



## Effect of Service Quality on Customer Loyalty with Customer Satisfaction as an Intervening Variable in Shariah Hotel (Study at Pesonna Hotel in Makassar, South Sulawesi)

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### **Abstract**

This study aims to bridge the research gap between service quality and customer loyalty by making customer satisfaction an intervening variable. The sample in this study is the customer of the Islamic hotel (Pesonna Hotel) in Makassar, amounting to 100 respondents. This research is a quantitative study with an associative approach, which is analyzed with a structural equation model and uses SmartPLS 3 as an analysis tool. The results of this study indicate that directly, service quality has no significant effect on customer loyalty. However, indirectly, adding customer satisfaction as an internal variable shows a significant effect.

**Keywords:** *Customer Loyalty; Customer Satisfaction; Shariah Hotel*

### **Introduction**

The tourism industry is experiencing rapid growth in the world, especially halal tourism. This growth is in line with the increasing number of tourists from Muslim countries who wish to spend their holidays abroad. Based on the results of the Global Muslim Travel Index (GMTI) survey (2019), Indonesia ranked first as the world's best halal destination in line with Malaysia with a score of 78. In 2019 Indonesia rose 1 level by occupying the top position as a center for halal destinations. Compared to 2018, Indonesia won second place with a score of 72.8.

GMTI (2019) specifies four criteria used as a reference for assessment which include: access, communication, environment, and services (ACES), each of which consists of three components. Access consists of visa requirements, air connectivity, and transport infrastructure. The communication component consists of outreach, ease of communication, and digital presence. The environment component consists of safety and culture, visitor arrivals, and enabling climate. Meanwhile, the services component consists of core needs (halal food and prayers), core services (hotels, airports), and unique experiences. These four

criteria are used as a reference for measuring the perceptions of world Muslim tourists about Indonesia as the world's best halal tourist destination. This opportunity was followed up by the Public Communication Bureau, the Ministry of Pariwisata RI (2020) by determining ten national priority halal destinations, including: Aceh, Riau and Riau Islands, West Sumatra, DKI Jakarta, West Java, Central Java, Yogyakarta, East Java (Malang Raya), Lombok, and South Sulawesi (Makassar and its surroundings).

Subarkah (2018) explains that tourism plays an important role in improving the economy of a country or region, especially business actors around destinations, ranging from micro, small, medium and large businesses. Therefore, the Ministry of Tourism of the Republic of Indonesia formed a special agency called the Team for the Acceleration of Halal Tourism Development to develop halal tourism by dividing it into three criteria, namely tourism destinations, hotels and travel agents.

The existence of sharia-based hotels creates competitive competition for conventional hotel managers. Every hotel manager strives to provide and display the advantages of the services it manages. One of them creates high loyalty for guests who stay at the hotel. According to Winarno (2018) Excellent service quality will be the main key to success in achieving these goals. As a service industry in the field of lodging, the hotel business depends on the quality provided in serving customers.

Afthanorhan et.al (2019) explained that service quality is very important in retaining customers for a long time. High service quality will achieve customer satisfaction. For hotel businesses, according to Concalves and Sampaiao (2012), the higher the level of satisfaction will result in greater customer loyalty. Meanwhile, according to Salma and Ratnasari (2015), if the services provided do not match expectations, then customers will be disappointed and can move to competitor service products. Conversely, if customers are satisfied, they are more likely to be loyal to the company. Highly satisfied customers will spread positive word of mouth and become a running ad for the company. Retaining customers will be more profitable in the long run, than cultivating new customers. Customer loyalty can be achieved if the customer always has the desire to revisit the company concerned. According to Candan and Yildirim (2013) interest in repeat visits is influenced by the level of satisfaction with previous visits. When making a purchase, the customer will evaluate how high their expectations can be from the service they receive.

Kitapsi, et.al (2014) explained that service quality can also have an effect on consumer satisfaction so that service quality can be a measure of whether consumers will remain consumers or move to other service providers. If consumers feel that the quality of service they receive is high, then consumer preferences for service providers will be high compared to other service providers. Furthermore, this behavior is to strengthen the customer relationship with the company. However, according to Zeithaml (1988), if the service is not satisfactory, consumers will move to another company, thus weakening the relationship between the customer and the company itself.

