

The Influence of Service Quality and Room Rates on Guest Loyalty at UNP Hotel & Convention Center

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Abstract

Purpose: This study aims to elucidate the profound influence of service quality and room rates on hotel guest loyalty within the context of UNP Hotel & Convention Center.

Method: Employing an explanatory research design with a quantitative approach, this study examines the interplay between service quality, room rates, and hotel guest loyalty. The study focuses on a population of repeat guests at UNP Hotel & Convention Center. Data was collected from 50 respondents through purposive sampling using a meticulously designed questionnaire. The collected data was subjected to descriptive analysis and path analysis, with the proposed model evaluated using the Smart Partial Least Squares Structural (PLSS) assessment.

Results: The findings underscore a compelling and statistically significant correlation between service quality, room rates, and guest loyalty. This highlights a crucial implication for the hotel industry to prioritize and meticulously manage service quality and room pricing in order to foster and amplify guest loyalty.

Contribution: This research underscores the pivotal role of service quality and room rates in nurturing guest loyalty at UNP Hotel & Convention Center. The study reaffirms that guest loyalty is intricately tied to the anticipated service quality and pricing. As such, maintaining service quality at par and ensuring competitive room rates could potentially lead to higher guest retention and choice of the hotel. Conversely, a decline in either service quality or competitive pricing may precipitate diminished guest loyalty.

Keywords: Guest, hotel, service, room rates, loyalty

Introduction

In the dynamic landscape of the hospitality industry, the quest to cultivate and sustain guest loyalty has assumed paramount significance. This study delves into the intricate interplay between two pivotal determinants—service quality and room rates—and their profound impact on fostering guest loyalty within the context of the hotel industry. As aptly stated by Sulastiyono (2011: 6), a hotel epitomizes an establishment that not only offers lodging services but also caters to an array of needs, encompassing culinary delights and ancillary amenities, all orchestrated to cater to the discerning public under a commercially managed paradigm. In a milieu where hotels relentlessly strive to strike a delicate equilibrium between competitive pricing and provision of services tailored to diverse consumer preferences, an in-depth analysis of service quality and room rates becomes imperative.

Service quality, a pivotal dimension in this study, serves as a cornerstone in the hospitality realm. It embodies the extent to which a service meets, or even surpasses, customer expectations. This multidimensional construct encompasses an array of facets, including responsiveness, reliability, security, empathy, and the tangible aspects encapsulated in physical evidence. Responsiveness denotes a service's capacity to promptly and aptly cater to customer needs and desires. Reliability hinges on the consistent provision of dependable services. Security underscores a service's ability to ensure safety for patrons. Empathy encompasses the service's aptitude to comprehend and address patrons' emotional needs. The



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tangible facet of physical evidence pertains to the outward appearance and condition of services, encompassing facilities and equipment. Notably, research by Pratiwi (2018) corroborates that physical dimensions, reliability, responsiveness, assurance, and empathy wield significant influence over guest loyalty levels, crystallizing the adage that the quality of service extends its tendrils deeply into guest preferences and choices.

Room rates, an essential variable under scrutiny, encapsulate the monetary value that patrons exchange for the privileges of enjoying a product or service. This financial exchange underscores the equilibrium between the perceived benefits and the accompanying costs. Guest perspectives on room rates—be they high, low, or within the realm of normalcy—emerge as potent determinants of purchase intentions and satisfaction (Schiffman, 2007). This potent relationship further intertwines with the perception of service quality, intertwining the financial aspect with the experiential dimension.

At the heart of this investigation lies guest loyalty, an intricate blend of behavior, sentiments, and retention. Stemming from positive experiences, guest loyalty manifests as the propensity or willingness of patrons to repeatedly engage with a specific brand or establishment. This extends beyond mere transactional interactions, encapsulating sentiments and endorsements. As aptly underscored by Kumar and Advani (2009), this encompasses repeat visits, commendatory reviews, and testimonials, encapsulating an enduring relationship that can drive continued patronage. In this regard, Iddrisu (2011) sheds light on the gradual maturation of loyalty, stemming from consistent fulfillment of customer expectations over time. The pivotal role of loyalty is further illuminated by Boulding et al. (1993), where they underscore the linkage between service quality, repurchase intentions, and the proclivity to recommend—a testament to the holistic nature of loyalty that encompasses behavioral dimensions.

Yet, the canvas is not monolithic. Despite the affinity between satisfaction and loyalty, the underlying tapestry is nuanced. While some customers remain loyal due to barriers to switching or absence of viable alternatives, others do so driven by their satisfaction with services (Lam and Burton, 2006). This intricacy demands that service providers remain vigilant and proactive, not resting on the laurels of satisfaction, but continuously striving for the zenith of service quality. Wong (2005) augments this understanding, attributing the positive influence of perceived service quality on customer loyalty to the manifold behavioral outcomes it triggers—ranging from word-of-mouth endorsements and complaints to recommendations and, potentially, switching behaviors. As illuminated by Al-Rousan et al. (2010), the link between service quality and customer loyalty paints a mosaic of dynamic interactions.

