

p-ISSN 2986-996X



INTERNATIONAL CONFERENCE
ON BUSINESS AND MANAGEMENT RESEARCH

Proceedings

**International Conference on
Business and Management Research (ICBMR)**

**BUILDING COMPETITIVE AND
COLLABORATIVE BUSINESS
IN THE DISRUPTIVE ERA**

VOLUME 10, 2023



p-ISSN 2986-996X



INTERNATIONAL CONFERENCE
ON BUSINESS AND MANAGEMENT RESEARCH

Proceedings

**International Conference on
Business and Management Research (ICBMR)**

**BUILDING COMPETITIVE AND
COLLABORATIVE BUSINESS
IN THE DISRUPTIVE ERA**

VOLUME 10, 2023



Proceedings International Conference on Business and Management Research (ICBMR)

Volume 10, 2023

Editor:

Prof. Dr. Irwan Adi Ekaputra
Dr. Rifelly Dewi Astuti
Riani Rachmawati, Ph.D.

Reviewer:

Prof. Dr. Cynthia Afriani Utama, S.E., M.E.	Dr. Khairunnisa Musari
Prof. Emylin Cabanda, Ph.D	Kym Brown, Ph.D
Prof. Dr. Irwan Adi Ekaputra, S.TP., M.M.	Dr. Lily Sudhartio, M.Sc.
Prof. Michael Skully, Ph.D	Ly Fie Sugianto, Ph.D
Prof. Mohamed Ariff, Ph.D	Nur Dhani Hendranastiti, S.E., M.Sc., Ph.D.
Prof. Reza Ashari Nasution, Ph.D	Nurmala, S.E., M.M.
Prof. Rofikoh Rokhim, S.E., S.I.P., M.Ec.Dev., Ph.D.	Rakotoarisoa Maminirina Fenitra, M.M., Ph.D.
Prof. Ir. Ruslan Prijadi, M.B.A., Ph.D.	Ratih Dyah Kusumastuti, S.T., M.T., Ph.D.
Prof. Dr. Ir. Ujang Sumarwan, M.Sc.	Riani Rachmawati, S.E., M.A., Ph.D.
Prof. Yusniza Binti Kamarulzaman, Ph.D	Dr. Rifelly Dewi Astuti, S.E., M.M.
Dr. Ancella Hermawan	Rifki Ismal, S.E., M.A., Ph.D.
Dr. Anton Wachidin Widjaja	Dr. Rizal, S.E., M.M.
Arief Wibisono Lubis, S.E., M.F.M., Ph.D.	Dr. Sari Wahyuni, S.I.P., M.Sc.
Avanti Fontana, S.E., Ph.D.	Sri Rahayu Hijrah Hati, S.E., M.Si., Ph.D.
Budi Widjaja Soetjipto, S.E., M.B.A., DBA.	Triana Rahajeng Hadiprawoto, S.E., M.Sc., Ph.D.
Daniel Tumpal Hamonangan Aruan, S.Si., M.M., Ph.D.	Dr. Vera Pujani, S.E, M.M.
Dony Abdul Chalid, S.E., M.M., Ph.D.	Dr. Yanki Hartijasti, B.A., M.B.A., M.Si.
Dr. Dwi Nastiti Danarsari, S.E., M.S.M.	Dr. Yasmine Nasution, S.E., M.Comm.
Dr. Elok Savitri Pusparini, S.E., M.M.	Yessy Peranginangin, Ph.D
Dr. Evi Rinawati Simanjuntak	Dr. Yosman Bustaman, M.Bus.
Fanny Martdianty, S.E., M.M., Ph.D.	Zaäfri Ananto Husodo, S.E., M.M., Ph.D.
Gita Gayatri, S.E., M.M., Ph.D.	Dr. Zuliani Dalimunthe, S.E., M.S.M.
Hanny Nasution, Ph.D	Arga Hananto, S.E., M.Bus.
Imam Salehudin, S.E., M.Si., Ph.D.	Asiah Muchtar, S.E., M.A.
John Christopher Walsh, Ph.D	Ratna Juwita, S.E., M.S.M.
Kanti Pertiwi, S.E., M.App.Comm.(Intl), Ph.D.	

© Hak Cipta Dilindungi Undang-
Undang Cetakan 2023

Dilarang memperbanyak, mencetak dan menerbitkan sebagian atau seluruh isi buku ini dengan cara dan dalam bentuk apapun juga tanpa seizin editor dan penerbit.

Diterbitkan oleh UI Publishing
Anggota IKAPI & APPTI, Jakarta
Jalan Salemba 4, Jakarta 10430
Tel. 0818436500
Kompleks ILRC Gedung B Lt. 1 & 2 Perpustakaan Lama Universitas Indonesia
Kampus UI, Depok, Jawa Barat 16424
Tel. +62 21 788-88199, 081294761054
E-mail: uipublishing@ui.ac.id
Isi di luar tanggung jawab percetakan



ICBMR

Proceedings International Conference on Business and Management Research (ICBMR)

Volume 10, 2023

Table of contents

Background	VII
Preface from the committee of ICBMR 2022	VIII
Acknowledgements	IX
Conference Committee	X
Editor	XI
Scientific Committee & Reviewer	XII
Business Resiliency and Sustainability	1
The Best Practice of Health Insurance Premium Collectability Strategies as Responses to COVID-19: A Study on BPJS Kesehatan <i>Nancy, Oktario Pratama</i>	2
Financial Resilience of Indonesia's National Health Security Program through Capitation Adjustment Based on Budget Account Surplus (SiLPA): A Case Study in West Kotawaringin and Sukamara Regencies <i>Rendy Handhika Sanjaya, Muhammad Yuriyan Santrani Killian, Aditya Darmasurya</i>	10
The Antecedents of Customer Loyalty of Five Star Hotels in Jakarta: Perspective of Service Quality Dimensions, Value and Satisfaction <i>Tania Lasmaya Putritami, Yulita Fairina Susanti, Liza Agustina Maureen Nelloh</i>	16
Business Resilience of The National Health Insurance Program in The Covid-19 Pandemic Era <i>Deded Chandra, Yuliasman, Tarombo P.Situmorang</i>	30
Gap Analysis of Brand Identity and Brand Image of First Class Informal Segment of BPJS Kesehatan <i>Agung Dermawan</i>	37
The Impacts of Green Marketing Elements Towards Consumer-Green Buying Behavior in Indonesia <i>Theodore Gilbert Damarjati, Gita Gayatri</i>	44
Prediction of User Behavior and Users Segmentation in a Government-owned Digital Application Using Markov Chain Model <i>Novaldy Pratama Putra, Putri Wikie Novianti</i>	53
Proposed Performance Management System to Increase Competitiveness For Rural Tourism <i>Dwis'nu Arfa Sita</i>	63
The Impact of Authentic Bali Street Food Consumption Values Toward Intention to Revisit Bali With Mediation of Place Attachment Among Gen Z in Indonesia <i>Julio Trijaya, Agung Nugroho</i>	76
Reading The Signs: Incorporating Knowledge Creation within Strategy Formation to Attain Performance <i>Siti Yasmina Zubaedah</i>	88
The Design and Implementation of Carbon Tax in Indonesia: Some Experience and Recommendations For Vietnam <i>Nguyen The Duc Tam, Nguyen Kieu Lan Phuong</i>	98



