

Confirmatory Model

Table 2. Construct Reliability and Convergent Validity (AVE)

Latent Variables	Observed Variables	Factor Loading >0.5	Cronbach's Alpha >0.7	Composite Reliability >0.7	Average Variance

					Extracted (AVE) >0.5
LOYALTY	LEA2	0.88	0.91	0.91	0.78
	LEA3	0.87			
	LEA4	0.90			
RETENTION	CDS3	0.78	0.92	0.92	0.69
	FID1	0.82			
	FID2	0.83			
	FID3	0.86			
	FID5	0.86			
INCENTIVES	IYP2	0.81	0.93	0.93	0.76
	IYP3	0.90			
	IYP4	0.90			
	IYP5	0.88			

$\chi 2$ standardized = 296.808 (gl = 113); p < 0.000; GFI = 0.856; NFI = 0.898; CFI = 0.934; RMSEA = 0,092

Table 3.- Discriminant Validity

Fornell–Larcker Criterion

Construct	LOYALTY	RETENTION	INCENTIVES
LOYALTY	0.78	0.66	0.69
RETENTION		0.69	0.66
INCENTIVES			0.76

Heterotrait-Monotrait Ratio (HTMT)

Construct	LOYALTY	RETENTION	INCENTIVES
LOYALTY	1		
RETENTION	0.81	1	
INCENTIVES	0.83	0.80	1

Table 3 shows that the analysis of reliability and convergent validity for the constructs **Loyalty**, **Retention**, and **Incentives** was carried out using factor loadings, Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE). The results indicate that the constructs meet the established criteria, suggesting that the indicators consistently and validly measure the proposed dimensions.

Reliability and Internal Consistency
Table 2 shows that Cronbach's alpha for all three constructs exceeded the acceptable threshold of 0.7, with values of 0.91 for **Loyalty**, 0.92 for **Retention**, and 0.93 for **Incentives**. These results confirm that the observed variables associated with each construct exhibit adequate internal consistency (Hair et al., 2019). In addition, the Composite Reliability (CR), which assesses the stability and precision of the measurements, reached values of 0.91, 0.92, and 0.93 respectively, all surpassing the recommended threshold of 0.7.

Convergent Validity
The Average Variance Extracted (AVE) for the constructs also met the minimum criterion of 0.5, suggesting that more than 50% of the variance in the indicators is explained by their

corresponding construct. The AVE values were 0.78 for **Loyalty**, 0.69 for **Retention**, and 0.76 for **Incentives**. These results indicate adequate convergent validity, meaning that the items within each construct are highly correlated and appropriately represent the underlying concept.

Factor Loadings

All item factor loadings exceeded the threshold of 0.5, with values ranging from 0.78 to 0.90. This supports the evidence that each indicator significantly contributes to its respective construct. For instance, the items LEA2, LEA3, and LEA4—used to assess loyalty—showed factor loadings of 0.88, 0.87, and 0.90, respectively, demonstrating a strong association with the **Loyalty** construct. Similarly, the indicators for **Retention** and **Incentives** also presented high factor loadings, confirming the relevance of each item in measuring its corresponding construct.

The **Loyalty**, **Retention**, and **Incentives** constructs demonstrated solid reliability and adequate convergent validity. Cronbach's alpha and Composite Reliability values exceeded the 0.70 benchmark for all constructs, confirming strong internal consistency. Similarly, all AVE values were above 0.50, indicating that the manifest variables adequately explain the variance of their respective constructs. These findings confirm that the observed variables reliably and validly measure the constructs, supporting their use in structural modeling and other related statistical analyses.

Structural Model Fit Analysis

The structural model demonstrated satisfactory fit across incremental, absolute, and parsimony indices. The Comparative Fit Index (CFI = 0.98) and Tucker–Lewis Index (TLI = 0.97) exceeded the 0.90 threshold, indicating excellent model fit. The Normed Fit Index (NFI = 0.96) further supported the quality of the incremental fit.

As for absolute fit, the Root Mean Square Error of Approximation (RMSEA) was 0.07, with a 90% confidence interval of [0.06, 0.09], indicating acceptable fit The Standardized Root Mean Square Residual (SRMR = 0.02) indicated excellent agreement between the observed and predicted covariance structures.

Parsimony and goodness-of-fit indices also indicated consistent and acceptable model performance. The Parsimonious Normed Fit Index (PNFI = 0.73) was within the acceptable range for parsimonious models. Additionally, the Goodness of Fit Index (GFI = 0.94) and McDonald's Fit Index (IMF = 0.88) indicated a satisfactory model fit. The Expected Cross-Validation Index (ECVI = 0.54) suggested good generalizability of the model to independent samples.