In the luminous realm of the hotel industry, this study embarks on an odyssey to uncover the intricate relationships between service quality, room rates, and guest loyalty. The crux of this inquiry resides in discerning whether the nexus between service quality and room rates bears the power to ameliorate guest loyalty in the hospitality industry. It thus aspires to chart the trajectory whereby these critical variables synergize to kindle and augment guest loyalty, redefining the paradigms by which patrons make their choices in the realm of hospitality. In this pursuit, the study embraces an expansive scope that transcends mere transactional relationships to venture into the rich tapestry of experiences, sentiments, and sustained engagement within the realm of hospitality.

Research Method

In pursuit of unraveling the intricate relationships between service quality, room rates, and guest loyalty in the realm of the UNP Hotel & Convention Center, a quantitative descriptive approach was meticulously chosen. This approach, grounded in empirical data collection and systematic analysis, lends itself seamlessly to illuminating patterns, trends, and associations that underlie the phenomena under investigation.

The focal population under scrutiny comprises guests who had the privilege of experiencing the hospitality of the UNP Hotel & Convention Center in the year 2023. However, due to unavailability of definitive visitor records from the management for the said year, an

accurate population size remains elusive. To ensure statistical rigor, the research adheres to the principle of quantitative research, setting a minimum sample size of 50 respondents. It's important to emphasize that the research team faced challenges arising from the unavailability of comprehensive hotel guest data. Consequently, the study ingeniously employed a purposive sampling technique to recruit participants, thereby accommodating the constraint while striving for robust findings.

In alignment with Notoatmodjo's principles (2010), the research adopts a purposive sampling technique. This strategic approach entails selecting respondents based on well-defined criteria, specifically those who have visited the UNP Hotel & Convention Center multiple times in the past year and are aged 18 or above. This targeted selection endeavors to encapsulate a cross-section of the hotel's frequent guests who have engendered a relationship with the establishment. The meticulous nature of the sample selection process underscores the research's commitment to authenticity and accuracy.

A comprehensive portrayal of the sampled respondents offers a nuanced understanding of their diversity. The gender distribution reveals 30.8% male and 69.2% female respondents. Age-wise, the spectrum spans from >17 years (3.8%) to 20-30 years (48.1%), 31-40 years (28.8%), and 41-50 years (19.2%). Purpose of travel manifests in varied dimensions, with 44.2% on vacation, 36.5% for business, and 19.2% categorized as "others." Educational attainment, a pivotal demographic, encapsulates junior high school (1.9%), high school (50%), and diploma (48.1%). The frequency of visitation further delineates respondents, with 2-3 times (76.9%), 4-6 times (17.3%), 7-9 times (3.8%), and more than 10 times (1.9%) illuminating the diverse interaction patterns of these guests with the establishment.

The ethical contours of the research were meticulously navigated to safeguard the respondents' dignity and integrity. Aspects such as maintaining respondent confidentiality and ensuring clarity in communication about the research's purpose exemplify the research's commitment to the highest ethical standards. These safeguards underscore the research's dedication to responsible and respectful conduct.

Armed with the carefully collated data, the research endeavors to yield insightful analyses that unveil the intricate dimensions of guest loyalty within the UNP Hotel & Convention Center. The interplay between service quality, room rates, and guest loyalty will be dissected, illuminating potential trends, patterns, and associations. The anticipated outcomes of this analysis are poised to offer valuable insights, potentially serving as a foundation for the hotel's strategic decisions to enhance guest loyalty and satisfaction.

In sum, the methodological framework of this study amalgamates a quantitative descriptive approach, purposive sampling techniques, and meticulous demographic profiling to meticulously explore the enigmatic realm of guest loyalty in the hospitality industry. The ethical compass, ensuring respondent confidentiality and transparency, underscores the research's commitment to rigorous, principled, and meaningful investigation.

Result and Discussion

The reflective measurement model is used to gain an indirect measurement of the concept specified on the latent or unobservable concept that looks at the direction of casualty originating from the construct. It deals with four-parameter measures for latent constructs through assessing; 1) *internal consistency reliability*, (2) *convergent validity*, (3) *indicator reliability*, and (4) discriminant validity of the construct measures. Table 1 reports the external loadings, indicator reliability, composite reliability, AVE scores, and Cronbach Alpha values for the reflective measurement model.

