SERVICE QUALITY AS A COMPETENT MARKETING STRATEGY TO MAINTAIN CUSTOMER LOYALTY: A CASE STUDY IN THREE STAR HOTEL

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ABSTRACT

This paper is an empirical study that presents a comprehensive framework of relationships among service quality and customer loyalty in the hospitality industry. This study uses a quantitative approach with survey method. The samples were guests who have stayed in three stars’ hotels in the city of Solo, Indonesia. A total of 250 respondents participated in this study. The results indicated that service quality is a crucial role in the hotel industry. The study finds that service quality is statistically has a positive relation to customer loyalty and customer complaint has a negative relation to customer loyalty. It concludes that there are many strategies can be used in order to maintain customer loyalty, the strategy in every hotel are different and can be changed as follow as trend and situation of the hotels. Because of the competition amongst hotel industry is very tough.

Keywords: Service Quality, Hotel, Marketing Strategy, Customer Loyalty.

1. INTRODUCTION

Hotel businesses constitute one of the big takings for the country in the service sector, and currently the number of domestic visitors as well as foreign countries shows a better result day by day, so with this condition there will also be good resulting prospects for the hotel industry. In this case, this could be a chance for management to take the advantages, but this could also be a threat for the service industry, with the result that the business will be more competitive than before.

Worldwide, hotel businesses have been growing rapidly with very high competitions that always force the company to make and create a serious effort in order to deliver their products and services (Kandampully and Suhartono, 2000). Normally, the customer considers something that is appropriate with their needs and wants before they decide to buy some products. When they want to buy a product, the customer always seeks and looks for something that they really want. That might be because of the prestige, price or even for brand imaging. Normann, (1991) added that image is important and it is measured to persuade customer’s minds all the way through the combined things of advertising, physical image, public relations, word of mouth and their tangible experiences with goods and services.

Moreover, this year in Indonesia, it seems there is a change for the better in terms of conditions in economic and political sectors within the country. This change has brought many hopes of the hotel industry for better business in, the years to come.

In Solo, every organization especially in the hotel industry always struggles and fights for the purpose of getting their customers. Pricing wars, product and service enhancement are vital points to be considered in this condition, subsequently, the hotel industries in Solo have to twist their strategy in order to get their customer stay in their hotels. In order for business recover, there is a need for hotels to develop a specific marketing strategy.

To reach the maximum performance there are a lot of ideas to be considered such as the marketing activities and also to minimize the imperfection of quality service towards the customer. With minimizing the imperfection of quality service it can outline appropriate strategy rather than expanding the market segment. According to Milakovic, (1995 p: 78) “The Company needs to pay more money on capturing a new customer than keeping an existing one.” For instance, when a company is doing a promotion, it will cost a lot of money and also time consuming too. Moreover, it always has to focus on new customers.

Duffy, (2003) stated that service quality is the basic strategy that spreads out to be succeeded and survive amongst the competitive business for almost companies. If the customer receives poor service, this indicates that the customer will leave or spend a little amount of money in the company. In the other way if the company gives a good quality service so that will automatically reduce the possibility of a customer complaint. Moreover, the hotel industry is always related with service, so service quality can be a forecast within customer satisfaction and this will end up with customer loyalty in the company.

Complaints are indication that reflect the customer feels dissatisfied, and that will be a wrong if the management doesn’t take any actions ahead, and if in the long term it is...
still be ignored, the risk is the company will lose their customer automatically and the sales and profit will be falling down slightly.

This research will be taken in three star hotels in Solo Indonesia. The researcher focuses on this research because nowadays the competitions in the hotel businesses are very substantial and tough. Along with growth of hotels in Solo, luxurious four stars and two stars’ hotels have dominated the market, subsequently it is very hard for other hotels to compete amongst them, and so in this research the researcher will concentrate on giving detailed information regarding the marketing strategies especially in service quality. It is estimated that it can help hotel management as one of the marketing strategies to be used in order to maintain customer loyalty in three star hotels in Solo Indonesia. Besides, the researcher is also going to explain the purposes of marketing strategy concerning in the hotel industry and its service quality strategy. Moreover, the researcher intends to help the hotel management to find the accurate strategies in order to maintain customer loyalty in three star hotels in Solo.

