Analyzing the influence of service quality towards the brand image, perceived value, and brand loyalty of the customers of Heritage Hotel in Malang

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ABSTRACT

Service quality in heritage hotel in the Malang city and brand loyalty have an important role to affect the guests to stay at the hotel, by considering competition in modern time currently. The purpose of this research is to analyze the effect of service quality on brand loyalty, brand image, perceived value, brand image affect brand loyalty, perceived value influence on brand loyalty, and the effect of service quality on brand loyalty which is mediated by brand image and perceived value at Pelangi Hotel Malang. This study uses questionnaires with a total sample of 160 respondents. To get the sample, it uses a purposive sampling. Data were analyzed using SPSS (Statistical Package for the Social Science) version 18.0 and Smart Modeling PLS version 2.0. The results of this study indicate that there is a significant-direct effect of service quality on brand loyalty, brand image and perceived value. In addition, brand image also significantly affects brand loyalty. The results also show the effect of perceived value on brand loyalty, and service quality on brand loyalty through brand image and brand loyalty through perceived value.

1. INTRODUCTION

Today, hospitality business, particularly hotel, grows rapidly in Indonesia as the effect of tourism sites multiplication in many areas. Earlier, hotels were only known as the place to stay for those who were in business trip or having vacation, yet they did not bring any benefit for the locals. As time passes by, instead, hotels are often selected as the venue of wedding parties, meeting hall, product launching of a certain company and even as the place to spend the weekend for the riches. In hotel business, there are many things offered to the guests, and all of them are called as hotel product. There are many types of hotel products; those are hotel room, food and beverages services, and restaurant.

The competition of hotel businesses in East Java, especially Malang, grows significantly from year to year. It is proven from the elevating occupancy each year. It is supported by the statement of
Muhammad Iskandar Sjah: Analyzing the influence of …

the General Manager of Ibis Styles Hotel Malang, “Based on our calculation the rate of occupancy in Malang is about 50 to 60 percent, while in our place is relatively high with the rate of 70 to 72 percent.” as he said in Malang Times (Times Indonesia Network), Friday (2/10/2015).

### Table 1
Rate of Occupancy of Star Hotel in Malang City (2015-2016)

<table>
<thead>
<tr>
<th></th>
<th>Star Hotel</th>
<th></th>
<th>Unstrrated Hotel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Available</td>
<td>Booked</td>
<td>Rate of Occupancy (%)</td>
<td>Booked</td>
</tr>
<tr>
<td></td>
<td>84.716</td>
<td>707.716</td>
<td>83,55</td>
<td>296.38</td>
</tr>
<tr>
<td></td>
<td>Booked</td>
<td>Rate of Occupancy (%)</td>
<td>3,93</td>
<td></td>
</tr>
</tbody>
</table>

Source: Monthly Hotel Survey (VHTS), BPS Malang City

### Table 2
Average of Total Daily Guests of Star Hotel in Malang (2015-2016)

<table>
<thead>
<tr>
<th>Total Coming Guests</th>
<th>Total Staying Night of the Guests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign</td>
<td>Domestic</td>
</tr>
<tr>
<td>21.033</td>
<td>577.374</td>
</tr>
<tr>
<td>Average of the Total Staying Night of the Guest</td>
<td>Average of the Total Staying Night of the Guest</td>
</tr>
<tr>
<td>Foreign</td>
<td>Domestic</td>
</tr>
<tr>
<td>4,83</td>
<td>2,69</td>
</tr>
</tbody>
</table>

Source: Monthly Hotel Survey (VHTS), BPS Malang City

### Table 3
Average of Total Daily Guests of Unstarred Hotel in Malang (2015-2016)

<table>
<thead>
<tr>
<th>Total Coming Guests</th>
<th>Total Staying Night of the Guests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign</td>
<td>Domestic</td>
</tr>
<tr>
<td>127</td>
<td>129.343</td>
</tr>
<tr>
<td>Average of the Total Staying Night of the Guest</td>
<td>Average of the Total Staying Night of the Guest</td>
</tr>
<tr>
<td>Foreign</td>
<td>Domestic</td>
</tr>
<tr>
<td>25,64</td>
<td>1,79</td>
</tr>
</tbody>
</table>

Source: Monthly Hotel Survey (VHTS), BPS Malang City

Based on Table 2 and Table 3, it is presented that the total amount of visitors, both domestic and foreign, in the 2015-2016 period in Malang is increased. (Source: Monthly Hotel Survey (VHTS), BPS Malang City). The amount of the guest to stay in the hotel is also increased.

