

Conference Paper

The Study of Service Quality and Relationship Marketing for Engaging Hotels Customer Loyalty

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Abstract

The purpose of this study is to analyze the effect between service quality towards customer loyalty through relationship marketing as intervening in four-star hotel services. Structural Equation Modeling (SEM) is used for analyzing the effect among service quality, relationship marketing and customer loyalty. The result shows there are relations' effects between service quality on customer loyalty directly and indirectly, how service quality and relationship marketing can engage the customer loyalty hotels. When the guests have a good experience of leisure, they become loyal customer, if hotels provider can engage them using a relationship-marketing program also, not only satisfied with hotel good quality services. Another result shows that service quality is a key direct indicator as measurements of hotels provider to provide the good leisure services and as an experience desired when customer book a hotel for stay.

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1. Introduction

The marketing transactional concept with building the short-term purpose for making customer purchase is too old and going to be left. The marketer move their purpose into building a long-term using engage the relationships sustainable and mutual beneficial between the parties circle. This is taken to foster the customer loyalty, for minimizing the barrier switching (customers move or change to another brand product or service). Having a customer loyalty begins to become a priority and can be leading the brand strategy for companies to produce their product or brand.

Some reasons happen in reality; making a plan for attracting the customers and make the loyal customers can reduce the cost planning than attracting the new customers who are asking for aggressive promotion (discount, shipping promotion, etc.) that is phenomenal and attractive (Griffin & Herres, 2002). Loyal customer is something, which

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is very valuable becomes a diamond asset. If the relationship between company, retail, customer and other parties seriously handled and served, it will give more income and growing the long-term goals for company. A paradigm of having a relationship with customers in length time is the best way to conduct, in marketing is called Relationship Marketing theory. Relationship marketing attempts to involve and integrate the customers, suppliers and other infrastructural partners into company's developmental and marketing activities (McKenna, 1993)

Morgan and Hunt (1994) noted that all relationship-marketing activities tend to establish, develop, and maintain successful relation exchanges. According to Sheth and Parvatiyar (1995) relationship marketing is an act initiated by the actor to maintain continuous cooperation with consumers to attract, develop and retain customers. W. G. Kim and Cha (2002) considered relationship marketing as something that businesses adopt to establish long-term and reciprocal relations with customers through voluntary and long-term interactions and cooperation with customers. We can say that marketing relationship is good marketing approach for engage the customers using upgrade a long-term growth for company to fulfill maximum of productivity and the customer needs also. Relationship marketing aims to enhance marketing productivity by achieving the efficiency and effectiveness (Sheth & Parvatiyar, 1995). Companies routinely engage in relationship marketing efforts to improve their relationship with the business partners and customers. Understanding and managing the customer relationship is fundamental in marketing. The relationship between qualities, customer service and marketing is undergoing revived.

The last couple of years relationship marketing has been introduces within services marketing since more efficient, profitable and long-term marketing can be achieved by focusing on present customers instead of contracting on attracting new ones. The most important characteristic of services, and probably the only really unique one, is the fact that services are processes, not things. In a service-marketing model, the starting point for planning is not a product but a service concept, that is, an idea about how the quality-generating resources should function and what result they should achieve for the customer (Grönroos, 2001). Service management and marketing scholars increasingly agree that service quality assessments occur when customers compare their service expectations with their perceptions of the service they receive. When customer or client expectations and perceptions of experienced service do not match, we have a service quality gap

In the context on consumer behavioral theory focus on service quality, rise a statement that the loyal customer feels will be very related with how much the quality

of service, according to Kotler (2012) service quality (SERVQUAL) can be measured from five dimensions, there are: Tangibles, Reliability, Responsiveness, Assurance and Empathy. Company routinely engages in relationship marketing efforts to improve their relationship with the business partners and customers.

In the hotel industry, service has always been the primary target, and service quality has a significant effect on the accommodation desires of guest. Mason and Nassivera (2013) examined that service quality can affect behavior intention and tourism awareness. However, service quality is the result of prior expectations and actual perceptions of customers. Likewise, service quality affects the customers loyal because of the traveler have an expectations regarding hotel service quality. For example, travelers naturally expect better accommodations and better service quality from a five-star international tourism hotel than from a general tourist hotel.