Overall, the structural equation model demonstrated strong reliability and validity, with satisfactory fit across key incremental, absolute, and parsimony indices The constructs of Loyalty, Retention, and Incentives can be reliably used to model user perceptions and behaviors in the context of internet services. However, although the RMSEA value was within the acceptable range, it suggests that further model refinement may improve overall fit. These results reinforce the model's utility for statistical applications and for generating meaningful insights about users.

Structural Relationships Model

Structural Equation Modeling (SEM) is a statistical technique used to assess causal relationships between variables. It integrates elements of regression and factor analysis to model complex relationships among observed and latent variables.

Fit indices are used to evaluate how well the SEM model represents the data. Several common indices are used to assess model fit:

- **Chi-square (χ^2):** Assesses whether there is a significant discrepancy between the observed and expected data.
- **RMSEA (Root Mean Square Error of Approximation):** Evaluates the fit of the model while accounting for model complexity.
- **CFI (Comparative Fit Index):** Measures the improvement of the model relative to a null model.
- **TLI (Tucker–Lewis Index):** Similar to the CFI, but penalizes model complexity.
- **SRMR (Standardized Root Mean Square Residual):** Evaluates the average difference between the observed and predicted correlations.

When conducting SEM, model modifications may be necessary to improve fit. Such modifications should be grounded in theoretical justification, not solely in the desire to improve statistical fit.

In some cases, model constraints may be relaxed to allow additional relationships between variables, provided these changes are theoretically justified.

Figure 2. Factor Loadings (λ) of the Indicators
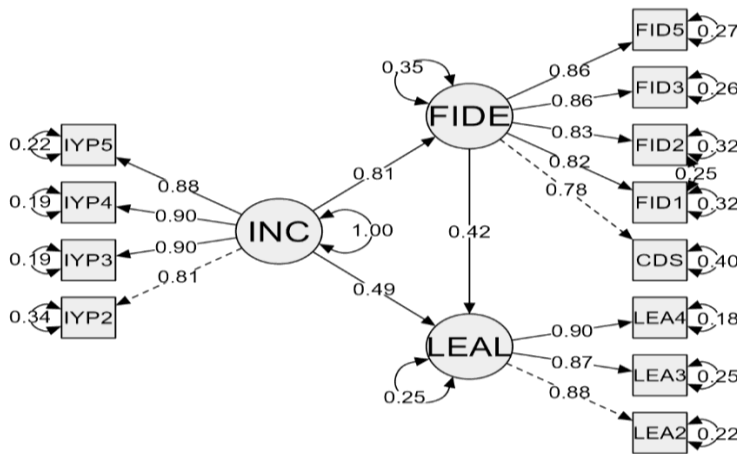
Tabla 4. Hypothesis Testing

Hypot hesis	Path		Standardized Coefficient	Standar d Error	Z-Value	p	95% Confidence Interval		Decision
							Lower bound	Upper bound	
H1	INCENTIVES	LOYALTY	0.49	0.11	4.61	0.00***	0.28	0.69	√
H2	INCENTIVES	RETENTION	0.81	0.04	20.69	0.00***	0.73	0.88	√
H3	INCENTIVES	LOYALTY	0.42	0.11	3.77	0.00***	0.20	0.63	√

The analysis of the structural equation model (SEM) revealed significant insights into the influence of incentives on both retention and loyalty, as well as the impact of retention on loyalty. These results are consistent with the theoretical framework, and the reported values reinforce the robustness of the model.

As shown in Table 4, there is a positive and statistically significant relationship between Incentives and Loyalty ($\beta = 0.49$, $Z = 4.61$, $p < 0.001$). This standardized coefficient suggests that incentives exert a substantial influence on loyalty. The 95% confidence interval [0.28, 0.69] excludes zero, confirming the statistical significance of the relationship. Moreover, the low standard error (SE = 0.11) indicates a precise and stable estimate.

Similarly, Incentives demonstrated a strong and statistically significant effect on Retention ($\beta = 0.81$, $Z = 20.70$, $p < 0.001$). This result suggests that incentives not only directly affect loyalty, but are also a key factor in fostering customer retention. The 95% confidence interval [0.73, 0.88] further supports the validity of this relationship, while the low standard error (SE = 0.04) is consistent with a well-fitting model.