Several studies on consumer loyalty were conducted by researchers which showed that service quality did not directly significantly affect loyalty (Subrahmansyam, 2017). Therefore, according to Fernandes and Solimun (2018) that hospitality must better understand what customers need in relation to service quality and service orientation so that customers can feel what is expected. This is different from the research of Jimanto and Kunto (2014) which emphasizes that customer loyalty is influenced by service quality. However, another study, Keshavarz and Jamshidi (2018) states that the effect of service quality does not occur directly on loyalty, but through customer satisfaction (Hasby, 2018).

## **Methodology**

This research will use quantitative research and explanatory design, which intends to explain the relationship of the variables studied (Neuman, 2016). In the explanatory research stage, according to

Lodico, et.al (2006) emphasizes the collection and analysis of quantitative data. The research location chosen in this research proposal is a hotel that implements sharia management in Makassar. The Sharia hotel which will be the research location is the Hotel Pesonna Makassar. The approach used in this research is an associative approach. Associative research according to Solimun (2017) is a study that aims to determine the effect or relationship between two or more variables. This study will use three variables: service quality as an independent variable, customer loyalty as the dependent variable, and customer satisfaction as an intervening variable. The population in this study were all customers who visited the Pesonna hotel in Makassar, with the sample used were 100 respondents with structural equation analysis with smart PLS 3.0 analysis tools.

## Result

There are two ways in the SEM-PLS analysis, namely the outer model analysis and the inner model analysis, as explained below :

### 1. Evaluation of Measurement Model (Outer Model)

There are three criteria for using data analysis techniques with SmartPLS to assess the outer model, namely convergent validity, discriminant validity, and composite reliability.

#### Convergent Validity

Ghozali (2014) explains that convergent validity is a validity test of the indicators of the latent variables used in this study. The individual reflection size is said to be valid if it has a loading value with the latent variable to be measured  $\geq 0.5$ , but if one of the indicators has a loading value  $< 0.5$  then the indicator must be dropped because it will indicate that the indicator is not good or valid for measuring latent variables precisely. The individual reflexive measure is said to be high if the correlation exceeds 0.70 with the measured construct. However, for early stage research, the development of a measurement scale for loading values  $> 0.55$  can be said to be valid (Kock, 2014).

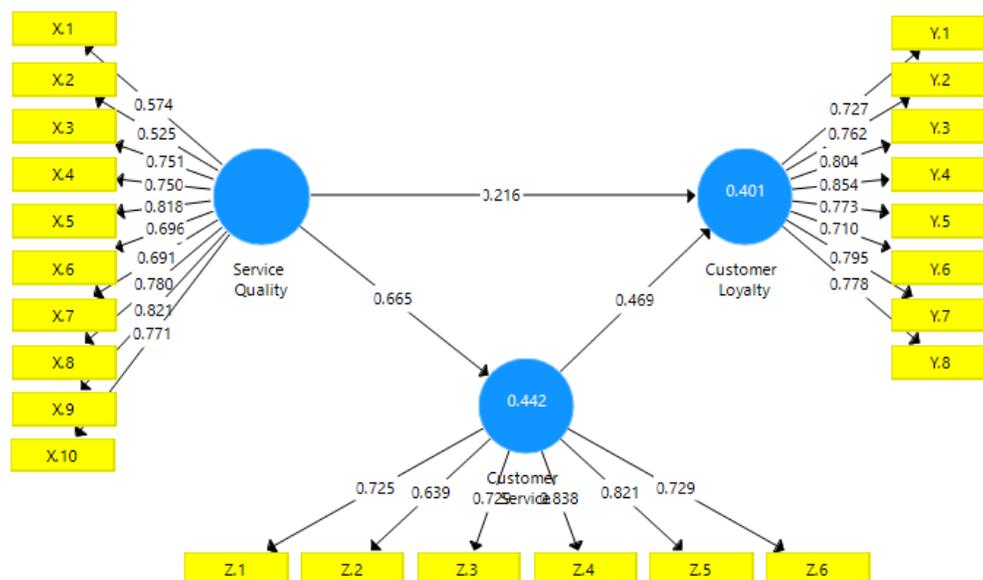


Figure 1 shows that all indicators have a loading value of > 0.55 except for the X2 indicator, which is 0.51 so that the indicator must be discarded in order to get a suitable model, as shown below:

