

## WHAT KEEPS CLIENTS COMING BACK? RETHINKING LOYALTY THROUGH THE LENS OF SERVICE SUPERIORITY

### *O QUE FAZ OS CLIENTES VOLTAREM? REPENSANDO A FIDELIDADE SOB A PERSPECTIVA DA SUPERIORIDADE NO ATENDIMENTO*

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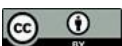
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#### **Abstract**

As Malaysia's digital economy continues to expand, more organizations are turning to Third-Party Maintenance (TPM) providers for their flexibility and cost efficiency compared to traditional Original Equipment Manufacturer (OEM) services. Yet, existing studies on service quality based on the traditional SERVQUAL model fail to address modern drivers of Business-to-Business (B2B) loyalty, such as pricing transparency, privacy, and security. This study proposes an enhancement to service quality theories. It extended to the Service Superiority framework, which includes the traditional (reliability, responsiveness, assurance, empathy, and tangibles) and modern factors (privacy & security, cost efficiency) to predict renewal intentions, with perceived value as a mediator. A survey of 352 TPM customers, which consists of participation from the industrial, telecommunications, and healthcare industries. It was analyzed using structural equation modeling (SEM). Service superiority factors significantly increased perceived value, with the most influence coming from cost-effectiveness and privacy & security. While the service renewal was mediated by perceived value, responsiveness and reliability were found to have the strongest

#### **Resumo**

Com a expansão contínua da economia digital da Malásia, mais organizações estão recorrendo a provedores de Manutenção de Terceiros (TPM) devido à sua flexibilidade e custo-benefício em comparação aos serviços tradicionais de Fabricantes de Equipamentos Originais (OEM). No entanto, os estudos existentes sobre qualidade de serviço baseados no modelo SERVQUAL tradicional não abordam os fatores modernos de fidelização no mercado B2B (Business-to-Business), como transparência de preços, privacidade e segurança. Este estudo propõe um aprimoramento das teorias de qualidade de serviço. Ele expande a estrutura de Superioridade de Serviço, que inclui fatores tradicionais (confiabilidade, capacidade de resposta, segurança, empatia e tangibilidade) e modernos (privacidade e segurança, custo-benefício) para prever as intenções de renovação, com o valor percebido como mediador. Uma pesquisa com 352 clientes de TPM, incluindo participantes dos setores industrial, de telecomunicações e de saúde, foi realizada e analisada utilizando modelagem de equações estruturais (MEE). Os fatores de superioridade de serviço aumentaram significativamente o valor percebido, com maior influência proveniente da relação custo-benefício e da privacidade e segurança. Embora a



direct influence. This indicates that the operation performance is important in any service industry. This research demonstrates that in digitally intensive Malaysian markets, TPM service providers capable of delivering secure, transparent, and cost-effective services without compromising reliability are best positioned to build and sustain long-term client relationships. In practice, the study enhances understanding of service quality theory in the context of TPM by integrating traditional and modern factors.

**Keywords:** Service Quality. Servqual. Service Superiority. Perceived Value. Contract Renewal. Third-Party Maintenance.

*renovação do serviço tenha sido mediada pelo valor percebido, a capacidade de resposta e a confiabilidade foram consideradas os fatores de influência direta mais fortes. Isso indica que o desempenho operacional é importante em qualquer setor de serviços. Esta pesquisa demonstra que, em mercados malaios com alta intensidade digital, os provedores de serviços de Manutenção de Terceiros (TPM) capazes de oferecer serviços seguros, transparentes e com boa relação custo-benefício, sem comprometer a confiabilidade, estão em melhor posição para construir e manter relacionamentos de longo prazo com os clientes. Na prática, o estudo aprimora a compreensão da teoria da qualidade de serviço no contexto da TPM, integrando fatores tradicionais e modernos.*

**Palavras-chave:** Qualidade de Serviço. Servqual. Superioridade de Serviço. Valor Percebido. Renovação de Contrato. Manutenção de Terceiros.

## 1 INTRODUCTION

### 1.1 Background

The widespread use of cloud computing and data & analytics tools has helped Malaysia's digital economy grow rapidly over the past decade. As companies try to be more flexible and efficient, the demand for specialized service offerings has increased with the market requirement for business agility and efficiency. Within this context, the TPM market has come into play as an alternative to OEM. Unlike OEMs, who have had a monopoly over post-sale maintenance, TPM suppliers provide enterprises extended hardware life and more operational efficiency, at times reducing costs by as much as 30%-40% in comparison to the manufacturer (ParkPlaceTechnologies, 2025)

In Malaysia, TPM acceptance within critical industries has gained strong momentum as more and more organizations rely on their specialized services. Many industries, such as manufacturing, healthcare, and telecommunications, rely on IT infrastructure to keep their operations running smoothly and leverage TPM services as part of their strategies. They also depend on TPM support in making sure their businesses can handle technology disruptions, cybersecurity matters, and competitive pressures, aside from the expectation to reduce expenditure and cost.

## 1.2 Research problem

According to GlobeNewswire (2025), the global TPM market is projected to grow from USD 3.7 billion in 2023 to USD 8.1 billion by 2030, at a Compound Annual Growth Rate (CAGR) of 13.5%. This growth is largely driven by the need to support legacy infrastructure, the rising demand for hybrid IT environment, and the push to reduce costs by moving away from OEM contracts (ParkPlaceTechnologies, 2025). In Malaysia, national initiatives such as the MyDIGITAL Blueprint (2021–2030), which prioritizes cost-effectiveness, resilience, and innovation, further encourage and contribute to TPM adoption (MyDigital, 2022). Yet, the ability to close contract deals is crucial about stability, profitability, and long-term competitiveness, continues to be a major challenge for TPM providers.

