

CUSTOMER EXPERIENCE, SATISFACTION, AND SERVICE QUALITY OF LUXURY HOTELS IN BALI

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Abstract. Hotels industry is flourishing in Indonesia, especially on the heart of tourism Indonesia, which is Bali. Bali is considered as one of the most prominent tourism attraction in Indonesia thus making the hotel industry very attractive. One of many types of hotels that exist in Bali is luxury hotels. Luxury hotels are hotels that provide a more premium or luxurious aspects compared to non-luxury hotels. There is an urge to determine on how the customer experience, customer satisfaction and service quality in these hotels as there are limited literature that supports it. The researcher will focus on how these three variables correlates and provide a clearer understanding for academics and stakeholders of luxury hotels. The method that will be used is exploratory sequential and will be analyzed using PLS SEM. The researcher finds correlation between the three variables and thus and importance for luxury hotels to increase the quality of the service to create a positive experience that will lead into the customer satisfaction.

Keyword: SERVQUAL ; Customer Experience ; Customer Satisfaction ; Luxury Hotel

INTRODUCTION

Indonesia's tourism sector is massively growing with a total of foreign tourist of 9,062,465 from January 2018 until July 2018. . The foreign tourists that came to Bali in 2017 was reaching 42,2959% of total tourists in Indonesia. It is clear that Bali became the number one destination chosen by the tourists. The tourism of Bali generates a favorable condition for good business environment. One of the most suitable business especially in the tourism sector is hotel industry. Luxury hotel is considered as a hotel which provides a luxurious accommodation experience to the guest. Often times 4 or 5 star hotels describe themselves as 'luxury'. They also have a characteristic of having great service, amenities, wide range of entertainment and also restaurants and unforgettable experience. The industry of luxury hotel is having a significant growth these years. The luxury hotel is promising industry with unique and specific experience that is offered to the customer. There is abundant amount of luxury hotels varying from different concepts and locations through in Bali. Out of seven types of luxury hotels in the world, only three of them exist in Bali. The hotels are Boutique hotels, Five Star Hotels & Resort and lastly Private Villas & Home Vacation Rentals

The Bali Hotel Industry shows an optimistic condition. The position for Bali is in the 6th place in the market of Asia Pacific. The occupancy also shows an increase of 17 percent compared in October 2017 compared to previous years. However, with a total of existing 80 properties and 17,257 rooms it would be a challenge for luxury hotels to stand out in the fierce competition. The oversaturation of the market compels luxury hotels to create strategy for gaining the attention of the consumers. Any hotel industry focusses to give a satisfying experience during the consumer's stay. For luxury hotels, there is an extra expectation to elevate the ordinary staying experience into extraordinary ones. Thus, it brings the luxury hotels into the question on how to create the appealing staying experience compared to other competitors.

The hotel industry performs heavily based on the service given to their guests. Also, the customer satisfaction during their stay is important to be measured as it is also an indicator that affect the performance of the luxury hotel. The main goal of the all the services, amenities, dining experience will be expected to reach the customer satisfaction. Another variable that need further understanding is the service quality. The service quality has drawn attention these past years to the researcher. The researcher believe that the service quality has effect on profitability, lower cost, customer loyalty and customer satisfaction.

Some previous researchers argue about the correlation between Service Quality, Customer Experience and Customer Satisfaction. Muslim Amin, Zatilaziya Yahya, Wan Faizatul Aniza Ismayatim, Siti Zaroha Nasharuddin & Emilia Kassim (2013) founds the important role to maintain service quality to achieve customer satisfaction in Malaysian Hotel Industry. On the other hand, Martin O'Neill and Adian Palmer (2003) explores the role of experience on the dimensions of service quality.

There is limited literature that support the customer experience, customer satisfaction & service quality of luxury hotel. This research focuses on the performance of luxury hotels especially in Bali. Currently, there are no existing similar research available. There is a need to measure the luxury hotel industry in a spectrum of service quality, customer experience and customer satisfaction. This measurement will give a contribution in marketing sector, academic, and business sector as it widens the understanding in customer experience, customer satisfaction & service quality particularly in Bali. The correlations between

these three variables are not known well especially in Bali's luxury hotel industry. Thus, there is an urge to understand further the correlation on those variables.

The objective of the study is assessing the industry of luxury hotels in Bali. These will be measured through the hotel's service quality and this will be further examined with the customer point of view such as their experience and satisfaction during their stay. The research will also be conducted with several notable luxury hotels as comparison which are The Club Villas, The Legian, and W Hotel.