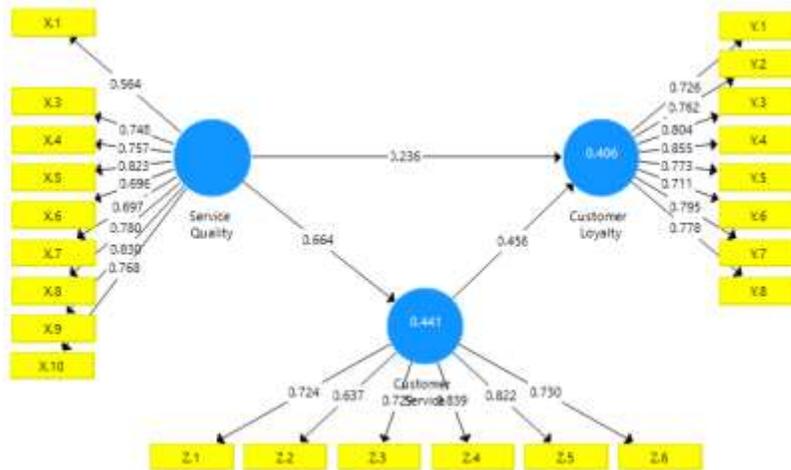


Figure 2. Convergent Validity (Test Model II)

*Discriminant Validity*

The discriminant validity testing is done by comparing the indicators on a construct that has a loading factor with the loading factor for other constructs. A good descriptive validity if the correlation value of the indicator to its construct is higher than the correlation value of the indicator with other constructs. As in table 1 below:

Tabel 1 Cross Loading

	CL	CS	SQ
<b>X.1</b>	0,271	0,395	<b>0,564</b>
<b>X.3</b>	0,347	0,543	<b>0,748</b>
<b>X.4</b>	0,359	0,374	<b>0,757</b>
<b>X.5</b>	0,527	0,577	<b>0,823</b>
<b>X.6</b>	0,248	0,430	<b>0,696</b>
<b>X.7</b>	0,497	0,513	<b>0,697</b>
<b>X.8</b>	0,365	0,530	<b>0,780</b>
<b>X.9</b>	0,517	0,551	<b>0,830</b>
<b>X.10</b>	0,360	0,468	<b>0,768</b>
<b>Y.1</b>	<b>0,726</b>	0,460	0,358
<b>Y.2</b>	<b>0,762</b>	0,391	0,402
<b>Y.3</b>	<b>0,804</b>	0,511	0,437
<b>Y.4</b>	<b>0,855</b>	0,479	0,499
<b>Y.5</b>	<b>0,773</b>	0,498	0,448
<b>Y.6</b>	<b>0,711</b>	0,370	0,332
<b>Y.7</b>	<b>0,795</b>	0,572	0,431
<b>Y.8</b>	<b>0,778</b>	0,482	0,414
<b>Z.1</b>	0,440	<b>0,724</b>	0,481
<b>Z.2</b>	0,350	<b>0,637</b>	0,406
<b>Z.3</b>	0,456	<b>0,729</b>	0,478
<b>Z.4</b>	0,540	<b>0,839</b>	0,591
<b>Z.5</b>	0,521	<b>0,822</b>	0,494
<b>Z.6</b>	0,423	<b>0,730</b>	0,520

Table 1 shows that the discriminant validity test is good because the correlation value of the indicator to its construct is higher than the correlation value of the indicator with other constructs.