ICBMR

The Antecedents of Customer Loyalty of Five Star Hotels in Jakarta: Perspective of Service Quality Dimensions, Value and Satisfaction

Tania Lasmaya Putritami¹, Yulita Fairina Susanti^{1*}, Liza Agustina Maureen Nelloh¹

¹*Sekolah Tinggi Manajemen IPMI, Jakarta Selatan, Indonesia*

ABSTRACT

Indonesia's hotel industry has seen tremendous expansion over the past ten years due to the country's expanding demand. However, global travel, tourism, and hospitality have all been severely and widely impacted by Covid-19. The condition even started before the pandemic, which was stated by the decreasing occupancy rate in Indonesia. This prompted the redefining of the loyalty concept landscape in today's hospitality industry. The study aims to predict customer loyalty in five-star hotels based on the perspective of service quality dimensions, perceived value, and satisfaction. Therefore, through SEM-PLS analysis, this study has presented a survey of 100 guests of five-star hotels to examine the effects of the antecedents on customer loyalty. Surprisingly, perceived value does not significantly affect customer satisfaction, but satisfaction successfully leads to customer loyalty. On the other hand, service loyalty significantly affects satisfaction and perceived value. As such arguments imply in this study, customer loyalty depends more on satisfaction levels resulting from the organization's services or performance. This study presents some implications for five-star hotels to be more effective in accomplishing service performance to boost customer loyalty, which will help them survive in a market with such intense competition before and after the Covid-19 pandemic.

Keywords: Customer Loyalty, Perceived Value, Service Quality Dimensions, Customer Satisfaction, Five-Star Hotel

1. INTRODUCTION

As one of the largest nations in Southeast Asia and one of the most popular tourist destinations worldwide, Indonesia's hotel industry has seen tremendous expansion over the past ten years due to the country's expanding demand. According to the most recent data on 2018 alone, over 12 million guests were received, with 86 percent being in the domestic segment. Compared to the 4 million guests welcomed in 2009, as shown in Figure 1.1, it has increased three times since then (Jakarta Hotel Market Review, 2019).

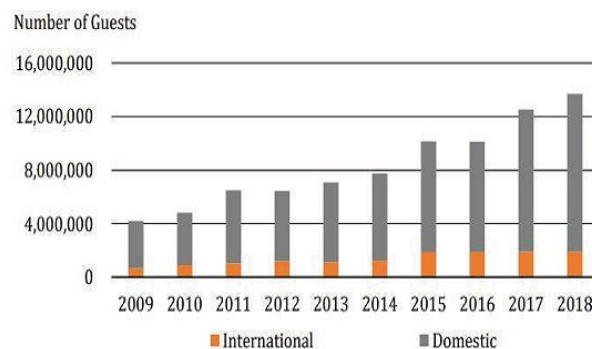


Figure 1. Jakarta Guest Arrivals Trend - Star-Rated Accommodation (Source: BPS and C9 Hotelworks Market Research).

* Corresponding Author: yulita.susanti@ipmi.ac.id

Despite the hotel sector's expansion in Indonesia, the one issue this study primarily addresses is from the market, which is increasingly skeptical of the values that brands claim to uphold and is more experience-focused than ever. Therefore, increasing market share exclusively through pricing techniques, like discounting, is no longer a proper course of action for the hotel industry. This approach might even negatively impact hotels' medium- or long-term profitability (Young, 2019).

Within service industries like hotels, customer loyalty is crucial. According to a 1990 study by Reichheld of Bain and Company and Earl Sasser of the Harvard Graduate School, a 5% improvement in client retention can result in a 25–95% increase in earnings. Additionally, enhancing client loyalty may encourage customers to spread more satisfactory word of mouth (Charania, 2011). According to previous studies, word of mouth may be a major influence, determining 20 to 50 percent of all purchasing decisions (Bughin et al., 2010). However, today's hotel industry also sees a rising issue with customer loyalty (Miller, 2018).

Two things are thought to contribute to the developing visitor loyalty issue. The first factor is the change in how customers prioritize using a service. Customers are now more skeptical of the values that companies impart to them, and they have more sophisticated expectations for service. Traditional loyalty program usage provides evidence of the first factor. These point-based and redemption-based business models have gradually revealed their flaws as they bore contemporary travelers. Research from Wyndham, which demonstrates that the way hotel loyalty programs are run has left tourists feeling “confused and disillusioned,” is another source of evidence. Points no longer indicate customer satisfaction, or at least they should not. Since people do not experience sincere gratitude from such a loyalty program's approach, points do not, or at least no longer, represent any kind of meaning to modern visitors (Young, 2019). Instead, people prefer customized experiences and would rather identify loyalty programs based on, for instance, how well they connect with hotel staff members, which hotel brands they use, and how well their requirements and expectations are met.

The hotel industry may make some adjustments to comprehend better and accurately identify the elements that will encourage visitor loyalty in today's evolving consumer preferences. The growth of online travel agencies is the second element contributing to declining customer loyalty (OTAs). OTAs frequently have their own loyalty statistics, which tend to overshadow loyalty programs run by hotel brands. Customers are no longer seeing any incentives to exhibit loyalty to a certain hotel brand because of this. Ting (2019) claims that Hilton, InterContinental Hotels Group, and Hyatt have gone a step further by emphasizing changing their interactions with the clients in a more direct and customized manner, with direct web booking as one of their marketing initiatives. These initiatives did, in fact, pay off as their membership and engagement rates increased. As a result, the revenue of all three of these hotel brands significantly increased.

Such data, meanwhile, are not yet sufficiently thorough. For establishing research questions and strengthening the problem background of the study, more knowledge about customer loyalty is essential. Consequently, a second preliminary investigation was carried out. The term “preliminary study” refers to a stage of research in which the researcher gathers as much data as possible to gain a more comprehensive understanding of the subject of interest. 2016 (Sekaran and Bougie).

The marketing director of one of Jakarta's five-star hotels was contacted for an interview as part of the preliminary research for this study. The interview's findings are partially consistent with the previously noted worldwide hotel businesses' growing lack of guest loyalty issue. The respondent stated that hotel clients moved hotels more frequently because more rooms were available than overnight visitors. This switching tendency is thought to have been brought on by travelers' perceptions of inconsistent hotel service quality, which eventually led to a decline in visitor loyalty. These findings have made it necessary for hotel services to reexamine the idea of client loyalty and take proactive action to understand better the factors that underpin customer loyalty to meet the needs of current markets.

