

## Conference Paper

# The Effect of Service Quality on Satisfaction and Loyalty in Menara Lexus Hotel Medan

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**Abstract**

Hotel is a form of service business where as a service industry every hotelier will try its best to give the finest services to the guests. In other words, the strength of this business is the way hoteliers offer the finest services to their guests so that there is a satisfaction relationship amongst service providers and customers, since the lack of services will decrease the number of customers as well as customers' loyalty. In addition to that, this will also cause customer switching to other providers with higher quality of services. The aim of this research is to investigate and analyze the effect between service quality on the customer satisfaction and loyalty.

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## 1. Introduction

Along with the increasing of tourist visits to a region, it is also affecting the growth of main tourism structure used by the tourists. The development of this industry also creates higher competition. Customer, these days, are expecting more from the hotel industries, not only a clean and well-maintained room or simply a place to stay, but also expecting a good treatment, a pleasant environment, politeness and respect from the hotel staffs.

In the midst of the high demand faced by the hotel industries today, Menara Lexus Hotel is one of hotels in Medan which is required to focus on its policies to compete with other alike hotels. Menara Lexus Hotel focuses on low-cost hotel and actively promotes through web promotion. However, though they are utilizing low-cost marketing strategy, it does not affect greatly on the increase of profit. The hotel cannot achieve the standard level of occupancy rate as it should have been achieved by similar hotels in Medan.

Based on data, the occupancy target set by the company is 60% per month but none of which achieve the target. According to the result of presurvey, it is found there

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are considerable amount of complaints from guests who had stayed in Menara Lexus Hotel. The complaints generally are about the room hygiene, internet connection, the room size, and the staff hospitality.

The most distinct complaints are the poor attitude and service given by the employee of Menara Lexus Hotel since the attitude of the hotel staff who tend to be indifferent and apathetic in responding to customer complaints. With plenty of alternative low-cost hotel choice, and the absence of meeting rooms that in general are used as additional income or point of attraction for the business, then service quality is the only compulsory strategy for Menara Lexus Hotel. Based on these problems, researcher wants to examine the extent to which the service quality and customer satisfactory influence on customer loyalty in Menara Lexus Hotel Medan.

## 2. Research Aim

The aim of this research is to find out the effect of service quality and customer satisfaction in increasing customer loyalty as well as to see whether if customer satisfaction has more effect in increasing customer loyalty in Hotel Menara Lexus Medan. The managerial implication is expected to be applied later by managers to be aware, improve and eliminate the gaps of expectation that should be accepted by customer.

Wijaya (2011) reveals the service quality is a measure of how good the level of service provided in accord to customer expectations. If the service received by customer is in accordance with expectations, the service quality is deemed satisfaction and vice versa, if the service received by customer is less than expected, then the service is considered less satisfaction. The company is required to make the maximum effort to meet customer expectations.

Vázquez et al. (2001) states customers' point of view of service quality is the outcome from a comparison of their before-service expectations with their real service experience. The service will be assessed excellent, if perceptions exceed expectations; it will be classed as good or adequate, if it only matches the expectations; the service will be considered as bad, poor or deficient, if it does not add up to them.

### 2.1. The relationship between service quality and customer satisfaction

According to Sumertana (2016), the importance of customer satisfaction in an organization, with a good service quality, will generate a satisfaction to its customer. Once

customer is satisfied with product or service received, customer will weigh it up to the service given. When customer is completely satisfied, they will give recommendations to others.

## 2.2. The relationship of service quality on customer satisfaction

In accordance to Kotler (2012), product and service quality, customer satisfaction and customer profitability are closely connected. Higher level of quality can cause higher level of customer satisfaction, which contribute to higher prices and often lower costs, which means product and service quality, customer satisfaction and company profitability is intimately linked. The higher the quality produced will greatly affect the increase of customer satisfaction, where it can be very beneficial to increase the selling price and often lower the cost.