Price alone is not the sole factor ensuring loyalty, as many TPM suppliers generally offer immense savings over OEM prices to draw their customer (Radzuan, Ali, Isa, & Hassin, 2022). OEMs still have and enjoy a significant number of advantages because of their proprietary technologies, bundled agreements that encourage long-term retention, and strong brand reputation (Zaka, 2025). Clients generally put security, reliability, and strategic support first in a situation where it's hard to switch providers and critical IT systems are already integrated (Jensen, 2025). Most Malaysian TPM service providers have trouble demonstrating such superiority on a regular basis, resulting in short-term business contracts, high client turnover rates, and low sector-based competitiveness.

Although SERVQUAL (Parasuraman, Zeithaml, & Berry, 1994) and other traditional service quality models are still widely applied, they were not that much successful in reflecting how things really are in today's B2B tech-driven world. Customers are increasingly evaluating and choosing providers based on factors other than operational dependability. This includes the support for digital transformation, cybersecurity, data privacy compliance, and cost transparency (Kraus, Jones, Kailer, Chaparro-Banegas, & Roig-Tierno, 2021; Yellanki, 2025, Shahidi Hamedani et al., 2025b).

In Malaysia, this shift is becoming increasingly visible as the nation moves beyond its traditional focus on domestic consumer expenditures. This trend has been clearly demonstrated most recently by procurement reforms enacted under the Dasar

Perolehan Kerajaan Bersepadu. Consequently, vendors are asking for more accountability from their clients and also greater digital resilience and innovativeness (MyDigital, 2022; Economic Planning Unit, 2021)

If the TPM provider companies in Malaysia fail to keep up with these changed customer requirements, their ability to operate economically will likely diminish in future years. As the trend toward providing higher-quality services is accelerated by the drive for reliability, security, and reassurance rather than price, cost-based models are in no way useful anymore. In today's competitive landscape, if a provider is not able to offer superior service performance and responsiveness, then they likely will struggle to attract or retain clients. Over time, this could lead to reduced business opportunities, shrinking market share, and even the exit of smaller resellers from the market.

### **1.3 Research objectives**

The objective of this study is to develop and validate a comprehensive conceptualization of service superiority, which reflects both traditional and modern factors of service excellence. The specific objectives are:

1. To examine the direct influences of service superiority factors (reliability, responsiveness, assurance, empathy, tangibles, privacy & security, and cost efficiency) on contract renewing intention.
2. To test the mediating effects of perceived value on the influence of service superiority-related factors upon contract renewal intention.
3. To determine the key dimensions of service superiority that significantly affect client loyalty and contract renewal in TPM industry in Malaysia.

### **1.4 Significant of the study**

From a scholarly perspective, this study contributes to the body of knowledge on customer retention and service quality. Introducing and integrating a new factor into the traditional models reflects changing expectations and demands among organizations. The paper extends the theoretical explanation of the relationships between service dominance and perceived value and renewal intention in a B2B context using an empirical evidentiary base supporting a model that incorporates reliability, responsiveness,

assurance, empathy, tangibles, privacy and security, and cost efficiency. To represent the increased dynamism of today's digital service ecosystem, it also responds to an academic call for adapting traditional model, such as SERVQUAL.

The finding provides useful insights for TPM provider in Malaysia and other countries in terms of practical standpoint. Managers can make useful of the identified key indicators that drive renewal with the intention to develop customer-focused service strategies, process improvement and resource allocation. For instance, the key indicator for critical renewal drivers is privacy, security, or cost efficiency, TPM companies can invest in stronger cybersecurity measures, transparent pricing models, or cost-reducing innovations to stand out in a competitive market. Furthermore, the mediating role of perceived value highlights the need to create holistic customer experiences that balance financial concerns, security expectations, and reliable service delivery. This is especially important in Malaysia's growing digital economy, where organization are looking for collaboration partners with not just technical know-how but transparency, trust, and strategic value as well. In short, this research offers a roadmap for TPM providers to enhance service differentiation and build long-term client relationships.

## **2 LITERATURE REVIEW**

### **2.1 Overview of service quality in TPM**

Service quality is still the fundamental concept of customer satisfaction and loyalty. The traditional SERVQUAL model founded by Parasuraman et al., (1994), has received a lot of attention. The model is grounded on five dimensions: reliability, responsiveness, assurance, empathy, and tangibles. Even while it is commonly utilized in various service sector, it turns out that it is to be less suitable for technology-driven or B2B sectors such as TPM.

Scholars have further argued that the SERVQUAL concept, while strong and comprehensive, fail to accurately represent the modern service systems that are characterized by digitalization, cybersecurity, and operational resilience, which influence customer perceptions (M.Al-Debeia, Dwivedic, & Hujrane, 2022).

Recent research emphasizes the evolution and adaptation of service quality frameworks to align with the the different eras of the current day. Liu et al. (2025) found

that the modified versions of service quality models for IT services were better at predicting customer loyalty than the classical SERVQUAL model. Mutaz et al. (2021) have also talked about how important service quality and trust in sustaining long-term relationships with clients in the digitalized service era. Likewise, Nurfaizi and Marsasi (2025) also found that reliability and response time are still the decisive factors in contract renewal in B2B service enterprises, but now operation safety and efficiency have become equally critical. These results reinforce the importance of combining traditional and new service factors to respond to changing demands and expectations. Such a transformation is highly appropriate in TPM, where vendors maintain mission-critical IT systems.

## **2.2 The service superiority framework**

Historically, SERVQUAL (Parasuraman et al., 1984) and SERVPERF (Cronin & Taylor, 1992) have been used to measure service quality. Both of these models calculate the difference between the result of service delivery and clients' expectations or notion of performance. While these models were highly influential, they have been criticized for being too transactional and unable to keep pace with the evolving dynamic of today's digital ecosystems (Wu, Leung, & Chan, 2023).