The method that will be used is mixed method of both quantitative and qualitative. The qualitative research will involve the interview and then validated through quantitative method. The quantitative method will be measured by the survey instrument. Due to the nature of the research approach which is exploratory, the appropriate tool is Partial Least Square (PLS). Structural Equation Modelling (SEM) is also used to know the effects of variables. Thus, can be concluded that PLS SEM is suitable to be used in this research. Based on the the data that has been collected ,the research shows correlation between the Service Quality Dimensions, Customer Experience and Customer Satisfaction . There are three main hypotheses between the variables and sub hypothesis that explain the correlation between the dimensions. The research shows some correlation between the dimensions and the variable which will be further explained.

LITERATURE REVIEW

There is no fixed definition of luxury product however luxury is highly associated as a more premium compared to ordinary product. The word luxury came from *luxus* that can be interpreted as "soft or extravagant living, (over)-indulgence and sumptuousness, luxuriousness, opulence" (Tynan et al. 2010). The luxury products are perceived as a product with immense quality that came with high price and services and non-essential product that comes in limited quantity, exclusive, authentic and high reputable that gives the customer an experience with high level of hedonic and symbolic. The luxury goods are different with ordinary good where it is determined by the judgement of the consumer. In the hospitality industry, according to reputable daily rate room which is Smith Travel Research (2015) are hotels that provide 15 percent of the total daily rate room. The most stand out feature in luxury hotel is that the price offered by the hotels is higher and thus premium pricing is applied. The luxury segment is usually marketed to the consumer as a way to leverage their life. The luxury term is also highly used by marketers in both product and services to deliver a message distinct offering (Dubois et al., 2005).

According to Smith Travel Guide there are several class and scale of hotels which are luxury and upper upscale, upscale and upper midscale and lastly, midscale and economy. Also, there are several types of luxury hotels. From all the seven types of luxury hotels around the world, only three of them exists in Bali. The other four are not yet existed due to governmental constraint of high rise building, lack of development and the nativity of the hotel. The three hotels that exist are Boutique hotels, Five Star Hotels & Resort and lastly Private Villas & Home Vacation Rentals. Thus, based on the explanation we can conclude that luxury hotels that are exists in Bali can be defined as hotels that have luxury and upper upscale and have a luxurious service and experience accommodation and considered as boutique hotels, five star hotels & resort and lastly private villas & home vacation rentals.

Pasuramanan et al. (1985) argues that services quality is the difference between performance and the expectation of the service along the quality dimensions. Referring to that statement, they created a model for service quality called gap model. The research involves customers perceptions of service quality and scaled as SERVQUAL This model is highly used in service industry extensively. The gap between expectation and perception induces either satisfaction or dissatisfaction. The application of SERVQUAL especially in the hotel industry is to count the level of satisfaction and the perceived service quality of the customers. There were 10 dimensions of service quality that were further combined until resulting in a total of 5 dimensions. These dimensions include tangibility, empathy, responsiveness, assurance and reliability

There are several existing researches concerning hospitality and its relation with customers experience dimensions. A few interpretations and definition of customer experience have been established through the years. First, there are 5 dimension that is determined by Hemmington (2007) including safety, host guest relationship, small surprises, theater and performance and lastly generosity. It was then in 2009 a research is explaining a simpler dimension consisting 4 dimensions. There are 4 dimensions of customer experience according to Knutson et al. (2009) which are environment, incentive, accessibility and lastly driving benefit. On the other hand, Walls (2013) argues that there are two major dimensions of customer experience which are human interaction and physical environment. P Nambisan and J Wall (2010) also argues that customer experience has 4 dimension which are hedonic experience, pragmatic experience, sociability experience and usability experience. Overall, the customer experience is highly affected by the stimulus received from the sensory effects of taste, sight, sound, touch and smell. These could affect also the feeling of the customers. All of these factors are contributing in creating customer experience that

leads into higher goal of reaching customer satisfaction. All of the dimensions that have been mentioned are highly applicable in luxury hotel industry.

Customer satisfaction is important and play a vital role in the market study especially in determining the sustainability of the hotel business. There are several benefits that can be reap if customer satisfaction is reached which are positive behavior intentions and indirect and inexpensive way of promoting existing well-established services. (Pizam and Ellis,1999). Based on those two benefits then established nine theories that support customer satisfaction. These theories are attribution, expectancy-disconfirmation, equity, cognitive dissonance, contrast and followed by three other theories. There are 2 types of customer satisfaction based on the definitions which are process oriented and outcome oriented. The process oriented focus on more the overall process of the experience. While on the other hand the outcome oriented focus on the end result not the process. (Yuksel and Yuksel 2001).

