Research Article
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An empirical assessment of tourist loyalty towards budget accommodation service

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Abstract

Hotel industry as a provider of tourist accommodation is an important component in the tourism industry. This study was designed to identify how domestic tourists develop loyalty towards budget accommodation. Referring to the existing literature, three predictors are included in the model of loyalty: service quality, service value, and customer satisfaction. The data were collected from 298 domestic tourists in West Java Province, Indonesia. The findings indicate that tourists tend to be not loyal to budget accommodation. Further, tourists' perception on the service quality, perceived value, and satisfaction are still not as expected. In terms of how domestic tourists develop loyalty, this study underlines the importance of service quality and customer satisfaction. Although these three loyalty drivers are important in determining tourist loyalty towards a budget accommodation service provider, this study also highlights the effect of service quality on loyalty, value, as well as guest satisfaction.

Keywords:

Tourist loyalty, service quality, satisfaction, value, budget accommodation.

1   Introduction

Hotel industry as an accommodation provider for tourists is one of the strategic pillars for tourism industry development. Shanahan and Hyman (2007) concluded accommodation service availability that is suitable for tourists' needs, such as service quality which can give a positive impact on the tourists' desire to visit a tourist destination. Therefore, hotels should provide a high quality of service that can encourage tourists to revisit the same destination for the next trip and to attract more new visitors to come. Two of the main factors for an organization to give the best service quality to its customer are the competence and loyalty of human resources towards the organization (Lin & Lin, 2010; Suhartanto, Brien, Primiana, Wibisono, & Triyuni, 2019; Zeithaml, Bitner, & Gremler, 2009).

In terms of hotels rank, there are star-rating and non-star-rating hotels. Based on the number of employees, fund, and the sales turnover, non-star-rating hotels can be categorized as small-medium enterprises. Like the other small-medium enterprises, limited human resources and funds give them difficulties in providing excellent service to the customers (Curran, Varki, & Rosen, 2010). Meanwhile, star-rating hotels do not face those problems because of their better funding resources. However, statistical data from BPS (2012) have shown that the number of tourists staying in star-rating hotels is less than those who stay in non-star-rating hotels, 22,6 million and 37,6 million respectively. Moreover, based on the data, 75 percent of tourists stay in non-star-rating hotels are domestic tourists.

Due to high potency of Indonesian tourism and large number of domestic tourists (Indonesian residents are around 240 million people), the development of non-star-rating hotels should be considered as an important matter for hotel industry. This research was conducted to give the formulation for strengthening the service performance of budget accommodation service provider (e.g. guest house or dorms) through business loyalty making strategy.

2   Literature Review

2.1 Concept of Loyalty Attitude

The concept of customer loyalty has been developed by many researchers. Oliver (1999) defined loyalty as psychological commitment to keep buying the same product or service in the future, even though there is other persuasion from other competitors to buy their products. This definition emphasizes that the good attitude towards a product or service does not only drive customers to buy it again in the future but also make customers hold up with the competitors marketing efforts.

Attitude is the strongest variable to determine customers' behavior in the future. Therefore, this research focuses on attitude loyalty, which is defined as "*a degree of dispositional commitment in terms of some unique values associated with the brand*" (Chaudhuri & Holbrook, 2001). Different from researches in behavior loyalty field, researchers in attitude loyalty basically use deterministic approach, in which some

causes of attitude will directly influence the repeat purchase (Suhartanto, Brien, Sumarjan, & Wibisono, 2018). The researchers who use this approach believed that the causes of a behavior can be isolated from each other in order to be influenced by other factors, so that customers will behave as desired. The researches about customer loyalty that use this approach focused on customer belief, behavior, and opinion related to purchasing behavior (Back, 2005).