2. LITERATURE REVIEW
Marketing Strategy: (Kotler and Armstrong, 2006) explained marketing strategy is the marketing sense by which the business component hopes to get its marketing objectives. Kotler and Armstrong (2006) added that it concludes of particular strategies for target markets, positioning, the marketing mix, and marketing expenditure levels. Moreover, the marketers should also be sketching definite strategies for example marketing mix, advertising, field sales, sales promotion, distribution and prices. They also should be able to explain how every strategy responds to threats, opportunities and all matters stated at the early plan (Kotler and Armstrong, 2006). Lancaster and Massingham (2008) stated Successful marketing strategy is significant to the success of the plan. It must utilize the SWOT analysis that concluding strengths, weaknesses, opportunities, and threats. They also added that the strategies normally focus upon the selection of target market, positioning strategies, and implementation of the elements of the marketing mix.

According to Cravens (2010, p: 245) “Marketing strategy consist of the analysis, strategy development, and implementation activities in developing a vision about markets of interest to the organization, selecting target market strategies, setting objectives, and developing, implementing, and managing the marketing program positioning strategies design to meet the value requirements of the customer in each market target”.

World Travel Organization (2013) summarizes that the marketing strategy distress with some parts, as follows:
- The types of promotional way to be used.
- The timing or priority scheduling of promotional efforts to the different market sources.
- The image can be grouped.
- Problem to be solved.
- The connection of marketing to assure major development projects in the area.

Marketing strategy is the marketing sense by which the business component hopes to get its marketing objectives. It includes many elements such as target market, marketing mix and also developing a vision about markets in each market target. Each element of the marketing strategy would be successful if it is significant with the success of the marketing plan. Moreover, in order to suit the appropriate strategy in the three star hotels in Solo, the author believed that using the service quality strategy would help the hotel management to compete with their opponent to enhance the performance and to maintain customer loyalty.

Service Quality: There are many argument of the dimension of service quality; Gronroos (2010) suggested that service quality consist of: technical quality and functional quality. Technical quality means the quality of what is delivered, and functional quality means the quality of how services are delivered. But this idea is still not complete because there are no measurement of how service quality influence satisfaction and loyalty differently.

Parasuraman, A Valerie A.Zeithaml and Leonard L. Berry in Y Yamit, Service quality (2010) suggest there are five dimensions of service quality that are: Reliability, Responsiveness, Assurance, Empathy, and Tangible.

Reliability: It is capability to make service that has been carried out accurately and regularly. Reliability means that the company carries on its agreement. The promises are concluding delivery, service provision, problem solution and pricing. Customers want to make business with companies that maintain the promises, especially their promises about the central part service attributes. Zeithaml and Bitner, (2010)

Responsiveness: Company willingness to provide excellent services to customer. This dimension highlights attention and celerity in handling with customer request, questions, complaints, and problems. Responsiveness controls the concept of flexibility and capability to adapt the service to customer requirements. To perform on the dimension of responsiveness, a company must be sure to analyse the procedure of service delivery and the action of request from the customer’s viewpoint rather than company’s point of view. Zeithaml and Bitner, (2000).

Assurance: The staff’s knowledge and ability of friendliness to emerge or motivate trust and firm believe. Assurance is important to be mainly significant for service that the customer observes as concerning high risk and/or about which the customers feel unsure about their capability to evaluate results. Zeithaml and Bitner, (2010).

Empathy: It is the condition to care and give personally to the customers. The real meaning of empathy is assigning, throughout personalized or modified service, that customers are exclusive and extraordinary. Customer always wanted to be understood by and it is important to firms to provide service to customers. The capability to be emphatic may confer the advantages for company. Zeithaml and Bitner, (2010).
Tangible: It is the look of physical facilities, equipment, personnel, and also communication resources. All of these offer physical symbol or images of the service that customers, especially new customers, will use to assess quality. Service industries that emphasise tangible in their policies include hospitality service, for instance restaurants and hotels. Zeithaml and Bitner, (2010).