The functions of loyalty variables have been thoroughly investigated in earlier studies (Uncles et al., 2003). Client happiness seems to be one of the most frequently mentioned factors influencing customer loyalty because happy consumers are more likely to make repeat purchases and provide favorable recommendations (Garbarino & Johnson, 1999). Customer perception of the value of a good or service is another important aspect that defines the degree of customer satisfaction, which ultimately also



ICBMR

influences loyalty. By contrasting what is received (the advantages and experience) with what is given, perceived value is defined as the evaluation of service performance (costs involved in getting the service).

As a result of the justification above, this study differs from many earlier ones in that it aims to reevaluate the known and established loyalty antecedents. The research gap that surfaced during the preliminary study phase necessitated reevaluation. There is a contradiction between the findings from the preliminary study phase, showing that the concept of loyalty has gradually come to appear as vague. Meanwhile, pre-existing studies contend that several variables, including service quality, perceived value, and customer satisfaction, are antecedents of customer loyalty. Therefore, it was thought important to reevaluate these antecedents while also considering and attempting to include contexts of the market nowadays into the findings to enrich the concept of loyalty that better reflects the current market.

Based on the context of this study described in the previous part, it can be inferred that the hotel industry must urgently reexamine the idea of customer loyalty and how hotel brands are currently approaching loyalty programs. Since both are determining factors in the degree of customer satisfaction, Kandampully et al., (2015) stated that to have a direct link to customer loyalty, many previous studies demonstrate that service quality and perceived value have indirect links to customer loyalty. However, further exploratory research revealed empirical evidence that the most popular loyalty programs' points-for-stay, or redemption-based approach gradually makes it difficult to apply to existing consumers. They are increasingly critical of the value given by hotel brands.

Consequently, a knowledge gap is found. Re-evaluating the results of the current study and considering the current market environment appears necessary. It is crucial to revisit brand-customer interactions concerning loyalty. Loyalty programs had their day and previously worked perfectly. However, they have now escalated to be problematic, if not disappointing, for customers, making it vital to do so. The originality of the study also serves as a research gap. This research gap also serves as the novelty point of study.

The following are the goals of measuring service quality, perceived value, customer satisfaction, and loyalty: 1) To examine the positive and significant effects of service quality on perceived value among customers of Jakarta's five-star hotels; 2) To examine the positive and significant effects of service quality on customer satisfaction; 3) To examine the positive and significant effects of perceived value; 4) To investigate the positive and significant effect of customer satisfaction on customer loyalty among customers of the five-star hotel sector in Jakarta.

The two antecedents of customer happiness were service quality and perceived value, and the result of customer satisfaction was customer loyalty. In order to achieve the research objectives, an empirical investigation was done to test the model.

2. LITERATURE REVIEW

2.1 *Effect of service Quality on Perceived Value*

According to Zeithaml (1988), service quality is determined by how well clients feel about the entire experience. Service quality characteristics are intangible, varied, transient, and indivisible. Service quality is consequently highly individualized regarding those four traits. The caliber of the services provided determines the success of service marketing. The SERVQUAL model, created by Parasuraman et al., is one of the most innovative service quality models (1988).

Customer satisfaction is closely tied to the SERVQUAL model since it was noted that when services are provided that go above and beyond what customers expect, their level of satisfaction also rises (Tjiptono et al., 2004). With that in mind, customer happiness is reflected in the service quality provided to clients. According to Parasuraman et al. (1988), service quality can be broken down into five categories: tangible, empathic, reliable, responsive, and assured (TERRA):

1. **Tangible:** The accessibility of physical infrastructure for support, including buildings, warehouses, office supplies, etc.
2. **Empathy:** The sincere consideration clients receive from service providers with the goal of meeting their needs
3. **Reliability:** The management's level of dedication to the consumers in connection to the quality of the service, such as accurate and satisfying service
4. **Responsiveness:** Attention to the customer's needs when providing service, including availability, politeness, and qualified employees
5. **Assurance:** Management's tools for winning consumers' trust, which include elements like communication, expertise, security, and safety

Service quality, according to Ladhari and Morales (2008), illustrates the discrepancy between the delivered and expected level of service. The expectancy-disconfirmation paradigm also offers a similar justification, elaborating it through an equation that asserts that SQ (service quality) is equal to the contrast between the perceived performance of goods or services and their expected value prior to service consumption. Therefore, consumer perception and, by extension, perceived value are significantly correlated with service quality. In other words, client opinions of the quality of a service have a significant role in determining its worth.

The differences between what is received (benefits) and what is given (the associated costs) are frequently used to define value (Zeithaml, 1988). The core dimension, or what is typically referred to as the basic service promised, and the relational dimension, or how the promise was maintained or the service was provided, are perhaps the two main components that make up perceived service value (Grönroos, 1984; Piercy & Morgan, 1991). According to several earlier research, including Woodruff (1997), Holbrook (2012), and Zeithaml (1988), perceived value is a difficult notion to be defined because it involves subjective judgments. The term "very personal, idiosyncratic, and may vary greatly from one consumer to another" is used to characterize perceived worth (Holbrook, 2012; Zeithaml, 1988).

Costs, exchange rates, aesthetics, and function relative are the four primary elements of perceived value that are involved in evaluating the performance of brand items and if it provides value. The following is a description of the value notions put forth by Monroe (in Kristanto, 2005): 1) Cost refers to the total amount of money consumers pay for a service; 2) Exchange value refers to how easy it is for consumers to use a service; 3) Aesthetic value refers to how emotionally satisfied consumers are with the services they have purchased; 4) Relative function refers to how a service is used and its capacity to lower costs or produce specific benefits for consumers.

In this study, service quality and perceived value—two factors that have been frequently studied as antecedents of customer satisfaction—will be observed. It was suggested that service quality benefits both perceived value and customer happiness, showing that when businesses offer high-quality service, these two factors can be improved (Kuo et al., 2009). According to Ladhari and Morales (2008), service quality illustrates the discrepancy between the delivered and expected level of service. The expectancy-disconfirmation paradigm also offers a similar justification, elaborating it through an equation that asserts that SQ (service quality) is equal to the contrast between the perceived performance of goods or services and their expected value prior to service consumption. Therefore, the perception of the consumer and, consequently, the perceived quality of the service value. In other words, the value of a service is largely defined by perceptions of its quality constructed by customers. Based on previous studies, this study postulates service quality as an antecedent of perceived service value.

H1: Service quality has a positive and significant effect on perceived value

2.2 Effect of Service Quality on Customer Satisfaction

Customer satisfaction is characterized as an individual's degree of satisfaction with a product or service (Pizam et al., 2016). Customers' reactions to an experience might be both positive and negative (Oliver, 2010). According to the expectancy-disconfirmation paradigm, the degree of satisfaction can be



ICBMR

calculated after customers have evaluated how well items or services actually performed compared to their expectations. Customers will be satisfied if a product performs better than predicted. Moreover, the exact opposite is true: customers will declare they are unsatisfied if the performance of goods or services does not fulfill their expectations (Kotler & Keller, 2016).

