
The Mediating Role of Customer Satisfaction on the Relationship between Service Quality and Consumer Loyalty on the Hospitality Industry

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ABSTRACT

Service quality and customer satisfaction are important that shape customer loyalty in the hospitality industry. The fulfillment of these two things can maintain the sustainability of the organization in the long term. This study aims to examine the effect of service quality on customer loyalty, the effect of service quality on customer satisfaction, customer satisfaction on customer loyalty, and the mediating effect of customer satisfaction on the relationship between service quality and customer loyalty. The population of this research is all consumers of one of 5-star hotels in Jakarta, with purposive sampling method with the criteria of having stayed at the hotel more than 3 times. The results of this study indicate that all hypotheses are accepted, which means that service quality affects consumer loyalty, service quality affects consumer satisfaction, customer satisfaction affects loyalty, and consumer satisfaction mediates the influence between service quality and consumer loyalty.

Keywords: Service Quality, Customer Satisfaction, Loyalty, Hospitality Industry

Abstrak

Kualitas pelayanan dan kepuasan pelanggan merupakan penting yang mempengaruhi loyalitas pelanggan pada industri perhotelan. Pemenuhan kedua hal tersebut dapat menjaga sustainability organisasi dalam jangka panjang. Penelitian ini bertujuan untuk menguji pengaruh kualitas layanan pada loyalitas pelanggan, pengaruh kualitas layanan pada customer satisfaction, customer satisfaction pada customer loyalty, serta pengaruh mediasi customer satisfaction pada hubungan kualitas layanan dan loyalitas pelanggan. Populasi dari penelitian ini adalah seluruh konsumen salah satu hotel bintang lima di Jakarta, dengan metode pengambilan sampel purposive sampling dengan kriteria sudah pernah menginap di hotel lebih dari 3 kali. Hasil penelitian ini menunjukkan seluruh hipotesis diterima, yang berarti kualitas pelayanan berpengaruh terhadap loyalitas konsumen, kualitas pelayanan berpengaruh terhadap customer satisfaction, customer satisfaction berpengaruh terhadap loyalty, serta customer satisfaction berhasil memediasi pengaruh antara kualitas pelayanan dan loyalitas konsumen

Kata Kunci: Kualitas Layanan, Kepuasan Pelanggan, Loyalitas Konsumen, Industri Perhotelan

1. INTRODUCTION

Indonesia is one of the largest countries in Southeast Asia, which continues to be a favorite tourist destination for tourists from all over the world. This has caused the hotel sector in Indonesia to experience growth in the last few decades. There was instability of hotel room occupancy from 2018 – 2020. However, the hotel sector in Indonesia often experiences several challenges, especially in terms of maximizing customer value and maintaining customer loyalty in the long term, as it is known that more and more competitors are emerging in the hotel industry. With the increasingly fierce competition, each hotel must develop a strategy to maintain customer loyalty. In this digital era, the use of price discounts as a way to attract customers is becoming increasingly irrelevant in the hospitality industry [15]

[4] argued that the hospitality industry must develop a differentiation strategy that focuses on the customer (customer oriented). Customer loyalty has an important role in the sustainability of the service industry, especially hospitality. In addition, building customer loyalty is said to be able to encourage positive WOM from satisfied customers. The level of consumer satisfaction is defined as a feeling of pleasure or disappointment from consumers after consumers consume products / services offered by the company. The level of consumer satisfaction is obtained from comparing consumer expectations and the real services received from service providers [12]

One of the differentiation strategies that can be developed by companies in the hospitality industry is to offer a different quality of service from its competitors. Hoteliers are required to understand the principles of service quality. The hospitality industry needs to understand their customers' expectations and provide services accordingly. Service quality is considered an intangible experience. In addition, service quality is defined as a consumer assessment related to the superiority of a service offered, while according to [11], customer satisfaction is a response to this assessment. and consumer desires.

