Analysis of the Effect of Service Quality Dimensions on Customer Loyalty through Perceived Value, Image, Consumption Emotion and Customer Satisfaction on Shangri-La Hotel Customers in Surabaya

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Abstract

The growth of the hospitality industry in Indonesia shows a significant number. In this case requires the company to be able to meet customer needs and adjust customer desires in the overnight process so that the company must be able to detect what the needs and desires of its customers are. Therefore, the presence of Shangri-La Hotel Surabaya is very influential in the development of the hotel industry, especially in Surabaya. This study aims to analyze the effect of Service Quality dimensions on Customer Loyalty through Perceived Value, Image, Consumption Emotion and Customer Satisfaction to the Shangri-La hotel customers in Surabaya. The sample used in this study is 250 respondents. For processing and analyzing data in this study, namely by using Amos version 22.0 as software for data processing. This study has 12 hypotheses and all of them have significant results.

Keywords: Service Quality, Image, Customer Satisfaction, Perceived Value, Consumption Emotion, Customer Satisfaction, Customer Loyalty

1. Introduction

The development of times and technology accompanied by business competition in this era of globalization makes businesspeople must continue to improve all important aspects of their company which are useful for developing companies to compete more optimally to get maximum profit for their company. The hospitality industry is an industry that combines products and services [1]. The design of the building, interior and exterior of hotel rooms and restaurants, the atmosphere that is created in the hotel, rooms, restaurants and food and beverages sold along with all existing facilities are examples of products sold by the hotel. While the services sold are the hospitality and skills of hotel staff and employees in serving their customers [1].

Shangri-La Hotel Surabaya is an example of the hospitality industry under the auspices of a large company called Shangri-La International which is part of the Kuok Brother Company. In 1971, Kuok Hotel was founded from the expansion of the Kuok Group in focusing its company on the hotel industry where it started from five large properties owned in Singapore, Fiji, Malaysia and now has developed further and become one of the most famous five-star hotels in world. In 1983, there was a change in the name of the
company which was growing rapidly and changed the brand name to Shangri-La International.

The difference in this study with previous research is that this study uses AMOS 22.0 software where previous research uses AMOS 21.0 software as a data processing and analyzing tool. The next difference is that the previous research object took respondents in four provinces in South Africa, while this study took respondents in Indonesia specifically in the city of Surabaya. The third difference is the number of respondents used in the previous study amounted to 690 respondents, while this study used 250 respondents.

2. Literature Review

2.1 Service Quality

Researchers [2] show that Service Quality is an important driving variable of perceived value. When consumers evaluate the value of services, consumers tend to consider specific attributes, transactions, as well as price and service quality [3]. Thus, the factors related to quality can be considered to represent most of the drivers of the positive benefits of perceived value. Therefore, it is proposed here that high service quality will ultimately lead to a higher perceived value. Perceived value describes the customer's goal to buy a product or service. Research results from [4] stated that service quality features such as tangibles, reliability, empathy, and responsiveness) have a significant relationship with perceived value. This is supported by research conducted by [5] where service quality has a positive effect on perceived value.

According to [6], the higher the service quality provided by a company, especially a fast-food company, the higher the consumption emotion obtained by the customer. This states that service quality has a significant effect on consumption emotion, it can be accepted and supported. Experts use the term consumption emotion related to positive or negative emotions that are felt because of the service quality consumed [7], [8] argues that the high consumption emotion of customers requires companies to provide good quality service and products. Quality is a dynamic condition related to products and services, people, processes and the environment meeting or exceeding expectations. Therefore, the company must be able to provide good service quality in increasing consumption emotion.

Another research group that considers image as an outcome variable indicates that it is conditioned and influenced by the level of service quality offered by hotel organizations. [4], [9], [10]. According to [11] argues that in achieving customer satisfaction-oriented goals, company performance will determine consumer perceptions of service quality. Perceptions of the quality of service provided will continue during the process of forming the image of the company.

