

The Effects of Service Quality and Brand Attachment on Customer Loyalty

Made Ngurah Krisna Arya W¹, Putu Yudi Setiawan²

¹(Magister of Management, Udayana University, Denpasar, Bali, Indonesia)

²(Magister of Management, Udayana University, Denpasar, Bali, Indonesia)

*Corresponding Author: Made Ngurah Krisna Arya W¹

ABSTRACT:- In Bali, the hotel industry is experiencing rapid development. On the other hand, the hotel business has intense competition and strong switching intentions causing businesses to change long-term policies by maintaining long-term relationships with customers. Many hotels struggle to implement marketing practices to increase purchase intentions. The purpose of this study is to consider and test the role of service quality and brand attachment to repurchase intentions. This study also explores the mediating role of brand engagement in the relationship of service quality and repurchases intention in the context of hotels in Bali. The research analysis unit is a company with hotel customer respondents. A survey of 100 respondents, using PLS to link the construct of service quality, brand engagement, and repurchase intentions. The results revealed a significant relationship: service quality towards repurchase intention, service quality towards brand attachment, brand attachment to repurchase intention. This study also found the effect of mediating brand attachment on the relationship between service quality and repurchase intention. The implication of this finding shows that marketing plans must be made explicit and shared throughout the management. Owners and senior managers must positively embrace the philosophy of marketing management as an effort to create superior value through the concept of purchase intention. This research is the first study to consider the relationship of service quality, brand attachment and repurchase intention in the context of hotel services in Bali.

KEYWORDS:- *service quality, customer loyalty, brand attachment*

I. 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 (Nashtaee et al., 2017). Customer loyalty is related to profitability (Edvardsson *et al.*, 2000). Consumer 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.

II. LITERATURE REVIEW

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).

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.

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.

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.

III. RESEARCH METHODOLOGY

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).

IV. 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.

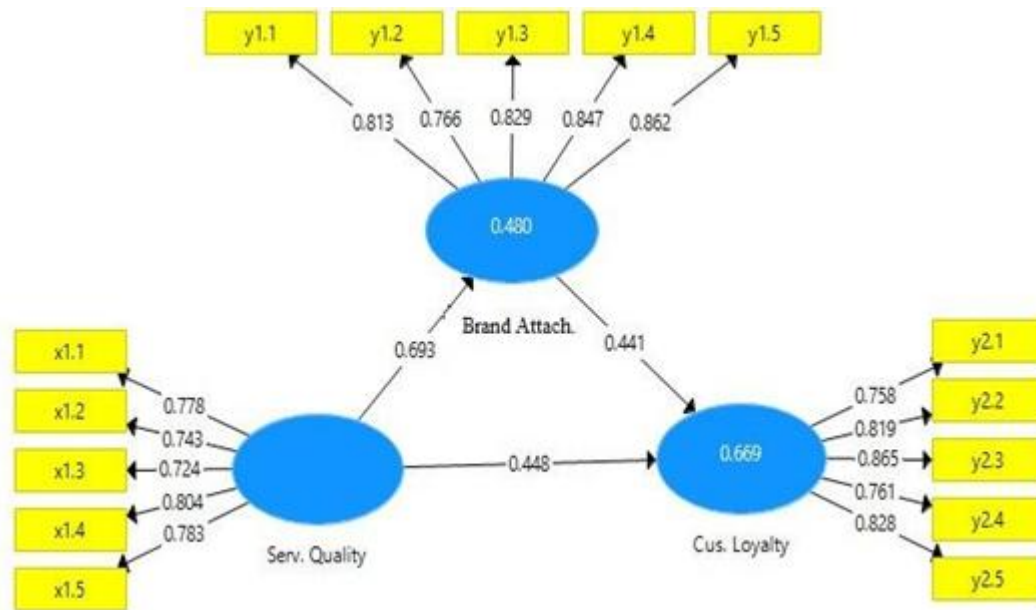


Figure1. Operational research model

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

Table 2. 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.

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.

V. CONCLUSION

This study concludes that service quality has a significant positive effect on purchase intention. The better the quality of hotel services, the higher the customer purchase intention. Service quality has a significant positive effect on brand engagement. The better the level of service quality, the stronger the feeling of consumers to bond with the company's brand. Brand attachment has a significant positive effect on purchase intention. The higher the level of customer attachment to the brand, the higher the intention to repurchase. Brand attachment plays a role in mediating the effect of service quality on repurchase intentions. The higher the quality of service implemented by the company, the more the attachment of the customer's brand to the company, and subsequently encourage a stronger repurchase intention.

With these conclusions the researchers suggest to increase customer loyalty through service quality and brand engagement where service quality needs to be realized by hotel managers with implementations such as: offering timely services such as check-in and check-out, fast service to customers, and courtesy. The brand attachment needs to be realized by hotel managers by implementing actions such as: increasing customer pride when choosing this hotel service, and providing a pleasant experience for customers. Brand attachment can be strengthened by the way the hotel is able to create a feeling of pleasure, comfort, and provide an interesting experience for hotel customers. Buy back intention is like choosing this hotel over a competitor; making this hotel the first choice if there is an opportunity; provide recommendations to other parties; willing to spend the budget to be able to use this facility, can be improved by way of hotel management being sincere in helping and offering visually attractive hotel facilities, where this needs to be realized by hotel managers with implementation.