Many hotels provide the loyalty program to the customers. Loyalty programs are the most popular value-added defensive customer relationship management (CRM) strategies used by hotel chains to foster repeat business (Leventhal & Zineldin, 2006). They are developed to reward frequent customers, generate information about customers, and manipulate customers' behavior and to compete with other hotels. Loyalty program members have become business builders by buying more, paying premium prices and bringing in new customers by referrals (O'Brien & Jones, 1995). Some researchers assert that the loyalty programs can generally increase purchase frequency, customer advocacy, share of wallet and operational profit by lowering expenses in recruiting new customers while they decrease customer price sensitivity and switching costs (Bowen & McCain, 2015; Keh & Lee, 2006; H.-Y. Kim, Lee, Choi, Wu, & Johnson, 2013; Leenheer, Van Heerde, Bijmolt, & Smidts, 2007; Lewis, 2004; Reichheld, 2001; Sharp & Sharp, 1999).

The frequent of flyer loyalty programmers are the technically most advanced attempts to create the long term individually relationship through membership. Hotel industry has a classification grade for the star, based on theirs service and the facilities providing. Loyalty program is one of their facilities also. In Indonesia, four-star hotels, based on the survey on several hotels web, only own loyalty program.

Four-star hotel in Malang has been design for marketing concepts that are in accordance with their " core business". It has characteristics that are different from other hotels prefers the presence of four-star class. Based on the description that has been delivered, the purpose in this research is (1) Analyzing the effect among service quality to loyalty customers; (2) Analyzing the effect of service quality to relationship marketing; (3) Analyzing the effects of relationship marketing to customers loyalty. This research was

conduct on four-star hotels industry in Malang that has loyalty program as their service and facilities.

There is a connection between to three variables consisting of Service Quality and Relationship Marketing to Customer Loyalty can be seen in Figure 1.

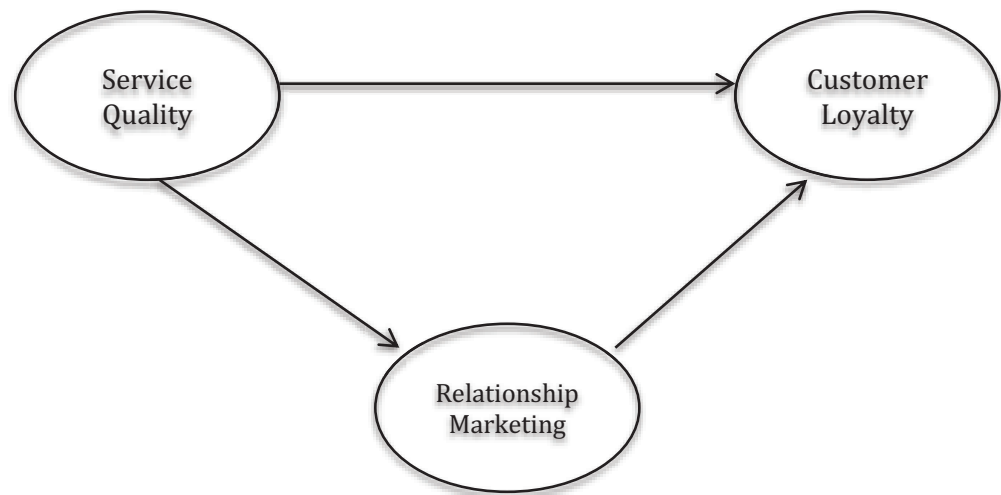


Figure 1: The Conceptual Model.

From Figure 1 it can be explained that the quality of service is good effect on customers loyalty. Dimension for each variables need to determined. Service quality variables have five dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Meanwhile, Customers Loyalty has four dimensions, namely: Say positive things, Recommendation to friends, Continuous purchases and Purchase Additional Service. Whereas, the Relationship Marketing positioned as an intervening variable. Relationship has three dimensions, there are: Harmony, Acceptance and Participation simplicity between company with customers.

2. Research Methods

Upon completion of the literature research, the conceptual model is constructed and four hypotheses is conducted:

- H1:** There is positive effect between service quality to customer loyalty hotels
- H2:** There is positive effect between service quality to relationship marketing hotels
- H3:** There is positive effect between relationship marketing to customer loyalty hotels
- H4:** There is strength positive effect between relationship marketing to customer loyalty hotels through relationship marketing

2.1. Sample

Population in this research is the customer guest who stay overnight and use the services provided by four-star hotel at Malang with a large population unlimited.