According to [12], one way to create customer satisfaction is to improve service quality because customers are the focus in compiling satisfaction and loyalty. It is also said that consistency in the quality of a product or service can provide success, in terms of company customer satisfaction. According to [12] also believes that the service quality provided by the company can create a positive perception of the customer towards the company and will result in customer satisfaction.
Thus, we tested the following hypothesis:

\[ H_1: \text{Service Quality has a positive significant effect on Perceived Value} \]
\[ H_2: \text{Service Quality has a positive significant effect on Consumption Emotion} \]
\[ H_3: \text{Service Quality has a positive significant effect on Image} \]
\[ H_4: \text{Service Quality has a positive significant effect on Customer Satisfaction} \]

### 2.2 Consumption Emotion

According to [13], it explains that customer satisfaction is not only an accepted phenomenon, but also contains an emotional part. It takes every company obliged to build emotional customers. From the description above, the consumption emotion has a positive influence on customer satisfaction. According to [14], it shows that the consumption emotion variable has a significant positive effect on customer satisfaction, which means that if the emotional caused by consumers to use services is better, it will increase the satisfaction felt by customers. [15] also found that the consumption emotion variable was a good predictor of influence on customer satisfaction.

According to [16] argues that consumption emotion affects customer perceptions of products and services. Customer thoughts or feelings (good mood or bad mood) can influence customer responses to perceived values before making decisions. According to [7], it is stated that consumption emotion is related to positive or negative emotions that are felt because of the product or service being consumed so that it affects perceived value in being the main key to driving consumer loyalty. According to [17], there is a significant influence between consumption emotion and perceived value due to the emotional affective response of people's perceptions and the environment that is felt in the many attributes that affect human psychology. From these statements, we can make hypothesis that:

\[ H_5: \text{Consumption Emotion has a positive significant effect on Customer Satisfaction} \]
\[ H_6: \text{Consumption Emotion has a positive significant effect on Perceived Value} \]

### 2.3 Image

Image is an important factor for patients who form the perception of the perceived value of customers. Perceived value that is in the minds of customers will affect customer assessment of service quality. Image of a service can be positive or negative depending on personal values or stories from other people. According to [18], the role of image is important because it makes the company able to survive in the competition and image is the customer's interpretation of all products, services, and brand communication. Perceived value has an important role for consumers to consider having a long-term relationship with what will be consumed. The evaluation process first looks at the image of the benefits and sacrifices to achieve an important value in considering the consumption process. A positive and strong image will form a high perceived value. According to [19] there is also empirical evidence to support the idea that a better perception of image leads to a better perceived value for a product or service in a greater influence on the perceived value of customers.

Image is a picture or something that sticks in the minds of customers. The better the perception in the mind of the customer towards the company image, the higher the customer satisfaction will be. Conversely, if the customer's perception of the image is bad, the
customer satisfaction will also be lower. [20] explains that image plays a role in marketing an organization because it raises customer perceptions and expectations about the goods or services offered and ultimately affects customer satisfaction. Several research results indicate that the company has a significant interest in customer satisfaction. To avoid a big risk, consumers prefer to buy from goods or service providers who have a good image.

[21] revealed image as an antecedent of loyalty where customers are increasingly loyal in using a product or service if the image, they have is strong so that image becomes an important factor of higher customer loyalty. The same thing is also stated by [22] which shows a positive effect of image on customer loyalty. According to [23], the relationship between image and customer loyalty in accordance with the wishes and choices of customers (preferences) is the attitude of the customer that affects customer loyalty. Image will attract customer interest and increase customer loyalty to certain products. From these statements, we can conclude hypotheses as follows:

- **H7**: Image has a positive significant effect on Perceived Value
- **H8**: Image has a positive significant effect on Customer Satisfaction
- **H9**: Image has a positive significant effect on Customer Loyalty

### 2.4 Perceived Value

Perceived value positively affects customer satisfaction [24] due to the perceived satisfaction factor that drives the energy of the customer to produce the perceived value. [25] examined the aspects that affect customer satisfaction and the results showed that perceived value is one of the variables that affects customer satisfaction. [26] stated that the perceived value variable or the value obtained is the customer towards the product benefits obtained from the costs obtained from the product as well as the cost to obtain the product. The higher the perceived value, the higher the customer satisfaction. [27] state that service quality drives consumer perceived value. Perceived value is believed to drive customer satisfaction. When consumers receive a great value in service, it will indirectly result in customer satisfaction.