Customer satisfaction is defined from the customer experience perspective, so the evaluation of the level of customer satisfaction effectively begins after the customers have used a particular good or service. As a result, in the framework of consumer behavior theory, satisfaction is defined from the standpoint of customers' experiences, where the perceived performance of a good or service leads to a particular sensation of whether it meets or falls short of expectations (Irawan, 2009).

There is now much research on service quality and satisfaction since many writers have attempted to identify the aspects responsible for customers' dissatisfaction with services (e.g. Lam et al., 2005). Numerous scholars have examined the connections between service quality, customer happiness, perceived value, and intention to repurchase. For instance, Woodruff (in Landroquez et al., 2013) acknowledged that service quality certainly plays a significant role in determining customer satisfaction and perceived value. As a result, in line with the first hypothesis of this study, hypothesis 2 would also like to see the positive and significant impact on service quality and customer happiness. In keeping with the expectancy-disconfirmation paradigm, customers will ultimately be happy if the service's quality is higher than anticipated. Therefore, it has become crucial to examine how customer satisfaction and service quality are related.

H2: Service quality has a positive and significant effect on customer satisfaction

2.3 Effect of Perceived Value on Customer Satisfaction

The differences between what is received (benefits) and what is given (the associated costs) are frequently used to define value (Zeithaml, 1988). The core dimension, or what is typically referred to as the basic service promised, and the relational dimension, or how the promise was maintained or the service was provided, are perhaps the two main components that make up perceived service value (Grönroos, 1984; Piercy & Morgan, 1991). According to several earlier research, including Woodruff (1997), Holbrook (2012), and Zeithaml (1988), perceived value is a difficult notion to be defined because it involves subjective judgments. The term "very personal, idiosyncratic, and may vary greatly from one consumer to another" is used to characterize perceived worth (Holbrook, 2012; Zeithaml, 1988). Costs, exchange rates, aesthetics, and function relative are the four primary elements of perceived value that are involved in evaluating the performance of brand items and if it provides value (Kristanto, 2005).

Numerous studies demonstrate that consumer-perceived value directly affects customer happiness. Moliner et al. (2007) study are one of the most noteworthy examples. Similar studies by Tam (2004) contend that customers will regard a service's value as being higher and more favorable as long as it is perceived to be of a quality that exceeds the costs associated with acquiring it. It was believed this would lead to higher overall client satisfaction with the service experience, suggesting that customer happiness is also influenced by perceived value. The behavioral pricing and monetary price dimensions were used in this study to generate perceived value. Setiowati and Putri (2012) conducted a study that evaluated the effects of quality, emotional response, monetary price, behavioral price, and reputation. These five components of the perceived service value were utilized to analyze the effects on customer satisfaction. They discovered that there are effects of each dimension on customer satisfaction for the behavioral price and monetary price, which are the ones examined in this study. However, this study would like to specify the effect more positively and significantly.

H3: Perceived value has a positive and significant effect on customer satisfaction

2.4 Significant Effect of Customer Satisfaction on Customer Loyalty

The foundation of marketing scholarship is the idea of consumer loyalty. From a practical standpoint, though, customer loyalty is undoubtedly the most important commodity a business can possess.

According to Pan et al. (2012), developing and maintaining customer loyalty helps businesses build long-lasting, mutually beneficial relationships with their clients. Additionally, as these loyal clients form attachments and commitments to the business, they are less likely to be drawn to rivals' offerings (So et al., 2013). Additionally, it has been discovered that devoted customers are more prepared to pay more, exhibit more genuine purchasing intentions, and refrain from switching brands (Evanschitzky et al., 2012). In this regard, businesses must try to win their clients' loyalty. Service commitment, one of the most crucial service literature, contains well-researched components that are crucial to the long-term success of businesses (Rust et al., 2004).

Even in established, matured, and fiercely competitive markets, several long- and short-term advantages can be found (Liu et al., 2011). For instance, devoted and long-term clients frequently deepen their relationship with the business, which is quite profitable (Srinivasan et al., 2002). Loyal consumers frequently participate as active brand ambassadors on social media (electronic WOM), connecting networks of friends, relatives, and other potential customers to the business (See-To & Ho, 2014). Such effects are especially significant in today's marketing practice, which is quickly moving toward a tech-savvy approach.

Customer loyalty is also described in the literature as a set of actions that exclusively support a company (Watson et al., 2015). Customer loyalty can be measured by examining the pattern of a number of behavioral behaviors, such as repeat purchases and the order of purchases (Hallowell, 1996). Additionally, repeat consumers are more likely to recommend businesses, give references, and spread good word of mouth (Bowen & Shoemaker, 1998). Customer loyalty in this study is defined as talking favorably about a hotel, recommending it, and staying there again soon.

Customer loyalty and satisfaction are crucial because they play a significant role in the company's ability to meet its financial and commercial goals (e.g., Fornell, 1992; Sasser et al., 1997). Companies aim to win customers' loyalty by providing satisfaction (Oliver, 1999). It might be argued that pleased customers are likelier to have "loyalty intentions," such as a desire to make another purchase (McDougall & Levesque, 2000). On the other hand, Jones and Sasser (1995) contend that customer happiness does not always ensure that they would stick around and show loyalty to the business. The service-profit-chain model's weakest link was discovered to be the connection between customer pleasure and customer loyalty (Sasser et al., 1997). According to the study by Kumar et al. (2013), contentment is discovered to be even more strongly associated with lucrative customer loyalty in emerging economies than in developed ones. Therefore, this study aims to determine whether customer satisfaction has a positive and significant impact on customer loyalty in the setting of five-star hotels.

H4: Customer satisfaction positively and significantly affects customer loyalty

3. RESEARCH METHODOLOGY

3.1 Research Instruments

There are four hypotheses to be analyzed in this study such as customer loyalty as the endogenous variable and dependent variable (Lai, 2019), customer satisfaction as the endogenous variable and intervening variable (Lai, 2019), perceived value to be the endogenous variable and intervening variable (Lai, 2019), and service quality dimensions as the exogenous variable and independent variable (Afifi & Amini, 2019). The latent variables in this study include service quality, customer satisfaction, perceived value, and customer loyalty. According to previous studies, service quality dimensions include Interaction Quality, Physical Environment Quality, and Outcome Quality. These dimensions are measured by a minimum of three items in each of them. Hence, customer satisfaction is measured by three items involving customer expectations of five-star hotel service in Jakarta. Good value for the price is one of three items for perceived value. Hence, perceived value can be a mediating variable between service quality and customer satisfaction. Therefore, as the dependent variable, customer loyalty is measured by three items, including willingness to speak favorably. A pre-test was developed to validate the instruments to include 30 guests in five-star hotels in Jakarta and came up with the validity of the instruments. Hence, further analysis can be done on a larger number of sampling.



