

 **ICOEN** THE 2<sup>ND</sup>  
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# Proceeding

# 4

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# AN ANALYSIS OF THE EFFECT OF SERVICE QUALITY ON GUEST SATISFACTION AND LOYALTY OF HOTEL AB IN BALIKPAPAN

Hengky Chandra<sup>1</sup>, J.E. Sutamto<sup>2</sup>,

<sup>1</sup>Master of Management University of Ciputra Surabaya,

<sup>2</sup>Master of Management University of Ciputra Surabaya,  
INDONESIA.

<sup>1</sup>Hengkychandraa@hotmail.com@gmail.com,

<sup>2</sup>je.sutamto@ciputra.ac.id

## ABSTRACT

*This study was conducted to determine the effect of service quality dimensions on guest satisfaction and guest loyalty of AB Hotel in Balikpapan. Analysis model used in the study was based on the influence of service quality to customer satisfaction and loyalty. Service quality model in this study was adapted from the SERVQUAL model of Zeithmal et al., (2011), which consists of five main dimensions, namely: Reliability, Responsiveness, Assurance, Empathy and Tangible. Furthermore, measurements of the SERVQUAL dimensions adapted from Tjiptono and Chandra (2011). Customer satisfaction model used in this study was adapted from Lovelock and Wirtz (2011), which explains that customer satisfaction is shown through three types of satisfaction, namely: satisfaction with the product/service, satisfaction with the services and satisfaction on performance of employees in general. On the other hand, the customer loyalty model in this study was adapted from Zeithmal et al. (2011), which explains that the loyalty shown by the existence of three types of behavior, namely: repeated visits, have a high retention of the company and provide a reference point to others. Researchers used quantitative descriptive research. The population in this study was the guests who stay at the Hotel AB Balikpapan, as many as 2,289 by the end of December 2014, with the samples used were 100 persons. The analysis technique used in this research is Structural Equation Modeling (SEM) using AMOS program ver.20. The results of the study indicate that service quality (SERVQUAL) have a positive effect on guest satisfaction of Hotel AB, guess satisfaction have a positive effect on guest loyalty of Hotel AB, and service quality (SERVQUAL) have a positive significant effect on guess loyalty of Hotel AB.*

### **Keywords:**

***Service Quality (SERVQUAL), Guess Satisfaction, Guess Loyalty***

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<sup>1</sup>Master of Management University of Ciputra Surabaya,

<sup>2</sup>Master of Management University of Ciputra Surabaya,  
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## **INTRODUCTION**

Hotel business development turned out to be one of the indicators of economic growth for the city of Balikpapan compared to previous years. As mentioned by the Statistics Indonesia (2014) that trade, hotels and restaurants have to contribute to the economy amounted to 9.61% on East Kalimantan province, continued to increase during the last 10 years. The room occupancy rate of star hotels in East Kalimantan is at 53.92 percent. Thus, high business competition in the hospitality sector requires all managers of hotel management to compete optimally and fairly. The main reason is because today's consumers are very sensitive to the services provided and choose carefully with his choice (Sukwadi & Yang, 2014). Company awareness to the importance of the quality of services has prompted the company to focus on consumer-oriented services (Kim & Han, 2013). This applies to the hotel which has a local brand Chain Hotel. The existence of a quality service is the key to customer satisfaction and loyalty (Park & Nunkoo, 2013).

AB Hotel was established as 4-star hotel in the shopping center of Balikpapan. Located close to Semayang Harbour and Sultan Aji Muhammad Sulaiman Sepinggian Airport. AB Hotel has 162 rooms and provides rooms with 6 categories: Standard, Superior, Deluxe, Junior Suite, Executive Suite and Regency Suite. AB Hotel also provides 6 Meeting Rooms and a Ballroom. The results of a preliminary survey to 30 guests of Hotels AB's showed that the guests consider the hotel AB employees does not give a good personal attention to guests and many facilities of Hotel AB are not functioning properly.

According to the preliminary survey, the factors that affect Hotel AB quality of services based on the priorities that consumers want sequentially are employee who can be trusted (assurance), employees have sufficient information for answering all the guess questions (responsiveness), employees are able to provide a good services to guests (reliability), employees can give personal attention to each guest (empathy), and the hotel facilities are functioning properly (physical evidence). On the other hand, during 2014 Hotel AB often get complaints from its guests. 47 people who fill the comment box stating their dissatisfaction with the parking lot availability (28%), being not satisfied with the cleanliness of the toilet (21%), being not satisfied with the house keeping services (19%), being not satisfied with the service employees in general (17%) and being not satisfied with the cleanliness of the room space occupied by hotel guests (15%).