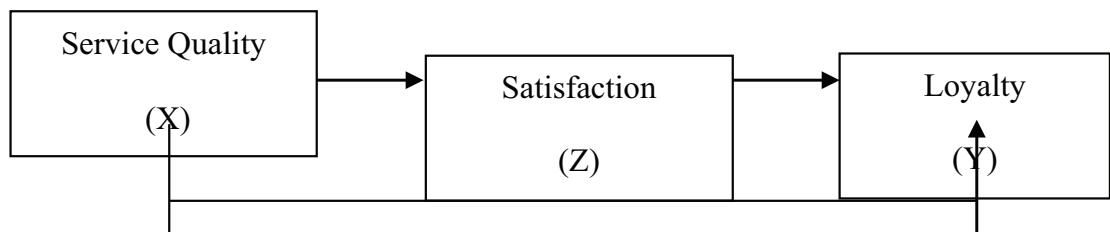
## 2.3. The relationship of service quality on customer loyalty

Fahmi and Yuniati (2013) disclose customer satisfaction is a function of expectation and performance which is an evaluation of customer on product or service performance. Overall customer satisfaction has three antecedents which are perceived quality, perceived value and customer expectation. In general, customer expectation is an estimation of customer expectation on what they will receive when they buy or consume a product or service. While perceived performance is customer perception of what they received after consuming the purchased product

## 3. Research Methods

This research is using Likert scale as measurement scale. With scales ranging from 1 = strongly disagree to 5 = strongly agree.

### 3.1. Research framework



The number of samples used in this study is 120 respondents. The sampling technique used is systematic sampling. Sugiyono (2012) discloses systematic sampling is a sampling technique based on a sequence of population member with an assigned sequential number. The sampling can be done with odd number only, even number only or multiples of a certain number.

The testing technique of research hypothesis is done by using path analysis. Path analysis is a basic model used to analyze the path in estimating the strength of causal relationships described in the path model.

## 4. Results

The distribution result shows there are 70% male respondents and 30% female respondents. Most respondents are above 37 years old. Based on the educational background, the majority of respondents are bachelor degree. Generally, respondents' occupation is entrepreneurs, with income between Rp. 6,000,000–10,000,000, and the majority of staying purpose is business travel.

### 4.1. Validity test

Validity test is used to see the valid measure of questionnaire that will be given to the respondent. Using r-count and r-table, where if  $r\text{-count} \geq 0.30$ , then the questionnaire is considered valid and if  $r\text{-count} \leq 0.30$ , then the questionnaire is considered not valid.

### 4.2. Reliability test

Reliability test is used to see the consistency of respondents' answer in questionnaire. Using Cronbach alpha, where if  $\alpha > 0.6$ , then the questionnaire is considered reliable, and if  $\alpha \geq 0.06$ , then the questionnaire is considered non-reliable.

Following are the result of reliability test:

TABLE 1: Validity test.

Variable	Question 1	Question 2	Question 3	Question 4	Explanation
Tangible	0.811	0.783	0.812	—	Valid
Reliability	0.720	0.782	0.755	0.747	Valid
Responsiveness	0.766	0.814	0.739	—	Valid
Assurance	0.775	0.739	0.714	—	Valid
Empathy	0.760	0.816	0.798	0.813	Valid
Satisfaction	0.880	0.828	0.876	—	Valid
Loyalty	0.759	0.757	0.808	—	Valid

TABLE 2: Reliability Test.

Variable	Alpha	Limitation	Explanation
(X) Tangible	0.723	0.60	Reliable
(X) Reliability	0.741	0.60	Reliable
(X) Responsiveness	0.694	0.60	Reliable
(X) Assurance	0.634	0.60	Reliable
(X) Empathy	0.804	0.60	Reliable
(Z) Satisfaction	0.826	0.60	Reliable
(Y) Loyalty	0.668	0.60	Reliable

Based on Table 1, it can be seen the alpha value for every question is above 0.6 that indicates that all variables are reliable.

#### 4.2.1. T-test

TABLE 3: Results of partial hypothesis testing.

T-Test Structural I		
Variable	T	Sig.
(X) Service Quality	14.470	0.000
T-Test Structural II		
Variable	T	Sig.
(X) Service Quality	3.804	0.000
(Z) Satisfaction	6.647	0.000

T-test is performed to test whether if independent variable is partially has a significant relationship or not to dependent variable. If the probability value (*T*-statistic)  $> t$ -table 1.65 or sig of *T*-statistic  $< 0.05$  (significance level 5%) then  $H_0$  is rejected and  $H_1$  is accepted, meaning dependent variable is partially has significant effect on independent variable. But, if the probability value (*T*-statistic)  $> 0.05$  (significance level

5%) then  $H_0$  is accepted and  $H_1$  is rejected, meaning dependent variable is partially does not have significant effect on independent variable.