According to [28], perceived value is the key to driving customer loyalty and is a strong predictor of customer loyalty. Referring to [29], good perceived value will attract customer attention, develop, and connect well with customers to achieve loyalty. The positive effect of perceived value on customer loyalty is also stated by [30] where the perceived value is the antecedent of loyalty by encouraging competitive advantage and reaching the company. When the perceived value increases, strong customer loyalty also increases. [31] reveals that there is a difference between perceived value and customer loyalty. The higher the value obtained, the higher the customer loyalty obtained by the company. Thus, the following hypothesis is proposed:

- **H10**: Perceived Value has a positive significant effect on Customer Satisfaction
- **H11**: Perceived Value has a positive significant effect on Customer Loyalty

### 2.5 Customer Satisfaction

According to [32] the idea of perceived customer satisfaction will create customer loyalty where the greater customer satisfaction with their service experience, the more they feel that they can trust the organization itself and the personnel providing its services. The results of
the study by [33] show that customer loyalty is more likely to increase usage in the short term and in the long term because of customer satisfaction. The empirical findings of [34] also support this argument. According to [35], it is said that in influencing customer loyalty, customer satisfaction is needed on an ongoing basis. In his explanation, it was also explained that companies that provide value to their customers will have customer satisfaction and will allow them to interact again in the future. Thus, the following hypothesis is proposed:

\[ H_{12}: \text{Customer Satisfaction has a positive significant effect on Customer Loyalty} \]

Research Issue and Methodology

3.1 Research Issue

Research method that is used in this study is a quantitative method. Population that is used in this research are people of Surabaya who have stayed at least twice at the Shangri-La Hotel Surabaya in the last two years. Non-probability sampling will be the sampling method used in this research and questionnaire as the method in data collection. The reason of the method’s implementation is because the number of populations that will visit Shangri-La Hotel is still unknown, in other words sample is not a hundred percent exist on all respondents. Snowball sampling technique will also be used in this research. Snowball sampling is a technique of determining samples that have small amount at the beginning, furthermore it will become bigger as the first sample will choose other person to be a part of samples. The area of distribution will be limited to Surabaya city. The respondents’ characteristic of this study are respondents who have visited Mount Kawi with the age range of 18 to 60 years old. Total sample that need to be collected are 250 respondents. The research also used structural equation modelling to analyze data. Research model can be seen below.

![Research Model](image)

Figure 1. Research Model

Source: Analysis, 2021
4. Finding and Discussion

4.1. Findings

This study used Structural Equation Modelling in testing between the variables. The statistical analysis tool used to answer the problem formulation of this research is Amos. Once the questionnaires were returned, the next step that must be conducted is descriptive statistic-analysis.

In Table 1, it shows that respondents who fill out questionnaires are mostly done by man, this can be seen from 170 respondents (68.0%) of respondents who who have stayed at least twice at the Shangri-La Hotel Surabaya in the last two year are men while 80 respondents (32.0%) are woman.

| Table 1. Respondents Characteristic by Gender | Frequency | Valid | Percent | Cumulative Percent |
|---------------|-----------|-------|---------|--------------------|
| Valid Female  | 80        | 32.0  | 32.0    | 32.0               |
| Male          | 170       | 68.0  | 68.0    | 100.0              |
| Total         | 250       | 100.0 | 100.0   |                    |

Source: own calculation

From the results in Table 2, the characteristics of respondents based on age are dominated by age group 18-35 which is 160 respondents (64.0%), followed by 36-50 age group which is 82 respondents (32.8%), and last age group becomes respondents is age group 51-60 which is 8 respondents (3.2%).

