Service Experience, Loyalty, and Satisfaction in the Hospitality Industry and Its Impact

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Abstract. This study aims to examine the effect of service experience on loyalty mediated by satisfaction. The results of this study indicate that service experience has a positive and significant impact on loyalty and satisfaction. The result of the research also indicates that satisfaction does not affect loyalty, so mediation does not occur. This is quantitative research with a purposive random sampling technique. The total respondents in this study were 118 respondents. Data were analyzed using structural equation modeling. The findings in this study are that hotel industry consumers have a tendency to switch or be disloyal.

Keywords: service experience · satisfaction · loyalty

1 Introduction

As a contributor to the country's foreign exchange, tourism has a strategic role in the national economy, one of which is job creation. The increase in the number of foreign and domestic tourists has an impact on increasing the need for supporting facilities and infrastructure, which include transportation, restaurants, travel, accommodations, and other supports, which can create new jobs for the community. One of the essential needs in the development of the tourism industry is accommodation in the form of hotels or inns because tourists need a place to stay while traveling. The high need for hotels makes both domestic and foreign investors invest in the hotel industry so that the level of competition is very high [1]. The very high level of competition makes hotels very vulnerable to market competition. Therefore, research on consumer loyalty is fascinating to do because loyal consumers will provide long-term benefits for the company [2].

Research conducted by several researchers, such as Dominici (2010); Batista *et al.* (2014); Mulyana and Prayetno (2018); dan Nobar and Rostamzadeh (2018), Show that satisfaction is one of the driving factors that cause consumers to be loyal. Nonetheless, Al-maslam (2015) His research revealed that satisfied consumers do not have to be loyal because those who say they are pleased or delighted only show 60% to 80% of their satisfaction. Furthermore, in their research Nobar and Rostamzadeh (2018), Deshwal

and Khanna (2013), Revealed that consumer loyalty and satisfaction are determined by the consumer experience of the service they receive (service experience).

Understanding the impact of service on customers and its implications for the hotel industry is very important; therefore, this study aims to examine the effect of the service experience on loyalty as mediated by satisfaction. The results of this study indicate that two hypotheses are supported, and the other two are not. The findings in this study are more in line with Al-maslam (2015) that not all satisfied consumers will always be loyal. Since few studies relate to the service experience, future research can test the same model in different industrial contexts, especially in industries engaged in services, such as hospitality and banking.

2 Literature Review

2.1 Service Experience

Service experience is defined as subjective reactions and feelings when consuming or using services [7]. For companies in a very competitive market, the quality of the service experience should be a significant concern because the service experience will improve company performance, especially for service companies such as airlines, restaurants, retail, tourism, and telecommunications. Service experience is also defined as a sensation or acquisition of knowledge resulting from interaction with dimensions from other contexts provided by service providers. The core of service experience is hedonic consumption [8].

2.2 Satisfaction

Satisfaction is a comparison between consumer expectations and product performance perceptions. Satisfaction is divided into transaction-specific and cumulative consumer satisfaction. Transaction-specific refers more to post-purchase evaluation, while cumulative satisfaction refers to an overall evaluation based on the purchase and consumption experience of the product over time [2].

2.3 Loyalty

Loyalty is defined as a strong commitment to stick with a company's goods and services in the face of marketing communications campaigns from rival businesses that might tempt customers to switch. (Oliver, 1999 dan Trivsel & Trivsel, 2017).

2.4 Cumulative Satisfaction

Consumer cumulative satisfaction is based on consumer experiences with products and services over time. The more satisfied consumers are with a product or service, the more they will continue to make purchases in the future. The results of research conducted by several researchers, such as Dominici (2010); Batista *et al.* (2014); Mulyana and Prayetno (2018); Nobar and Rostamzadeh (2018), show that satisfaction has a positive and significant impact on loyalty. Furthermore, in their research Nobar & Rostamzadeh (2018) and Deshwal & Khanna (2013), reveal that service experience has a positive and significant effect on loyalty.

3   Method

This study consisted of one exogenous variable, service experience (SE), one endogenous variable, loyalty (L), and one mediating variable, satisfaction (S). The sampling technique used in this study was purposive random sampling. The data source for this research is the primary data source obtained through a survey of hotel customers with a total of 118 respondents. The questionnaire was arranged using a Likert scale. Operationally, the variables in this study are defined as follows: 1) service experience as a subjective reaction when consuming hotel services, 2) satisfaction as an evaluation of the experience of consuming a product or service, the questionnaire adopted from Luo & Donthu (2001) [11] and 3) loyalty as a commitment to continue buying the same product or service in the future, the questionnaire adopted from Oliver (1999) [9]. The research data were analyzed using SPSS and SEM to measure the measurement model, structural model, and goodness of fit index.

4   Discussion

Only 118 of the 200 questionnaires received from respondents were fully completed. In this study, 50 men and 68 women participated as respondents. A total of 43 respondents covered this age range: 38 respondents between 26 and 35, 27 respondents between 36 and 45, and ten respondents between 46 and 56. Eight technicians, sixteen professionals, four managers, thirty students, and forty-one other respondents were among the respondents, along with 19 respondents who were business owners. A total of 58 respondents were not married; 43 respondents were married and had children; 15 respondents were married but did not have children; and two respondents had been married. A total of 43 respondents were D1/D2/D3 graduates; 42 were high school graduates; 27 were S1 graduates; and 6 were S2/S3 graduates. A total of 5 respondents earned less than 1.2 million, 26 earned 1.2–2.4 million, 36 earned 2.5–3.5 million, and 51 earned > 3.5 million.