## **SERVICE QUALITY**

Services are a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything (Kotler & Armstrong, 2012), while the quality refers to benefits created for the customers. The existence of an intangible nature of services makes it difficult to assess (Lovelock & Wirtz, 2011). The concept of quality is considered as a measure of the perfection of a product or service that consists of design quality and conformance quality. Quality is a function of the specific design of a product or service. While the quality of the suitability is a measure of how much the degree of correspondence between a product or service with the requirements or pre-established quality specifications (Tjiptono & Chandra, 2011).

Service quality is the result of an evaluation process in which customers compare their perceptions of service delivery and its outcome to what they expected (Lovelock & Wirtz, 2011). In other words, there are two main factors that affect the quality of service: perceived

service and expected service. Customers compare the perceived service with the expected service. If the perceived service falls below the expected service, customers are disappointed. Successful companies add benefits to their offering that not only satisfy customers but surprise and delight them. Delighting customers is a matter of exceeding expectations (Kotler & Keller, 2012). For instance, a budget hotel can deliver a poor value for money if the perceived quality is below expectations for the price charged, whereas a luxury hotel can deliver excellent value for money if the perceived quality is above expectations for the price charged, despite the actual amount of money paid for the service (Bowie & Buttle, 2011: 307).

SERVQUAL is one of model that can be used to measure the quality of service, based on the assumption that consumers compare the service performance dimensions relevant to the ideal standard (perfect) for each dimension of service. There are five specific dimension of service quality that applies across a variety of service contexts, namely:

1. Reliability: delivering promises

Reliability is defined as the ability to perform the promised service dependability and accurately. Reliability means that the company delivers on its promises, such as promises about delivery, service provision, problem resolution, and pricing (Zeithaml *et al.*, 2011). The Company has a high reliability if they able to provide services as promised, dependable in handling customer service issues, deliver services right from the first time, deliver services at promised time, and records documents without errors (Tjiptono & Chandra, 2011).

2. Responsiveness: being willing to help

Responsiveness is the willingness to help customers and to provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer request, questions, complaints and problems. Responsiveness is communicated to customers by the length of time they have to wait for assistance, answering to questions, or attention to problems (Zeithaml *et al.*, 2011). The Company has a high responsiveness if they able to tell customers exactly when service will be performed, give prompt service to customers, always be willing to help customers, never be too busy to respond to customer requests (Tjiptono & Chandra, 2011).

3. Assurance: inspiring trust and confidence

Assurance is defined as employees' knowledge and courtesy and the ability of the firm and its employees to inspire customer trust and confidence. This dimension is likely to be particularly important for services that customers perceive as high risk or for services of which they feel uncertain about their ability to evaluate outcomes (Zeithaml *et al.*, 2011). The company can provide a high assurance if the employees instill confidence in customers, customers feel safe doing their transaction, employees consistently courteous with customers, and employees have the knowledge to answer customer questions (Tjiptono & Chandra, 2011).

4. Empathy: treating customers as individual

Empathy is defined as the caring, individualized attention that the firm provides its customers. The essence of empathy is conveying, through personalized or customized service, that customers are unique and special and that their needs are understood. Customers want to feel understood by and important to firm that provide service to them (Zeithaml *et al.*, 2011). In other words, the company has a high empathy if they able to give individual attention to customers, treating customers well, earnestly put the

interests of consumers, understand the specific need of their customer, and the operating hours convenient to all their customers (Tjiptono & Chandra, 2011).

5. Tangible: representing the service physically

Tangibles are defined as the appearance of physical facilities, equipment, personnel, and communication materials. Most companies combine tangibles with another dimension to create a service quality strategy for the firm. For example, Jiffy Lube emphasizes both responsiveness and tangibles: providing fast, efficient service and a comfortable, clean waiting area. In contrast, firms that do not pay attention to the tangible dimension of the service strategy can confuse and even destroy an otherwise good strategy (Zeithaml *et al.*, 2011). In other words, the company has high tangibles if they have modern equipments, facilities are visually appealing, employees who look neat and professional appearance, and have equipments and supplies to support the effectiveness of the services provided to its consumers.