As an abstract concept, there are many variations of conceptualization and attitude loyalty measurement that have been conducted by the experts. Guest in 1944 (Back, 2005) was the first researcher that used attitude approach with "consistency of preference" for measuring customer loyalty towards a brand. Since it was published, many researches from various industries, including hotel industry, have supported this approach and conceptualized it as an attachment, commitment, and intention to repurchase the same product in future or to recommend it to others (Chitty et al, 2007; Kandampully & Hu, 2007; Zeithaml et al, 1996.). Most of the researches in this field use this combination as measurement instrument for measuring customer loyalty towards a brand. On the other hand, Reichheld (2003) claimed that measuring customer loyalty by using single instrument, customer willingness to recommend the product, is more effective than using customer satisfaction or retention level.

There are three aspects of attitude loyalty; cognitive, affective, and conative. Cognitive refers to customer trust and knowledge regarding a phenomenon (Eagly & Chaiken, 2007). Harris & Goode (2004) also defined cognitive loyalty as customer attitude towards a product or service based on their trust and knowledge about why the product is more preferable than the product from competitor. Meanwhile, affective loyalty is defined as a favorable attitude or liking based on satisfaction of use (Harris & Goode, 2004). Oliver (1999) also defined loyalty as a quality built based on affection concept which means that customers' evaluation as a whole towards a brand consists of involvement, liking, and caring. Those factors occurred because of customer satisfaction while using a product or service. Conative loyalty or behavioral intention is a loyalty state that contains what at first appears to be deeply held commitment to buy (Oliver, 1999, p. 35). Commitment for buying a product will be influenced by customer preference to like the product repeatedly. As a consequence, having committed customers is very important for every business because they will be resistant to competitor's attempt. Chitty et al. (2007), Kandampully and Hu (2007), as well as Zeithaml and Bitner (1996) showed that commitment will distinguish the customer who keeps buying the product with loyalty and who does not.

2.2 Determinant Factors of Attitude Loyalty

Service quality, service value, and customer satisfaction are three main forming factors of loyalty. Service quality is defined as customer's opinion about superiority of service as a whole (Wirtz & Lovelock, 2018) and also considered as an important strategy for company success and sustainability. Some researchers have verified the relationship between service quality and the other factors such as consumer satisfaction, service value, customer satisfaction, and customer loyalty (Zeithaml, Berry et al. 1996; Chitty et

al., 2007). Basically, those researchers have agreed that service quality is an important factor that will influence service value, customer satisfaction, and customer loyalty.

Service value is customers evaluation towards something that they receive based on what they already give (Cronin, Brady, & Hult, 2000; Nasution & Mavondo, 2008). Many researches have been conducted to analyze the service value because high service value will have positive effect for both of customer and employee. Most of the researches confirmed the positive effect of service value towards customer satisfaction or customer loyalty.

Customer satisfaction is an important factor that will give influence to customer purchasing behavior, profit rate, and company stock value. The latest studies analyzed customer satisfaction using multivariate models with its determinant factors, such as service quality, service value, branding image, and its effect on customer loyalty (Han et al., 2008). Most of the researchers agreed that service quality and service value are the decisive factors of customer satisfactory level.

2.3 Customer Loyalty in Hotel Industry

The latest researches about customer loyalty in hotel industry commonly use some determinant factors of loyalty such as service quality, customer satisfaction, service value, switching cost, involvement, and other related factors. In line with researches that use bivariate approach, such as research by Ekinci et al. (2008) and Kandampully and Hu (2007), except the one conducted by Han et al. (2008), this research also uses conative loyalty (intention to behave) to measure customer loyalty such as the research by Ekinci et al. (2008) and Kandampully and Hu (2007). Back (2005) is the only researcher who used three elements of attitude, the cognitive, affective, and conative aspect to measure customer loyalty in star-rating hotels. Those researchers agreed that service quality, service value, and customer satisfaction are the important determinants for customer loyalty. Among those researches, there are two studies which conduct the test about the relationship between customer loyalty and service quality, service value, and customer satisfaction in one model.