Customer Loyalty: Customer loyalty means the customers who make repeat purchases of their current product, more willingly than choosing a rival brand instead. (www.surveyvalue.com) On the other way, Kandampully and Suhartono (2010) added that loyal customer is a customer who re-buys products or services from the same service supplier, and who continues to suggest or maintains a positive thought to the service provider. Reichheld and Sasser (2010) illustrated that increasing customer satisfaction will automatically increase customer loyalty to the company, and as the result, the company will also be growing along with the buying products or services. Reichheld and Sasser, (2010) supports this statement by saying that researcher have shown that a 5 per cent increase in customer loyalty can produce a profit increase of 25 per cent to 85 per cent.

Dick and Basu, (2004) stated that loyalty is significantly affected by the relative strength of the relationship between attitude and behaviour. Moreover, Fornell (2012) assured that consumer who is satisfied with the service would be recommending their satisfaction to other customers and their relatives or friends. Using these statements, it can be observed that there are positive relations between customer satisfaction and customer loyalty. With this indication, so the company can expect more costumers and also maintains their customer.

Julander Et all, (2007) illustrated that there are two dimensions of customer loyalty:

Behaviour Dimension: It refers to a customer’s behaviour on repeat purchases, indicating a preference for a brand or a service over time. Bowman and Shoemaker, (2008).

Attitudinal Dimension: It refers to a customer’s intention to repurchase and recommend, which are good indicators of a loyal customer. Getty and Thomson, (2004).

3. OBJECTIVE
The objective of this research is to examine the positive and negative relationships that subsist linking customer loyalty and its necessity; service quality, customer complaint and customer satisfaction to maintain customer loyalty.

4. HYPOTHESES
The hypotheses of this research are:
H1 : Reliability is positively related to customer loyalty.
H2 : Responsiveness is positively related to customer loyalty.
H3 : Assurance is positively related to customer loyalty.
H4 : Empathy is positively related to customer loyalty.
H5 : Tangibility is positively related to customer loyalty.
H6 : Customer satisfaction is positively related to customer loyalty.
H7 : Customer complaint is negatively related to customer loyalty.

5. RESEARCH METHODOLOGY
The researcher uses questionnaire, observation, and interview to complete the research. This method is used as Clark et al (1998) stated that primary research normally refers to that research which needs the collection of original data with an accepted research methodology. The researcher also uses secondary research as a tool to complete the research. The researcher assesses secondary research from books, journals, internet, reports, and also documents where both English and Indonesian were used to complete this research.

Research Approach: Robson, (2005) stated quantitative method generally have developed further to include not merely counting and measuring but also the powerful analytical procedures of statistic and many other techniques such as mathematic modeling and linear programming.

Sampling Technique: Random sampling come up to sampling involves the range of people or events accurately at random, and if there are a suitably large number of particular examples selected. (Densoembe, 2008) Moreover, the advantage of random sampling in case study is appropriately conducted. This provides every person on equal chance of being integrated in the sample, and also this will make all possible mixture of persons for a particular sample size just as likely. (Robson, 2005).

6. DATA COLLECTION
The writer has done the questionnaire by asking some points related with the marketing strategy and also comments and argument from the service and product that the hotel provides. The researcher gave the questionnaire directly to the management or the respondents, and it is expected for the respondents to answer in order to help the writer to make the analysis. Because the writer was doing the research in Indonesia, so the writer made the questionnaire in two languages, which are Indonesian and English.

From 250 Questionnaires which are distributed by researcher, only 160 returned by respondents. The researcher sort the questionnaires, only 120 represent the questionnaires.

7. RESEARCH LIMITATION
During this research, the researcher has found difficulties to find the complete data in Solo, especially from Solo Tourism Bureau. This problem occurs when the researcher was collecting the data as a comparison from year-to-year. And sometimes, several data was missing and hard to find. As a result, the researcher has not available a lot of
important data to complete the research. During collecting the data especially from questionnaires that had been sent to customers, it took a lot of time to get them back, the reasons are not all customers filled up the questionnaire.