| Table 2. Respondents Characteristic by Age | Frequency | Valid | Percent | Cumulative Percent |
|---------------|-----------|-------|---------|--------------------|
| Valid 18 - 35 | 160       | 64.0  | 64.0    | 64.0               |
| 36 - 50       | 82        | 32.8  | 32.8    | 65.6               |
| 51 - 60       | 8         | 3.2   | 3.2     | 100.0              |
| Total         | 250       | 100.0 | 100.0   |                    |

Source: own calculation

Based on the results from data processing in table 4 below, it shows that all average score of the mean for overall indicator is above 3.61. Also, the standard deviation is under 2.0 means that the answers given by respondents are homogeneous. The highest mean average are X11 (Food and Beverage) and Y12 (Customer Satisfaction) are 4.45.Y15 (Customer Satisfaction) has the highest score for standard deviation, that is 0.717. This may indicate that the respondents give answers for Customer Satisfaction least homogeneous compared with other variables.
4.1.1 **Validity Test Result**

| Variabel               | Indikator | Mean | Factor Loading | Nilai Kritis | Keterangan |
|------------------------|-----------|------|----------------|--------------|------------|
| Accommodation          | X1        | 4.24 | 0.808          | ≥ 0.50       | Valid      |
| Infrastructure         |           |      |                |              |            |
| Room Quality           | X2        | 4.21 | 0.806          | ≥ 0.50       | Valid      |
|                        | X3        | 4.16 | 0.812          | ≥ 0.50       | Valid      |
|                        | X4        | 4.36 | 0.844          | ≥ 0.50       | Valid      |
| Front Desk Quality     | X5        | 4.27 | 0.792          | ≥ 0.50       | Valid      |
|                        | X6        | 4.34 | 0.784          | ≥ 0.50       | Valid      |
|                        | X7        | 4.19 | 0.823          | ≥ 0.50       | Valid      |
| Food and Beverage      | X8        | 4.19 | 0.808          | ≥ 0.50       | Valid      |
|                        | X9        | 4.22 | 0.748          | ≥ 0.50       | Valid      |
|                        | X10       | 4.44 | 0.834          | ≥ 0.50       | Valid      |
| Safety and Security    | X11       | 4.45 | 0.811          | ≥ 0.50       | Valid      |
|                        | X12       | 4.38 | 0.807          | ≥ 0.50       | Valid      |
|                        | X13       | 4.23 | 0.810          | ≥ 0.50       | Valid      |
| Attitude and Behavior of Employees | X14 | 4.23 | 0.857          | ≥ 0.50       | Valid      |
|                        | X15       | 4.39 | 0.731          | ≥ 0.50       | Valid      |
|                        | X16       | 3.97 | 0.906          | ≥ 0.50       | Valid      |
|                        | X17       | 4.04 | 0.783          | ≥ 0.50       | Valid      |
|                        | X18       | 3.98 | 0.844          | ≥ 0.50       | Valid      |

Source: own calculation

Based on validity test result above, we can see that all indicators are valid, because the value of loading is greater than 0.5.

4.1.2 **Research Result**

Based on the results of testing the quality of the data, it is stated that the processed data can pass the evaluation of normality, outliers’ evaluation namely univariate outliers and multivariate outliers, evaluation of Multicollinearity and Singularity, and validity test for each indicator through confirmatory factor analysis. Then the data is processed for the Full Structural Equation Model, with the following results:
4.1.3 Hypotheses Testing