In B2B settings such as in TPM, clients are starting to appreciate services not merely as execution but increasingly as innovation ability, risk management, compliance, and consistency with long-term strategic value (Williams, Ashill, & Naumann, 2023). Recent research further suggests that digitalization is reshaping how clients define and assess service quality. Abdullah et al. (2023) pointed out that, service superiority today goes beyond basic expectation, consists of personalization, resilience, and strategic differentiation as essential elements for long-term client relationships. Hwang et al (2025) observed that the focus has shifted from simply meeting requirements to ensuring predictability and proactive performance, with real-time monitoring and AI-driven diagnostics which replace traditional evaluation methods. This shift marks a clear move away from earlier approaches that viewed service quality mainly through the lens of customer expectations. The study is based on theoretical foundation, which examines seven factors of Service Superiority. It consists of five traditional dimensions of SERVQUAL along with two additional modern factors - Privacy & Security and Cost Efficiency.

1. Reliability - Remains the foundation of service. Smooth operation is important and delivery services need to be consistent and for client to trust a business (Liu, Yuan, Jiang, & Mou, 2025).
2. Responsiveness – This factor is not just responding to problem. The expectation is to be proactive, predictive diagnostics, and preventive care to avoid downtime (Nurfaizi & Marsasi, 2025).
3. Assurance :This includes cybersecurity compliance, certificates, and the global standard norms. This gives confidence for both technical and ethical (Lee, 2024).
4. Empathy: This factor extends beyond being understood through collaboration and understanding client needs, forming the basis of ongoing loyalty in B2B environment (Al-Debei et al., 2021).
5. Tangibles extend beyond physical infrastructure and include digital tools such as control boards, sensors, and AI-assisted analysis as visible proof of competency (Abdullah et al., 2023).
6. Privacy & Security: As TPM manage client's critical systems, cyber-security resilience and data protection have now become key to build confidence and securing renewals (Ma, Ge, Jia, & Wang, 2025)
7. Cost Efficiency: Extending beyond cost-savings, cost efficiency now reflects total ownership value and strategic advantage compared to OEM contracts (Zhang, Li, Huang, & Hua, 2022).

### 2.3 Perceived value

Perceived value is the foundation construct in marketing and service management. This has been recognized worldwide as a key driver of both satisfaction and loyalty for customers following a purchase. "Perceived value" defined as the trade-off between benefit received and sacrifices made by consumer (Zeithaml & Bitner, 2000). Thus, customers not only look at the monetary aspect but also emotional, functional, social, and relational aspects of what they get for their money (Sweeney & Soutar, 2001). In high risk, intangible service environments, client often assess providers and decide whom to continue with based on perceived value rather than financial measures. Perceived value was measured through multilayered frameworks such as PERVAL, which consists of functional, emotional, and social components (Sweeney & Soutar, 2001). This can be

applied and adjusted to individual industries' versions. As an example, modern studies validate these adjustments across places like digital platforms (Pham, Limbu, Le, & Nguyen, 2023), hospitality (Paulose & Shakeel, 2021), and supply chain management (Boukherroub, Sheffi, & Babai, 2023). People often utilize perceived value as a relationship between service superiority and trustworthiness. Slack et al. (2021) proved that factors such as reliability and responsiveness contribute to the increase of perceived value. This implies that it improves the loyalty to B2B networks. Miao et al. (2022) discovered that perceived value and trust combine to drive repeat purchase, and according to Ahmad and Museera, (2024), demonstrating that in technology-assisted services, those who experience effective service actually remain on board for longer time. Long-term contracts bring greater operation risk, and perceived value becomes vital. Aside from being cost-effective, customers also emphasize the importance of timely delivery guarantees, resilience, and relational trust. Therefore, service quality only influences contract renewal when it is perceived as a genuine value addition.

## **2.4 Contract renewal intention**

Contract Renewal Intention (CRI) is a crucial concept especially in the TPM sector, where providers manage mission-critical infrastructures. It shows how likely a client is to keep their contracts depending on how satisfied they were with past services and experiences as well as service delivery (Williams, et al., 2023). Wilkins, Hazzam, & Megicks, (2021), stated that renewal goes beyond as simply a repeat business where it represents trust, credibility, adaptability, and alignment with long-term strategic goals. Research highlights in a broader view that generally renewal only focus on service quality, cost efficiency and total customer satisfaction (Wilkins et al. 2021). However, it is found that client now also consider digital readiness, innovation capability and the quality of relationship with providers (Cliff, 2021; Pingali, Singha, & Arunachalam, 2023). This shift redefines providers from being transactional vendors to becoming strategic partners who actively support clients in their digital transformation journeys (Dotzel & Shankar, 2019).

In dynamic and technology-dependent environments like TPM, renewal becomes more than simple continuation of service. They have become strategic checkpoints for clients to evaluate whether the partnership still supports their operational and business

goals (Shahidi Hamedani et al., 2025c; Xu, Lyu, Xue, & Liu, 2022; Cabral, Ribeiro, & Romão, 2020). CRI is influenced not only by service quality but also affected by providers' ability to foresee risks and deliver timely innovations that align with changing client strategies. Recent studies have reinforced this perspective. Miao et al. (2022) found that innovation compatibility boosts perceived value thereby strengthening renewal intentions. Similarly, Nurfaizi and Marsasi (2025), emphasized that privacy and data security are now decisive factors in renewal decisions especially with cybersecurity threats continuing to rise. Jin et al. (2025) further highlights that management adaptability has a direct link to customer satisfaction and the likelihood of contract extension. In short, CRI in TPM is mediated by perceived value, representing a blend of dependability, efficiency, reliability, and innovation.