In response to the increasing amount of visitors in Malang, many new hotels founded and more variation of lodgings, either star or unstarred, are competing to provide the best service in Malang City. This is supported by the evidence presented on Table 4.

### Table 4
The Number of Accommodation in every Sub-District in Malang City (2015-2016)

<table>
<thead>
<tr>
<th>Sub-District</th>
<th>Hotel</th>
<th>Room</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kedungkandang</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Sukun</td>
<td>5</td>
<td>53</td>
</tr>
<tr>
<td>Klojen</td>
<td>71</td>
<td>2.536</td>
</tr>
<tr>
<td>Blimbing</td>
<td>12</td>
<td>685</td>
</tr>
<tr>
<td>Lowokwaru</td>
<td>15</td>
<td>1.030</td>
</tr>
<tr>
<td>Malang City</td>
<td>104</td>
<td>4.324</td>
</tr>
</tbody>
</table>

Source: Department of Culture and Tourism Malang City
Table 5  
The Number of Foreign and Domestic Visitors in Malang City (2015-2016)  

<table>
<thead>
<tr>
<th></th>
<th>Tourists</th>
<th>Domestic</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign</td>
<td>8,754</td>
<td>3,376,722</td>
<td>3,385,476</td>
</tr>
</tbody>
</table>

Source: Department of Culture and Tourism Malang City

The hotel business is getting more and more competitive, as the number of the hotel is increasing. There are also some heritage hotels or Net herlands-based designed hotels which also compete among the occurrence of modern hotels by renovating their facility without changing the construction of the building. Heritage hotel is a hotel with the design of building, such as the design of ancient Net herlands building or those with colonial design. Those hotels were built before the 1950’s, and surely they have unique construction and architecture. The physical characteristic shall be preserved and maintained. Renovations are allowed as long as it is not more than 50% of the building. These building are intended to be preserved by the government or the owner in order to preserve the originality of their physical characteristic and the structure of the building. It is expected that such hotels are able to compete with other modern ones.

Heritage Hotels tend to merely rely on the ‘ancient’ aspect of the building. Meanwhile, what hotel business offers is the service. Therefore, in order to win the competition, they need a good service quality as it directly and indirectly influence the loyalty of customers (Zeithaml et al., 1996) as well as affect the satisfaction of customers (Caruana, 2002). The quality of a service incites the commitment of customers towards the company’s product or service that the market share of the related product will increase. According to Kotler (2012:83) service is defined as every action or activity, which does not have any form and does not result in any ownership. It can be offered by someone to other persons, which may include a physical product or not.

The research of Ryu, et al (20100 and Alexandris, et al (2008) identified that a good service quality provided by a hotel would significantly affect the number of customer’s loyalty. Not only increasing the loyalty, the ability to provide good service quality would also result to positive brand image for the hotel. Aaker (2009) stated that the better the service quality perceived by the customer, the more positive the brand image is. Furthermore, other related literature found out that good service quality also positively influence the customer’s perceived value. The success of a hotel in providing good quality service will increase the perceived value of customers.

Beside service quality, brand image also plays a huge role in hotel industry. According to Kotler, Armstrong (2012) “Brand image is a trust towards certain brand” (pg.225). Thus, brand image is the customer’s way of thinking about a certain brand in an abstract manner, even though at the moment when they do not directly face the product. Brand image is the description about the association and the trust of a consumer about a certain brand. (Tjiptono, 2005:49). In order to build a positive brand image, a company could do a strong marketing for the product and show its unique and prominent characteristics as the differentiation from other products. The good combination of supportive elements (as mentioned before) will create a strong brand image for the consumer (Keller, 2003). Image or association presents the perception that can reflect either objective reality or not objective one. The created image from the association is what determines the decision and even the loyalty of the consumers.

Perceived value is process of evaluating a product by comparing the benefit to the sacrifice that will be resulted in order to obtain a product or service. The overall evaluation of the product are based on what the product offers and what it cost. Zeithaml (1988. P.14) stated that perceived value is the variable that has big influence towards the increasing customer’s loyalty. It was found that the higher the perceived value is, the higher the loyalty of the customers.
2. THEORETICAL FRAMEWORK AND HYPOTHESES

5) Pura (2005), Kandampully and Suhartanto (2003), Lien Li and Green (2010)

Hypothesis
Research hypothesis is a temporary answer of the research problem used as the starting point of a study which has to be proved through data collecting process (Simamora, 2004).