Chitty et al. (2007) did a research to test customer satisfaction and loyalty in youth hostel industry using European Customer Satisfaction Index (ECSI) model. Focusing on Australian backpackers as the main market share, Chitty et al., (2007) reported that ECSI model cannot really describe the relationship between customer loyalty and its determinant factors. This research finds that image and customer satisfaction have direct influence towards customer loyalty. Besides, service quality and price indirectly give effect to customer loyalty through service value and customer satisfaction. This study only uses conative loyalty (willingness to buy repeatedly and recommend the product to others in the future) to measure customer loyalty. It was found that the results did not represent attitude of loyalty, which consists of cognitive, affective, and conative, widely. Besides, this research also failed to verify the direct effect of service quality and service value towards customer loyalty, because actually, there is a potential for those factors to influence customer loyalty (Cronin et al. 2000). Not including those

factors into the model can omit the potential of giving better explanation about customer loyalty.

A comprehensive study that tests the relationship between service quality, customer satisfaction, service value, image, and behavioral intention has been conducted by Clemes et al. (2009) in a case study of Taiwan hotel industry. The purpose of the study is to get a deep understanding about "loyalty battery" proposed by Zeithaml et al. (1996). The research findings emphasized the important role of service quality, service value, image, and customer satisfaction in deciding customer intention to keep loyal in future. Clemes et al.'s (2009) also showed how service quality hierarchically influences customer intention to behave either directly or indirectly. However, this study only focuses on behavioral intention (conative loyalty), and it only examines one aspect of attitude loyalty, which is conative aspect. Another research about loyalty in hotel industry has also been conducted by Suhartanto, Clemes, & Dean (2013) with the case study in star-rating hotels. Even though this study is able to elaborate all of the determinant factors for loyalty in star-rating hotels, the effect of those factors in budget accommodation service case remains unknown.

The discussion about loyalty and its three forming factors before (service quality, customer satisfaction, and service value) has shown that relationship between loyalty and those three factors can be direct. Therefore, the hypothesis tested in this research is that service quality, customer satisfaction, and service value directly and significantly influence the attitude of loyalty in accommodation service industry.

3   Methodology

The contract measurement in this research was developed based on the existing literature. Attitude loyalty is defined as customers' dispositional commitment levels towards a hotel. Four items adopted from Back (2005) and Han et al. (2008) were used for measuring this construct. Those four items reflected cognitive, affective, and conative element of loyalty. Meanwhile, service quality is defined as a whole evaluation for all the service received by hotel customers during their staying periods. This variable was measured by 11 items adapted from Han et al. (2008) and Cronin et al. (2000). Those 11 factors were adapted into this research because they were considered to be robust when being used for measuring service quality in various industries, including hotel industry. Moreover, those items were consistent with SERVQUAL dimensions; they are tangibility, reliability, assurance, empathy, and responsiveness. Customer satisfaction was measured by two factors adapted from Back (2005) and Chitty et al. (2007). The last factor, service value, was also measured by two items adapted from Nasution and Mavondo (2005) and Chitty et al. (2007).

The populations of this research were the customers who stayed in accommodation service provider places in five main tourism destinations in West Java; Cianjur, Cirebon, Bandung, Sukabumi, and Ciamis. The difficulties rose from identifying the total populations and randomly picking the budget hotel customers. Therefore, this study did not use random sampling as the sampling method. The convenience sampling was

chosen. This method asked the customers to willingly participate in filling the questionnaire. It was finalized that 298 who could participate in filling the questionnaire.

The purpose of this research is to know the relationship between loyalty forming factors towards customer loyalty attitude as a guest in accommodation service provider. Skewness and Kurtosis tests showed that the data used for this research did not have normal distribution. This condition assumed for using structural equation modeling with covariant approach which could not be fulfilled. Therefore, the tested estimation model was conducted by logistics regression method, in which loyalty data were changed to binary data (loyal and not loyal) at the first step. There were some inconsistencies in the literature about service quality dimensions, so this variable was tested using factor analysis before using it in further tests.