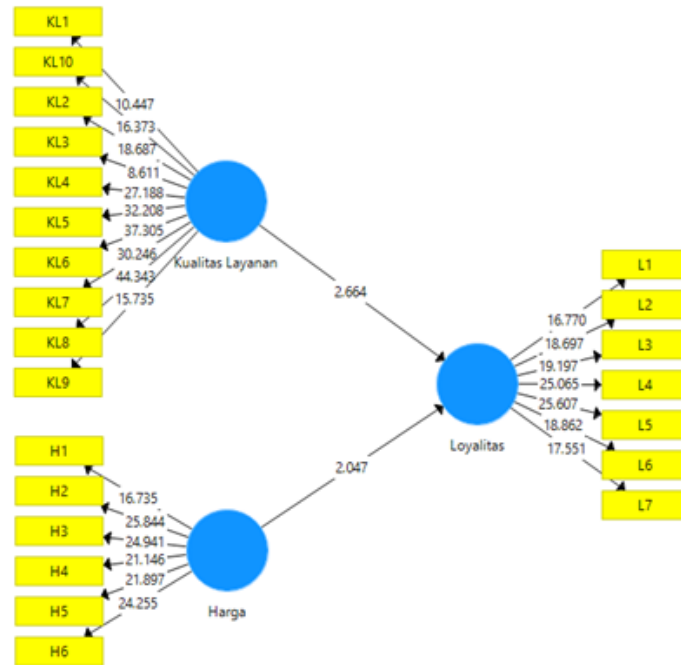


Figure 1. Measurement Model
 Source: data analysed

The reportable results from Figure 1 and Table 1 report the outer load, indicator reliability, composite reliability, AVE scores, and Cronbach Alpha values for the reflective measurement model.

Table 1. Reflective Measurement Model

Variable	Indicators	Outer Loadings	Cronbach's Alpha	Composite Reliability	AVE
Service Quality	KL 1	0.813	0.965	0.970	0.762
	KL 2	0.868			
	KL 3	0.790			
	KL 4	0.895			
	KL 5	0.907			
	KL 6	0.913			
	KL 7	0.905			
	KL 8	0.929			
	KL 9	0.848			
	KL 10	0.850			
Room Rates	H 1	0.855	0.943	0.955	0.778
	H 2	0.893			
	H 3	0.888			
	H 4	0.882			
	H 5	0.881			
	H 6	0.894			
Loyalty	L 1	0.840	0.946	0.956	0.757
	L 2	0.872			
	L 3	0.876			
	L 4	0.871			
	L 5	0.888			
	L 6	0.882			
	L 7	0.860			

source: data analysed

The study model's internal consistency, reliability and convergent validity with composite reliability (CR) and Average Variance Extracted (AVE). Results in Table 1 indicate that all items loaded significantly acceptable (ranging from 0.706 to 0.939) onto their

respective factors, verifying their indicator reliability. In addition, the measurement model shows sufficient convergent validity that is assessed based on the AVE values. The first order AVE values of Loyalty (0.757), Service Quality (0.762), and Room rates (0.778) were well above the required minimum level of 0.50. Figure 1 reports the first-order measurement model, and Table 1 reports the factor Outer loadings, CA, CR, and AVE.

Table 2. HTMT Assessment

	Room Rates	Service Quality	Loyalty
Room Rates			
Service Quality	0.830		
Loyalty	0.771	0.787	

source: data analysed

The Heterotrait-Monotrait Ratio of Correlations (HTMT) analysis is used to assess the model discriminant validity. From the HTMT results (first-order model) in Table 2, the values indicated no discriminant validity problem (HTMT<0.90 criterion; Gold et al., 2001). This implied that the HTMT criterion did not detect collinearity issues among the latent constructs. Overall, the measurement model supports the discriminant validity between the constructs.

a. Structural Model

Table 3. Path coefficients, observed T-statistics and significance levels.

Path Analysis	Path Coefficient β	T-statistics	P-values	Result
H1 Room Rates->Loyalty	0.362	2.056	0,040	Accept
H2 Service Quality->Loyalty	0.471	2.625	0,009	Accept

Notes: **p<0,01

source: data analysed

Path coefficients for hypothesis 1 (H1) show that Room Rates has an effect on guest loyalty ($\beta = 0.362$, $T = 2.056$, and $P = 0.040$). Path coefficients for hypothesis 2 (H2) reveal that service quality has a positive effect on guest loyalty ($\beta=0.471$, $T=2.625$, $P=0.009$).

Table 4. The Effect size, f^2 , Q^2 statistics."

Path Analysis	f^2 Loyalty	Effect size	f^2	Q^2
Room Rates->Loyalty	0.131	Moderate	0.623	0.459
Service Quality->Loyalty	0.220	Substantial		

Notes: f^2 values of 0.02 = weak; 0.15 = moderate; and 0.35 = substantia

source: data analysed

To evaluate the structural model, the coefficient of determination (R^2) is used. The coefficient of determination (R^2) is a tool to measure the extent to which the model can explain variations in the dependent variable. This coefficient serves as a gauge of the model's predictive accuracy (Hair et al., 2014). It represents the portion of variance in the endogenous construct that can be elucidated by the exogenous constructs influencing it. For endogenous latent variables in structural models, an R^2 value of 0.67 suggests a "good" model, 0.33 denotes a "moderate" model, and 0.19 indicates a "weak" model (Ghozali, 2014).