The technique sampling used is a non-probability sampling technique with judgment sampling i.e. method for getting samples in accordance with the determination of the researcher based on special conditions. So, by non-probability sampling, each member of the population does not have the same opportunity to be a sample. The size of the sample minimum for descriptive research as many as 100 people, research correlational of 50 people, research causal-comparison as many as 30 / group and for experimental research as much 30/15, then the samples will taken in this study more than 100 namely 200 respondents.

To reduce deep bias of this study, the researchers tried determine respondent characteristics as follows:

- Hotel: Four-star hotels in Malang who have a "loyalty program", like a membership or privilege card. Out of 10 four-stars brands hotel in Malang, only three hotels that having a loyalty program.
- Guest: Customers who have a "Privilege Card or Membership Card". The provisions for join as membership is already registered in Hotels website, and get the membership number. It is mean the guest already stay more than twice at that four-star hotels chain.

2.2. Data Collection

A data collection method in this research is using a structural questionnaire with three variables, 12 dimensions and 26 questions as indicator was conducted. The questionnaire was given by email to the guest hotel member, from 279 email sent, researcher receive 200 questionnaire back.

2.3. Testing Method

To test the validity of latent variables, researcher using the validity test and reliability test. Data analysis was performed with Structural Equation Model (SEM) following the Hair Jr, Sarstedt, Hopkins, and Kuppelwieser (2014), using Smart-PLS software structural analysis.

3. Research Results and Discussion

Based on table 1 showed that from 200 respondents shows that customers who are most visited stay at 3 four-star hotels in Malang, can be classified based on gender, age, occupation and long time for privilege/ membership card ownership.

TABLE 1: Characteristics of Respondents

Demographic Variable	Number of Respondent	Percentage
Gender		
• Male	131	65%
• Female	69	35%
Age		
• 21 – 30	42	21%
• 31 – 40	83	42%
• 41 - 50	52	26%
• > 50 years old	23	11%
Occupation		
• Entrepreneur	40	20%
• Employee of Private Company	80	40%
• Employee of Government	70	35%
• Others	10	5%
Long Privilege/ Membership Card Ownership		
• < 1 year	130	65%
• 1 – 2 year	68	34%
• > 2 years	2	1%

Sources: Processed Data

The gender percentage showed that male sex is 65% dominant for stayed at hotel as a member. Age respondent is really variety, coming from 21 years old until more than 50 years old, and mostly research respondent is coming from age range 31-40 years old (42%). Whereas, based on occupation type employee in private company is 40%. It means that frequent to stayed or having an event held at this hotel mostly come from banking community, non-profit organizations, NGOs, and universities. Meanwhile, for long period privilege/ membership card ownership respondents mostly still using less than 1 year, that is 130 respondents or 65%. It can be shows level customer trust to join for a membership is quite high because during less than 1 year customer always use the services of this hotel for comfort in activities.

After collect the questionnaire, first convergent validity test and reliability test was conduct. This test is intended to measure the level of eligibility of the questionnaire as a tool data collector. Next results construct validity and reliability latent variables of research can be explained. Following Hair, Hult, Ringle, and Sarstedt (2014), the measurement of convergent validity is through average variance extracted (AVE) and outer loading. This research is using the loading factor to examine the result. The requirements of construct captures from its items to amount due to measurement error, and should be greater than 0.5 such that 50% or more of indicator variance could be accounted for The loading factor values of all indicators in the model are explained. Service Quality (SQ) from 13 questions as indicator, result showed 8 questions have more than 0.50 and not removed. Relationship Marketing (RM) variable from 6 questions as indicators, result showed 5 indicators are valid and not removed. Last variable, Customer Loyalty (CL) results showed that all of the indicators are valid (eight indicators).

Composite reliability test is to measure level consistency instrument research. Using tested the Confirmatory Factor Analysis (CFA) with the requirements is the *cronbach alpha* value, following Nunally and Bernstein (1994) need to bigger or the equal with 0.70 for knowing our reliability (> 0.70 = acceptable and > 0.90 = higher). Results showed that the entire *cronbach alpha* variable is good acceptable. The composite reliability of all three variables ranged from 0.872 to 0.938, indicating well to higher acceptable.

TABLE 2: Inter-Construct Correlations (Reliability and Correlation Matrix)

Construct	Reliability		Correlation and Discriminant Validity		
	Composite Reliability	Cronbach Alpha	CL	RM	SQ
CL	0.938	0.912	0.890		
RM	0.872	0.781	0.752	0.833	
SQ	0.921	0.903	0.507	0.681	0.751

Notes: CL = Customer Loyalty; RM = Relationship Marketing; SQ = Service Quality

Sources: Processed Data

Validity and reliability test has been carried out on each of them latent variable, then the next carried out assumption tests aimed at to see whether the prerequisites are required in modeling Structural Equation Modeling (SEM) can be fulfilled. As for the requirements that must be met is an assumption normal multivariate, absence outliers, multicollinearity or singularity.

