**The Effect of Service Quality and Price on Customer Loyalty with Customer Satisfaction as an Intervening Variable**

**(Case Study at Hotel Dedy Jaya Brebes)**

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 | **Abstract**The problem in this study is the decrease in demand for rooms at Hotel Dedy Jaya Brebes. The results of this study are a reference for the importance of maintaining customer loyalty, because the purpose of this study is to determine how the effect of service quality and price on customer loyalty, with customer satisfaction as an intervening variable. The research method used is a case study, which takes one particular object to be analyzed in depth by focusing on one problem. Purposive sampling technique on 86 people aged 17 years and over and have stayed or used the services of Hotel Dedy Jaya Brebes. Instrument tests are carried out with validity tests and reliability tests. This research was conducted with a Structural Equation Model (SEM) approach using Partial Least Square (PLS) software. The results showed that service quality affects customer satisfaction; price affects customer satisfaction; service quality affects customer loyalty; price affects customer loyalty; and customer satisfaction affects customer loyalty. The variable contribution of service quality and price to customer satisfaction is 75.4%, while service quality and price to customer loyalty is 82.6%. By conducting this research, it is hoped that there will be an improvement in the quality of service and prices offered by Hotel Dedy Jaya Brebes to its customers. |

**INTRODUCTION**

The existence of hotels in Brebes is no stranger and is growing along with the many business people, entrepreneurs, employees who use hotel services for stays, meetings, events and many more. Customers hope that by using hotel services they will feel easier, more comfortable, faster in their service. Seeing the prospects for the hotel business, the Brebes Regency government provides opportunities for big entrepreneurs to build a better class hotel. Currently, several hotels with star classes from one star to three stars are as follows.

**Table 1.** Hotels and Lodging Services in Brebes Regency

|  |  |
| --- | --- |
| **Subdistrict** | **Amount** |
| Bumiayu | 3 |
| liability | 1 |
| Cape | 1 |
| Bulakamba | 3 |
| Jatibarang | 1 |
| Brebes | 5 |
| **Total** | **14 Hotels** |

 Source: (BPS, 2023)

Based on the total of 14 hotels, it consists of 2 3 star hotels, 5 1 star hotels, 1 2 star hotel, 6 jasmine hotels. This causes very tight competition among these hotels. Hotel management is required to be more creative in attracting the attention of customers with various strategies. Customer behavior factor is an important factor for companies in the field of hospitality services. This step becomes the starting point for a marketing plan for a product or service so that hotel management can find out what the customer needs (needs), what the customer wants (wants) . Hotels that want to survive must have added value that makes the residence different from other hotels. The added value offered will further provide stability to prospective customers to make transactions or encourage old customers to make transactions again.

The success of the hotel is seen from the level room occupancy rates). To meet customer needs safely, conveniently and easily. Hotel Dedy Jaya Brebes has a total of 48 rooms with 4 Deluxe Rooms, 15 Superior rooms, 20 Moderate rooms and 9 Standard rooms ready for use, 2 Meeting rooms and 1 meeting hall . Room occupancy rate is the number of rooms sold shared with room Which owned hotel And multiplied one hundred percent (Royyani, 2022) . The following is the data on the number of visitors to Hotel Dedy Jaya Brebes in 2022 as follows.

**Table 2.** Dedy Jaya Brebes Hotel Room Occupancy in 2022

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Month** | **Deluxe** | **Superior** | **Moderate** | **standard** | **Amount** |
| January | 11 | 130 | 169 | 310 | 620 |
| February | 17 | 134 | 156 | 307 | 614 |
| March | 19 | 240 | 197 | 456 | 912 |
| April | 17 | 42 | 181 | 179 | 419 |
| May | 17 | 124 | 217 | 205 | 563 |
| June | 9 | 66 | 174 | 219 | 468 |
| July | 21 | 55 | 258 | 189 | 523 |
| August | 2 | 67 | 176 | 208 | 453 |
| September | 30 | 108 | 170 | 233 | 541 |
| October | 48 | 166 | 315 | 241 | 770 |
| November | 37 | 95 | 355 | 232 | 719 |
| December | 13 | 42 | 408 | 232 | 695 |
| Amount | 241 | 1269 | 2776 | 3011 | 7297 |