From the aforementioned tables, it can be seen structural I tested variable X (Service Quality) to variable Z (Satisfaction) and structural II tested Service Quality variable (X) and Satisfaction variable (Z) to variable Y (Loyalty)  $<\pm 1.96$ . This illustrates the model used in this study is normally distributed.

#### 4.2.2. Regression equation

Estimated  $Z = -0.080 + 1.020X + e$

$$Y = 0.051 + 0.394X + 0.539Z + e$$

Whereas:

$$\beta_{Z,X} = 1.020$$

$$\beta_{Y,X} = 0.394$$

$$\beta_{Y,Z} = 0.539$$

This shows that service quality is more significant in increasing customer loyalty than customer satisfaction. The coefficient regression of service quality variable (X) is 1.020, which means that the increase of one point of service quality variable with the assumption another independent variable is constant will cause the increase of satisfaction variable of 1.020 points.

Based on the study result, it is also obtained service quality directly has more significant effect on customer loyalty than customer satisfaction variable. It means customer satisfaction does not act as intervening in this study. Therefore, it can be concluded that the managerial implementation is customer or prospective customer who has received good service quality will become a loyal customer.

This is in line with a study conducted by Shaphar (2016), that the service quality and customer satisfaction positively and significantly affect customer loyalty. Customer satisfaction did not act as intervening variable because

## 5. Discussion

## 5.1. The influence of service quality and customer satisfaction on loyalty

Competition among companies especially hotel these days are tight. In order to keep the high standard and extend their business they must focus on making their customer loyal. There are several stages to do before reaching the customer loyalty. Many thing hotel can do to increase their customer loyalty such as giving a good impression, kindness, fast response and the others.

Hotel these days must keep their mind to increase their customer loyalty, because the more customer loyal that means more profit that hotel will earn from it. In this study, service quality and customer satisfaction should be able to improve the emotional attachment and loyalty. Customer satisfaction has a positive and significant influence but not as significant as service quality because service quality have greater effect to increase loyalty than customer satisfaction in hotel menara lexus.

This study result is in line with a study by Kuntari et al. (2016), who stated service quality and customer satisfaction is positively and significantly affecting loyalty.

## 5.2. The influence of customer satisfaction as intervening on loyalty

Customer satisfaction are crucial on increase the loyalty, but in this research customer satisfaction doesn't act as an intervening variable because the direct effect of service quality have more influence than customer satisfaction in increasing loyalty.

This study result is in line with a study by Shaphar (2016), who stated service quality and customer satisfaction is positively and significantly affecting loyalty but customer satisfaction is not an intervening variable.

## 6. Conclusion

This research concludes findings as follows:

1. This study analyzes the effect of service quality on satisfaction and loyalty where, in this study, satisfaction acts as intervening variable. From the result of this research, it is found that empathy is the most influential and has the most significant impact on the decrease and increase of customer loyalty, whereas other

variables is contributing in increasing customer loyalty but not significantly affecting it. Therefore, it is important for hotel managers to be able to apply the concept of service quality in daily practice.

2. Service quality has positive and significant effect on customer satisfaction. This study result shows that service quality are the most influential variable compared to the other variables that increase the loyalty.
3. Service quality and customer satisfaction has positive and significant effect on loyalty.
4. Customer satisfaction doesn't act as an intervening variable.

## 7. Suggestion

1. Empathy is the most influential aspect in increasing customer loyalty in Menara Lexus Hotel. From the result of this study, it is discovered that the employees of Menara Lexus Hotel is indifferent and not very concerned in responding to customer who purchases hotel voucher via online. Some respondents also regret the attitude of the hotel employees who seem indifferent in responding to complaints filed by customer. The employees of Menara Lexus Hotel should be more active and good-natured as well as be more professional in handling customers, be it customer or prospective customer, because they might only be a prospective customer at the moment, but they will become customer in the future.
2. Providing incentives to employees with excellent work performance can greatly affect the quality of service given by employees. This can be seen in the poor service quality given by the employees of Menara Lexus Hotel which is due to the low occupancy level so as to provide many opportunities for the employees to slack off and being indifferent in responding to customer complaints.
3. This study has a small scope of research with few number of samples. The sample used in this study mostly are from local tourists who stay in Menara Lexus Hotel Medan.

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