ICBMR

3.2 Sampling and Data Collection

Silalahi (2009) defines a sample as a certain portion of a population chosen to be the subject of the study. Usually, the degree of representativeness played a role in their selection. This study will utilize the necessary analysis tool, structural equation modeling (SEM), because the population size is uncertain. A minimum of 100 samples must be viewed by SEM (Ghozali, 2014). A non-probability purposive sampling method was employed in selecting samples for this investigation. This method selects a sample based on a predetermined foundation established by the researchers, which was used to choose the sample for this study. In this study, guests above the age of 18 who have used hotel services were taken into account while determining the sample size. The information was gathered from an online survey using a self-administered questionnaire at various times of the day. A total of 100 respondents with a 100% response rate of respondents are gathered in this study. Some challenges were faced through the online survey, but screening questions have filtered some respondents who were not eligible to fill out the questionnaires. The details of the respondents are out of 100 respondents, 72% are female, and 28 are male. Those between the ages of 18 and 24 account for the majority (45%) of respondents, followed by those between the ages of 45 and 54 (30%), 35 to 44 (11%), 25 to 34 (8%), and individuals beyond the age of 54 (6%). The majority of survey participants (61%) had bachelor's degrees, followed by those with only high school diplomas (14%) and those with associate's, master's, and doctoral degrees (13%). Hence, 47 percent of all responders are private employees, followed by students at 27 percent, business owners at 17 percent, housewives at 7 percent, and freelancers at 2 percent. In general, 70% had visited the hotel for leisure, and the rest for business and office purposes.

3.3 Method of Analysis

Due to the condition discovered in this investigation, SmartPLS ver 3.2.7 is employed as the analysis program in this study, which utilized PLS-SEM in line analysis. The fundamental evaluation of the study is whether the collected raw data are legitimate and trustworthy, which also reflects the consistency and accuracy of the data (Afthanorhan et al., 2016; Henseler et al., 2016). The PLS approach divides the measurement between indicators and latent variables into two categories: the reflecting measurement model and the formative measurement model. However, for this study, the measurement model employed is the reflective measurement model; as such, a model will describe a circumstance where some latent variables are manifested into multiple indicators to test the strength of a construct (Ghozali, 2014). The analysis includes the outer model to predict validity and reliability on SEM-PLS; hence the inner model analysis was carried out to test the goodness of fit and hypotheses testing (Henseler et al., 2016).

4. RESULTS

The study results include a two-step approach, such as the outer and inner model as follows:

4.1 Outer Model

The outer model consists of convergent validity and reliability on the measurement model. Convergent validity has been employed by examining the correlation between score items visible from the outer model table; the measuring model with reflective indicators is measured (weights or loadings). If the indicator's loading factor value ranges from 0.5 to 0.6, it is considered legitimate (Ghozali, 2014; Nitzl, 2016). In order to meet the criteria of measuring convergent validity, it is advised that the Average Variance Extracted (AVE) be at least 0.5 of value. The latent variable Service Quality is analyzed using the second-order technique in this study. There are two stages to second-order analysis: the first is to examine the relationship between the latent variable and the indicators, and the second is to examine the relationship between the latent variable and the dimensions. The results of convergent validity on loadings can be seen in Figure 1 below. Hence, the results of AVE can be seen in Figure 2. The results show that this study's indicators and variables have passed the statistical requirements. Figure 3 then

shows the results of composite reliability of instruments. This study concludes that all the instruments are valid and reliable and can proceed to the inner or structural model analysis.