One of the factors that can cause low customer loyalty is poor service quality. Studies conducted by [1], [9], and [13] argued that service quality and satisfaction are the main determinants of customer loyalty. Various studies in various industries have been carried out with the aim of examining the effect of service quality and customer satisfaction on customer loyalty. However, the inconsistency of research results is still confusing for most researchers. However, [15] argued that due to changes in consumer behavior and the digitization of information, whether service quality is the main determinant of customer loyalty is still in doubt. However, a study conducted by [5] explained that customer satisfaction does not have a significant effect on consumer loyalty. This study aims to use service quality variables specifically for the hospitality industry to update literacy related to the constructs of service quality, customer satisfaction, and customer loyalty specifically in the hospitality industry Thus, this study aims to fill the research gap with a research entitled "The Mediating Role of Customer Satisfaction on the Relationship between Service Quality and Consumer Loyalty on the Hospitality Industry"

2. LITERATURE REVIEW

2.1. Service Quality

Service quality (serv-qual) is a customer's perception of the quality of service resulting from a comparison between consumer expectations and the actual experience experienced by consumers in consuming a service [11]. Service quality is an essential thing that must be offered by companies that offer services. The quality of service will be considered good by consumers if the quality of services offered is equal to or exceeds customer expectations. Otherwise, the service quality is considered poor. The serv-qual dimensions that are used on this research is Interaction Quality, Physical Evidence Quality, Outcome Quality[7]. Previous studies have found a significant effect of service quality on customer satisfaction and loyalty [14], [3], [8]

2.2 Customer Satisfaction

[7] explained that satisfaction is a feeling of pleasure or disappointment from someone caused by better or worse performance than expected. One way that can be done to measure consumer satisfaction is the direct question method, which is to provide alternative answers to questions posed to consumers. Several factors that can shape customer satisfaction include service quality and perceived value by customers. Customer satisfaction can be obtained from customer perceptions of the benefits offered by service providers [9] There are several indicators that can be used to measure customer satisfaction, including price and perceived experience

2.1.1. Customers' Loyalty

Consumer loyalty can occur because of the satisfaction / dissatisfaction felt by consumers after consuming a product / service. According to [5], consumer loyalty is analogous to a person's positive attitude towards a particular product or brand that causes continuous repurchase. Loyalty begins with the creation of good customer value and customer satisfaction. Loyalty can also be formed when the customer feels comfortable with the services provided by the service provider. [12] explained that there are several indicators of consumer loyalty, including customers recommending services to their colleagues and customers willing to make repeat purchases continuously.

Thus the hypotheses on this research are :

H1 : Service Quality has a significant effect towards Customers' Loyalty on Hospitality Industry

H2 : Service Quality has a significant effect towards Customers' Satisfaction on Hospitality Industry

H3 : Customer Satisfaction has a significant effect towards Customers' Loyalty on Hospitality Industry

H4 : Customer Satisfaction mediates the effect between Service Quality towards Customers' Loyalty on Hospitality Industry