There's an explanation regarding effect size, R^2 , and Q^2 statistics. Effect size quantifies the degree of influence the independent variable exerts on the dependent variable. The R^2 value illuminates the proportion of variation in the dependent variable explicable by the independent variable. Q^2 statistics assess the model's out-of-sample prediction capability (Field, 2018). The service quality and Room Rates variables influencing guest loyalty in the structural model yield an R value of 0.623, signifying a moderate model. This suggests that

62.30% of the variation in the Guest Loyalty construct can be accounted for by service quality (X1) and room rates (X2), leaving the rest explained by other variables not investigated.

The hypothesis diagnoses guest loyalty in the hotel industry, founded on the belief that service quality and room rates could enhance guest loyalty. Gramer and Brown (2013) offer a definition of loyalty as the degree of repeat purchase behavior from a service provider. Rousan (2010) reveals that customer loyalty manifests when the same customer repetitively purchases and recommends the product to others. This pattern of repeat purchases and recommendations ultimately cultivates positive attitudes.

The first hypothesis proposes a link between Room Rates and guest loyalty. Findings from this study affirm a positive effect between Room Rates and guest loyalty ($\beta = 0.362$, $T = 2.056$, and $P = 0.040$). These results validate the research hypothesis, highlighting a relatively strong influence of Room Rates and service quality as motivators for guest loyalty. In general, these outcomes underscore the significant roles of Room Rates and service quality in bolstering guest loyalty at UNP Hotel & Convention Center. Moreover, the Room Rates variable significantly affects guest loyalty (Erni, 2016). According to Basu Swastha (2010: 147), "Price is the amount of money needed to obtain a variety of goods and services." Thus, it's discernible that price substantially shapes consumers' decisions, aligning with the aforementioned theory.

The second Hypothesis posits a relationship between service quality and guest loyalty. This proposition hinges on the notion that superior service quality heightens guest loyalty towards UNP Hotel & Convention Center. The results indicate a significant relationship between predictor variables and criteria ($\beta = 0.471$, $T = 2.625$, $P = 0.009$), signifying that service quality profoundly impacts guest loyalty. In essence, guests tend to choose the hotel if the service quality surpasses their expectations, cultivating guest loyalty. Rousan et al. (2010) propose that when guests perceive services as meeting or surpassing their expectations, their comfort and inclination to reuse the service increase. Therefore, it can be deduced that enhanced service quality stimulates loyalty and solidifies the research's premise of the significant effect of service quality on hotel guest loyalty.

Conclusion

Based on the conducted research, a noteworthy conclusion can be drawn: both service quality and room rates wield a significant influence on guest loyalty at the UNP Hotel & Convention Center. In this context, a direct correlation is evident between the elevated quality of service and the affordability of room rates, leading to a heightened likelihood of guests returning to the hotel for their stay and ardently endorsing it to others. This study propels the boundaries of knowledge in the hospitality domain by offering a more nuanced comprehension of how the intricate interplay between service quality and room rates can be wielded to shape guest loyalty.

Furthermore, the study extends its impact by furnishing tangible implications for the hospitality industry's strategic arsenal. The insights gleaned underscore the need for a meticulous cultivation of marketing and resource management strategies aimed at amplifying guest loyalty. However, it's pertinent to acknowledge that this study isn't bereft of limitations, which should be duly heeded in the course of future research endeavors. The constraints encompass a limited sample size and the study's specific focus on select factors influencing guest loyalty. To this end, future research holds promise in augmenting its precision by focusing its gaze with greater specificity and adopting more refined sampling techniques.

A striking facet to note is the existence of unexplored variables that conceivably contribute to the complex tapestry of guest loyalty. Thus, this model invites future refinement, possibly through the integration of additional variables to enhance predictive accuracy. Enhancing the prediction model holds potential for reinforcing its efficacy in forecasting guest loyalty. Moving forward, the journey towards elevating the quality of subsequent research beckons for the mitigation of this study's limitations while fostering the growth of knowledge in the realm of hospitality.

Envisioning a future brimming with informed exploration, this study's findings aspire to shape a progressive narrative for the hospitality industry. By delivering insights that have

pragmatic implications, they pave the way for hotels to chart a course towards greater guest loyalty. The study's aspiration resides in offering a constructive contribution to the sector's evolution and, in turn, endowing hotels with actionable tools to enrich the loyalty of their cherished patrons.

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