



Customer Satisfaction: The Rules of Mediating Effect of Price and Service Quality, A Perspective from Local Tourists

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Abstract. A critical aspect of service company marketing is customer service selection decisions and customer satisfaction indicators. This study investigates how service quality and price affect customer satisfaction. This study uses a cross-sectional approach, with the number of respondents being 100 local tourists who stay at one of the 4-star hotels in the city of Bandung. To find out the variables of the research effect, the researcher used a non-parametric approach with the structural equation modeling-PLS method. The research results show that service quality mediates price to local tourist satisfaction. The study results imply that the hotel management needs to pay attention to the price issue compared to quality or the suitability between price and quality to pay more attention to this. These conditions expect to increase customer satisfaction.

Keywords: service quality · price · customers · local tourists

1 Introduction

After the prevention efforts made by the government against the Covid-19 pandemic originating in the city of Wuhan, China, the Covid-19 pandemic also entered Indonesia, and this pandemic has run rampant in all parts of the world. However, with this pandemic, many countries are not ready to face this condition. Therefore, the whole country is unavoidable from the spread of this virus. Even in Indonesia, most likely, the impact comes from many Indonesians who have just returned from traveling from other countries and may have infected with the Covid-19 virus. The delay in the awareness of both the government and the public about this virus has resulted in the spread of the virus. Ultimately, it causes casualties and even causes panic in our society. No exception, the Covid-19 pandemic has impacted Indonesia's economic order.

Many industries whose activities do not go according to plan, thus causing the previously expected targets. One industry that has fallen heavily due to the impact of the Covid-19 pandemic is the hospitality industry. This pandemic has caused many hotels to force close due to the declining rate of guest arrivals.

Indonesia is feeling the impact of its spread. Although, currently, there are many policies made by the central government to inhibit the spread of the Covid-19 virus,

policies in the economic field and public welfare impact all lines of society regardless of rank and class and strata of people's lives.

Coupled with the government's recommendation to stay at home, work at home, and study at home, many of the hotel industry is experiencing symptoms of bankruptcy. The Indonesian Hotel and Restaurant Association noted that currently, 1,642 hotels throughout Indonesia were obliged to close due to the Covid-19 outbreak.

Based on Statistics Indonesia data, in July 2021, the Hotel Room Occupancy Rate in Bandung, West Java, reached 16.94%, down 15.96% compared to the Room Occupancy Rate in June 2021, which reached 32.90 percent. Both starred, and non-starred hotel room occupancy rates have decreased. In July 2021, the Room Occupancy Rate for star hotels was 19.48%, down 18.71% compared to the Room Occupancy Rate in June 2021, which reached 38.19%. The highest room occupancy rate according to star hotel class occurs at 5-star hotels at 12.40%. In July 2021, the occupancy rate for non-star hotels was 11.11%, down.

8.20 points compared to June 2021, which was 19.31%. The highest room occupancy rate for non-star hotels, 12.69%, occurs in hotels with 25–40 room groups. Meanwhile, the lowest non-star room occupancy rate of 3.34% occurred in hotels with room groups.

In July 2021, the average guest staying at the four-star hotel was 1.73 days, while at the non-star hotel, it was 1.37 days. For foreign guests who came to Indonesia and stayed at the four-star hotel, it recorded an average of 6.34 days, while in non-star hotels, it was recorded for 1.00 days, while guests from Indonesia recorded to stay for 68 days in star hotels and 1, 38 days staying in a non-star hotel. In July 2021, the Hotel Room Occupancy Rate in Bandung, West Java, reached 16.94%, down 15.96 points compared to June 2021, which reached 32.90%. Both star and non-star hotels have experienced a decline. In July 2021, the room occupancy rate for star hotels was 19.48 percent, down 18.71 compared to the TPK in June 2021, which reached 38.19%.

Meanwhile, the TPK for non-star hotels reached 11.11 percent, down 8.20 points compared to June 2021, which reached 19.31%. For the period July 2020–July to 2021, the TPK for Star Hotels is higher than the TPK for Non-Star Hotels. The room Occupancy Rate for star hotels in July 2020 decreased compared to June 2021, and the decline occurred in all-star hotels. The lowest room occupancy rate (TPK) is in non-star hotels. That shows that non-star hotels in June 2020 are less attractive to consumers. Service quality is one factor that makes consumers use a company's services [1]. Service quality provides a sense of comfort and satisfaction to consumers. If the service is good, consumers will feel satisfied and return to reuse the service [2, 3].

Price is the value of money charged and issued by consumers to buy service so that it can be used and feel the benefits after using it [4]. Price serves as a reference in calculating the selling value of a service [5].

Customer satisfaction is the most important factor for hotel services [6]. Increasing customer satisfaction will also increase the tendency of customers to return to using the services offered to increase the number of visitors [7]. With the increase in the number of visitors, the amount of profitability received by the company will also increase [8].