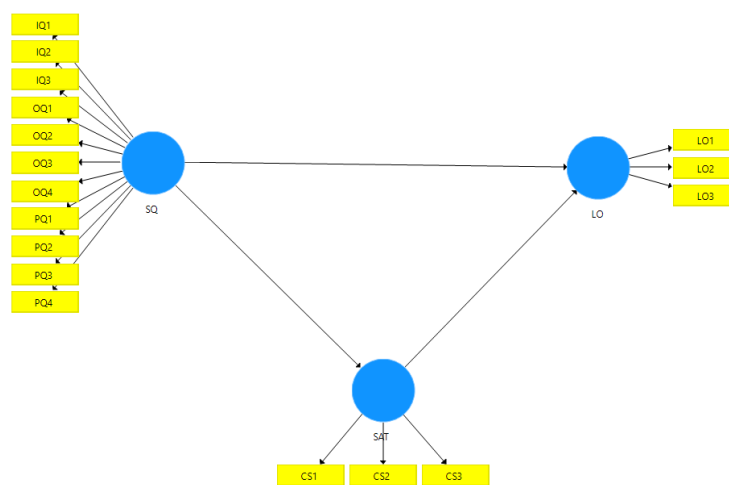


Figure 1. Conceptual Framework

3. RESEARCH METHODOLOGY

The population of the research carried out is all customers of a 5-star hotel in Jakarta, because the number is not known for certain, this population is classified as an unknown population. The sampling technique used in this study used a purposive sampling method. The criteria addressed by the researcher are hotel customers who have stayed more than 3 times. To find out the sample in this study, the unknown population formula was used, this formula was used for samples whose population was unknown with an error ratio of 5% and a confidence level of 95%, with a total sample of 96 respondents. The following conceptual model will be analyzed using smartPLS 3.0

4. RESULT AND DISCUSSION

4.1 Outer Model

The outer model evaluation analysis was carried out with a convergent validity test, where the data would be declared to have passed the convergent validity test if the outer loading value was greater than 0.5. Second, a reliability test will be conducted, where the data will be declared to have passed the discriminant reliability test if the composite reliability and Cronbach alpha values are greater than 0.6 and the AVE values are greater than 0.5 for all constructs. The following are the results of the convergent validity and discriminant reliability tests:

Table 1. Convergent Validity

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Variabel	Item	Outer Loading	Result
Service Quality	IQ1	0.810	Valid
	IQ2	0.728	Valid
	IQ3	0.710	Valid
	OQ1	0.853	Valid
	OQ2	0.879	Valid
	OQ3	0.746	Valid
	OQ4	0.768	Valid
	PQ1	0.733	Valid
	PQ2	0.687	Valid
	PQ3	0.706	Valid
	PQ4	0.719	Valid
Customer Satisfaction	CS1	0.805	Valid
	CS2	0.825	Valid
	CS3	0.749	Valid
Loyalty	LO1	0.782	Valid
	LO2	0.842	Valid
	LO3	0.783	Valid

Composite Reliability, Cronbach Alpha and AVE

Composite reliability, Cronbach alpha and AVE are the reliability measurements between the indicator blocks used in the study. The following table shows that the composite reliability value is greater than 0.7, the Cronbach alpha value is greater than 0.6, and the AVE value of all constructs is greater than 0.5. With these results, it can be stated that all constructs have met the reliability requirements

Table 2. Composite Reliability, Cronbach Alpha and AVE

Construct	Composite Reliability	Cronbach Alpha	Average Variance Extracted (AVE)	Result
Service Quality	0.844	0.845	0.644	Reliable
Satisfaction	0.836	0.834	0.630	Reliable
Loyalty	0.941	0.941	0.593	Reliable

Table 2 shows that the composite reliability and Cronbach Alpha values are all above 0.7, and the AVE value for all constructs is more than 0.5, it means that all constructs are reliable. Because all items have met the requirements of validity and reliability, the next stage will be testing the hypothesis. The following is a research model.

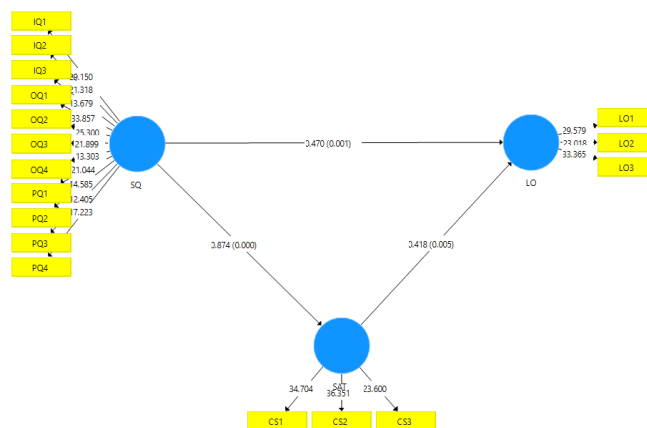


Figure 2. Research Model

Table 3. Hypotheses Testing

Hipotesis	Hubungan	Path Coefficient	p-values	Result
H1	<i>Service Quality -> Loyalty</i>	0.470	0.001	Sig
H2	<i>Service Quality -> Customer Satisfaction</i>	0.874	0.000	Sig
H3	<i>Customer Satisfaction -> Loyalty</i>	0.418	0.005	Sig
H4	<i>Service Quality -> Satisfaction -> Loyalty</i>	0.366	0.005	Sig