H1 : Service quality significantly affects brand loyalty
The competition of service quality among hotels is being more and more competitive. Consequently, many hotel owners are competing to give their utmost service for providing the best service in order to build a good image and gain the customer’s loyalty. This statement is supported by Alexandris, et al. (2008), Pollack, B.L. (2009), Prentice, C. (2012), Presbury, et al (2005).

H2 : Service quality significantly affects brand image
Service quality is one of the aspects that influence the brand image. Good service quality in inevitably important for hotel. A good service quality that is offered by a hotel will indirectly improve the image of the hotel in the near future Ryu, et al, 2010; Chan Wu, 2011; Wu, et al, 2010).

H3 : Service quality significantly affects perceived value.
A previous study was conducted by Ladhari dan Morales (2007), Fu Chen (2008), Fu Chen and Shian Chen (2010), Malik (2012), Peterson (2000), Seth, et al (2004) focusing on identifying the relationship between the perception of service quality and the perceived value that is felt and recommended within the society regarding with library management. The findings presented that library as the place which should prioritize service quality and information control could significantly portray the perceived value felt by the society. Thus, there is a strong relationship between the value of the service and the recommendation felt by the society. 

H4 : Brand image significantly affects brand loyalty.

H5 : Perceived value significantly affects brand loyalty.

H6 : Service quality significantly affects brand loyalty through the brand image.

H7 : Service quality significantly affects brand loyalty through perceived value.

3. RESEARCH METHOD
Research Model
The method implemented in this research is quantitative research. The type of research used is the explanatory research.

Location of Research
This research was done in one of the city of East Java, that is Malang, specifically in Pelangi Hotel.

Population and Research Sample
Population and Sample of this research is described as follows:
Research Population
Population in this research is guest which more than twice stay at Hotel Pelangi Malang.
Research Sample
According to Hair et. al. (1998) it is stated that the size of the sample depends on the amount of indicator that used on the entire latent variables, so
that the number of the samples can be calculated by multiplying it by 5 to 10 of the number of indicators. The number of samples in this research is as much as 160 (16 indicator x 10=160 respondents).

The technique to get the sample is the non-probability sampling by using the method of purposive sampling. The criteria were given in this research in order to choose the respondent that become the sample of the research is as follows:

a. The respondents are the society with the minimum age of 21 years old.
b. The respondents or the guests staying in the hotel is on their willingness and funding.
c. Respondents staying or ever stayed in the Pelangi Hotel of Malang more than twice.

Method of Data Collection and Measurement
The method used in this research to collect data in this research is by using the questionnaires that given to the consumers or the guests staying at the Pelangi Hotel of Malang. The data measuring methods used in this research is by using the Likert scale.

For this research, the researcher gave five alternatives of answers to the respondents by using the scale of 1 to 5 presented as follows:

<table>
<thead>
<tr>
<th>Choice of Answer</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very agree</td>
<td>5</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
</tr>
<tr>
<td>Hesitant</td>
<td>3</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
</tr>
<tr>
<td>Very disagree</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Sugiyono (2010)

Method of the data analysis
The statistical analysis in this research was assisted by the linearity program of SPSS (Statistical Package for the Social Science) for Windows, version 18.0 and Smart Modelling PLS, version 2.0.

Descriptive Analysis
Descriptive statistical analysis was used to describe the variables of the research without drawing any generalization or the description about the characteristics of the respondents as well as arranging the frequency distribution by using the data from the questionnaires that distributed to the respondents.

Inferential Analysis
In this research, the inferential analysis used by the using the approach of Partial Least Square (PLS).

Partial Least Square (PLS)
Outer Model of Measurement
The outer model can be classified as the measuring model to test the reliability and the validity of an instrument. The parameter in the model of measuring of PLS will be presented in Table 7.