8. DATA ANALYSIS

Tangible towards customer loyalty: To test the influence of tangible towards customer loyalty, it needs to be done by hypothesis statistic testing as follows:

\[ H_0 : \rho_{1} = 0 : \text{Tangible is not positively related towards customer loyalty} \]
\[ H_1 : \rho_{1} \neq 0 : \text{Tangible is positively related towards customer loyalty} \]

\( H_0 \) will not be valid if \( t(1) > t \text{ Table} \)

In order to test it, the author uses coefficient regression analysis as illustrated in table 1 below:

**Table 1: Coefficient regression X\(_1\) and Y**

<table>
<thead>
<tr>
<th></th>
<th>Un standardised Coefficients ( B )</th>
<th>Std. Error</th>
<th>Beta</th>
<th>( t )</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.497</td>
<td>4.797</td>
<td>.521</td>
<td>.604</td>
<td></td>
</tr>
<tr>
<td>Tangible</td>
<td>1.477</td>
<td>.132</td>
<td>.756</td>
<td>11.205</td>
<td>.000</td>
</tr>
</tbody>
</table>

Based on table 1 above, the equality of simple regression line is as follow:

\[ \hat{Y} = 2.497 + 1.477 \times X_1 \]

\( Y \) = Variable of customer loyalty

\( X_1 \) = Variable of Tangible

From the equality above, the constant is 2.497 and it means that if there is no tangible variable, so the customer loyalty is 2.497 units. Coefficient regression of tangible (\( X_1 \)) is 1.477 and it means that every increasing (1 unit) of tangible will escalates customer loyalty in the amount of 1,477 units.

From table 1 above, it can be observed that \( t(1) \) is 11.205. With significant degree (\( \alpha \)) = 1%, degree of freedom = n-2 =118 and \( t \text{ table} \) = 2.361. (See appendix)And because of \( t(1) \) is bigger than \( t \text{ table} \) (11.205 > 2.361), so \( H_0 \) is not valid.

Also from the degree of significant coefficient correlation, table 2 shows 0.000 (calculated from probability) so because of the probability is under 0.05 the correlation between tangible variable and customer loyalty variable indicates an obvious result, so it can be concluded that tangible variable has a positive relationship towards customer loyalty

Reliability towards customer loyalty: To test the influence of reliability towards customer loyalty, it needs to be done by hypothesis statistic testing as follows:

\[ H_0 : \rho_{2} = 0 : \text{Reliability is not positively related towards customer loyalty} \]
\[ H_1 : \rho_{2} \neq 0 : \text{Reliability is positively related towards customer loyalty} \]

\( H_0 \) will not be valid if \( t(2) > t \text{ Table} \)

In order to test it, the author uses coefficient regression analysis as illustrated in table 2 below:

**Table 2: Coefficient Regression X\(_2\) and Y**

<table>
<thead>
<tr>
<th></th>
<th>Un standardised Coefficients ( B )</th>
<th>Std. Error</th>
<th>Beta</th>
<th>( t )</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>-9.081</td>
<td>5.507</td>
<td>-1.649</td>
<td>.102</td>
<td></td>
</tr>
<tr>
<td>X(_2)</td>
<td>2.170</td>
<td>.132</td>
<td>.774</td>
<td>11.850</td>
<td>.000</td>
</tr>
</tbody>
</table>

Based on table 2 above, the equality of a simple regression line (\( X_2 \) and \( Y \)) is as follow:

\[ \hat{Y} = -9.081 + 2.170 \times X_2 \]

\( Y \) = Customer loyalty variable

\( X_2 \) = Reliability variable

From the equality above, the constant is -9.081 and it means that if there is no reliability variable, so the customer loyalty is -9.081 units. Coefficient regression of reliability (\( X_2 \)) is 2.170 and it means that every increasing (1 unit) of reliability will escalates customer loyalty in the amount of 2,170 units.