## **SATISFACTION**

Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted (Kotler & Armstrong, 2012). Customers have a certain predicted service level in mind prior to consumption. This predicted level typically is the outcome of the search and choice process, when customer decided to buy a particular service. During the service encounter, customers experience the service performance and compare it to their predicted service levels. Satisfaction judgments are then formed based on this comparison. The resulting judgment is labeled positive disconfirmation if the service is better than expected, negative disconfirmation if it is worse than expected and simple confirmation if it is as expected. In short, customers evaluate service performance by comparing what they expected with what they perceive they receive from a particular supplier (Lovelock & Wirtz, 2011).

Customer satisfaction is important to the success of hospitality businesses. Few hotels and restaurants will survive if they consistently deliver unsatisfactory experiences. When customers have alternative providers, they may choose to reduce the amount of business done or even not return at all. They may also utter negative word of mouth, discouraging potential customers from visiting (Bowie & Buttle, 2011). Suppose customer satisfaction is rated on a scale from one to five. At a very low level of satisfaction (level one), customers are likely to abandon the company and even bad-mouth it. At levels two to four, customers are fairly satisfied but still find it easy to switch when a better offer comes along. At level five, the customer is very likely to repurchase and even spread good word of mouth about the company. High satisfaction or delight creates an emotional bond with the brand or company, not just a rational preference (Kotler & Keller, 2012).

Customer satisfaction is influenced by three main factors: associated with products, service and the performance of employees in general (Lovelock & Wirtz, 2011). Customer satisfaction with a product or service is influenced significantly by the customer's evaluation of product or service features. For service such as a resort hotel, important features might include the pool area, access to golf facilities, restaurants, room comfort and privacy, helpfulness and courtesy of staff, room price, and so forth. In accordance to the performance of employees in general influence the perception of satisfaction as well. When customers

have been surprised by an outcome (the service given by the employee is much better or worse than expected), customers tend to look for the reasons, and their assessments of the reasons can influence their transaction. For many services, customers take at least partial responsibility for how things turn out. Even customers do not take responsibility customer satisfaction may be influenced by other kinds of attribution. For example, customers were less dissatisfied with a pricing error made by the travel agent if they felt that the reason was outside the agent's control or if they felt that it was a rare mistake, unlikely to occur again (Zeithaml *et al.*, 2011). In this study, customer satisfaction is measured directly through questions such as expression of how satisfied are you with the services of company A on the scale: very dissatisfied, neutral, satisfied and very satisfied (Tjitono & Chandra, 2011).

## **LOYALTY**

Loyalty is an old-fashioned word traditionally used to describe fidelity and enthusiastic devotion to a country, a cause, or individual. More recently, it has been used in a business context, to describe a customer's willingness to continue patronizing a firm over the long term, preferably on an exclusive basis, and recommending the firm's products to friends and associates (Lovelock & Wirtz, 2011). On the other words, loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior (Kotler & Keller, 2012). Consumer loyalty can be categorized into three levels based on the degree of loyalty. As Kotler & Armstrong (2012) stated that some consumers are completely loyal, they buy one brand all the time. Other consumers are somewhat loyal, they are loyal to two or three brands of a given product or favor one brand while sometimes buying others. Still other buyers show no loyalty to any brand, they either want something different each time they buy, or they buy whatever's on sale.

According to Lovelock & Wirtz (2011), customer loyalty gives many advantages for companies, such as:

1. Profit delivered from increased purchases

Over time, business customers often grow larger and so need to purchase in greater quantities. Individuals may also purchase more as their families grow or as they become more affluent. Both types of customers may be willing to consolidate their purchase with a single supplier who provides high-quality service.

2. Profit from reduced operating cost

As customers become more experienced, they make fewer demands on the supplier, for instance, they have less need for information and assistance and make more use of self-service options. They may also make fewer mistakes when involved in operational processes, thus contributing a greater productivity.

3. Profit from referrals to other customers

Positive word-of-mouth recommendations are like free sales and advertising, saving the firm from having to invest as much money in these activities.

4. Profit from price premium

New customers often benefit from introductory promotional discounts, long-term customers are more likely to pay regular prices when they are highly satisfied and tend to be less price sensitive. Moreover, customers who trust a supplier may be more willing to pay higher price at peak periods or for express work.