*Composite Reliability dan Cronbach's Alpha*

A questionnaire is said to have good composite reliability if the composite reliability value is  $\geq 0.70$  even though it is not an absolute number. Another measure to see the reliability of the questionnaire is to look at the cronbach's alpha value, where a questionnaire is said to be reliable if it has a Cronbach alpha value  $> 0.60$  (Solimun, 2017). The following are the results of testing composite reliability and cronbach's alpha from SmartPLS :

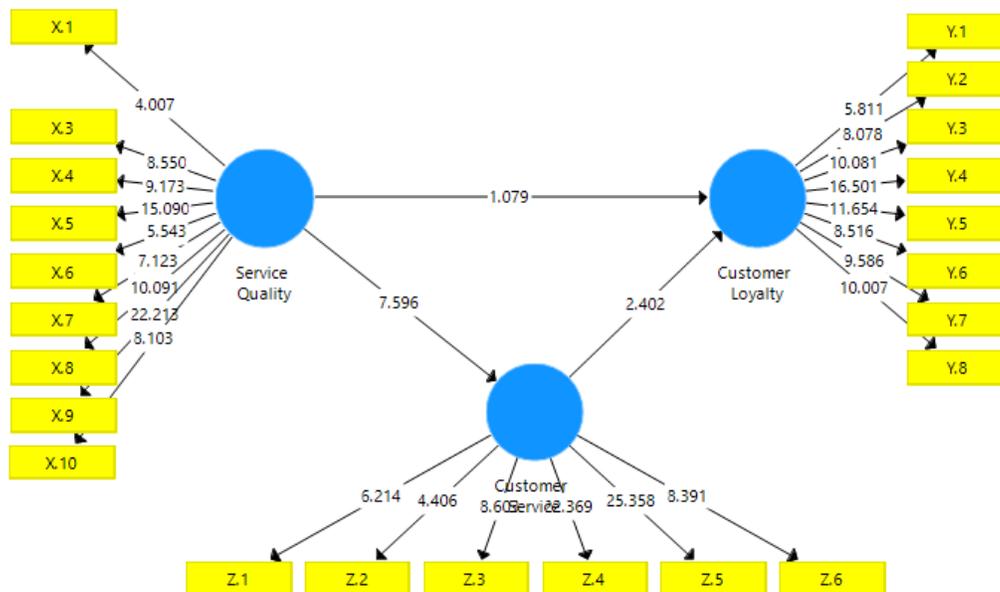
Table 2 Composite reliability and Cronbach's Alpha

	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>
<b>CL</b>	<b>0,906</b>	<b>0,924</b>
<b>CS</b>	<b>0,843</b>	<b>0,884</b>
<b>SQ</b>	<b>0,898</b>	<b>0,917</b>

**2. Testing of the Structural Model (Inner Model)**

*Model Significance Test*

The structural model in this study is based on the results of data processing using SmartPLS as follows:



The PLS structural model in this study according to Ghozali (2016) is evaluated in two ways, first, using the path coefficient to assess the significance of the relationship between variables based on the t-statistic and p-value of each path, and second, using the determinant coefficient (R2) to explain the ability a model in explaining the related variables. Testing the significance of the model in the structural model is by looking at the t-statistic and p-value between exogenous and endogenous variables with the requirement that the t-statistic has a value  $> 1.960$  and p-value  $< 0.05$ .

The following is the direct and indirect influence between the construct relationships in question in the hypothesis, as in tables 3 and 4 below:

**Table 3 Path Coefficients (Direct Effect)**

	Direct effect	Sample Mean	Standard Deviation	T Statistics	P Values
<b>SQ -&gt; CS</b>	0,664	0,673	0,087	7,596	<b>0,000</b>
<b>SQ -&gt; CL</b>	0,236	0,241	0,219	1,079	<b>0,281</b>
<b>CS -&gt; CL</b>	0,456	0,464	0,190	2,402	<b>0,017</b>

Table 3 shows the direct effect of several exogenous variable relationships on endogenous variables as follows:

- Service quality has a significant effect on customer satisfaction in Islamic hotels in Makassar with the path coefficient value: t-statistic 7.596 and p-value 0.000 accepted at the 5 percent level with a direct effect of 0.673 or 67.3%.
- Service quality has no significant effect on customer loyalty in Islamic hotels in Makassar with a path coefficient value: t-statistic of 1.079 and p-value of 0.281 with a direct effect of 0.236 or 23.6%.
- Customer satisfaction has a significant effect on customer loyalty in Islamic hotels in Makassar with the path coefficient value: t-statistic 2.402 and p-value 0.017 accepted at the 5 percent level with a direct effect of 0.456 or 45.6%.