From table 2 above, it can be observed that \( t(2) \) is 11.850. With significant degree (\( \alpha \)) = 1%, degree of freedom = n-2 =118 and \( t \text{ table} \) = 2.361. (See appendix)And because of \( t(2) \) is bigger than \( t \text{ table} \) (11.850 > 2.361), so \( H_0 \) is not valid.

Also from the degree of significant coefficient correlation, table 3.7 shows 0.000 (calculated from probability) and because of the probability is under 0.05 the correlation between reliability variable and customer loyalty variable indicates an obvious result, so it can be concluded that reliability has a positive relationship towards customer loyalty.

Responsiveness towards customer loyalty: To test the influence of responsiveness towards customer loyalty, it needs to be done by hypothesis statistic testing as follows:

\[ H_0 : \rho_{3} = 0 : \text{Responsiveness is not positively related towards customer loyalty} \]
\[ H_1 : \rho_{3} \neq 0 : \text{Responsiveness is positively related towards customer loyalty} \]

Will not be valid if \( H_0 \ t(3) > t \text{ Table} \)

In order to test it, the author uses coefficient regression analysis as illustrated in table 3 below:

**Table 3: Coefficient Regression X\(_3\) and Y**

<table>
<thead>
<tr>
<th></th>
<th>Un standardised Coefficients ( B )</th>
<th>Std. Error</th>
<th>Beta</th>
<th>( t )</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>9.806</td>
<td>4.280</td>
<td>2.291</td>
<td>.024</td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>1.789</td>
<td>.165</td>
<td>.746</td>
<td>10.868</td>
<td>.000</td>
</tr>
</tbody>
</table>

Based on table 3 above, the equality of a simple regression line (\( X_3 \) and \( Y \)) is as follow:

\[ \hat{Y} = 9.806 + 1.789 \times X_3 \]
Y = customer Loyalty variable  
X3 = Responsiveness variable

From the equality above, the constant is 9,806 and it means that if there is no responsiveness variable, so the customer loyalty is 9,806 units. Coefficient regression of responsiveness (X3) is 1,789 and it means that every increasing (1 unit) of responsiveness will escalates customer loyalty in the amount of 1,789 units.

From table 3 above, it can be observed that t (3) is 10,868. With significant degree (α) = 1%, degree of freedom = n-2 =118 and t table = 2,361. (See appendix)And because of t (3) is bigger than t table (10,868 > 2,361), so H0 is not valid.

Also from the degree of significant coefficient correlation, table 3 shows 0,000 (calculated from probability) and because of the probability is under 0, 05, the correlation between responsiveness variable and customer loyalty variable indicates an obvious result, so it can be concluded that responsiveness has a positive relationship towards customer loyalty.

Assurance towards customer loyalty: To test the influence of assurance towards customer loyalty, it needs to be done by hypothesis statistic testing as follows:

<table>
<thead>
<tr>
<th>H0 : ρ4 = 0</th>
<th>Assurance is not positively related towards customer loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 : ρ4 ≠ 0</td>
<td>Assurance is positively related towards customer loyalty</td>
</tr>
</tbody>
</table>

H0 is not valid if t (4) > t Table

In order to test it, the author uses coefficient regression analysis as illustrated in table 4 below:

<table>
<thead>
<tr>
<th>Table 4: Coefficient Regression X4 and Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstandardized Coefficients B</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Assurance</td>
</tr>
</tbody>
</table>

Based on table 4 above, the equality of a simple regression linier (X4 and Y) is as follow:

\[ \hat{Y} = 5.350 + 3.261 X4 \]

Y = Customer loyalty variable  
X4 = Assurance variable

From the equality above, the constant is 5,350 and it means that if there is no assurance variable, so the customer loyalty is 5,350 units. Coefficient regression of assurance (X4) is 3,261 and it means that every increasing (1 unit) of assurance will escalates customer loyalty in the amount of 3,261 units.

From table 4 above, it can be observed that t (4) is 8,827 with significant degree (α) = 1%, degree of freedom = n-2 =118 and t table = 2,361. (See appendix)And because of t (4) is bigger than t table (8,827 > 2,361), so H0 is not valid.

