
THE EFFECTS OF SERVICE QUALITY AND BRAND ATTACHMENT ON CUSTOMER LOYALTY

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ABSTRACT

Competitive and intensive business competition and consumer's intention to switch choices have resulted in hotel service providers to change hotel management policies to always increase customer loyalty. The purpose of this study was to assess the effect of service quality and brand engagement on customer loyalty and to propose brand engagement as mediators of the relationship of the service quality with customer loyalty. The research analysis unit is a hotel located in Badung Regency, Bali, with hotel customer respondents. This study is a survey of 100 respondents, using PLS to link the construct of service quality, brand engagement, and customer loyalty. Data collection uses a questionnaire method that has previously been tested for validity and reliability. The analysis technique uses Smart PLS 3.0. The results showed a significant relationship between service quality and customer loyalty, brand engagement with customer loyalty. This research also proves the mediating role of brand engagement on the relationship of service quality with customer loyalty. The implications of this research indicate that marketing plans must be made explicit. Owners and senior management must positively embrace the philosophy of marketing management to achieve organizational goals. Research is expected to contribute the important effect of brand engagement in understanding the mechanism of how service quality with a focus on customers increases customer loyalty.

Keywords: service quality, customer loyalty, brand attachment.

1. INTRODUCTION

The tourism business is quite potential considering the growing world population. However, in the era of globalization, market turbulence is dynamic; the high level of competition is a difficult challenge in the hospitality industry. The number of global tourist visits has caused hotel businesses to experience rapid growth. In Bali, the hotel industry operates in a competitive business environment which makes competition vulnerable. Hotel occupancy rates in Bali fluctuated in the period of 2015 to 2017 (Bali Provincial Tourism Office, 2018). Strong and intensive business competition, as well as customer switching intentions have resulted in hotel service providers changing their marketing policies from transaction-based business relationships to maintaining long-term relationships with customers (Mohammad et al., 2013). Hotel managers should use strategies to improve their business performance (Awang et al., 2008).

Over the past few decades consumer loyalty has played a central role in the literature relating to marketing, and for now customer loyalty has become a strategic necessity (Nashtae et al., 2017). Customer loyalty is related to profitability (Edvardsson *et al.*, 2000). Customer loyalty is a major concern and planning for strategic marketing activities. Consumer loyalty reflects the desire of consumers to subscribe (Sanuri, Mokhtar and Yusr, 2016).

One of the things that motivates customers to choose and be loyal to a product or service is service quality (Juga, Juntunen and Paananen, 2018). Quality of service is something that is able to meet the needs and desires of consumers. Good service quality can make it easier for a company to increase customer loyalty (Jahanzeb, Fatima and Butt, 2013). Satisfying service quality is a must in order to win competition in the hospitality industry.

Several empirical studies have provided evidence that there is a positive relationship between service quality and customer loyalty (Levy and Hino, 2016). Most of the previous studies have proven that service quality is the main driver for building customer loyalty (Mukerjee, 2018). On the other hand, there are indications that the results of research are still controversial. Quality of service alone is not enough to maintain customer loyalty, especially in the current information technology era, when more and more customers are in the digital age. Companies that only focus on service quality do not guarantee customers remain loyal (Caruana, 2002). For example, (Levy and Hino, 2016) examine bank consumers, where the results of studies show that service quality has a positive effect on customer loyalty. Whereas Caruana's research in Malta (2002) found that there is no effect of service quality on bank customer satisfaction. Diverse research results become a research gap to re examine the relationship of service quality on customer loyalty.

Brand engagement is the emotional attachment of customers to the brand. When customers get intense experience in consuming the product or service, the customer is happy to repurchase the brand (So *et al.*, 2013). Emotional attachment to a brand is determined by the quality of service (Levy and Hino, 2016). Brand engagement has attracted attention because of its effect on customer loyalty (Bahri-Ammari *et al.*, 2016; Frasquet, Mollá Descals and Ruiz-Molina, 2017). However, little attention has been paid to the concepts of service quality and brand engagement as factors that can influence customer loyalty in the service industry (So *et al.*, 2013). For hotel service providers, it is very important to understand the determinants of customer loyalty. The main objective of this study is to examine the role of service quality and brand engagement on customer loyalty and to propose brand engagement as a mediator of the relationship between service quality and customer loyalty in the hotel service sector.

2. LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

2.1 Customer Loyalty

Customer loyalty offers several benefits for companies such as a continuous profit flow and the possibility for companies to reduce marketing costs (Levy and Hino, 2016). Customer loyalty shows the commitment of customers to companies that are held firm to repurchase and the desire to recommend to others (Frasquet, Mollá Descals and Ruiz-Molina, 2017; (Mukerjee, 2018).

2.2 Quality of Service

Quality of service is any action or activity that can be offered by one party to another party. Service quality shows the expected level of excellence and control over the level of excellence to meet customer desires (Juga, Juntunen and Paananen, 2018). Quality of service encourages customers to commit to a company's products and services (Fernandes and Solimun, 2018), thus impacting on increasing product market share. Superior service will be able to maximize the company's financial performance (Hinson, Owusu-Frimpong and Dasah, 2011). Furthermore, quality services such as fast on-time service, polite attitude, sincere help, and adequate facilities increase customer loyalty (Mukerjee, 2018). Thus, the following hypothesis is proposed:

H1: Service quality has a positive and significant effect on customer loyalty.

2.3 Brand attachment

Brand attachment refers to the emotional attachment relationship between a person and the company, psychological attachment of the mind of consumers to the company (Assiouras *et al.*, 2015), showing psychological variables that show an effective relationship with lasting and unchanging brands and psychological closeness with organizational brands. Emotional ties perceived by customers with company brands refer to brand attachment (So *et al.*, 2013). The customer is emotionally attached to the company's brand, a feeling of connection, passion, and pleasure when dealing with the company's brand. When consumers have a strong bond with the brand, there will be a repurchase and customer loyalty (Japutra *et al.*, 2018). Therefore, the following hypothesis is proposed:

H2: Service quality has a positive and significant effect on brand attachment.

H3: Brand attachment has a positive and significant effect on customer loyalty.

2.4 The mediating effect of brand attachment

Emotional brand attachment reflects the mental state or feeling connected to the brand. Long-term efforts of service providers to build brand personality and build positive emotional relationships with customers lead to customer loyalty (Bahri-Ammari *et al.*, 2016; (Frasquet, Mollá Descals and Ruiz-Molina, 2017). Building the feeling of hotel customers to feel valued, proud, and offer facilities that are in accordance with the customer's personality will lead to customer loyalty. Quality of service that meets consumer expectations can lead to trust and encourage consumers to be attached to the company's brand (Poolthong and Mandhachitara, 2009). Thus, the following hypothesis is proposed:

H4: Brand attachment has a positive and significant role in mediating the effect of service quality on customer loyalty.

3. MATERIALS AND METHOD

This study uses an explanatory research design with the aim to determine the effect or relationship of a variable or more. Data collection method using a questionnaire. The study population was hotel customers as many as 100 respondents who had stayed at the hotel, with a four-star hotel analysis unit located in Badung Regency, Bali. Inferential statistical analysis techniques with a path analysis approach using PLS (Partial Least Square) 3.0 (Sarstedt *et al.*, 2014). Respondents were aged between 41-50 years (39 percent). While from the gender, as much as 58 percent of respondents were male. Distribution of respondents based on education

level, the majority of respondents were undergraduate (61 percent). Furthermore the distribution of respondents related to work, most respondents work as entrepreneurs who were on a business trip in Bali (42 percent).

4. RESULTS AND DISCUSSION

Statistical test results using PLS on the overall model can be seen in Figure 1. While the results of testing the validity measurement model, namely convergent validity and reliability in the form of Cronbach alpha and composite reliability are shown in Tables 1 and 2.