Finally, **Retention** was found to have a positive influence on **Loyalty** ($\beta = 0.42$, $Z = 3.77$, $p < 0.001$). Although the effect size is smaller than that of incentives, the relationship remains statistically significant, suggesting that retained customers are more likely to exhibit loyalty. The 95% confidence interval [0.20, 0.63] supports the significance of this relationship, although the wider range and higher standard error (SE = 0.11) indicate greater variability in the estimate.

Discussion

The structural equation model (SEM) is designed to analyze interrelationships among variables within a given field of study, a methodological approach that has gained considerable relevance in recent years. In this context, SEM can help validate compensatory factors present in educational and digital environments, supporting improvements in teaching and learning processes.

Customer retention has been extensively studied, particularly regarding how service quality and positive experiences influence continued brand preference. Recent studies suggest that the most effective retention strategies are strongly tied to customer satisfaction, which is influenced by both emotional factors and the quality of customer interaction (Quezada et al., 2024). Additionally, offering personalized experiences and maintaining close contact with users have proven to be fundamental elements in building long-term relationships, particularly in industries such as tourism (Sanagustín et al., 2021).

Furthermore, Macas et al. (2024) explain that loyalty also depends on product quality. For internet service providers, the way the service is delivered plays a critical role—what differentiates one provider from another is their ability to attract customers and foster meaningful connections. This allows for the development of customer-centric strategies that foster loyalty, enhancing retention and promoting positive word-of-mouth and brand referrals.

Customer loyalty has also been studied from different perspectives, including perceived quality and overall satisfaction. Findings suggest that loyalty is influenced not only by service quality but also by sustainability initiatives adopted by companies (Granados et al., 2022).

Organizations that adopt sustainable practices can enhance both the customer experience and their overall value proposition. Organizations that adopt sustainable practices can enhance both the customer experience and their overall value proposition (Rodríguez et al., 2023).

Similarly, Silva et al. (2021) argue that customer loyalty is demonstrated through repeat purchases, third-party recommendations, and perceived service quality. In this context, it is essential to assess how customers perceive the company over time and identify strategies to strengthen those relationships.

According to Pierrend (2020), implementing strategic actions is essential for companies aiming to maintain their customer base and attract new clients. Among the most common strategies are personalized attention programs, competitive interest rates, and the addition of unique value propositions.

Regarding incentives, it has been confirmed that they are a fundamental part of maintaining a loyal customer base. These incentives can be monetary or non-monetary (Carreón & Ramírez, 2023). Their effectiveness depends on the company's ability to manage customer relationships while honoring the mutual commitment between both parties (Miranda et al., 2022).

In summary, the studies reviewed indicate that customer retention and loyalty are influenced by multiple factors, including service quality, research tools, marketing strategies, technology, and the establishment of stable company–customer relationships. Consequently, there is a strong emphasis on implementing strategies that help companies improve their services over the long term.

Limitations and Future Research Directions

Limitations
- **Geographic context:** The study was limited to internet service companies in Machala (Ecuador), which restricts its applicability to other markets or sectors.
- **Non-probability sampling:** There is a risk of self-selection bias and lack of representativeness.
- **Reliance on self-reported data:** Possible bias due to the subjective responses of participants.
- **Quantitative approach:** The study did not explore qualitative perspectives on customers' in-depth perceptions.

Future Research
Future studies could replicate this research in other cities in Ecuador or emerging economies to compare results across diverse sociocultural contexts. This approach would contribute to a more global understanding of the factors that determine consumer loyalty and retention.

It is also important to examine moderating variables such as demographics (e.g., age, income) or cultural factors that may affect the impact of incentives and service quality, offering a more nuanced understanding of the results.

Finally, incorporating additional variables—such as the impact of technology, service sustainability, or market competition—could offer a more comprehensive perspective on the factors affecting retention. In conclusion, while the current findings emphasize the role of incentives and service quality, future research should address the study's methodological

limitations and expand its scope to gain a deeper and more diverse understanding of the phenomenon across different contexts.

CONCLUSIONS

In conclusion, the findings show that incentives are a key driver of both customer retention and loyalty. Although retention also has a positive effect on loyalty, its impact is slightly less significant than that of incentives. These findings suggest that companies should develop marketing strategies that prioritize service design and incentive structures.

Efficient, personalized, and effective customer service is essential, as it increases the likelihood of continued customer engagement. This aligns with strategies aimed at fostering strong, long-term customer relationships.

Moreover, providing good customer service also improves the image and reputation of companies in Machala. Consumers tend to recommend businesses where they have had satisfactory experiences, generating new customers through word-of-mouth. Thus, companies that focus on improving customer care not only retain their current client base but also attract new potential customers.

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CONFLICT OF INTEREST

The authors declare no conflict of interest.