 Source: (BPS, 2023)

Based on the room occupancy rate of Hotel Dedy Jaya Brebes in the 2022 period, it is 7,297 or around 67%. There are fluctuations in room sales, of course this has an effect on developing service actors, especially the hotel industry. For 1 year the number of rooms has decreased, in April 419 rooms, June 468 rooms, August 453 rooms. The number of hotel rooms experienced a significant increase in March to 912 rooms, but again decreased the following month. The decline in the number of hotel rooms must of course be anticipated by the hotel management by evaluating the causes for the number of consumers who tend to experience this decline. The hotel management has actually set a minimum occupancy rate target in 2022, namely that guests or customers have an average of around 30 to 40 check-in rooms per day. However, in reality the number of rooms in April, June, August 2022 is on average around 400 rooms, which means it is not in line with the target. Only around 13 rooms per day and far from the targets set by the hotel management.

Based on the results of initial observations, it is known that customer perceptions of the results of the questionnaire are as follows.

**Table 3.** Pre-Research Questionnaire Test Results

|  |  |  |
| --- | --- | --- |
| **Observed Indicators** | **Respondent Response Results** | **%** |
| Products/Services | Hotel Dedy Jaya, Brebes has a comfortable lobby. | 36% |
| Price | The room rates offered by Hotel Dedy Jaya Brebes are in accordance with the facilities provided. | 37.5% |
| Promotion | Hotel Dedy Jaya Brebes makes advertisements that are quite interesting and innovative, both in print and electronic media | 40% |
| Human Resource | Hotel Dedy Jaya Brebes employees provide timely service to consumers. | 42% |
| Process | Hotel Dedy Jaya Brebes's receptionist served the check-in process easily | 44% |
| Physical Evidence | The cleanliness of the Dedy Jaya Brebes Hotel rooms is maintained. | 36% |
| Service quality | Hotel Dedy Jaya Brebes provides services according to the wishes of guests / customers. | 36% |
| Customer satisfaction | Hotel Dedy Jaya Brebes provides services according to the needs of guests / consumers. | 35.6% |

Source: Results of pre-research data processing

Based on the results of initial observations, it is known that 36% of customers feel that the room facilities are in comfortable conditions, 37.5% of customers feel that the room rates offered are in accordance with the facilities, 40% of hotel management make advertisements that are quite interesting and innovative in both print and electronic media. 42% of customers stated that the hotel provided services that met expectations, 44% of the hotel served the check-in process easily, 36% of customers felt the cleanliness of the hotel was clean enough, 36% of the hotel provided services according to the wishes of guests/customers, and 35.6% of consumers stated that they did not agree that hotel employees provided timely service to consumers.

Customer loyalty arises when a company is able to fulfill customer satisfaction through quality products or services according to their expectations. Finally, the service quality of a company will generate customer loyalty to the company. When consumers are satisfied, then consumer loyalty will be formed, and the expected end goal is to become customers who are very loyal to the products or services offered by the company. Lovelock in (Safitri & Hayati, 2022) , customer loyalty will continue as long as customers feel that they are getting better value (including high quality in relation to price) compared to what they get from other service provider options. If a company disappoints customers or if a competitor offers better, then the risk of switching customers to another service provider increases.

Customer loyalty is a key factor in maintaining competitiveness in the current technological era (Riono et al., 2020). This is due to the importance of maintaining customer loyalty. It is necessary to understand the difference between a customer and a consumer. Someone can be called a customer if they repeatedly buy the product or service offered within a certain period of time. If someone does not make a repeat purchase within a certain period of time, they can only be considered a consumer, not a customer. According to Griffin in (Putra, 2021), a customer is said to be loyal or loyal if they make purchases regularly or if there are certain conditions that require them to buy at least twice within a certain period of time. In this context, maintaining customer loyalty is important because loyal customers tend to make repeated purchases, which in turn can increase the company's revenue and profitability. In this competitive technology era, maintaining customer loyalty is the key to surviving and growing.