4   Findings

The respondents of this research are 298 tourists who stayed in accommodation service providers. All of the respondents come from various areas in West Java, such as Cianjur, Cirebon, Bandung, Sukabumi, and Ciamis. The respondent characteristics include gender, age, education, occupation, propose of stay, and length of stay as shown in Table 1. The results of descriptive statistics test towards four variables (service quality, service value, customer satisfaction, and customer loyalty) are as shown in Table 2.

Based on data analysis, it can be concluded that the perception of service quality, service value, satisfactory level, and loyalty level of domestic visitors towards non-star-rated hotels is still low. This conclusion can be drawn from the result of descriptive analysis that the average score of every question is still below 4. The service quality result shows that the employees are good enough in terms of courtesy (the score is almost 4), but still bad at fulfilling tourists' individual needs. This problem happens because the employees do not understand the tourists' personal needs. Thus, they think every tourist has the same needs.

From service value side, the services that the tourists get are not suitable with the payment they give. It makes their perception towards service quality to be low. Service quality and service value influence tourists' satisfaction towards the hotels. Based on the descriptive analysis, the average customers' satisfactory level towards hotels services is still low and it influences their loyalty level towards the hotels.

Table 1: Respondent Demographic Characteristics

	Characteristics	Frequency	%
Gender	Man	198	66,4
	Woman	95	31,9
Age	< 30 years old	186	62,4
	30-40years old	61	20,5
	41-51 years old	37	12,4

	> 51 years old	10	3,4
Education	SMA High School	142	47,7
	Diploma	67	22,5
	Bachelor	73	24,5
	Master	7	2,3
Occupation	Civil Servant	43	14,4
	Private Employee	77	25,8
	Entrepreneur	57	19,1
	Student	88	29,5
	Others	24	8,1
Propose of stay	Business	61	20,5
	Vacation	179	60,1
	Others	52	17,4
Duration of stay	< 3 days	220	73,8
	3-5 days	54	18,1
	> 5 days	15	5,0
Accommodation type	Non rated-star hotel	179	60,1
	Wisma	44	14,8
	Guest House	52	17,4
	Inn	20	6,7

Table 2: Variable analysis based on place where data were collected

Region	Service Quality		Service Value		Customer Satisfaction		Customer Loyalty	
	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev
Cianjur	4,363	0,5940	4,180	0,8850	4,160	0,8597	4,423	0,6812
Cirebon	3,209	0,4658	3,170	0,8841	3,112	0,6635	3,155	0,7871
Bandung	3,448	0,6521	3,393	0,7432	3,186	0,9135	3,152	0,8217
Sukabumi	3,652	0,5892	3,625	0,7033	3,385	0,6937	3,516	0,6602
Ciamis	3,655	0,6462	3,500	0,7354	3,570	0,8452	3,447	0,7013

4.1 Factor Analysis Test for Service Quality

The purpose of this research is to identify the important dimensions of accommodation service provider website as a media to increase the number of their domestic customers. Exploratory factor analysis test was conducted to answer this problem. The result shows that the score gotten from KMO test is far from the recommended score (higher than 0.5). Meanwhile, Barlett's Chi-Square test shows a significant value (p<1%). Those two indicators indicate that the available data are fit for factor analysis test (Hair, Black, Babin, & Anderson, 2010).

Besides those two factors, the fairness test of factor analysis is also shown by anti-image correlation test. It shows that all variables have correlation levels around 0.922 to 0.952 (higher than the recommended value, $\geq$ 0.30), so factor analysis test is appropriate to be used in this research (Santoso, 2012). Then, the Eigen value shows that there are 11 factors that have been extracted from factor analysis with highest variance value of 53.465% which implies that only one factor has been identified.

4.2 Logistics Regression Analysis

Hypotesis testing in this research was performed through logistics regression analysis. The effect of service quality and service value variables towards customer satisfaction is showed in Table 3. Wald-Test was used for this testing. It shows that service quality variable significantly affects customer satisfaction with significance level 0,000 and probability of less than 0,05. Service value variable does not significantly affect customer satisfaction since its significance level is larger than 0,05. Exp (B) in service quality has very high value which is 100,755. It means that service quality affects customer satisfaction by 100 times.