## **2.5 Gaps in current research**

There are still a lot of unanswered questions regarding CRI in TPM, even with Malaysia's solid foundation in service quality and loyalty research. Some gaps identified in this study mainly the operating conditions. The majority of research focuses on consumer-facing sectors such as healthcare and hospitality (Shahidi Hamedani et al., 2025, Nguyen et al. 2021; Seo & Um 2023). Although there is B2B research done but not much focusing on TPM which is infrastructure-based where a critical operation management is. Additionally, factors such as privacy, security and cost efficiency have evolved from being optional features to essential service deliveries. Yet, less research has integrated these factors. While the mediating role of Perceived Value is well established in consumer markets, its function in B2B TPM contracts remains unclear, where the decision-making involves higher stakes and more complex risks (Miao et al., 2022; Liu et al., 2025). Apart from that, lack of context in Malaysian national digital economy policy in place. A strong emphasis on innovation, efficiency, and resilience, but research has yet to fully examine how these priorities shape TPM renewal dynamic within the local context.

## 2.6 Research framework

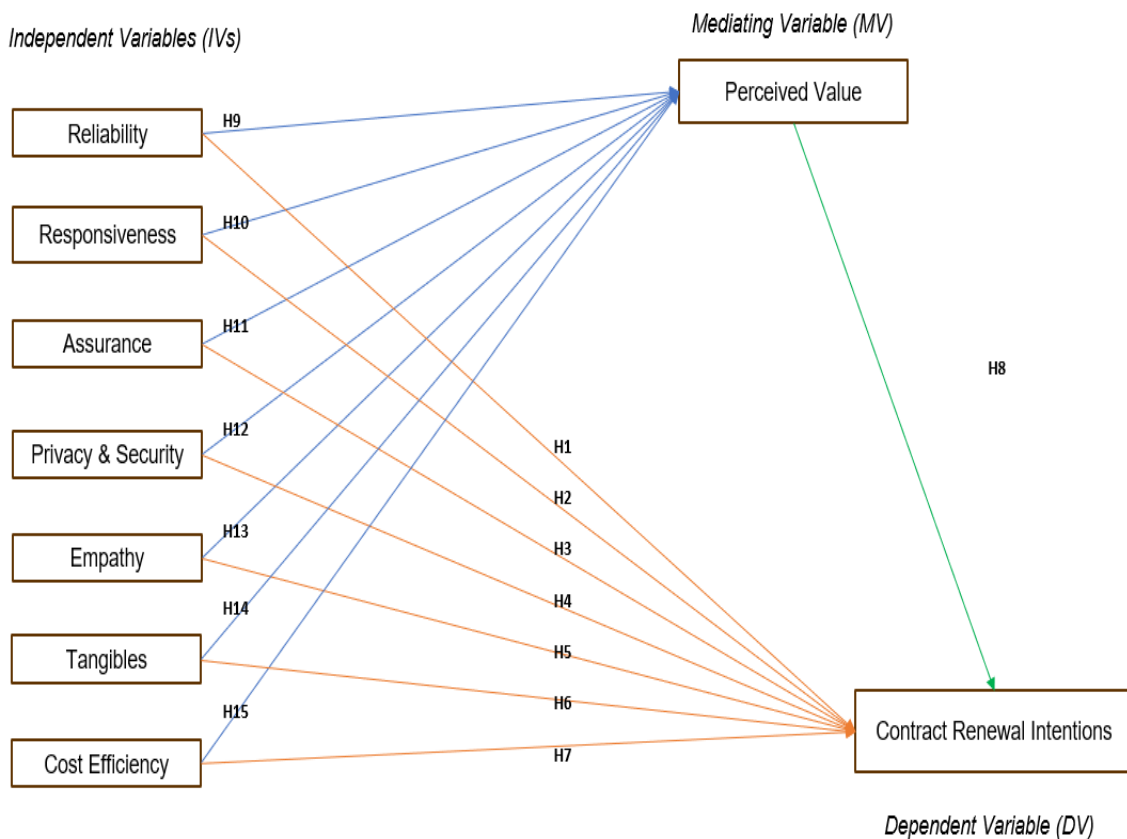
The proposed research framework combines perceived value and CRI with seven service variables of service superiority factors. This study proposed the following hypotheses:

- H1–H7: Service Superiority positively influences CRI.
- H8: Perceived value positively influences CRI.
- H9–H15: Perceived value mediating effect between service superiority and CRI.

This framework consists of traditional SERVQUAL and modern TPM priorities from a behavioral point of view. By situating service superiority within Malaysia's digital economy context, the study aims to generate actionable insights for providers competing in a developing B2B landscape.

**Figure 1**

### *Research Model*



## **3 RESEARCH METHODOLOGY**

### **3.1 Research design**

The target of this study is the Malaysian TPM customer, and it adopts a quantitative research approach with a cross-sectional design to examine the relationship between service superiority factors, perceived value, and CRI within the Malaysian TPM industry. A quantitative approach was selected as it is proven to allow for the measurement and statistical evaluation of relationships among latent variables (Creswell, 2014).

### **3.2 Population and sample**

The population consists of Malaysian companies that outsource TPM services for their IT infrastructures, production systems, and operations technologies. Industries such as manufacturing, telecommunications, and healthcare were included, as system availability and uninterrupted performance are crucial for these sectors. Respondents were selected based on their direct responsibility for evaluating TPM contracts, including IT management staff, procurement officers, and operations heads who make informed decisions. A purposive sampling strategy was conducted of facilities with current TPM agreements. According to the recommended size of SEM sample, at least 200-400 responses are needed (Hair, Hult, Ringle, & Sarstedt, 2022).