The research framework is then build based on previous research that has been stated to test the hypothesis of the correlation among the variables . In total there are 3 main hypothesis . The first hypothesis is among the service quality dimensions and customer experience . This hypothesis is supported by the research of Martin O'Neill and Adrian Palmer (2003) . The next hypothesis is between the service quality dimensions and customer satisfaction that is supported by Muslim Amin (2013) research . The last hypothesis is between customer satisfaction and customer experience that is supported by Hosein Bodaghi et. Al (2018) .

- H1** : Service quality has directly correlation to customer experience
- H1a : Tangibility has directly correlation to customer experience
- H1b : Empathy has directly correlation customer to experience
- H1c : Responsiveness has directly correlation to customer experience
- H1d : Assurance has directly correlation to customer experience
- H1e : Reliability has directly correlation to customer experience
- H2** : Service quality has directly correlation to customer satisfaction
- H2a : Tangibility has directly correlation to customer satisfaction
- H2b : Empathy has directly correlation to customer satisfaction
- H2c : Responsiveness has directly to correlation customer satisfaction
- H2d : Assurance has directly correlation customer satisfaction
- H2e : Reliability has directly correlation customer satisfaction
- H3** : Customer experience has directly correlation customer satisfaction

METHODOLOGY

The research is involve two method which are qualitative and quantitative. The mixed method is used to support each weakness of quantitative and qualitative. The method chosen for qualitative research is interview. The interview is semi structured and conducted between the luxury hotels employee and experts. On the other hand, the quantitative uses survey as a method. The survey is conducted between 217 respondents. The survey is distribute to the people that stays in the luxury hotel. The research will measure SERVQUAL dimensions with 5 variables (Tangibility, Empathy, Assurance, Responsiveness and Reliability), Customer Experience, and Customer Satisfaction of luxury hotels in Bali. After all the data is collected, the data will be analyzed using Partial Least Square (PLS) and Structural Equation Modelling to reach a solid conclusion. The researcher conducts several tests which are indicator reliability test, indicator reliability test, internal consistency reliability, construct validity test, convergent validity, discriminant validity, collinearity test, structural path significance, hypothesis testing, f squared size effect, and lastly mediating result.

FINDINGS AND ARGUMENT

The researcher finds correlation between service quality and customer experience. The service quality of the hotel determines on how the hotel will deliver its value to customer. The value itself will become the customer experience during their stay . Next, correlation between service quality and customer satisfaction is being tested with 5 hypotheses created. Based on the t value result, three hypotheses are accepted. The results show that there is interaction between tangibility and customer satisfaction, responsiveness and customer satisfaction and reliability and customer satisfaction. The third hypothesis is testing the correlation between customer experience and customer satisfaction. The result shows that the hypothesis is accepted thus, a correlation between customer experience and customer satisfaction.

Table 1. Hypothesis Testing

Hypothesis	Structural Path	T-Values	Result
H1a	Tangibility → Customer Experience	6,358	Accepted
H1b	Empathy → Customer Experience	0,329	Rejected
H1c	Responsiveness → Customer Experience	2,389	Accepted
H1d	Assurance → Customer Experience	1,680	Rejected
H1e	Reliability → Customer Experience	1,525	Rejected
H2a	Tangibility → Customer Satisfaction	4,275	Accepted
H2b	Empathy → Customer Satisfaction	1,656	Rejected
H2c	Responsiveness → Customer Satisfaction	2,341	Accepted
H2d	Assurance → Customer Satisfaction	1,241	Rejected
H2e	Reliability → Customer Satisfaction	3,284	Accepted
H3	Customer Experience → Customer Satisfaction	7,124	Accepted

CONCLUSIONS

The customer experience of the visitor in luxury hotels is highly determined by the service given by the hotel . Luxury hotel is expected to give a more exquisite service compared to non-luxury due to its premium pricing . The hotel's service can be measured through service quality dimensions . The increase in service quality could influence the customer experience during their stay . Also, positive customer experience will affect the customer satisfaction at the end of the day . In the long run , satisfied customer will generate a great customer retention and also a great brand image of the luxury hotel .Thus , the luxury hotels should consider service quality , customer experience and customer satisfaction as an integral part of creating succesful luxury hotels .

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