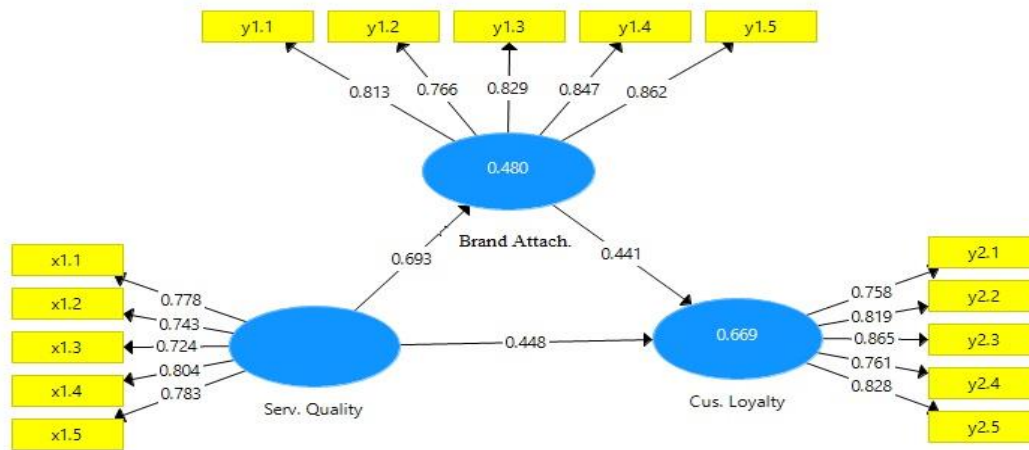


Figure1. Operational research model

**Table 1
Convergent validity test results**

| Variables and measurements | | Outer loadings | Explanation |
|----------------------------|--|----------------|-------------|
| Quality of Service | | | |
| X1.1 | Timely service | 0.778 | Valid |
| X1.2 | Fast service to customers. | 0.743 | Valid |
| X1.3 | Hospitality | 0.724 | Valid |
| X1.4 | Sincere attitude to help | 0.804 | Valid |
| X1.5 | Visually appealing facility. | 0.783 | Valid |
| Brand Engagement | | | |
| Y1.1 | Customers are able to identify the hotel | 0.813 | Valid |
| Y1.2 | A feeling of pride in hotel services. | 0.766 | Valid |
| Y1.3 | Pleasant experience. | 0.829 | Valid |
| Y1.4 | Comfortable feeling with the hotel | 0.847 | Valid |
| Y1.5 | Feeling happy with this hotel. | 0.862 | Valid |
| Customer loyalty | | | |
| Y2.1 | Feeling happy with the services. | 0.758 | Valid |
| Y2.2 | Becoming the first choice. | 0.819 | Valid |
| Y2.3 | Commitment to choosing this hotel. | 0.865 | Valid |

| | | | |
|------|---|-------|-------|
| Y2.4 | Choosing this hotel compared to other hotels. | 0.761 | Valid |
| Y2.5 | The desire to repurchase. | 0.828 | Valid |

Source: Processed data, 2019

The convergent validity test results in Table 1 show that all outer loading has a value greater than 0.6 so this measurement concludes that convergent validity meets the requirements.

Table2. Results of composite reliability and Cronbach's alpha test results

| Variables | Composite reliability | Cronbach's alpha | Explanation |
|-------------------------|-----------------------|------------------|-------------|
| Quality of Service (X1) | 0.877 | 0.825 | Reliable |
| Brand Engagement (Y1) | 0.914 | 0.882 | Reliable |
| Customer Loyalty (Y2) | 0.903 | 0.866 | Reliable |

Source: Processed data, 2019

Cronbach alpha and composite reliability for service quality, brand engagement, and customer loyalty are greater than 0.70, which indicates that the construct has good reliability (see Table 2).

Furthermore, the structural model Goodness of Fit in the inner model is tested using predictive – relevance (Q^2) values, with a range of values $0 < Q^2 < 1$ (Green, Toms and Clark, 2015), which getting closer to 1 means the model is getting better. The coefficient of determination (R-square) of each endogenous variable is presented in Table 3.

**Table 3
R-square value of endogenous variables**

| Endogenous variables | R-square |
|----------------------|----------|
| Brand Engagement | 0.480 |
| Customer loyalty | 0.669 |

Source: Processed data, 2019

Table 3 shows the R-square value of 0.480 for the construct of brand attachment of 0.480. The model of service quality influence on brand engagement of R-square value of 0.480 which can be interpreted as the construct variability of brand engagement can be explained by the construct of service quality by 48 percent. The remaining 52 percent is explained by other factors. Furthermore, for the model of the effect of service quality and brand engagement on customer loyalty, the R-square value is 0.669 percent. That is, customer loyalty can be explained by the construct of service quality and brand engagement of 66.9 percent and the remaining 33.1 percent is explained by other factors outside the variables studied.