<table>
<thead>
<tr>
<th>Test</th>
<th>Parameter</th>
<th>Rule of Thumb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validity test of</td>
<td>Outer loading</td>
<td>Higher than 0.6</td>
</tr>
<tr>
<td>Convergent</td>
<td>Average variance extended</td>
<td>Higher than 0.5</td>
</tr>
<tr>
<td></td>
<td>Community</td>
<td>Higher than 0.5</td>
</tr>
<tr>
<td>Validity test of</td>
<td>Cross loading</td>
<td></td>
</tr>
<tr>
<td>discriminant</td>
<td></td>
<td>C It is expected that every block of indicator has the higher loading for every latent variable measured compared with the indicators for the other variables.</td>
</tr>
<tr>
<td>Reliability test</td>
<td>Cronbach Alpha</td>
<td>Higher than 0.6</td>
</tr>
<tr>
<td></td>
<td>Composite reliability</td>
<td>Higher than 0.6</td>
</tr>
</tbody>
</table>

4. DATA ANALYSIS AND DISCUSSION
Data Analysis
The statistical analysis in this research was assisted by the linearity program of SPSS (Statistical Package for the Social Science) for Windows, version 18.0 and Smart Modelling PLS, version 2.0.
Descriptive Analysis
Descriptive statistical analysis was used to describe the variables of the research without drawing any generalization or the description about the characteristics of the respondents as well as arranging the frequency distribution by using the data from the questionnaires that distributed to the respondents.

Inferential Analysis
In this research, the inferential analysis was used by using the approach of Partial Least Square (PLS).

Discussion
Testing the Direct Influence
Based on the result of the testing of hypothesis statistically, it shows as on Table 8

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlation</th>
<th>Original Sample</th>
<th>T-Statistics</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Service Quality → Brand Loyalty</td>
<td>0,162</td>
<td>2,447</td>
<td>Significant</td>
</tr>
<tr>
<td>H2</td>
<td>Service Quality → Brand Image</td>
<td>0,673</td>
<td>22,341</td>
<td>Significant</td>
</tr>
<tr>
<td>H3</td>
<td>Service Quality → Perceived Value</td>
<td>0,661</td>
<td>20,448</td>
<td>Significant</td>
</tr>
<tr>
<td>H4</td>
<td>Brand Image → Brand Loyalty</td>
<td>0,450</td>
<td>5,583</td>
<td>Significant</td>
</tr>
<tr>
<td>H5</td>
<td>Perceived Value → Brand Loyalty</td>
<td>0,290</td>
<td>3,151</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Processed Primary Data (2016)

Table 9
Result of Hypothesis of Indirect Effect Test

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlation</th>
<th>Direct influence</th>
<th>Indirect influence</th>
<th>T-Statistics</th>
<th>Note</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Service Quality → Brand Image</td>
<td>0,673</td>
<td></td>
<td>22,341</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brand Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td>Brand Image → Brand Loyalty</td>
<td>0,450</td>
<td></td>
<td>5,538</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Quality → Brand Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H6</td>
<td>Brand Image → Brand Loyalty</td>
<td>0,303</td>
<td></td>
<td>5,392</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Quality → Perceived Value</td>
<td></td>
<td></td>
<td></td>
<td>Par-tial</td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td>Service Quality → Brand Loyalty</td>
<td>0,661</td>
<td></td>
<td>20,448</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perceived Value → Brand Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td>Perceived Value → Brand Loyalty</td>
<td>0,290</td>
<td></td>
<td>3,151</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Quality → Brand Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H7</td>
<td>Perceived Value → Brand Loyalty</td>
<td>0,192</td>
<td></td>
<td>3,116</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Par-tial</td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed Primary Data (2016)

Based on the result of the testing of hypothesis statistically that shown on the table above, then it can be described as follows:

a. There is a significant correlation between the service quality and the brand loyalty. This result is shown by the score t-calculated > 1.96 with the positive coefficient path so that it can be interpreted that the more service quality score, the higher the brand loyalty.

b. There is a significant correlation between the service quality and the brand image. This result is shown by the score of the t-calculated > 1.96 with the positive coefficient path so that it can be interpreted that the more service quality score, the higher the brand image.

c. There is a significant correlation between the service quality and the perceived value. This result is shown by the score t-calculated > 1.96 with the positive coefficient path so that it can be interpreted that the more service quality score, the higher the perceived value.

d. There is a significant correlation between the brand image and the brand loyalty. This result is shown by the score t-calculated > 1.96 with the positive coefficient path so that it can be interpreted that the more service brand image,
the higher the brand loyalty.
e. There is a significant correlation between the perceived value and the brand loyalty. This result is shown by the score t-calculated > 1.96 with the positive coefficient path so that it can be interpreted that the more perceived value score, the higher the brand loyalty.