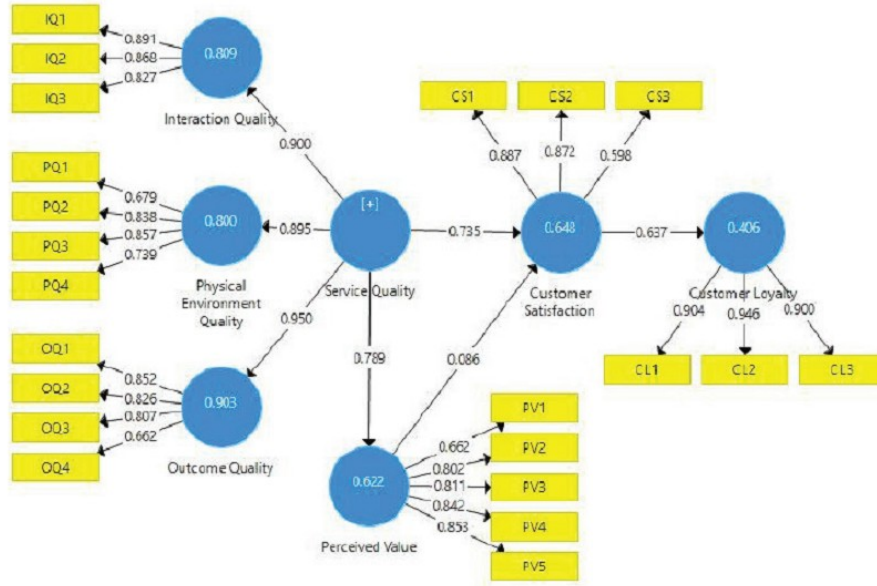


Figure 2. Factor Loadings on Convergent Validity

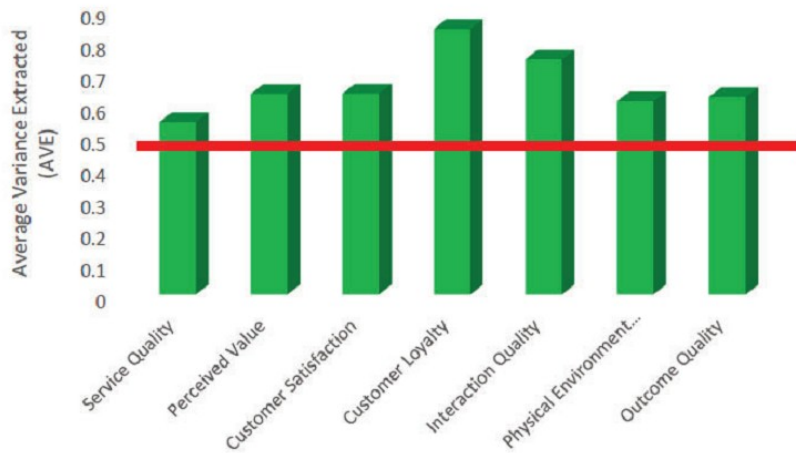


Figure 3. AVE Results on Convergent Validity

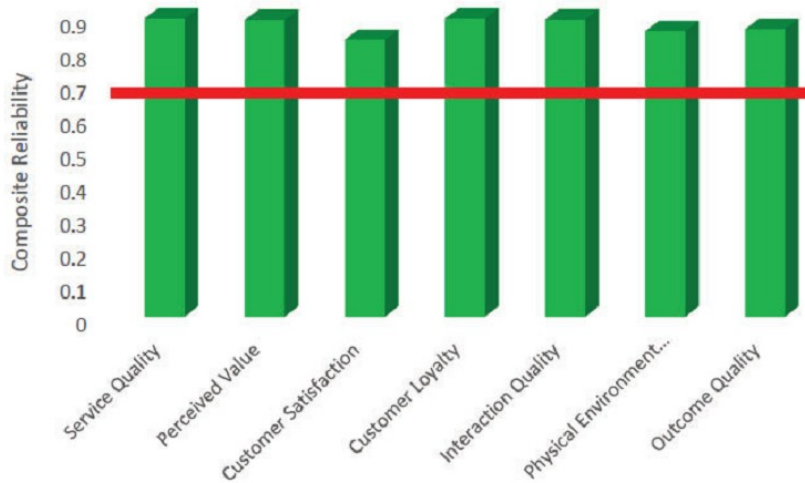


Figure 4. Composite Reliability Results on Convergent Validity

4.2 Inner Model Analysis

To examine the coefficient of determination and path coefficient estimation, inner model testing is required to test each research variable's effects on one another (Henseler et al., 2016; Nitzl, 2016). The hypothesis can then be rejected after identifying the important relationships between the variables. Customer Loyalty has a determination coefficient value of 40.6 percent based on the above R-square value. This moderately high value of the coefficient of determination demonstrates that Customer Satisfaction which accounts for 40.6% of the variance in customer loyalty values, can also account for the remaining 59.4% of the variation in customer loyalty values. Using the Customer Satisfaction coefficient of determination, a result of 64.8 percent is generated, which is also considered moderate. This suggests that Service Quality (SQ) and Perceived Value (PV), together with other factors not included in the analytical model, can account for 64.8% of the variation in Customer Satisfaction value. In comparison, other factors are responsible for 35.2% of the variation.

A predictive relevance (Q²) score larger than 0 indicates, according to Henseler et al. (2016) and Nitzl (2016), that the research model has a generally acknowledged predictive relevance. The Q² can be calculated as follow. The model for this study has a sufficient level of goodness of fit, or Q² = 0.5155 or 51.55 percent.

$$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2) \quad (1)$$

Since all the variables have passed the requirements for both outer model and goodness-of-fit, further analysis of the inner model can be seen in Figure 4 and Table 1.

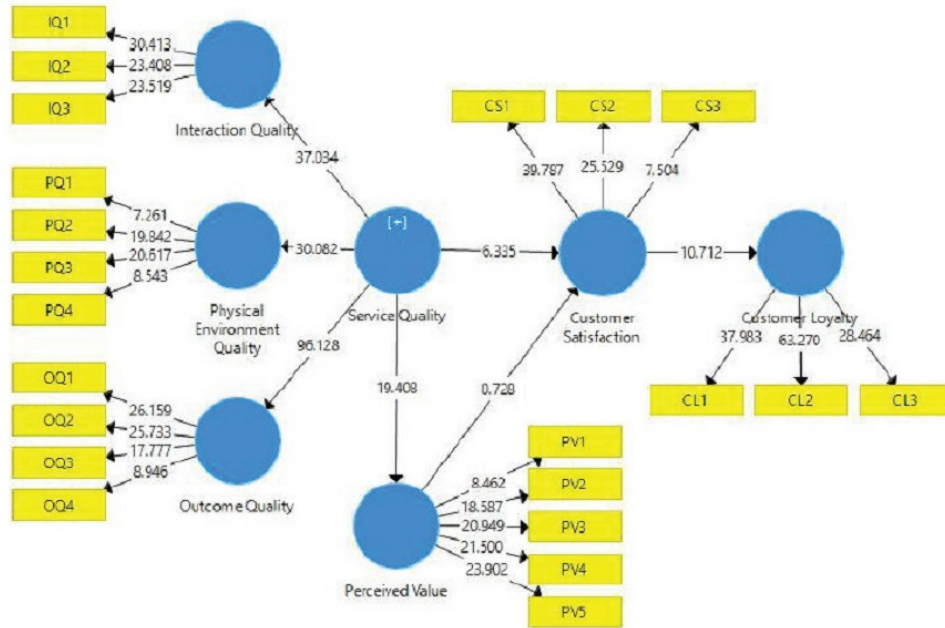


Figure 5. T-Statistics Results

Figure 1 reflects the formula below.

$$\eta_1 = \gamma_1\xi_1 + \zeta_1 \tag{2}$$

$$\eta_2 = \gamma_1\xi_1 + \beta_1\eta_1 + \zeta_2 \tag{3}$$

$$\eta_3 = \beta_2\eta_2 + \zeta_3 \tag{4}$$

The summary of the results can be seen on the following Table. It describes that among four hypotheses, three are accepted, and one is rejected.

Table 1. Hypothesis Results

Hypothesis	Path Coefficient	T-Statistics	P-Values	Results
H1: Service Quality → Perceived Value	0.78	19.408	0.000	Supported
H2: Service Quality → Customer Satisfaction	0.755	6.335	0.000	Supported
H3: Perceived Value → Customer Satisfaction	0.086	0.728	0.467	Not Supported
H3: Customer Satisfaction → Customer Loyalty	0.637	10.712	0.000	Supported

5. DISCUSSION

SEM-PLS test results revealed that Service Quality has a favorable and significant impact on Perceived Value. As a result, hypothesis 1 is confirmed. This result shows that when businesses give good service quality, perceived value is increased, which is consistent with the study by Kuo et al. (2009) that claims that service quality positively affects perceived value (Kuo et al., 2009). Thus, hypothesis 2 is also confirmed by the results that align with Woodruff’s research, which found that customer satisfaction was significantly influenced by service quality (Landroguet et al., 2013). In other words, how closely the performance of the services is linked to the degree of satisfaction (Shi & Su, 2007).

However, this study reveals that the third hypothesis is unsupported. This finding conflicts with the study by Moliner et al. (2007), which suggests that a factor in determining consumer satisfaction is



ICBMR

perceived value. Nevertheless, there is a reason for this unexpected change of events. The results align with previous studies, such as dimensions of perceived value not being significant on loyalty; this means that not all values can always affect positive behavior (Kim et al., 2019; Yang & Mattila, 2016). This study also confirms the effect of satisfaction and loyalty; hence H4 is supported. This study claims that it is more important for customers to be satisfied with the organization's services to remain loyal. As a marketing recommendation- service quality, especially outcome quality, will be the most important factor to reflect the marketing strategy. It means that luxury hotels should consider more about the quality that their customers have directly received.