Table 3: Variables in the Equation Customer Satisfaction

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]							100,755
	Value	0,308	0,347	0,785	1	,376	1,360
	Constant	-15,512	2,645	34,391	1	,000	,000

a. Variable(s) entered on step 1: Service Quality, Value.

Table 4: Variables in the Equation Service Value

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]							11,237
	Satisfaction	-,191	,393	,238	1	,626	,826
	Constant	-6,050	1,364	19,683	1	,000	,002

a. Variable(s) entered on step 1: Service Quality, Satisfaction.

Table 4 shows the Wald-Test result about the effect of service quality and customer satisfaction towards service value variable. This test shows that service quality significantly affects service value with a significance level of 0,000 and probability less than 0,05. Meanwhile, customer satisfaction variable does not significantly affect service value because its significance level is larger than 0,05. Exp (B) value is 11,237 and it shows that service quality affects service value by 11 times.

Table 5: Variables in the Equation Customer Loyalty

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1ª							9,008
	Satisfaction	1,166	,397	8,620	1	,003	3,209
	Value	,935	,356	6,911	1	,009	2,548
	Constant	-13,225	2,086	40,197	1	,000	,000

a. Variable(s) entered on step 1: Service Quality, Satisfaction, Value.

The next Wald-Test was conducted to explain the effect of service quality, service value, and customer satisfaction towards customer loyalty. The result of this test is showed in Table 5. Based on the test result, all of those three variables significantly affect customer loyalty with significance level of 0,000, 0,003, and 0,009 respectively and probability of less than 0,005. Service quality has the highest value of Exp (B) compared to the other variables (9,008). This value means that service quality affects level of service value by 9 times.

The result of Spearman Correlation shows that service quality, service value, customer satisfaction, and customer loyalty are correlated and they affect each other. This result is supported by the result of logistics regression. Logistics regression shows that if service quality is getting better, the level of customer satisfaction will be higher. In the logistics regression for customer satisfaction variable, the significance of service quality is 0,000 which means that service quality is the most important factor to be improved, and it affects customer satisfaction by 93 times. Not only affecting the customer satisfaction, service quality also affects service value and customer loyalty in the case of non-star hotels.

5   Conclusion

The contribution of this research gives an understanding about customer loyalty model especially in small scale accommodation service industry. This research also identifies the driving factors of customer loyalty with its three forming factors: service quality, service value, and customer satisfaction, and gives additional evidence towards the theory about customer loyalty in accommodation service context. Deeper understanding about customer loyalty is also another important contribution of this research, because not only in budget accommodation service industry, this research also gives a view about customer loyalty in developing country (Indonesia) since the previous researches were always conducted in developed countries.

This research finds that attitude loyalty level of domestic tourists towards budget-accommodation service provider is still low. In other words, domestic tourists do not consider about the previous accommodation service provider where they have ever

stayed as the first choice when they come again to the same destination. The hotel services they received do not make them choose the same accommodation again or recommend it to their friends or relatives. It can measure the success rate of a business, including hotel industry, are repeated purchase and new customer from old customer recommendation. In this condition, it is hard for budget-accommodation service providers to increase their domestic tourist customers.

This research also finds that hotel managers should be aware about the importance of service quality because it affects customers' loyalty towards accommodation service providers. In particular, this research recommends several services that should be improved, including employees politeness, employees honesty to gain customers trust, employees appearance such as wearing clean and neat working uniforms, easiness to access information through website or brochure, cleanliness of hotels environment, time accuracy of service, hotels appearance including neatness, good interior and exterior design, complete hotels facilities that meet customers' needs, giving non-star rated hotel standard, and service immediacy when customer arrive such as giving welcome drink and helping them with their luggage. Besides, the hotel employees should also be given some training so that they can understand and fulfill the customer needs.

6   References

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