## **RESEARCH MODEL**

The analysis model used in the study is based on the effect of service quality on customer satisfaction and loyalty. Service quality model in this study was adapted from the SERVQUAL model of Zeithmal et al., (2011), which consists of five main dimensions, namely: Reliability, Responsiveness, Assurance, Empathy and Tangible. Furthermore, measurements of the dimensions of SERVQUAL adapted from Tjiptono and Chandra (2011). Model of customer satisfaction used in this study was adapted from Lovelock and Wirtz (2011), who explained that customer satisfaction is shown through three types of satisfaction, namely: satisfaction with the product, satisfaction with the services, and performance of employees in general. While the model of customer loyalty in this study was adapted from Zeithmal et al. (2011), which explains that the loyalty shown by the existence of three types of behavior, namely: doing repeated purchases, has a high retention to the company and provide a reference point to others.

## **HYPOTHESES**

Furthermore, three hypotheses developed in this study:

- H<sub>1</sub> Service quality (SERVQUAL) has a positive significant effect on Hotel AB guest satisfaction.
- H<sub>2</sub> Guest satisfaction has a positive significant effect on Hotel AB guest loyalty.
- H<sub>3</sub> Service quality (SERVQUAL) has a positive significant effect on Hotel AB guest loyalty.

## **RESEARCH METHOD**

Researchers used quantitative descriptive research. This research was conducted at Hotel AB Balikpapan, a 4-star hotel established in the shopping center of Balikpapan. Its located close to Port of Semayang and Sultan Aji Muhammad Sulaiman Sepinggian Airport. As a local brand hotel, Hotel AB often has complaints from its consumers in the way they deliver its services. Therefore, this study is expected to provide information to the Hotel AB to know things that must be improved in order to improve its service quality to its guests and to enhance guest satisfaction and loyalty. The research was conducted on 1 July to 14 July 2015.

The population in this study was the guests who stay at the Hotel AB Balikpapan, as many as 2,289 at the end of December 2014. Calculation using Slovin formula indicates that the sample can be used in this research were 96 people (Ghozali, 2012). Nevertheless, researchers will round off the sample to 100 people. As explained by Widardjono (2012), that a decent number of samples in research models of SEM are as many as 100-200 people. The sampling technique used is the technique of non-probability sampling with purposive sampling approach. Sample criteria set out in this study are as follows:

1. Male and female;
2. At least 18 years old;
3. Minimum of high school education is required; and
4. Ever been stayed at the hotel AB in the last six months.

The data used in this study are primary and secondary data. Sources of primary data obtained directly from the respondents to find out information about service quality, guest satisfaction and guest loyalty of Hotel AB. While secondary data obtained through documents owned by the Hotel AB. Data collection techniques in this study conducted by

distributing questionnaires, which provide a list of questions to respondents. The questions on the questionnaire are consists of four parts:

1. Questions related to the profile of the respondents.
2. Questions related to service quality dimensions of Hotel AB.
3. Questions related to satisfaction of the guests when staying at Hotel AB.
4. Questions related to the guest loyalty of Hotel AB.

Measurement of variables in this study use a 1-4 Likert scale (from strongly disagree to strongly agree). The analysis technique used in this research is Structural Equation Modeling (SEM). Furthermore, the data were analyzed using IBM-SPSS-AMOS software version 20.

## RESEARCH AND FINDING

### Research Respondents

Respondents of this study were 100 guests who stay at the Hotel AB Balikpapan. Data collection techniques in this study are conducted by distributing questionnaires, which provide a list of questions to respondents. This research is focused to determine the effect of the SERVQUAL dimensions on guest SATISFACTION and LOYALTY of Hotel AB in Balikpapan.

The results of the study showed that of the 100 hotel guests, each of the respondents are male and female are 50%. Based on its age, from 100 hotel guests, 26% were aged 24-28 years, 26.7% were aged 35-40 years, 25% were aged 29-34 years, 22% were aged 29-34 years, whereas 8% were aged >40 years. Based on the latest education, it is found that of 100 hotel guests, 68% were bachelor, 19% are Diploma, 10% are still in high school, whereas 3% are post-graduated.