6. CONCLUSION

This study again concludes the relationship of satisfaction to loyalty as the most significant indication of firms with strong performance (e.g., Aksoy et al., 2013; Ibojo, 2015). Even though service quality dimensions are not significant on perceived value, the guests in five-star hotels are satisfied with the service performance. The theoretical implications prevail over these findings but need to improve the measurement of perceived value. Hence, the marketing implication is to maintain human service performance. Most respondents said that the level of interaction they have with hotel workers determines how loyal they will be. The degree to which the surrounding physical environment, including the structure and atmosphere, is kept in pristine condition. These findings suggest that customers value personalized service offers considerably more in the modern day. However, the use of the antecedents is believed to be limited in some arguments; also the small number of respondents is hard to generalize. Therefore, future researchers are urged to include several additional factors, such as hotel reputation, trust, and customer commitment, which may help better understand how customer loyalty is changing.

REFERENCES

- Affi, I., & Amini, A. (2021). Factors Affect to Relationship Marketing for Creating Customer Loyalty in Hospital Services Business. *ASEAN Marketing Journal*, 10(2), 2.
- Afthanorhan, A., Awang, Z., Mamat, M., Sultan, U., & Abidin, Z. (2016). A comparative study between GSCA-SEM and PLS-SEM. *MJ Journal on Statistics and Probability*, 1(1), 63-72.
- Aksoy, L., Buoye, A., Aksoy, P., Larivière, B., & Keiningham, T. L. (2013). A cross-national investigation of the satisfaction and loyalty linkage for mobile telecommunications services across eight countries. *Journal of Interactive Marketing*, 27(1), 74-82.
- Bowen, J. T., & Shoemaker, S. (1998). Loyalty: A Strategic Commitment. *Cornell Hotel and Restaurant Administration Quarterly*, 39(1), 12-25. <https://doi.org/10.1177/001088049803900104>
- Bughin, J., Doogan, J., & Vetvik, O. J. (2010). A new way to measure word-of-mouth marketing. *McKinsey Quarterly*, 2, 113-116. <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-new-way-to-measure-word-of-mouth-marketing#>
- Charania, N. (2011). Hospitality Loyalty Program Effectiveness Evaluation Rubric University of Nevada Las Vegas]. In UNLV Theses, Dissertations, Professional Papers, and Capstones. <https://digitalscholarship.unlv.edu/thesesdissertations/1095>
- Evanschitzky, H., Ramaseshan, B., Woisetschläger, D. M., Richelsen, V., Blut, M., & Backhaus, C. (2012). Consequences of customer loyalty to the loyalty program and to the company. *Journal of the Academy of Marketing Science*, 40(5), 625-638. <https://doi.org/10.1007/s11747-011-0272-3>
- Fornell, C. (1992). A National Customer Satisfaction Barometer: The Swedish Experience. *Journal of Marketing*, 56(1), 6-21. <https://doi.org/10.2307/1252129>
- Garbarino, E., & Johnson, M. S. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. *Journal of Marketing*, 63(2), 70-87. <https://doi.org/10.2307/1251946>

- Ghozali, I. (2014). *Structural Equation Modeling Metode Alternatif dengan Partial Least Squares (PLS) (4th ed.)*. Badan Penerbit Universitas Diponegoro. https://www.researchgate.net/publication/289674653_Structural_Equation_Modeling_Metode_Alternatif_dengan_Partial_Least_Squares_PLS
- Grönroos, C. (1984). A Service Quality Model and its Marketing Implications. *European Journal of Marketing*, 18(4), 36–44. <https://doi.org/10.1108/EUM000000004784>
- Hallowell, R. (1996). The relationships of customer satisfaction, customer loyalty, and profitability: An empirical study. *International Journal of Service Industry Management*,
- Henseler, J., Hubona, G., & Ray, P. A. (2016). Using PLS path modeling in new technology research: Updated guidelines. *Industrial Management and Data Systems*, 116(1), 2–20. <https://doi.org/10.1108/IMDS-09-2015-0382>
- Holbrook, M. B. (2012). The Nature of Customer Value: An Axiology of Services in the Consumption Experience. In *Service Quality: New Directions in Theory and Practice* (pp. 21–71). SAGE Publications, Inc. <https://doi.org/10.4135/9781452229102.n2>
- Ibojo, B. O. (2015). Impact of customer satisfaction on customer retention: A case study of a reputable bank in Oyo, Oyo State, Nigeria. *International Journal of Managerial Studies and Research (IJMSR)*, 3(2), 42–53.
- Irawan, H. (2009). 10 Prinsip Kepuasan Pelanggan. PT Elex Media Komputindo. Jakarta Hotel Market Review. (2019). <https://www.c9hotelworks.com/wp-content/uploads/2020/02/2019-06-jakarta-hotel-market.pdf>
- Kandampully, J., Zhang, T., & Bilgihan, A. (2015). Customer loyalty: A review and future directions with a special focus on the hospitality industry. *International Journal of Contemporary Hospitality Management*, 27(3), 379–414. <https://doi.org/10.1108/IJCHM-03-2014-0151>
- Kim, S., Ham, S., Moon, H., Chua, B. L., & Han, H. (2019). Experience, brand prestige, perceived value (functional, hedonic, social, and financial), and loyalty among GROCERANT customers. *International Journal of Hospitality Management*, 77, 169–177.
- Kotler, P., & Keller, K. L. (2016). *Marketing Management (15th ed.)*. Pearson Publication Inc. https://www.academia.edu/40266001/Marketing_Management_15th_Edition_by_Philip_T.-Kotler_Kevin_Lane_Keller
- Kristanto, A. (2005). Analisis Pengaruh Asosiasi Merek, Nilai Produk, dan Kualitas Pelayanan Terhadap Kepuasan, Serta Hubungannya Dengan Retensi Konsumen: Studi Mengenai Motor Merek Honda di Jakarta. Universitas Indonesia.
- Kumar, V., Sharma, A., Shah, R., & Rajan, B. (2013). Establishing Profitable Customer Loyalty for Multinational Companies in the Emerging Economies: A Conceptual Framework. *Journal of International Marketing*, 21(1), 57–80. <https://doi.org/10.1509/jim.12.0107>
- Kuo, Y. F., Wu, C. M., & Deng, W. J. (2009). The relationships among service quality, perceived value, customer satisfaction, and post-purchase intention in mobile value-added services. *Computers in human behavior*, 25(4), 887–896.
- Ladhari, R., & Morales, M. (2008). Perceived service quality, perceived value and recommendation A study among Canadian public library users. *Library Management*, 29(4–5), 352–366. <https://doi.org/10.1108/01435120810869129>
- Lai, I. K. W. (2019). Hotel image and reputation on building customer loyalty: An empirical study in Macau. *Journal of Hospitality and Tourism Management*, 38, 111–121.
- Lam, E. T. C., Zhang, J. J., & Jensen, B. E. (2005). Service Quality Assessment Scale (SQAS): An instrument for evaluating service quality of health-fitness clubs. *Measurement in Physical Education and Exercise Science*, 9(2), 79–111. https://doi.org/10.1207/s15327841mpee0902_2
- Landroquez, S. M., Castro, C. B., & Cepeda-Carrión, G. (2013). Developing an integrated vision of customer value. *Journal of Services Marketing*, 27(3), 234–244. <https://doi.org/10.1108/08876041311330726>