Based on the results of testing the first hypothesis, it was found that service quality has a positive and significant effect on the customer loyalty, with a path coefficient of 0.470 and a significance value of $0.001 < 0.05$. This means that the better the quality of service provided by the hotel, the higher the customer loyalty. Vice versa, if the quality of service provided by hotel is not as satisfactory as what consumers' perceived, the lower the level of customer loyalty. These results are in accordance with research conducted by [3] which showed similar results, where service quality had a significant positive effect on customer loyalty. Thus, the service of hotel staff, the neatness and cleanliness of the hotel environment are things that must be considered to increase customer loyalty.

Based on the results of testing the second hypothesis, it was found that service quality has a positive and significant effect on the customer satisfaction, with a path coefficient of 0.874 and a significance value of $0.000 < 0.05$. Service quality refers to customer evaluations of certain service dimensions from the hospitality industry, where in this study we discuss the interaction quality of hotel staff, physical evidence quality such as buildings, cleanliness, and comfort, and outcome quality to form of the ability to build customer trust. Several studies that have been conducted prove that there is a positive relationship between service quality and customer satisfaction in various sectors [14]. Customers tend to be loyal to service providers who are committed, trustworthy, reliable, communicative, and able to fulfill consumer desires well [6].

Based on the results of testing the third hypothesis, it was found that customer satisfaction has a positive and significant effect on the customer loyalty, with a path coefficient of 0.418 and a significance value of $0.005 < 0.05$. In detail, when customers are satisfied with a product or service, there will be customer trust in the service provider which ends in a repeat purchase. These results are in accordance with the research conducted by [2] that there is a positive correlation between customer satisfaction and loyalty. Even in the hospitality industry, it was found that there is a positive relationship between customer satisfaction and loyalty [8]

Based on the results of testing the fourth hypothesis, it was found that customer satisfaction is able to mediate the effect of service quality on customer loyalty, with a path coefficient of 0.366 and a significance

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value of $0.005 < 0.05$. Customer satisfaction is a determinant of customers' repurchase intention. Satisfied customers are very likely to share their experiences with their colleagues. Service quality and customer satisfaction are referred to as important antecedents that shape customer loyalty. Furthermore, customer satisfaction was found to be able to mediate the effect of service quality on customer loyalty [10]. . If a service provider wants to increase customer satisfaction, it requires a commitment to good service quality.

From the hospitality industry, this can be realized through providing comfortable facilities, fast and excellent service, and demonstrating a trustworthy attitude. Thus, customer loyalty can be formed from customer satisfaction. In this study, it was concluded that customers who are satisfied with the services of the hotel will be loyal, and furthermore, loyal customers will be satisfied with the quality of services provided by the hotel.

5. CONCLUSION AND RECOMMENDATION

Various studies in various industries have been carried out with the aim of examining the effect of service quality and customer satisfaction on customer loyalty. However, the inconsistency of research results is still confusing for most researchers. This study aims to use service quality variables specifically for the hospitality industry to update literacy related to the constructs of service quality, customer satisfaction, and customer loyalty specifically in the hospitality industry. This study found that service quality has a significant effect on customer loyalty, service quality has an effect on customer satisfaction, and customer satisfaction has an effect on customer loyalty. Furthermore, it was further found that customer satisfaction mediates the influence between service quality and consumer loyalty in the hospitality industry. Based on these results, the recommendation that can be given by researchers to service providers in the hospitality industry is that management should focus on providing the best service quality to form consumer loyalty, because it was found that service quality is directly and indirectly able to shape customer loyalty, especially in the hospitality industry.

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