### Research Variables: Validity and Reliability Score

**Table 1 Research Variables**

Indicators		Pearson Cor.	Sig.	C. Alpha	C.A If Item Del.
<b>RELIABILITY DIMENSION</b>					
REL1	Hotel AB provide services as promised	0,857	0,00	0,855	0,805
REL2	Hotel AB employees dependable in handling customer service issues	0,754	0,00		0,835
REL3	Hotel AB employees deliver services right from the first time	0,852	0,00		0,808
REL4	Hotel AB employees deliver services at promised time	0,717	0,00		0,845
REL5	Hotel AB employees records documents without errors	0,794	0,00		0,824
<b>RESPONSIVENESS DIMENSION</b>					
RES1	Hotel AB employees able to tell customers exactly when service will be performed	0,827	0,00	0,845	0,801
RES2	Hotel AB employees give prompt service to customers	0,832	0,00		0,808
RES3	Hotel AB employees always be willing to help customers	0,795	0,00		0,816
RES4	Hotel AB employees never be too busy to respond to customer requests	0,858	0,00		0,788
<b>ASSURANCE DIMENSION</b>					
ASR1	Hotel AB employees instill confidence in customers	0,855	0,00	0,782	0,664
ASR2	Hotel AB employees make its customers feel safe doing their transaction	0,801	0,00		0,704
ASR3	Hotel AB employees consistently courteous with customers	0,649	0,00		0,535
ASR4	Hotel AB employees have the knowledge to answer customer questions	0,815	0,00		0,692

Indicators		Pearson Cor.	Sig.	C. Alpha	C.A If Item Del.
<b>EMPATHY DIMENSION</b>					
EMP1	Hotel AB employees give individual attention to customers	0,775	0,00	0,750	0,670
EMP2	Hotel AB employees treating customers well	0,675	0,00		0,720
EMP3	Hotel AB employees earnestly put the interests of consumers	0,598	0,00		0,749
EMP4	Hotel AB employees understand the specific need of their customer	0,760	0,00		0,674
EMP5	Hotel AB operating hours convenient to all their customers	0,731	0,00		0,709
<b>TANGIBLE DIMENSION</b>					
TAN1	Hotel AB has modern equipments	0,682	0,000	0,819	0,746
TAN2	Hotel AB facilities are visually appealing	0,881	0,000		0,714
TAN3	Hotel AB has employees who look neat and professional appearance	0,825	0,000		0,751
TAN4	Hotel AB has equipments and supplies to support the effectiveness of the services provided to its consumers	0,827	0,000		0,758
<b>GUESS SATISFACTION</b>					
SAT1	Satisfied with Hotel AB products	0,794	0,000	0,766	0,757
SAT2	Satisfied with Hotel AB service deliver	0,862	0,000		0,595
SAT3	Satisfied with Hotel AB employees performance in general	0,826	0,000		0,673
<b>GUESS LOYALTY</b>					
LOY1	Guess staying back at Hotel AB	0,839	0,000	0,675	0,404
LOY2	Guess referring Hotel AB to others	0,779	0,000		0,601
LOY3	Guss has a hight retention to hotel AB	0,725	0,000		0,618

### Structural Equation Model

SEM models in Figure 5.1 shows that the model is not feasible based on the criteria of the P-value ( $0.000 < 0.05$ ), RMSEA ( $0.103 > 0.08$ ) and RMR ( $0.079 > 0.05$ ). As the model is not feasible, then it should be re-specified the models. Display of modification indices from the covariance signaled to perform a correlation between the residual 4 and 6 ( $\epsilon_4 \leftrightarrow \epsilon_6$ ), residual 12 and 19 ( $\epsilon_{12} \leftrightarrow \epsilon_{19}$ ), residual 15 and 21 ( $\epsilon_{15} \leftrightarrow \epsilon_{21}$ ), residual 25 and 26 ( $\epsilon_{25} \leftrightarrow \epsilon_{26}$ ), residual 25 and 27 ( $\epsilon_{25} \leftrightarrow \epsilon_{27}$ ), and the residual 26 and 27 ( $\epsilon_{26} \leftrightarrow \epsilon_{27}$ ). Furthermore, the result of SEM re-specification measurement model is as follows.