Furthermore, based on R^2 in Table 2, it can be calculated Q^2 or Stone Geiser Q-Square test, namely: $Q^2 = 1 - \{(1 - 0, 480) (1 - 0.669)\} = 1 - \{(0.520) (0.331)\} = 0.828$. The calculation results obtained Q^2 value of $0.828 > 0$. So it can be said that the model has good predictive relevance.

Hypothesis testing. Correlation score of the direct effect of service quality on customer loyalty produces a coefficient value of 0.448, t value of statistics $4.420 > 1.96$ and p values < 0.05 ($\beta = 0.448$; $p = 0, < 0.05$). That is, the effect of service quality on customer loyalty is significantly positive. Hypothesis 1 is accepted. The results of this study support previous research (Juga, Juntunen and Paananen, 2018). According to (Mukerjee, 2018), service quality is related to service consumption, positively encouraging emotional customers to remain loyal using the service. Quality of service consists of five indicators namely timely service, attractive facilities, fast service, polite attitude, and sincere attitude. Indicators of sincere attitude are factors that are considered important in determining customer loyalty. Quality of service to brand engagement produces a coefficient value of 0.693 and a statistical t value of $16.619 > 1.96$ and p values < 0.05 ($\beta = 0.693$; $p = 0.000 < 0.05$). That is, the effect of service quality on brand engagement is significantly positive. Hypothesis 2 is accepted. The willingness of hotels to build strong levels of service quality tends to increase brand engagement. The results of this study support previous research (Levy and Hino, 2016), which says service quality encourages customer emotions to continue using the company's brand. When customers feel the quality of the product, the desire to keep using the company's brand increases (Jahanzeb, Fatima and Butt, 2013). If the hotel wants customers to remain loyal to the hotel brand, the hotel manager must improve the quality of hotel services. The direct effect of brand engagement on customer loyalty produces a coefficient value of 0.441 and a statistical t value of $3.793 > 1.96$ and p values < 0.05 ($\beta = 0.441$; $p = 0.000 < 0.05$). That is, the effect of brand engagement on customer loyalty is significantly positive. Hypothesis 3 is accepted. The results of this study support previous research (Hemsley-Brown and Alnawas, 2016; (Bahri-Ammari *et al.*, 2016). Study results of (Frasquet, Mollá Descals and Ruiz-Molina, 2017) confirms the influence of brands on customer loyalty. Strong trust in brands contributes to customer loyalty to the company. Regarding the indirect effect, Smart PLS analysis results showed a positive coefficient ($\beta = 0.305$) and a t-statistic value of $3.671 > 1.96$, which proves the mediating role of positive brand attachment significantly on the effect of service quality on customer loyalty. This finding shows that service quality is positively related to brand engagement. Quality of service that matches consumer expectations gives a sense of trust and encourages consumers to be attached to the company's brand (Poolthong and Mandhachitara, 2009), and subsequently consumer engagement to the organization's brand enables them to have strong loyalty (So *et al.*, 2013). This research fills the gap and provides empirical evidence to explain how to improve customer loyalty through service quality and brand engagement.

5. CONCLUSION AND RECOMMENDATION

Previous studies regarding the effects of service quality, brand engagement and customer loyalty are still limited. Previously, most of the research was about the effects of POS, empowerment and organizational commitment. This study tries to fill the gap by determining the contribution of service quality and brand engagement on customer loyalty to service product brands such as hotels. This research contributes studies in a comprehensive model and is an important development in the hospitality industry. This research has the main objective to investigate how the components of service quality (Sigit Parawansa, 2018), and brand engagement (Huang,

2017) affect customer loyalty. The contribution of research to the customer loyalty study is to investigate the role of service quality and brand engagement as a significant predictor of customer loyalty. Maintaining customer loyalty in the hotel sector is important for managerial strategies in responding to intense global competition and advances in digital technology in the industry. Customer loyalty is important to maintain retention so that hotel marketing performance in Bali increases. This study extends previous research on the relationship of service quality with customer loyalty that has been widely studied and by adding brand engagement factors as mediating the relationship.

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