### **3.3 Survey instrument**

The data for this study were collected using a structure questionnaire. It consists of four sections: demographics and organizational profile, Service Superiority Factors, which include the established scales of reliability, responsiveness, assurance, empathy, tangibles (Parasuraman et al., 1994), privacy & security (Nguyen et al., 2021), and cost efficiency (Nurfaizi & Marsasi, 2025). Perceived Value: items adapted from the Value-Based Adoption Model (Kim et al., 2007) and updated for B2B service contexts (Liu et al., 2025). Contract Renewal Intention: The intention to Renew a Contract, indicating the likelihood that the client will renew TPM agreements, based on B2B retention research

(Williams et al., 2023; Seo & Um, 2023). All constructs were measured on a 5-point Likert scale

### 3.4 Data collection

Data were collected using an online survey questionnaire to guarantee coverage of geographically distributed organizations (Evans & Mathur, 2005). The survey was shared through email invitations and WhatsApp, with a focus on IT professionals & procurement managers. Reminder messages were sent in one and two weeks after the initial invitation. The introduction section of the questionnaire provided a summary of the objectives and expected time for completion, and a confidentiality statement. Prior to distributing, ethical clearance was obtained, and participation was entirely voluntary. Screening questions were used to exclude respondents who are not directly responsible for managing TPM contracts. After raw data were collected and downloaded, they were first cleaned and coded using Excel and incomplete responses were then filtered out. The final dataset was then analyzed using Smart PLS 4 for structural equation modeling.

### 3.5 Data analysis

SEM was used to examine proposed relationships between service superiority factors, perceived value and CRI. SEM is well-suited for models with multiple constructs and mediation paths (Hair et al., 2022). PLS-SEM was selected because of its predictive focus and suitability for survey-based research (Henseler, Ringle, & Sinkovics, 2009).

Analysis followed in a two-stage process: Measurement Model Assessment. Reliability was explored by Cronbach's Alpha and Composite Reliability (CR) where both  $\geq 0.70$  were considered acceptable standards (Nunnally, 1994). Factor loadings of  $> 0.7$  and the Average Variance Extracted (AVE)  $> 0.50$  were used to confirm convergent validity. The discriminant validity was assessed based on the Fornell-Larcker (FL) criterion and Heterotrait-Monotrait ratio (HTMT) (Hair et al., 2017). The second process includes Structural Model Assessment, which directly affects service superiority factors on CRI and the mediation role of perceived value using the path coefficients. Bootstrapping (5000 resamples) was used to test for significance, a nonparametric method that provides robust standard errors and confidence intervals (Davison & Hinkley, 2013). Tendencies

for mediation were examined using Preacher & Hayes, (2008) procedures. SmartPLS 4 was a tool to perform SEM, mediation test and model validation. This dual-stage analytical approach was designed to ensure methodological and theoretical contributions regarding how service quality, cost efficiency, and risk perception influence TPM contract renewals.

### **3.6 Ethical consideration**

All stages of this research were conducted in accordance with the ethical protocols. Participation was voluntary, and informed consent was obtained to explain the study's objective and approximate duration. Anyone may withdraw at any time without consequence. Clear instructions and definitions were provided for each section to ensure clarity and transparency for participants.

## **4 RESULTS**

### **4.1 Descriptive statistics**

The survey sample consists of 352 respondents from organizations involved in TPM services. Participants represented a diverse range of industries, including manufacturing (35%), ICT (22%), financial services (18%), healthcare (12%), and others (13%). In terms of professional roles, 42% of the respondents were senior managers, 38% mid-level managers, and 20% in operations. Respondents' experience from less than five years (29%), five to ten years (41%), to over ten years (30%), which gives us insights both from new adopters and seasoned users. Organizational size with 47% from a large firm (>1,000 employees), 33% medium-sized (250-999) and 20% of small size (<250). As for TPM contract spending, 37% spent less than RM1 million, 44% spent between RM1 and RM5 million, and 19% spent over RM5 million. In sum, demographic profile consists of a cross-industry view of TPM clients, balancing firm size, roles, and investment levels.

## 4.2 Measurement model evaluation

SmartPLS 4.0 was used to assess the measurement model, focusing on reliability and validity. There are nine latent factors which consist of 7 service superiority factors (Reliability, Responsiveness, Assurance, Privacy & Security, Empathy, Tangibles, and Cost Efficiency), Perceived Value, and Contract Renewal Intention (CRI). Indicator loadings results exceeded the threshold of 0.70, ranging from 0.723 to 0.950. The strongest indicators are CRI2 (0.950) and CE3 (0.941). The indicators represent contract renewal intention - "I am likely to continue using this TPM provider in the future" and cost efficiency - "The TPM provider offers flexible pricing plans that accommodate different business needs and budgets", respectively.

The lowest retained indicators, PV1 (0.729) and A1 (0.723), still met the minimum recommended, ensuring no construct suffered from weak item representation. PV1 and A1 represent Perceived Value ("The service meets my business needs effectively") and Reliability ("The TPM provider demonstrates strong expertise in delivering reliable and effective services"), respectively. Cronbach's Alpha (0.874–0.953) and Composite Reliability (0.874–0.957) further provided good evidence of internal consistency reliability higher than 0.70 exceed the threshold (Nunnally, 1994). Factors such as CRI, Cost Efficiency and Perceived Value showed the highest internal consistency suggesting their solid and strong conceptual integration. The results show that the measurement model has strong reliability and validity, providing the basis for testing the structural relationships that will be examined.

## 4.3 Structural model evaluation

The structural model evaluation purpose is to test the proposed causal relationships between constructs. As per Hair et al., 2022, the test includes examining collinearity, the coefficient of determination ( $R^2$ ), effect sizes, path coefficients, predictive relevance ( $Q^2$ ), and the overall model fit (Hair et al., 2022).

### 1. Coefficient of Determination ( $R^2$ )

The  $R^2$  values are higher than the threshold that Chin (2010) set for major explanatory model which shows that the structural model is quite effective in making decisions.