Based on this fit model, we will test the six hypotheses proposed in this study:

| Hypothesis | Path | C.R. | P   | Result |
|------------|------|------|-----|--------|
| H1 | Perceived_Value | --- | Service_Quality | 2.78 | 0.01 | Accepted |
| H2 | Consumption_Emotion | --- | Service_Quality | 7.03 | *** | Accepted |
| H3 | Image | --- | Service_Quality | 5.3 | *** | Accepted |
| H4 | Customer_Satisfaction | --- | Service_Quality | 3.6 | *** | Accepted |
| H5 | Customer_Satisfaction | --- | Consumption_Emotion | 2.98 | 0 | Accepted |
| H6 | Perceived_Value | --- | Consumption_Emotion on | 2.61 | 0.01 | Accepted |
| H7 | Perceived_Value | --- | Image | 2.8 | 0.01 | Accepted |
| H8 | Customer_Satisfaction | --- | Image | 3.82 | *** | Accepted |
| H9 | Customer_Loyalty | --- | Image | 3.04 | 0 | Accepted |
| H10 | Customer_Satisfaction | --- | Perceived_Value | 2.48 | 0.01 | Accepted |
| H11 | Customer_Loyalty | --- | Perceived_Value | 3.23 | 0 | Accepted |
| H12 | Customer_Loyalty | --- | Customer_Satisfaction | 5.05 | *** | Accepted |
Table above describes the twelve hypotheses proposed in the conceptual framework model. All of them have a significant influence. This can be seen based on the value of CR > 1.96 or the probability value <0.05 which explains that the influence between two variables is significant.

4.1 Discussion

The results of data processing using AMOS 22.0 software make the results show the 12 hypotheses shown and proposed in this study. This can be seen from the results of the first hypothesis that the Service Quality variable has a significant effect on Perceived Value with the value of C.R. 2.783 and the regression coefficient of 0.262.

Then the second hypothesis, the Service Quality variable has a significant effect on the Consumption Emotion variable with a C value of 7.029 and a regression coefficient of 0.524. The third hypothesis, the Service Quality variable has a significant effect on the image variable with a value of C.R. of 5.297 and the regression coefficient of 0.405. Then the fourth hypothesis Service Quality Variable has a significant effect on the Customer Satisfaction variable with a value of C.R. 3.599 and a regression coefficient of 0.295.

After that, the fifth hypothesis is that the Consumption Emotion variable has a significant effect on the Customer Satisfaction variable with a C.R. of 2.983 and the regression coefficient of 0.23. The sixth hypothesis, the Consumption Emotions variable has a significant effect on the Perceived Value variable with the value of C.R. of 2.613 and the regression coefficient of 0.224. Then the seventh hypothesis, the image variable has a significant effect on the Perceived Value variable with a value of C.R. equal to 2.8 and a regression coefficient of 0.225. Followed by the eighth hypothesis, the image variable has a significant effect on the Customer Satisfaction variable with a value of C.R. of 3.821 and the regression coefficient of 0.277.

The ninth hypothesis is that image variables have a significant effect on Customer Loyalty variables with a value of C.R. of 3.043 and the regression coefficient of 0.226. Then the tenth hypothesis, Variable Perceived Value has a significant effect on the Customer Satisfaction variable with a value of C.R. of 4.299 and a regression coefficient of 0.189. The eleventh hypothesis is that the Perceived Value variable has a significant effect on the Customer Loyalty variable with a value of C.R. of 3.231 and the regression coefficient of 0.238. The last hypothesis of the twelve variables of Customer Satisfaction has a significant effect on the Customer Loyalty variable with a value of C.R. of 5.049 and a regression coefficient of 0.42.

From the CR value, it can explain whether the hypothesis is significant or not and it is concluded that all the hypotheses of this study are very well accepted because the CR value is above 2.

5. Conclusion

Research on service quality in hospitality has been proliferating over the past few decades. While early studies are relatively descriptive and sometimes do not pay attention to
measurement issues, recent studies have embraced advanced, confirmatory statistical techniques such as structural equation modeling allowing the field to catch up with more established disciplines such as psychology which has a long tradition of applying rigorous methodological approaches.

The existing knowledge base shows that service quality is best conceptualized as multidimensional, in this case, the second-order factor approach is the most suitable technique that can best represent these structures when considered in a nomological network (Koufteros et al., 2009). This study develops a second-order service quality model that is integrated into a structural model. The model is tested using a strict confirmatory approach on data collected from Shangri-La Hotel Surabaya customers.