**Table 4 Path Coefficients (Indirect Effect)**

	Indirect Effect	Sample Mean	Standard Deviation	T Statistics	P Values
<b>SQ -&gt; CS -&gt; CL</b>	0,303	0,315	0,144	2,105	<b>0,036</b>

Based on table 4, it is concluded that service quality indirectly has a significant effect on customer loyalty through customer satisfaction as a mediating variable (intervening) at Islamic hotels in Makassar with a path coefficient value: t-statistic 2.105 and p-value 0.032.

#### *Determinant Coefficient*

The determinant coefficient ( $R^2$ ) ranges from 0 (zero) to 1 (one), if the value of  $R^2$  is closer to 1, then the effect of the exogenous construct is greater on the endogenous construct. This means that the proposed model is stronger to explain the effect of exogenous constructs on endogenous constructs. The determinant coefficient ( $R^2$ ) in this study can be seen in table 5 below:

**Table 5 R Square**

	R Square	R Square Adjusted
<b>CS</b>	0,441	0,435
<b>CL</b>	0,406	0,394

Based on table 5, the determinant coefficient ( $R^2$ ) can be explained as follows:

- Customer Satisfaction has a determinant coefficient ( $R^2$ ) of 0.441 which means that the customer satisfaction variable can be explained by the service quality variable of 44.1% or in other words, the contribution of service quality to customer satisfaction in Islamic hotels in Makassar is 44.1%, while the remaining 55.9% is the contribution of other variables.

- b) Customer Loyalty has a determinant coefficient ( $R^2$ ) of 0.406 which means that the customer loyalty variable can be explained by the service quality variable of 40.6% or in other words the contribution of the influence of service quality on customer loyalty in Islamic hotels in Makassar is 40.6% , while the remaining 59.4 is the contribution of other variables.

## **Discussion**

The results of the research in this paper explain the three variable relationships, either directly or indirectly. First, the effect of service quality on customer satisfaction in sharia hotel customers in Makassar. The relationship between these two variables based on statistical values shows that service quality has a significant effect on customer satisfaction. In other words, the higher the quality of service perceived by customers, the better their level of satisfaction with service providers. The results of this study are supported by this is in line with the results of research by Winarno (2019), he stated that service quality has a positive and significant effect on customer satisfaction in Islamic hotels. Likewise research by Salma and Ratnasari (2015) which explains that good service in an Islamic perspective of service quality in hotels will create customer satisfaction. So that customers who have received good service from sharia hotels will be satisfied with sharia hotel services.

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## **Conclusion**

This research is a quantitative study with a sample of 100 respondents, namely visitors to the Islamic hotel (Hotel Pesonna) in Makassar. This study was analyzed by means of a structural equation model with analysis tools using Smart PLS 3.0. The results found in this study indicate:

- a) Service quality has a significant effect on customer satisfaction in Islamic hotels in Makassar with the path coefficient value: t-statistic 7.596 and p-value 0.000 accepted at the 5 percent level with a direct effect of 0.673 or 67.3%.
- b) Service quality has no significant effect on customer loyalty in Islamic hotels in Makassar with a path coefficient value: t-statistic of 1.079 and p-value of 0.281 with a direct effect of 0.236 or 23.6%.
- c) Customer satisfaction has a significant effect on customer loyalty in Islamic hotels in Makassar with the path coefficient value: t-statistic 2.402 and p-value 0.017 accepted at the 5 percent level with a direct effect of 0.456 or 45.6%.

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