- CRI achieved an  $R^2$  of 0.658 (adjusted  $R^2 = 0.650$ ); this indicates that 65.8% of renewal intention variance was explained by the predictors.
- Perceived Value attained an  $R^2$  of 0.808 (adjusted  $R^2 = 0.804$ ), indicating that over 80% of its variance was explained by service dimensions.

## 2. Model Fit

The model shows an acceptable global fit index. This refers to the proposed model, specifically whether the relationship between constructs aligns with or fits the actual data.

- SRMR = 0.073 and GoF = 0.766; the values are acceptable, which is within the limit for PLS-SEM. This indicates that the model fits the data well.
- NFI = 0.43; the value is lower than the traditional CB-SEM benchmarks, but it is still acceptable in PLS due to its complexity.

## 3. Predictive Relevance ( $Q^2$ )

The blindfolding procedures show that the model has strong predictive power. Both key constructs, which are "Perceived Value" and "Contract Renewal Intention," exceed the zero threshold. It confirms that the model not only has explanatory ability but also predictive capability.

- Perceived Value  $Q^2 = 0.829$
- CRI  $Q^2 = 0.587$

## 4.4 Path coefficients and hypotheses testing

Bootstrapping (5,000 resamples) was performed to obtain the standardized path coefficients. The results are shown in Table 3:

- Positive and significant effects:
  - Responsiveness  $\rightarrow$  CRI ( $\beta = 0.300$ ,  $p < 0.001$ );
  - Privacy & Security  $\rightarrow$  CRI ( $\beta = 0.524$ ,  $p < 0.001$ );
  - Perceived Value  $\rightarrow$  CRI ( $\beta = 0.582$ ,  $p < 0.001$ ).
- Negative and significant effects:
  - Assurance ( $\beta = -0.095$ ,  $p < 0.01$ );
  - Empathy ( $\beta = -0.161$ ,  $p < 0.01$ );
  - Cost Efficiency ( $\beta = -0.178$ ,  $p < 0.05$ ).
- Non-significant predictors:

- Reliability ( $\beta = -0.019$ ,  $p = 0.312$ );
- Tangibles ( $\beta = -0.080$ ,  $p = 0.156$ ).

The results indicate that the strongest direct drivers of renewal intention are responsiveness and privacy and security, which both factors have positive and significant effects. As for the perceived value factor, it plays a big part in keeping customers loyal over the long term. Reliability and Tangibles factors show non-significant predictors. Although they should be important, they only serve as "hygiene factors"—necessary but not enough to distinguish between distinct results. Assurance, Empathy, and Cost Efficiency factors, produced negative direct effects. Even though, although these factors were expected to be positive.

**Table 1**

*Direct Hypotheses Testing Results*

Hypot hesis	Path	$\beta$	t-value	p-value	Result
H1	Reliability → Contract Renewal Intention	-0.019	0.491	0.312	Not Supported
H2	Responsiveness → Contract Renewal Intention	0.3	7.949	0	Supported
H3	Assurance → Contract Renewal Intention	-0.095	2.455	0.007	Supported (negative)
H4	Privacy & Security → Contract Renewal Intention	0.524	7.737	0	Supported
H5	Empathy → Contract Renewal Intention	-0.161	2.659	0.004	Supported (negative)
H6	Tangibles → Contract Renewal Intention	-0.080	1.012	0.156	Not Supported
H7	Cost Efficiency → Contract Renewal Intention	-0.178	1.755	0.04	Supported (negative)
H8	Perceived Value → Contract Renewal Intention	0.582	7.452	0	Supported

#### 4.5 Mediation analysis

This test is used to determine whether aspects of service superiority factors had an indirect impact on renewal intention. The mediating function of perceived value was examined, and the findings are summarized in Table 4:

- Partial mediation was observed for:
  - Responsiveness ( $\beta = -0.079$ ,  $p < 0.001$ )
  - Assurance ( $\beta = 0.042$ ,  $p < 0.05$ )
  - Empathy ( $\beta = 0.114$ ,  $p < 0.001$ )
  - Cost Efficiency ( $\beta = 0.297$ ,  $p < 0.001$ )
- Full mediation was observed for:

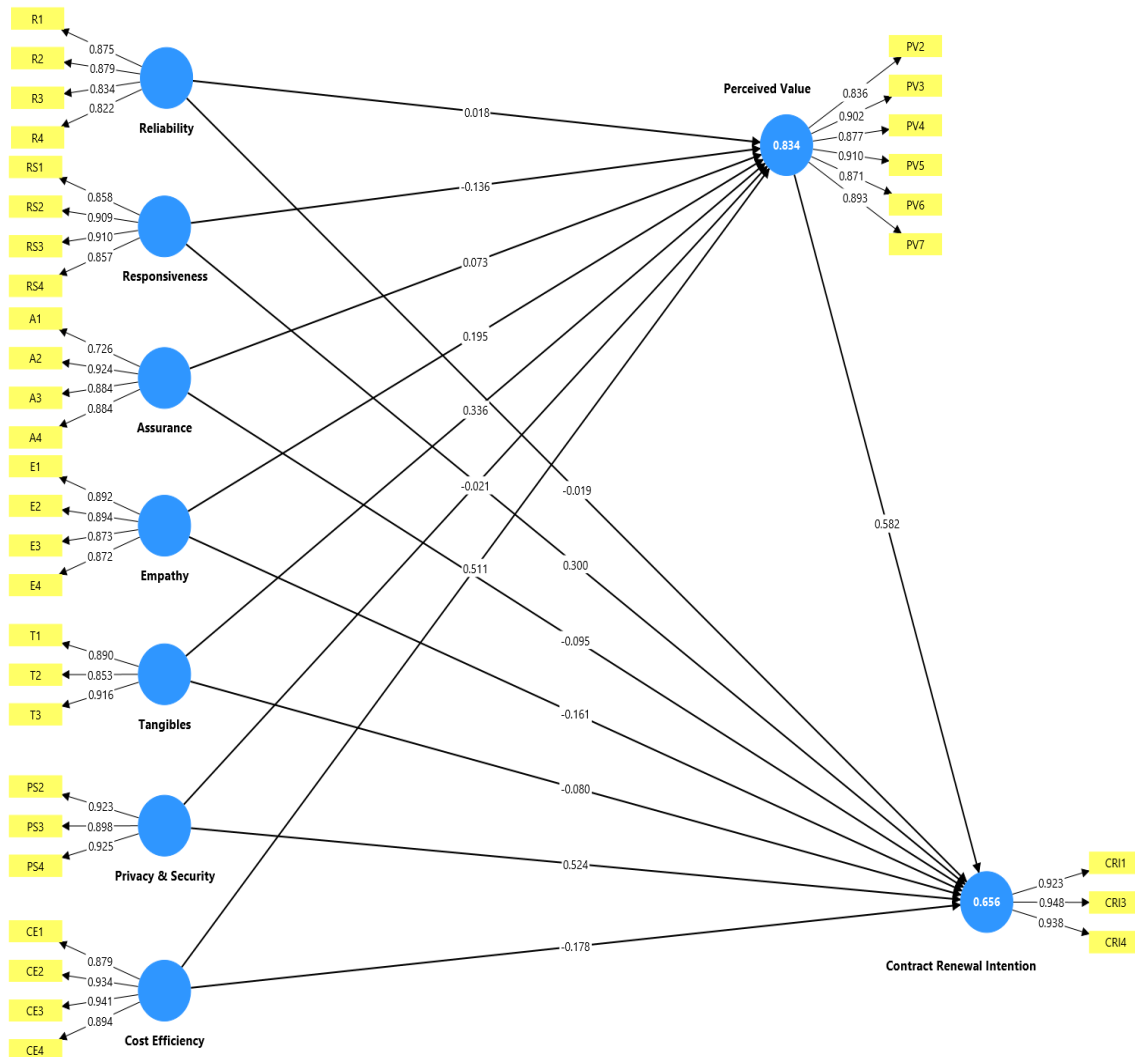
- Tangibles → Perceived Value → CRI ( $\beta = 0.196, p < 0.001$ )
- No mediation occurred for:
  - Reliability and Privacy & Security, both influence renewal intention directly.

The test show that Perceived Value is the main channel through which service superiority factors translate into loyalty. Cost Efficiency, appear to be the strongest mediated effect. No direct influence for Tangibles however they did have an indirect effect through value findings.

**Table 4**

*Interpretation of Mediation Paths*

Hypothesis	Path	Direct Effect	Indirect Effect	Interpretation
H9	Reliability → Perceived Value → Renewal Intention	Not significant	Not significant	No Mediation
H10	Responsiveness → Perceived Value → Renewal Intention	Significant	Significant	Partial Mediation
H11	Assurance → Perceived Value → Renewal Intention	Significant	Significant	Partial Mediation
H12	Privacy & Security → Perceived Value → Renewal Intention	Significant	Not significant	No Mediation
H13	Empathy → Perceived Value → Renewal Intention	Significant	Significant	Partial Mediation
H14	Tangibles → Perceived Value → Renewal Intention	Not significant	Significant	Full Mediation
H15	Cost Efficiency → Perceived Value → Renewal Intention	Significant	Significant	Partial Mediation

**Figure 3***Finalized Latent Variables Model***4.6 Summary of findings**

The Finding shows that Perceived value is a key mediator, and it influences the service superiority factors such as Tangibles, Cost Efficiency, Empathy, and Responsiveness into actual renewal behavior. This implies that clients renew not because of these service factors but might because of the meaningful value they perceive. Reliability and Privacy & Security factors show and direct relationship. This suggests that these factors are the foundations that influence customer intention to renew, without the need for perceived value to mediate. These are seen as the basic expectation that clients rely on before even considering a long-term partnership.

The findings also show the complex negative relationship for Assurance, Empathy, and Cost Efficiency which might reduce the intention to renew as the direct relationship is negative. These need a mediator to influence positively as the service needs to come with value. Across all factors, Responsiveness, Privacy & Security, and perceived value were the dominant drivers of loyalty.

Additionally, the finding shows that TPM client loyalty in Malaysia is influenced by the combination of foundational conditions, which is Reliability and Privacy & Security, value-enhancing factors - Tangibles, Responsiveness, Cost Efficiency and empathy, and the mediating role of perceived value. The results challenge the basic beliefs by showing that not all service factors have direct beneficial effects; some need to be reframed through perceived value to encourage renewal intentions. The model offers an understanding of renewal behavior by including both direct and indirect effects. It also shows that Perceived Value as a mediator is an important factor for long-term TPM-client relationships.

## 5 DISCUSSION

The study finding shows that Responsiveness (H2) and Privacy & Security (H4) had significant positive effects on renewal and directly confirmed their importance in the relationship between client and providers. Apart from that, Responsiveness results shows that the factor reflects promptly and reliably on how the providers handle an issue. This is a crucial factor in technical environments where any service delay can disrupt operations of an organization. Similar to Privacy & Security factor, it stood out as decisive factors, aligned with the growing global and national focus on cybersecurity and data protection in today's digital landscape. On the other hand, factors such as Assurance (H3), Empathy (H5), and Cost Efficiency (H7) negatively influence the CRI. As the service quality framework predicted to always be a positive association, this goes against the established theories. This is expected due to be overpromising and emphasized, which raises client expectations beyond what can be consistently delivered. This might result in loss of trust and frustration. This could also mean that quality might suffer if too much focus is put on cost-effectiveness. Reliability (H1) and Tangibles (H6), on the other hand, were found to have no significant influence. This is viewed as the basic expectation that is necessary to retain trust but is not strong enough to influence decisions. These results

respond to RQ1 by clarifying which service superiority factors truly significant in renewal. This emphasizes that TPM providers need to do more than basic reliability and need to focus more on responsiveness and data protection as key differentiators.