This paper makes an important contribution to knowledge, providing a theoretically rigorous approach to understanding consumer psychology. This approach has alleviated methodological problems such as limited explanatory power and “specific bloating” common to first-order factors or the unidimensional treatment of variables. In this study it not only shows that service quality can be treated as a second order factor, but by integrating the constructs in the structural model, it also explains the higher variance rates and develops a more parsimonious model than the existing studies. If general factors rather than first-order factors are the focus of research, then the second-order factor approach to conceptualizing variables has a useful purpose (Chen et al., 2006).

Based on the research results, the Service Quality variable has a very important influence on Image, Customer Satisfaction, Perceived Value, and Consumption Emotions, the Consumption Emotions variable has a very important influence on Customer Satisfaction and Perceived Value, Image variable has a very important influence on Customer Satisfaction, Perceived Value, and Customer Loyalty, the Perceived Value variable has a very important influence on Customer Satisfaction and Customer Loyalty and the Customer Satisfaction variable has a very important influence on Customer Loyalty in Shangri-La Hotel Surabaya customers, so that managerial implications should be focused more on variables. The managerial implications of these findings can be made based on the theory that has been developed as follows:

First, Service Quality is one of the elements that influence the process of improving Image, Customer Satisfaction, Perceived Value and Consumption Emotion. Second, Consumption Emotions is an influential element in the process of increasing Customer Satisfaction and Perceived Value. To increase Consumption Emotions, Shangri-La Hotel Surabaya needs to maintain the convenience of its customer consumption process by providing combined promos to customers such as staying at the Shangri-La Hotel Surabaya and getting discount coupons at restaurants owned by the hotel or staying at the Shangri-La Hotel Surabaya and getting discount on perks.

Third, Image is an influential element in the process of increasing Customer Satisfaction, Perceived Value, and Customer Loyalty. To improve the image, Shangri-La Hotel Surabaya can pay attention to the influence of the quality of service provided by Shangri-La Hotel Surabaya, such as waiters and hotel employees who must have a high educational background and excellent abilities to meet all customer needs and be able to
serve them well. fast, then customers will judge that the reputation of Shangri-La Hotel Surabaya will increase.

Fourth, Perceived Value is an influential element in the process of increasing Customer Satisfaction and Customer Loyalty. To increase Perceived Value, Shangri-La Hotel Surabaya needs to continue to provide maximum service in always providing the best in meeting customer needs. Not only that, but Shangri-La Hotel Surabaya servants must always be available to meet the needs and desires of customers when called and needed so that customers feel that Shangri-La Hotel Surabaya does indeed have a quality service that is commensurate with the price paid by them. Then, by carrying out routine air-conditioning services, checking the quality of hotel room furniture every week and doing furniture renovations if something is damaged so that customers will feel worth- it for what they pay for the quality of their rooms because room quality is one of the goals, main customers come to stay.

Fifth, Customer Satisfaction is an influential element in the process of increasing Customer Loyalty. To improve, Customer Satisfaction must maintain the quality of hotel service performance according to the standard operating procedure of Shangri-La Hotel Surabaya.

6. Research limitation

The findings of this study should be understood considering its limitations. First, second order factors do not allow an understanding of the effect of each first order factor on outcome variables such as customer satisfaction and loyalty. Thus, it is important for future researchers to try to test these relationships to uncover the dimensions of service quality most important to customer satisfaction and loyalty and to determine their explanatory strength. Second, although theoretical and empirical support has been found for second order service quality factor models, there is potential to consider service quality as a third order factor, usually referred to as a hierarchical model, in which first order factors can be aggregated into a more meaningful set of sub-dimensions. small. Third, future research can enlarge this model to include other second order factors such as image and perceived value. Lastly, there is also the potential to exploit the use of structural equation modeling further by performing factorial invariance tests to analyze the moderating effects of other variables such as nationality, and culture on the pathways of the tested relationships.

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