Service quality is an effort to create comfort for customers to feel they have more value than expected [9]. In hotel services, the better the service provided to consumers, the higher the level of consumer satisfaction [1].

Therefore, the importance of mature customers through service quality is because increasingly known that service is essential to maintaining business and excelling from competitors [10]. The better the quality of service provided, the more satisfied customers will be. In addition to service quality, price is also a factor that affects customer satisfaction because setting the right price for the services and performance offered by the company can create customer satisfaction, and performance offered by the company can create customer satisfaction [7].

If the company has the same service but at different prices, customers will choose goods or services at a more affordable price [11]. Therefore, the price can benchmark customers for an item or service. If the price is by that given to the customer, a higher number of visitors can also increase the company's profitability [12]. Price is an important consideration for customers [13]. Because price plays an essential role in communicating a service provided by a company. With the availability of tangible clues, customers associate a high price with a high level of performance provided by the company [14]. However, if the price is set high with low performance, customers will likely switch to other service providers, harming the hotel. [15] show the results of exploring various hotel brand and image levels mediated by service quality, which impacts customer selection. One aspect in determining service selection is price comparisons based on customer satisfaction. [16–20] investigating hotel services during the COVID-19 pandemic shows that comparing low prices can increase customer stay. One of the factors that are not considered by the company, so that consumers will think again about using the product or service and will feel dissatisfied after buying and using these services. Research on service quality and price comparability as a mediating effect on hotel customer satisfaction had not studied extensively, so researchers fill the research gap. Based on the description data presented above, the formulation of this problem is how the influence of service quality dimensions mediates price comparability on customer satisfaction.

2 Method

To determine the effect of research variables, researchers used a cross-sectional approach targeting local tourists who are customers of four-star hotels in Bandung. The researcher used a non-parametric structural equation modelling PLS approach with 100 respondents who were customers of four-star hotels in the city of Bandung. The sampling technique used was convenience sampling, where customers are requested to fill out a structured questionnaire prepared by the researcher. The research instrument adopted from the service quality developed [2] while the price comparability instrument developed [21] and the satisfaction instrument adopted from the perceived quality developed [22].

As for the characteristics of the respondents, 46 male respondents (47.5%) it obtains, and 53 female respondents (53.5%). Based on the number of questionnaires that can be analyzed, it found that respondents aged 45 people (26.3%), respondents 21–30 years, as many as 56 people (56.6%), respondents 31–40 years, as many as 12 people (12.1%) and for age > 40 years as many as six people (6.1%). Based on the data obtained from the questionnaire, respondents with professional students/students were 56 people (56.6%). Civil servants were five people (5.1), then private employees were 24 people (24.2%), and job others outside of the options listed as many as 14 people (14,1%). Based on the

Table 2. THE CALCULATION RESULTS CONSTRUCT RELIABILITY AND VALIDITY.

Construct	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Assurance	0.850	0.909	0.769
Empathy	0.851	0.910	0.770
Price Comparability	0.891	0.920	0.696
Reliability	0.768	0.896	0.812
Responsiveness	0.886	0.921	0.744
Satisfaction	0.813	0.889	0.727
Tangible	0.826	0.897	0.743
Tangible	0.826	0.896	0.743

Table 2 shows that the research construct value is >0.7 for Cronbach's Alpha and Composite Reliability. Similarly, the value of Average Variance Extracted >0.5 , so it can say that the research construct is valid and reliable. The calculation results.

3 Result and Discussion

A. Result

Furthermore, the researchers carried out data processing calculations that showed varying results, as shown in Table 3 and Fig. 1.

Table 3 and Fig. 1 show that the Assurance constructs on Price Comparability have a path value of -0.028 with a P-value of 0.792 . This result can conclude that the Reject hypothesis. The Empathy construct towards Price Comparability has a path value of 0.603 with a P-value of 0.000 , so this result can conclude that the hypothesis is Accepted. The Price Comparability to Satisfaction construct has a path value of 0.793 with a P-value of 0.000 , and it can conclude that the hypothesis is Accepted. The construct of Reliability on Price comparability obtains a path value of 0.286 with a P value of 0.001 , so the results of this study can conclude that the hypothesis is Accepted. Finally, while the Responsiveness construct of Price compatibility has a path value of 0.070 with a P-value of 0.541 , the Reject hypothesis can conclude.

Furthermore, the Tangible construct on Price comparability has a path value of 0.035 with a P- value of 0.761 , so the study results can conclude the Reject hypothesis. Finally, the Gof model shows that R Square is more significant than 0.35 , 0.838 , and 0.628 , respectively. This result indicates a good research model.