Also from the degree of significant coefficient correlation, table 4 shows 0,000 (calculated from probability) and because of the probability is under 0, 05, the correlation between assurance variable and customer loyalty variable indicates an obvious result, so it can be concluded that assurance has a positive relationship towards customer loyalty.

Empathy towards customer loyalty: To test the influence of empathy towards customer loyalty, it needs to be done by hypothesis statistic testing as follows:

<table>
<thead>
<tr>
<th>H0 : ρ5 = 0</th>
<th>Empathy is not positively related towards customer loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 : ρ5 ≠ 0</td>
<td>Empathy is positively related towards customer loyalty</td>
</tr>
</tbody>
</table>

H0 is not valid if t (5) > t Table

In order to test it, the author uses coefficient regression analysis as illustrated in table 5 below:

<table>
<thead>
<tr>
<th>Table 5: Coefficient Regression X5 and Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstandardized Coefficients B</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Empathy</td>
</tr>
</tbody>
</table>

Based on table 5 above, the equality of a simple regression linier (X5 and Y) is as follow:

\[ \hat{Y} = 8.273 + 1.661 X5 \]

Y = Customer loyalty variable  
X5 = Empathy variable

From the equality above, the constant is 8,273 and it means that if there is no empathy variable, so the customer loyalty is 8,273 units. Coefficient regression of empathy (X5) is 1,661 and it means that every increasing (1 unit) of empathy will escalates customer loyalty in the amount of 1,661 units.

From table 5 above, it can be observed that t (5) is 11,197 with significant degree (α) = 1%, degree of freedom = n-2 =118 and t table = 2,361. (See appendix)And because of t (5) is bigger than t table (11,197 > 2,361), so H0 is not valid.

Also from the degree of significant coefficient correlation, table 5 shows 0,000 (calculated from probability) and because of the probability is under 0, 05, the correlation between empathy variable and customer loyalty variable indicates an obvious result, so it can be concluded that empathy has a positive relationship towards customer loyalty.

9. HYPOTHESES TESTING
Based on the analysis from questionnaire, the author summarises that:
H1 Reliability is positively related to customer loyalty: has a positive relationship towards customer loyalty in the amount of 57,20%;

H2 Responsiveness is positively related to customer loyalty: Responsiveness has a positive relationship towards customer loyalty in the amount of 59,90%;

H3 Assurance is positively related to customer loyalty: Assurance has a positive relationship towards customer loyalty in the amount of 57,10%;

H4 Empathy is positively related to customer loyalty: Empathy has a positive relationship towards customer loyalty in the amount of 45,30%;

H5 Tangibility is positively related to customer loyalty: Tangibility has a positive relationship towards customer loyalty in the amount of 57,10%;

H6 Customer satisfaction is positively related to customer loyalty: Customer satisfaction has a positive relationship towards customer loyalty in the amount of 59,60%;

H7 Customer complaint is negatively related to customer loyalty: complaint behaviour has a negative relationship towards customer loyalty in the amount of 78,30%

10. CONCLUSION
The author concludes that there are many strategies can be used in order to maintain customer loyalty, the strategy in every hotel are different and can be changed as follow as trend and situation of the hotels. Because of the competition amongst hotel industry very tough, the managers thought that most fundamental idea or marketing strategy is based on service quality towards customers.

However, every hotel always try to find another strategy like: (1) improving their marketing mix like has a special event, revitalisation of their products by adding and renovating rooms especially for corporate guest and facilities (such as more space for parking area), and offer a special rates for different guest;(2) the other strategies are retaining human resource and relation between management and staff, staff and guest, enhancing new product and facilities, improving new technology, and efficiency in every aspect of the organisation, should focuses on their attitude of the staff, speediness to serve a customers, and accuracy towards customers and periodically improve their skill by giving training relation with service quality;(3) As opposed to customer loyalty, hotels also tries to maintain their customer by building a good human resource management, product enhancement, renovation of the room and facilities, also to create distribution channels.

11. REFERENCES

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