REFERENCES

- [1]. Awang, K., Ishak, N., Radzi, S. and Taha, A. (2008), "Environmental variables and performance: evidence from the hotel industry in Malaysia", *International Journal of Economics and Management*, Vol. 2 No. 1, pp. 59-79.
- [2]. Assiouras, I. et al. (2015) 'The impact of brand authenticity on brand attachment in the food industry', *British Food Journal*, 117(2), pp. 538–552.
- [3]. Bahri-Ammari, N. et al. (2016) 'The effects of brand attachment on behavioral loyalty in the luxury restaurant sector', *International Journal of Contemporary Hospitality Management*, 28(3), pp. 559–585.
- [4]. Caruana, A. (2002) 'Service loyalty', *European Journal of Marketing*, 36(7/8), pp. 811–828.
- [5]. Edvardsson, B. et al. (2000) 'The effects of satisfaction and loyalty on profits and growth: Products versus services', *Total Quality Management*, 11(7).
- [6]. Fernandes, A. A. R. and Solimun, S. (2018) 'The mediation effect of customer satisfaction in the relationship between service quality, service orientation, and marketing mix strategy to customer loyalty', *Journal of Management Development*, 37(1), pp. 76–87.
- [7]. Frasquet, M., Mollá Descals, A. and Ruiz-Molina, M. E. (2017) 'Understanding loyalty in multichannel retailing: the role of brand trust and brand attachment', *International Journal of Retail and Distribution Management*, 45(6), pp. 608–625.
- [8]. Green, K. W., Toms, L. C. and Clark, J. (2015) 'Impact of market orientation on environmental sustainability strategy', *Management Research Review*, 38(2), pp. 217–238.
- [9]. Hemsley-Brown, J. and Alnawas, I. (2016) 'Service quality and brand loyalty: The mediation effect of brand passion, brand affection and self-brand connection', *International Journal of Contemporary Hospitality Management*, 28(12), pp. 2771–2794.
- [10]. Hinson, R., Owusu-Frimpong, N. and Dasah, J. (2011) 'Brands and service-quality perception', *Marketing Intelligence and Planning*, 29(3), pp. 264–283.
- [11]. Huang, C. C. (2017) 'The impacts of brand experiences on brand loyalty: mediators of brand love and trust', *Management Decision*, 55(5), pp. 915–934.
- [12]. Jahanzeb, S., Fatima, T. and Butt, M. M. (2013) 'How service quality influences brand equity: The dual mediating role of perceived value and corporate credibility', *International Journal of Bank Marketing*, 31(2), pp. 126–141.
- [13]. Japutra, A. et al. (2018) 'The role of ideal self-congruence and brand attachment in consumers' negative behaviour: Compulsive buying and external trash-talking', *European Journal of Marketing*, 52(3–4), pp. 683–701.
- [14]. Juga, J., Juntunen, J. and Paananen, M. (2018) 'Impact of value-adding services on quality, loyalty and brand equity in the brewing industry', *International Journal of Quality and Service Sciences*, 10(1), pp. 61–71.
- [15]. Levy, S. and Hino, H. (2016) 'Emotional brand attachment: a factor in customer-bank relationships', *International Journal of Bank Marketing*, 34(2), pp. 136–150.
- [16].
- [17].
- [18].
- [19].

- [20]. Mukerjee, K. (2018) 'The impact of brand experience, service quality and perceived value on word of mouth of retail bank customers: Investigating the mediating effect of loyalty', *Journal of Financial Services Marketing*, Palgrave Macmillan UK, 23(1), pp. 12–24.
- [21]. Poolthong, Y. and Mandhachitara, R. (2009) 'Customer expectations of CSR, perceived service quality and brand effect in Thai retail banking', *International Journal of Bank Marketing*, 27(6), pp. 408–427.
- [22]. Sanuri, S., Mokhtar, M. and Yusr, M. M. (2016) 'Exploring the Antecedents of Customer Loyalty in the Malaysian Retail Sector', 6(3), pp. 577–583.
- [23]. Sarstedt, M. et al. (2014) 'Partial least squares structural equation modeling (PLS-SEM): A useful tool for family business researchers', *Journal of Family Business Strategy*, Elsevier Ltd, 5(1), pp. 105–115.
- [24]. Sigit Parawansa, D. A. (2018) 'Effect of commitment and customers' satisfaction on the relationship between service quality and customer retention in rural banks in Makassar, Indonesia', *Journal of Management Development*, 37(1), pp. 53–64.
- [25]. So, K. K. F. et al. (2013) 'The influence of customer brand identification on hotel brand evaluation and loyalty development', *International Journal of Hospitality Management*, Elsevier Ltd, 34(1), pp. 31–41.
- [26]. Mohammad, A., Rashid, B. and Tahir, S. 2013, Assessing the influence of customer relationship management (CRM) dimensions on organization performance An emperical study in the hotel industry, *Journal of Hospitality and Tourism Technology*, Vol. 4 No. 3, pp. 228-247.

**Corresponding Author: Made Ngurah Krisna Arya W¹*
¹(Magister of Management, Udayana University, Denpasar, Bali, Indonesia)