This research variable has excellent validity and reliability based on Figs. 1, 2, and Table 1. Those can be seen from the constructs' standardized loading factors and t-values of 0.5 and 1.96, construct reliability of 0.7, and variance extracted of 0.5.

Based on Fig. 1, Fig. 2, and Table 2, the results of the data analysis show that hypotheses 1 and 2 are supported. The resulting relationship is positive, with standardized loading factors of 0.5 and a t-value of 1.96. However, hypotheses 3 and 4 are not supported. There is no full or partial mediation, and the resulting relationship is unfavorable but not severe. The goodness of fit index table 3 shows that this study's goodness of fit index is medium because the GFI is less than 0.78, the RMSEA is higher than 0.08, and the significance is less than 0.05, even though the CFI is higher than 0.9.
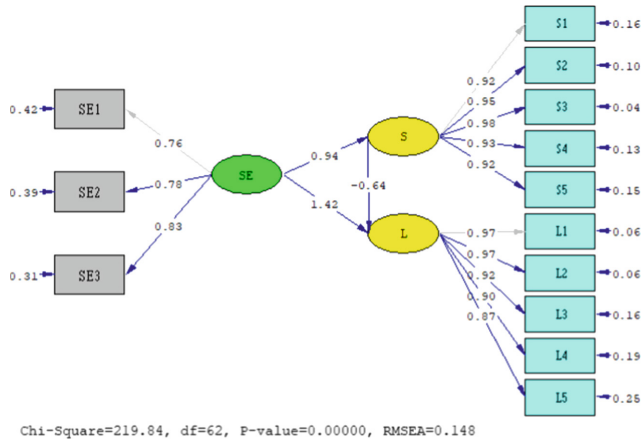
Chi-Square=219.84, df=62, P-value=0.00000, RMSEA=0.148

Fig. 1. Standardized Loading Value

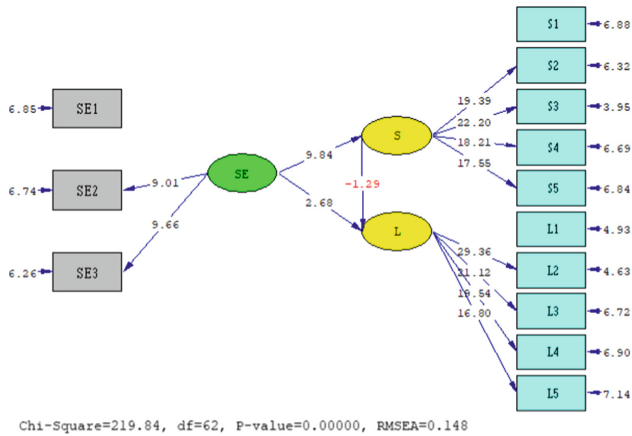Chi-Square=219.84, df=62, P-value=0.00000, RMSEA=0.148

Fig. 2. T-Value

Based on Table 3, this study's goodness of fit index is medium fit because the GFI is less than 0.78, the RMSEA is higher than 0.08, and the significance is less than 0.05, even though the CFI is higher than 0.9.

Table 1. Measurement Model

Observed Variables	Standardized Loading Factor (≥ 0.5)	R^2	Error Variance	t-Value (≥ 1.96)	Conclusion
SERVICE EXPERIENCE					
SE1	0,76	0,58	0,42	**	Valid
SE2	0,78	0,61	0,39	9,01	
SE3	0,83	0,69	0,31	9,66	
Σ	2,37	1,87	1,12		
Construct Reliability (≥ 0.7)	0,83				Reliable
Variance Extracted (≥ 0.5)	0,63				
SATISFACTION					
S1	0,92	0,85	0,16	**	Valid
S2	0,95	0,90	0,10	19,39	
S3	0,98	0,96	0,14	22,20	
S4	0,93	0,86	0,13	18,21	
S5	0,92	0,85	0,15	17,55	
Σ	4,70	4,42	0,68		
Construct Reliability (≥ 0.7)	0,97				Reliable
Variance Extracted (≥ 0.5)	0,87				
LOYALTY					
L1	0,97	0,94	0,06	**	
L2	0,97	0,94	0,06	29,36	
L3	0,92	0,85	0,16	31,12	
L4	0,90	0,81	0,19	19,54	Valid
L5	0,87	0,76	0,25	16,80	
Σ	4,63	4,30	0,72		
Construct Reliability (≥ 0.7)	0,97				Reliable
Variance Extracted (≥ 0.5)	0,86				

Table 2. Structural Model

Hypotheses	Relationship Direction	Standardized Loading Factor (≥ 0.5)	t-Value (≥ 1.96)	Sig.	R^2	Conclusion (Ha)
SE – L	(+)	1,42	2,68	YES	2,02	SUPPORTED
SE – S	(+)	0,94	9,84	YES	0,88	SUPPORTED
S – L	(-)	0,64	1,29	NO	0,41	NOT SUPPORTED
SE - S - L						NO MEDIATION

Table 3. Goodness Of Fit Index

Degree of Freedom	Chi-Square (X^2)	Sig. ρ (> 0.05)	($0.08 \geq RMSEA \geq 0.05$)	CFI (≥ 0.90)	GFI (≥ 0.90)	Conclusion
62	219,84	0,00	0,148	0,96	0,78	Medium Fit

5 Conclusion

This study examines the effect of service experience on loyalty as mediated by satisfaction. The results show that H1 and H2, i.e., that customer service experience positively and significantly impacts loyalty and satisfaction, are supported. Customers in the hospitality industry frequently behave passively and opportunistically, so H3 is not supported, i.e., customer satisfaction has no bearing on loyalty. At the same time, H4 is not supported because mediation does not occur. Further research can test this model in different industry contexts.

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