ICBMR

- Lien, C. H., Wu, J. J., Chen, Y. H., & Wang, C. J. (2014). Trust transfer and the effect of service quality on trust in the healthcare industry. *Managing Service Quality*, 24(4), 399–416. <https://doi.org/10.1108/MSQ-11-2013-0255>
- Liu, C. T., Guo, Y. M., & Lee, C. H. (2011). The effects of relationship quality and switching barriers on customer loyalty. *International Journal of Information Management*, 31(1), 71–79. <https://doi.org/10.1016/j.ijinfomgt.2010.05.008>
- McDougall, G. H., & Levesque, T. (2000). Customer satisfaction with services: putting perceived value into the equation. *Journal of Services Marketing*, 14(5), 392–410. <https://doi.org/10.1108/08876040010340937>
- Miller, T. (2018). Hotels Have a Growing Guest Loyalty Problem ... and They May Not Even Know It. *Hospitality Net*. <https://www.hospitalitynet.org/opinion/4088226.html>
- Moliner, M. A., Sánchez, J., Rodríguez, R. M., & Callarisa, L. (2007). Relationship quality with a travel agency: The influence of the postpurchase perceived value of a tourism package. *Tourism and Hospitality Research*, 7(3-4), 194-211.
- Nitzl, C. (2016). The use of partial least squares structural equation modelling (PLS-SEM) in management accounting research: Directions for future theory development. *Journal of Accounting Literature*.
- Oliver, R. L. (1999). Whence Consumer Loyalty? *Journal of Marketing*, 63, 33–44. <https://doi.org/10.1177/00222429990634s105>
- Oliver, R. L. (2010). *Satisfaction: A behavioral perspective on the consumer*, Second edition. McGraw Hill.
- Pan, Y., Sheng, S., & Xie, F. T. (2012). Antecedents of customer loyalty: An empirical synthesis and reexamination. *Journal of Retailing and Consumer Services*, 19(1), 150–158. <https://doi.org/10.1016/j.jretconser.2011.11.004>
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple- Item Scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64, 12–40. https://www.researchgate.net/publication/225083802_SERVQUAL_A_multiple-_Item_Scale_for_measuring_consumer_perceptions_of_service_quality
- Piercy, N., & Morgan, N. (1991). Internal marketing-The missing half of the marketing programme. *Long Range Planning*, 24(2), 82–93. [https://doi.org/10.1016/0024-6301\(91\)90083-Z](https://doi.org/10.1016/0024-6301(91)90083-Z)
- Pizam, A., Shapoval, V., & Ellis, T. (2016). Customer satisfaction and its measurement in hospitality enterprises: a revisit and update. *International Journal of Contemporary*
- Rust, R. T., Lemon, K. N., & Zeithaml, V. A. (2004). Return on Marketing: Using Customer Equity to Focus Marketing Strategy. *Journal of Marketing*, 68(1), 109–127. <https://doi.org/10.1509/jmkg.68.1.109.24030>
- Ryu, K., Han, H., & Kim, T. H. (2008). The relationships among overall quick-casual restaurant image, perceived value, customer satisfaction, and behavioral intentions. *International Journal of Hospitality Management*, 27(3), 459–469. <https://doi.org/10.1016/j.ijhm.2007.11.001>
- Sasser, W. E., Schlesinger, L. A., & Heskett, J. L. (1997). *The Service Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction and Value*. The Free Press. <https://www.amazon.co.uk/Service-Profit-Chain-Companies-Satisfaction/dp/0684832569>
- See-To, E. W. K., & Ho, K. K. W. (2014). Value co-creation and purchase intention in social network sites: The role of electronic Word-of-Mouth and trust - A theoretical analysis. *Computers in Human Behavior*, 31(1), 182–189. <https://doi.org/10.1016/j.chb.2013.10.013>
- Setiowati, R., & Putri, A. (2012, December). The Impact of Perceived Value on Customer Satisfaction, Loyalty, Recommendation and Repurchase. An Empirical Study of Spa Industry in Indonesia. *International Conference on Trade, Tourism and Management*.
- Shi, J. H., & Su, Q. (2007, June). Evaluation of hotel service quality based on customer satisfaction. In 2007 *International Conference on Service Systems and Service Management* (pp. 1-5). IEEE.

- Silalahi, U. (2009). *Metode Penelitian Sosial*. PT. Refika Aditama. <https://www.belbuk.com/metode-penelitian-sosial-p-20017.html>
- So, K. K. F., King, C., Sparks, B., & Wang, Y. (2013). The influence of customer brand identification on hotel brand evaluation and loyalty development. *International Journal of Hospitality Management*, 34(1), 31–41. <https://doi.org/10.1016/j.ijhm.2013.02.002>
- Srinivasan, S. S., Anderson, R., & Ponnnavolu, K. (2002). Customer loyalty in e-commerce: An exploration of its antecedents and consequences. *Journal of Retailing*, 78(1), 41–50. [https://doi.org/10.1016/S0022-4359\(01\)00065-3](https://doi.org/10.1016/S0022-4359(01)00065-3)
- Tam, J. L. M. (2004). Customer Satisfaction, Service Quality and Perceived Value: An Integrative Model. *Journal of Marketing Management*, 20(7–8), 897–917. <https://doi.org/10.1362/0267257041838719>
- Ting, D. (2019). Hotel Direct Booking Efforts Create Lasting Loyalty: New Report. Skift. <https://skift.com/2019/01/30/hotel-direct-booking-efforts-create-lasting-loyalty-new-report/>
- Tjiptono, F., Chandra, Y., & Diana, A. (2004). *Marketing Scales*. Andi.
- Uncles, M. D., Dowling, G. R., & Hammond, K. (2003). Customer loyalty and customer loyalty programs. In *Journal of Consumer Marketing* (Vol. 20, Issues 4–5, pp. 294–316). Emerald Group Publishing Ltd. <https://doi.org/10.1108/07363760310483676>
- Watson, G. F., Beck, J. T., Henderson, C. M., & Palmatier, R. W. (2015). Building, measuring, and profiting from customer loyalty. *Journal of the Academy of Marketing Science*, 43(6), 790–825. <https://doi.org/10.1007/s11747-015-0439-4>
- Woodruff, R. B. (1997). Valor para o cliente: a próxima fonte de vantagem competitiva. *Jornal da academia de marketing science*, 25(2), 139.
- Yang, W., & Mattila, A. S. (2016). Why do we buy luxury experiences? Measuring value perceptions of luxury hospitality services. *International Journal of Contemporary Hospitality Management*.
- Young, A. (2019). The Difference Between Loyalty Programs and Loyalty to a Brand | By Alan Young – Hospitality Net. Hospitality Net. <https://www.hospitalitynet.org/opinion/4094923.html>
- Zeithaml, V. A. (1988). Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence. *Journal of Marketing*, 52(3), 2–22. <https://doi.org/10.1177/002224298805200302>