Based on the table above, it is seen that the increasing of service quality will as well increase the brand loyalty through the brand image. This means that the better the brand image is, the better the correlation between service quality and the brand loyalty. Besides, there is also indirect correlation between service quality and brand loyalty through the perceived value. With the positive coefficient path that means the increase in service quality will increase the brand loyalty through perceived value. Service quality has the significant correlation upon the perceived value, and also the perceived value upon the brand loyalty has the significant correlation so that the perceived value can mediate the indirect correlation between service quality and the brand loyalty.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Theoretical Implication
The important and interesting findings in this research is that the empirical evidences indicated that in one conceptual frame of research, that a service quality has the contribution upon the perceived value and brand image so that it creates brand loyalty.

Perceived value and brand image has a direct correlation with the brand loyalty. Then perceived value and brand image are also able to mediate the indirect effect between the service quality and the brand loyalty. This is also supported by the research done by Ryu, et al (2010), Kandampully and Hui Hu (2007), Wu (2014) Chen McCain, et al (2005), Kandampully and Hui Hu (2007), Kayaman and Arasli (2007), Peterson (2000), Fu Chen and Shian Chen (2010), AKBABA (2006), Fu Chen (2008), in the previous time.

Practical Implication
The result of test indicated that the service quality has the effect upon the brand loyalty. Besides, this research also indicated that the question items that covers the overall part, be it the product variation, price, room quality, service and hotel atmosphere. The respondents has positive response upon the Pelangi Hotel of Malang with a high average score so that this signifies that Pelangi Hotel of Malang must maintain, evaluate, innovate and improve the quality of service so that the service remain good in order to achieve loyalty of customers.

Perceived value and brand image has the significant correlation upon the brand loyalty. Perceived value and brand image also able to mediate the indirect relationship between the service quality and the brand loyalty.

The result of this research is also seemed to be very useful for the development of management in the Pelangi Hotel of Malang, especially on the importance of service quality applied on the hotel. Service quality applied in the Pelangi Hotel of Malang is actually similar to other hotels, yet it has a certain characteristics of application that is distinct from the other heritage hotel.

Limitation of research
This research has done using the steps of a good scientific research, yet still there re some limitation that needs to be improved in the future. One of it is that object covered in this research is only one hotel in Malang City.

Conclusion and suggestion

Conclusion
Based on the result of discussion, several points can be drawn as the conclusion.

1) Service Quality is a direct determinant for the brand loyalty. It means that the better the service quality given by the Pelangi Hotel of Malang, in term of room facilities, price, image of the hotel and the hospitality of the hotel staff, the more guests loyalty and it definitely make them intend to stay in the hotel again when visiting Malang City for the next time.

2) Brand image of the Pelangi Hotel can give implication upon the loyalty of guests. This means if the image of the hotel gives good impression, the look and the facility that can be accessed by the guests are good then it may give a good impression for the loyalty of guests. Customers will be loyal if the hotel has a good image, and in the other hand if the image is bad then the less loyal to the customers will be.

3) A good perceived value would increase the loyalty of the consumers. This means the good judgment from the guests will indirectly increase the loyalty of the guests to the hotel. Hence, the hotel must always provide the best service, facility, and attention to the guests so
that the judgment of the guests will always be good for the hotel.

4) The improvement of service quality will increase the brand loyalty through brand image. This means that the stronger the brand image influencing, the better the correlation between the service quality and the brand loyalty. So the hotel must keep on maintaining the quality of service as well the image so that guests can be more loyal to the hotel.

5) Service quality will increase the brand loyalty through the perceived value. This means that the better the perceived value or the judgment of the consumers, the better the correlation between the service quality and the brand loyalty. Maintaining the guests judgment upon the quality of service given by the hotel is very important for it can increase the guest loyalty to the brand for the future.

Suggestion
Based on the result of this research, there are some important point the needs to be highlight for the practitioners as well as the researchers in the future listed as follow.

1) Based on the result of the research of the effect of the service quality upon the brand loyalty through the brand image has a significant result. This means the mediation effect of the brand image can be seen to be significantly influential upon the loyalty of the customers later. Also, on the service quality upon the brand loyalty through the perceived value too has a significant result. This means that the mediation done also has a significant impact to the loyalty of guest to the hotel. Hence, here the hotel must see their image from the perspective of the guests and the judgment from them so that they can maintain their quality.

2) The next research is ought to not researching the Pelangi Hotel of Malang only, but also done the research in several heritage hotels in Malang City that still in business, since the other heritage hotels have different service quality and strategy to increase their standard of service quality for the guests.

REFERENCE