The model is said to be good when it's developing in a manner theoretical supported by empirical data. To evaluate the structural model, determinant coefficient (R^2), predictive relevance (Q^2) and the relative size of path coefficients effect size (f^2 and q^2) were used. Table 3 presents the results of the R^2 and Q^2 of the construct.

TABLE 3: Goodness of Fit Index

Construct	Determinant coefficient (R^2)	Predictive Relevance (Q^2)
RM	0.700	0.357
CL	0.797	0.228

Notes: CL = Customer Loyalty; RM = Relationship Marketing

Sources: Processed Data

Based on Hair et al. (2014), determinant coefficient (R^2) value of 0.75, 0.50, and 0.25 is described as a rough rule of thumb for substantial, moderate, and weak, respectively. The $R^2 = 0.797$ for Customers Loyalty indicates relationship marketing and service quality can explain the variance substantially. In terms of the mediator relationship marketing, $R^2 = 0.700$ shows service quality moderately explains the customers loyalty. All the Q^2 values were greater than zero, indicating that the exogenous constructs had predictive relevance for the endogenous constructs under consideration

After explaining the measurement items, the next step is to test the relationship among the variables. PLS can generate t-statistics for significance hypotheses testing of both the inner and outer model, using a procedure called bootstrapping. The result is shown in Table 4.

TABLE 4: Hypotheses Testing

Hypothesis	Direct and Indirect		
	Path Coefficients	t-Statistics	Support
Direct Effects			
H1: Service Quality → Customer Loyalty	2.30	4.33**	Yes
H2: Service Quality → Relationship Marketing	1.13	7.01**	Yes
H3: Relationship Marketing → Customer Loyalty	2.14	6.73**	Yes
Indirect Effects			
H6: Service Quality → Relationship Marketing → Customer Loyalty	2.07	4.23**	Yes

Significant: ** t-statistics should be > 1.96 (t-table)

Sources: Processed Data

After finding the direct, indirect, and total effects significant Table 4 present, if there is no longer direct effect lower than T-table, or zero relationship, also typically report that the relationship marketing as a mediator is fully mediates the service quality to customer loyalty effect.

In principle the customer who has a "*membership card*" is satisfied with the quality of services, even though this program it still counts new in Indonesian Hotels Marketing field. Privilege/ membership card program in Indonesia was started since 2013 (www.marketeers.com, July 2013). Many of international chain hotels as the starter and followed by the local chain hotels in the couple of months. customers who have "*privilege/ membership card*" feel satisfied with the relationship created by hotels. They really enjoy spending at hotels and getting some benefit as a member. They can get the special discount, occasional discount like in new-year, birthday date, and Indonesian public holiday. Privilege/ membership cards are usually issued at a cost to an person, and are available for several sectors. The principle: to keep the customer by enabling him or her to make daily use of the same goods or services, offsetting the card's costs.

Offering packages also is a great way of encouraging guests to choose your hotel over one of your competitors. Most people get attracted to discounts, deals and packages. And the anticipation of missing out on a discount is a pain people might prefer to avoid. So, according to this result we can combine the promotion into our relationship marketing through offer the membership. This argument can be approved by this research result, get the loyalty from engage our customer using relationship marketing based on how hotels provide their good services.

4. Conclusion

Based on result, our guest (customers) can be hotel most powerful marketing tool, or greatest detractors. When the guests have a good experience of leisure, they can be loyal customer if hotels provider can engage them using a relationship-marketing program. Service quality is a direct indicator as measurements of hotels provider for provide the good services and as an experience desired when customer book a hotel for stay. When the service quality indicators continue to fall or decline, it is important to find out what causes the problem and how you can fix and addressed it. One of the best ways to continue building the brand is through a good guest experience. Your brand is based on customer loyalty that can't be accomplished without high ratings of guest satisfaction of service quality and relationship marketing. The discussion has a good impact for the hotels provider for knowing how they should be engage their customer

become loyal through focusing with service quality and relationship marketing only. This research is too simple to be conducted, for the future research we need to emphasize the sample and the variables to make this construct more appealing as a new theory on hospitality management.

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