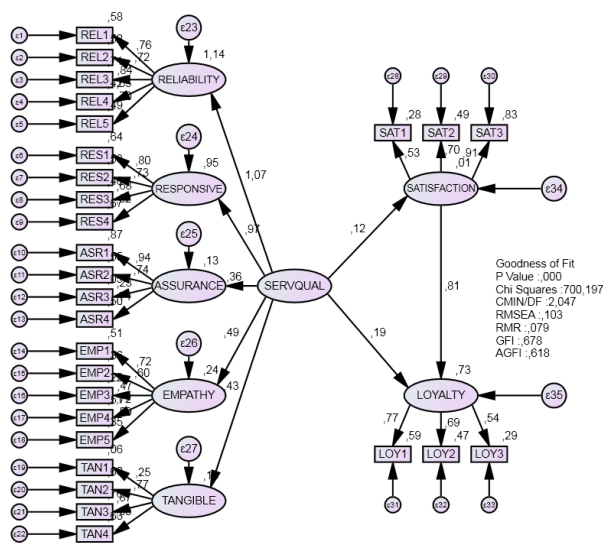


Figure 1 Structural Equation Model

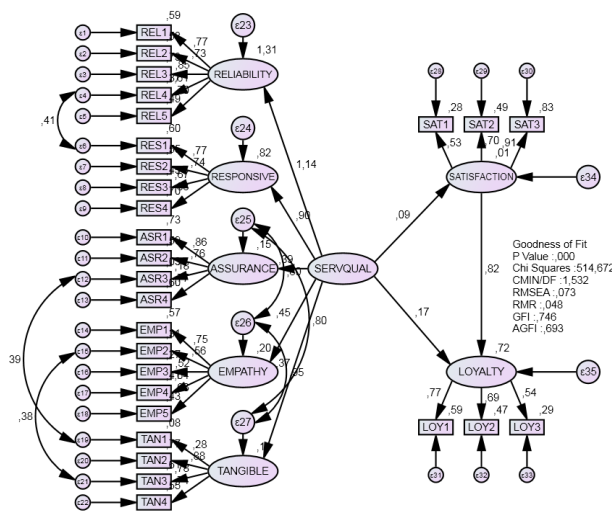


Figure 2 Model Re-specification

Table 2 Goodness of Fit Test

Goodness of Fit	Cut-off Value	Model Result	Decision
P Value	> 0,05	0,000	Not fit
Chi Square	Low	514,672	Not fit
CMIN/DF	< 2,00	1,532	Fit
RMSEA	≤ 0,08	0,073	Fit
RMR	< 0,05	0,048	Fit
GFI	> 0,90	0,746	Fair
AGFI	≥ 0,80	0,693	Fair

Chi-Square value resulting structural model is equal to 514.672 with a probability value of 0.000, so that the model proposed by the authors is a structural model that is not fit. However, Chi-square ( $\chi^2$ ) is very sensitive to the number of samples, so that the use of chi-square ( $\chi^2$ ) is only appropriate if the sample size of 100 up to 200 samples in this study only about 100 people, so that the value of Chi-Square will tend to be high so there is a tendency to accept the null hypothesis because it has a significance value < 0.05. As an alternative and comparative Chi-Square test, the experts have developed a feasibility study on the model of SEM, such as CMIN/DF, RMSEA, RMR and other models of suitability test (Widardjono, 2012). The value of CMIN/DF generated structural model is equal to 1.532 < 2.00, which indicates the model fit between model and data. RMSEA values resulting structural model is equal to 0.073 ≤ 0.08, which shows the model was fit based on the degree of validity. RMR value generated structural model is 0.048 < 0.05, so that the model used in this study was fit. GFI value generated by the structural model is equal to 0.746 nearing the value of 0.90, which indicates that the sample covariance matrix is able to be explained by the covariance matrix of the estimated population. AGFI value generated structural model is equal to 0.693 nearing 0.80, so that the model used is acceptable (fair) because according to the degree of freedom available.

The results showed that the SERVQUAL affect SATISFACTION with path analysis coefficient of 0.190, SERVQUAL affect LOYALTY with path analysis coefficient of 0.165,

and SATISFACTION affect LOYALTY with the path analysis coefficient of 0.816. Furthermore, the effect of latent variables on the latent variables can be separated into direct effects, indirect effects and total effect. The direct effect of SERVQUAL on SATISFACTION amounted to 0.190, and the direct effect of SERVQUAL on LOYALTY is 0.92, while the direct effect of SATISFACTION on LOYALTY amounted to 0,816. Indirect effects of SERVQUAL on LOYALTY are equal to 0.073. Furthermore, the total effect of SERVQUAL on SATISFACTION is equal to 0.190. The total effect of SERVQUAL on LOYALTY is equal to 0.165. While the total effect of SATISFACTION on LOYALTY amounted to 0,816.