### **5.1 Mediating role of perceived value**

Customers' intention to renew their contracts was most significantly predicted by perceived value ( $\beta = 0.582$ ,  $p < 0.001$ ). This answered RQ2 and supported H8. The trade-off between (downtime) benefits and sacrifices (cost, risk of time investment) was what had the greatest effect on clients deciding whether or not they would renew a contract. This is consistent with value-based theories, which propose that consumers assess services as integrated all and not in terms of component dimensions (Zeithaml, 1988; Sweeney & Soutar, 2001).

RQ3 was also further explained by mediation analysis. Perceived value was found to mediate some but not all service superiority dimensions. There was no mediation for Reliability and Privacy & Security. These were considered as basic requirements, not value-added differentiators. Responsiveness, Assurance, Empathy and Cost Efficiency also had partial mediation with renewal which means that these variables directly and indirectly influenced renewal through its value perceptions. Full mediation was demonstrated for Tangibles, such that the impact on renewal was fully accounted for by perceived value.

These results confirm that perceived value works selectively, which means it amplifies the influence of some service factors while bypassing others. This is particularly relevant as it demonstrates that decisions to renew by TPM clients are not made on service provision alone, but on how these services translate into actual and strategic value. Yet critics stated that value perceptions may not always act as a mediator, in commoditized sectors where there are switching barriers or regulatory pressure, (regardless of the decision based on perceived value) customers renew (Chen & Dubinsky, 2003).

### **5.2 Theoretical contributions**

The first contribution from this study is the enhancement on the traditional SERVQUAL model (Parasuraman et al., 1988) by extending modern factors such as

Privacy & Security and Cost Efficiency. These two factors identified as the crucial factors represent today's digital and compliance that reflecting organizational needs (Zhang et al., 2021; Boukherroub et al., 2023).

Aside from that, Perceived Value role as the mediator between service superiority and contract renewal intention highlights how value contributes to the client decision whether to continue or end service relationships (Sheth, Uslay, & Sisodia, 2020; Hair, et al., 2022).

### **5.3 Practical implications**

There are three identified practical implications emerging from this study. Firstly, responsiveness and cybersecurity capabilities identified as the renewal driver and should be prioritized. Activities and investment such as IT solutions response systems, predictive analytics, and certified security frameworks will reinforce trust and eventually lead to customer retention. Apart from that, overpromising or overemphasizing cost reduction is a risk if the provider cannot deliver consistently. Suggestion to managing the assurance, empathy, and cost efficiency wisely so that these strategies are perceived as credible & balanced. Third, the active communication value with the client helps to build client confidence and long-term partnership commitment. Visibility into SLA dashboards, transparent cost-benefit analyses, and performance reporting can make perceived value more visible.

This study adds to an understanding of the dynamics of contract renewal in Malaysia's TPM industry by showing that not all service superiority factors perform as they should. Responsiveness and privacy/security were identified as positive renewal drivers, assurance, empathy and cost efficiency as unexpected negative influences, and reliability, tangibles served as bases for comparison. Finally, perceived value has been identified as the most powerful predictor of renewal and a discriminating mediator of service superiority effects.

## **6 CONCLUSION**

This research investigates the influence of service superiority and perceived value on clients' intentions to renew contracts within the TPM sector in Malaysia. Integrating

traditional SERVQUAL model and modern factors, the research used survey responses from 352 respondents from various industries. Findings reveal that not all Service Superiority factors contribute equally to renewal intention. Responsiveness and Privacy & Security factors appear to be crucial, as it positively shaping the decision for Contract Renewal Intentions. As for Assurance, Empathy, and Cost Efficiency, all three factors show a negative effect where it suggested that overemphasis or misalignment may influence credibility and trust. As for the Reliability and Tangibles factors, both did not present much influence on renewal outcome and can be assume that it is just a factor that serves as a basic requirement. The mediator variable used in this study is Perceived Value where the result shows that it holds strongest predictor of renewal intention. It mediates the Service Superiority factors by highlighting its fundamental role in sustaining long-term vendor–client relationships.

In practical implication perspectives, TPM provider greater emphasis should be placed on responsiveness and cybersecurity readiness as key parts of their service offerings. This can be achieved by investing in predictive maintenance tools, ensuring compliance on ISO/IEC 27001 and transparent service-level reporting. Clear communication on the value they deliver should also be focused by highlighting efficiency, cost-effectiveness, and reliability rather than relying on extensive service promises. At the Industry level, collaboration with training institutions and certifying bodies can help build skilled and future-ready workforce. Additionally, government policies that promote performance-based contracts and cybersecurity standards can help strengthen and encourage discipline across sectors. For corporate clients, shifting toward value-driven procurement strategies beyond price considerations can capture both operational and strategic benefits in the long run.

Theoretically, the study contributes to the research of service superiority factors that continuously depend on how these are perceived and what is expected from customers. In a B2B service context, perceived value confirmed as a key mediating factor and an active driver of client behavioral intentions. Although the research adopts a cross-sectional in design, this study lays the groundwork for future longitudinal or comparative research and for qualitative exploration of unexpected results such as the negative correlation with empathy for renewal. Overall, this research enriches theory and practice understanding of service superior and contract retention. It highlights that the result of localized value factors is more important than broad service promises. Providers who

consistently create value and convey it to clients will be in the best position to capture long-term contracts and thrive in the rapidly digitalizing economy.

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**Authors' Contribution**

All authors contributed equally to the development of this article.

**Data availability**

The data supporting the findings of this study are partially available upon reasonable request to the corresponding author.

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