B. Discussion

The calculation results show that Assurance does not significantly affect Price Comparability. The study results show that customers are not sure of a guarantee for the goods while consuming the services provided. Customers also feel that the responsibility for the safety of hotel guests is still inadequate, with the guarantee of comfort for consumers

Table 3. THE CALCULATION RESULTS PATH COEFFICIENTS, R SQUARE AND HYPOTHESES

Path	Path Coefficients	T-Statistics	P-Values	Hypotheses
Assurance -> Price Comparability	-0.028	0.263	0.792	Reject
Empathy -> Price Comparability	0.603	4.699	0.000	Accept
Price Comparability -> Satisfaction	0.793	19.026	0.000	Accept
Reliability -> Price comparability	0.286	3.377	0.001	Accept
Responsiveness -> Price compatability	0.070	0.611	0.541	Reject
Tangible -> Price comparability	0.035	0.304	0.761	Reject
R Square	R Square	R Square Adjusted		
Price comparability	0.838	0.829		
Satisfaction	0.628	0.624		

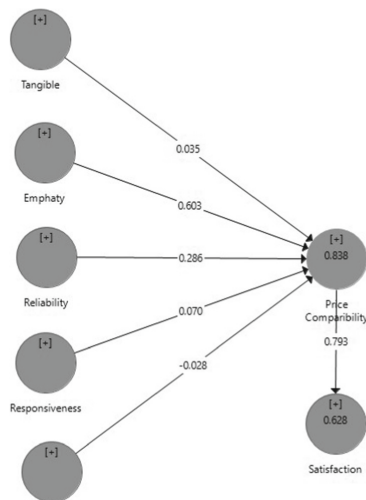


Fig. 1. Research Model Testing Results.

during their stay. This study indicates that competitive prices are closely related to the services provided by the hotel. [23] shows that assurance is an unimportant factor in providing excellent service quality. This situation impacts price considerations, becoming Very important to increase customer satisfaction. The comparison of hotel customers

who come to Georgia shows that customers pay more attention to comfortable aspects and accommodation facilities that can provide satisfaction to customers.

Empathy Aspects Significantly affect Price Comparability. These results indicate that employees generally understand consumer needs, pay close attention to customer complaints, and communicate well with customers. The results of this study support previous research [10] which suggested that non-physical services are one of the predictors that can satisfy customers. Further research [4] shows that price sensitivity influences customers' choice to choose hotels.

Reliability Significantly affects Price comparability. The reliability aspect shows that customers feel polite and friendly service serving consumers and being alert in serving consumers. The results of this study [18] show that competitive prices for the same service will provide more value for benefits with the reliability aspect of hotel services.

Responsiveness does not significantly affect Price compatibility. The results of the research are related to the results of the research [6], which shows that the Responsiveness aspect does not affect the perceived value, so it does not have an impact on price considerations for choosing hotel services in Turkey. The study results indicate that employees' skills in providing services are still not good. The readiness of employees to respond to consumer demand is still not fast. Employees are also less open to suggestions and criticism from consumers. Employees are still reluctant to serve quickly.

Tangible does not significantly affect the price comparability. The study results indicate that the existing facilities are less supportive of meeting customer needs. For example, the appearance of employees who are still not good, and the cleanliness of the hotel rooms are still not good. The results of the study are related to the results of research [6] which shows that the tangible aspect does not affect what is perceived, so it does not have an impact on price considerations for choosing hotel services in Turkey.

Price Comparability Significantly Affects Satisfaction. There are differences in price comparisons that have an impact on customer satisfaction [24]. The finding that the hotel has a competitive price scheme also shows that the price is lower than other hotels, which has implications for satisfaction. [25] suggest that using accessible price information can improve the future of more extended customers. Customer desire to identify customer satisfaction, customer satisfaction with employee service and the price offered. [26] conducted experimental research with a "feel, think, act" approach, showing that providing satisfaction to customers can create a good image for the long term as a consideration to increase customer loyalty. [27] showed that service quality could increase customer satisfaction at hotels in Kurdistan City.

4 Conclusions

This study explores price comparability which mediates the dimensions of service quality that have an impact on customer satisfaction. The exploration used respondents from four-star hotel customers in the city of Bandung. Specifically, this shows that price comparability mediates the Empathy and Reliability dimensions, while the Assurance, Responsiveness and Tangible dimensions are not significant. This finding indicates that local tourists who are customers of four-star hotels consider the dimensions of Empathy and Reliability and price comparability dimensions important in satisfying customers.

The findings recommend that to increase customer satisfaction with services, and a competitive pricing scheme is needed to increase customer stay. In addition, the hotel's empathy and reliability are long-term goals that have implications for improving the hotel's image. However, this study only uses a sample of four-star hotels, so it cannot be generalized. For that, it is necessary to have future research by adding hotels with different levels to determine the relationship between service quality, price, and customer satisfaction.

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