The value of the parameter estimates of the effect between service quality (SERVQUAL) on guest satisfaction is equal to 0.190, with a P value of  $0.000 < 0.05$ . This indicates that the first hypothesis of this study is accepted. Thus, it can be concluded that the quality of service (SERVQUAL) has a positive significant effect on Hotel AB guest satisfaction. The value of the parameter estimates of the effect between satisfaction on guest loyalty is equal to 0,816, with a P value of  $0.000 < 0.05$ . This suggests that the second hypothesis of this study is accepted. Thus, it can be concluded that satisfaction has a positive significant effect on Hotel AB guest loyalty. The value of the parameter estimates of the effect of service quality (SERVQUAL) on guest loyalty is equal to 0.165, with a P value of 0.000. This suggests that the third hypothesis of this study is accepted. Thus, it can be concluded that the service quality (SERVQUAL) has a positive significant effect on Hotel AB guest loyalty.

Results of multivariate normality test on SEM models indicate that the value has to be normally distributed multivariate because they have a value of  $0.875 < 1.96$ . Outlier test results on the model of SEM showed that of 100 samples of data, some values p1 and p2 remains below 0.05. However, Widardjono (2012) explains that if some of the values of the existing data is greater than the value of chi-square at degrees independent of the number of variables and the significance level of 0.001, the data indicate a multivariate outliers and still be included in the subsequent analysis when there is no specific reason to remove the case. In addition, all the pearson product moment correlation generated  $< 0.90$ , so there is no strong correlation between the variables or free multicollinearity. It shows that each of the variables used in this study did not correlate with one another.

## **MANAGERIAL IMPLICATION**

### **The Effect of Service Quality (SERVQUAL) on Hotel AB Guest Satisfaction**

The result of the study indicates that not all guests are served by employees with courtesy. In addition, the majority of guests also consider equipment owned by Hotel AB in support of services provided to guests obsolete (not up to date). Therefore, Hotel AB can provide training further to its employees with regard to customer service ethic. This ethic should be regulated so as not to violate norms or traditions prevailing in society. This is because the norms or customs of different communities. Furthermore, Hotel AB should have to perform renovations on some of the hotel's main facilities, such as cabinets, tables and chairs in the living room, bed, bathtub, as well as to support facilities to other services. It is considering at this time there are a lot of strong competitors that can instantly attract the attention of hotel guests to switch.

### **The Effect of Guest Satisfaction on Hotel AB Guest Loyalty**

The result of the study shows that the majority of guests do not feel satisfied with the products offered by Hotel AB. Therefore, Hotels AB can do some renovations to the rooms in stages, such as renewing Air Conditioner in the room, the replacement room key used to use manual lock has now been replaced by the room key card is computerized to improve guest satisfaction on products offered by Hotel AB. Thus, the guest loyalty towards Hotel AB is expected will be increasing as well.

### **The Effect of Service Quality (SERVQUAL) on Hotel AB Guest Loyalty**

The result of the study shows that the rate of guest loyalty is still at the level of quite loyal. Therefore, Hotel AB can enhance guest loyalty by improving the services provided to hotel guests to be more qualified, and a better management system recovery process. In addition to improving customer loyalty, it also can prevent consumers to switch to another company. In addition, Hotel AB Employees are also required to have the ability to handle guest complaints properly so that consumers do not give negative word-of-mouth that can be staked his own reputation.

### **CONCLUSIONS**

The results of the study indicate that service quality (SERVQUAL) have a positive effect on guest satisfaction of Hotel AB, guess satisfaction have a positive effect on guest loyalty of Hotel AB, and service quality (SERVQUAL) have a positive significant effect on guess loyalty of Hotel AB. Next researchers can then use the data in larger respondents in making models of SEM when searching the relationship of service quality (SERVQUAL) on customer satisfaction and loyalty, so the model is more accurate and can be generalized to corporate hospitality industry. In addition, this study also has limitations. In this study, the respondents used in this study only 100 respondents, so that the existing models require modifications to fit the requirements index goodness of fit (GoF). Therefore, similar studies at different firms might produce different data.

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