Another factor that influences customer loyalty is customer satisfaction. According to (Tjiptono, 2015) to win the competition, companies must provide the best performance to customers by providing quality services at the best prices. In the statement (Tjiptono, 2015), it is explained that customer satisfaction has a significant impact on several important aspects, such as the formation of customer loyalty, increasing customer satisfaction, reducing price elasticity, reducing future transaction costs, and increasing employee efficiency and productivity. No business can survive without satisfied and loyal customers. This service quality creates a positive experience for customers, which can be measured through the sense of comfort and security felt by customers. This service quality also contributes to the formation of customer loyalty, where customers are satisfied and do not want to switch to other service providers. It is important to note that the quality of service must be in line and balanced with the quality of the products offered by the company, thus creating an overall satisfying customer experience .

One of the factors that influence the formation of customer loyalty is service quality. The essential factor in a hospitality service company is service quality. Loyalty is a process, satisfaction has an effect on perceived quality, which can have an impact on loyalty and intentions for certain behaviors from a customer (Anwar et al., 2022). Services are essentially intangible and do not result in any ownership. Service quality can be interpreted as a comparison between expected service and perceived service where if the service received or perceived is as expected, then service quality will be perceived as good and satisfactory (Nurhayati & Nurhalimah, 2019).

Service quality is very crucial in retaining customers for a long time. Companies that have good service will be able to maximize the company's financial performance. The factors that influence service quality according to (Nurhayati & Nurhalimah, 2019), namely: the ability of employees to provide services, company management patterns, human resource development, harmony of work relations, employee motivation, and policies for providing incentives. The foundation of true loyalty lies in customer satisfaction, where service quality is the main factor (Cheng & Rashid, 2013). Based on (Yodi Pratama, 2014), service user loyalty can be influenced by various factors, such as service quality, service user satisfaction, switching barriers (switching), service value, service user characteristics, competition, and service image.

Besides service quality, another factor that influences customer loyalty is price. In accordance with the explanation (Tjiptono, 2015), price is an important element in the marketing mix that brings revenue to the company and has an impact on the size of profits from the market share that has been obtained. To understand the extent of the role of price in the customer's perspective, it is necessary to carry out further observations. Customer value includes not only quality, but also the price (Tjiptono, 2015). An item/service may have a superior price but when evaluated it has a low value because it is expensive. To determine customer satisfaction by means set prices according to the value received by the customer. In addition, customers already feel a positive attitude towards the product or service they get, then they will foster loyalty.

Price is a component that has a direct effect on company profits. In addition, price indirectly affects costs, because the quantity sold affects the costs incurred in relation to production efficiency. Price is often used as an indicator of value when the price is associated with the perceived benefits of an item or service. Besides that, price is a flexible element, meaning that it can be changed quickly. Price can also be an exchange rate that can be equated with money or other goods for the benefits derived from an item or service for a person or group at a certain time and a certain place. Service is an appearance performance, intangible and quickly lost, more can be felt than owned, and customers can participate more actively in the process of getting the service . Based on the phenomenon above, the authors are interested in discussing further in a study entitled "The Influence of Service Quality and Price on Customer Loyalty with Customer Satisfaction as Intervening Variables (Case Study at Hotel Dedy Jaya Brebes)"

**LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

**Service Quality**

Quality of service as an action or action of a person or organization that has the goal of providing satisfaction to customers or employees (Sudana et al., 2021). Kotler defines service as any action or activity that can be offered by one party to another (Kotler & Amstrong, 2016). According to Parasuraman in (Felsi, 2022) that service quality is how far the difference is between reality and customer expectations for the service they receive. According to Widyaningsih, (2018), service quality is how far the reality and expectations of customers are for the service they get. Service quality is control to fulfill customer desires from the expected level of excellence. Service quality is an important component that must be considered in providing excellent service quality (Riono, 2022).

Service quality is important because it relates to meeting customer expectations (Laetitia et al., 2021). According to (Tjiptono, 2015) service quality is the level of excellence expected and its control over that level of excellence to meet customer desires, can be identified by comparing consumers' perceptions of the service they receive with the service they actually expect. Service quality is based on two main concepts, namely service and quality . Service quality is centered on meeting customer needs and preferences, and the extent to which the delivery meets their expectations. Service quality is strongly influenced by three important factors, namely systems, technology, and human resources (Oktaviani, 2014).

Service quality is a central point for the company because it affects customer satisfaction and customer satisfaction will arise if the quality of service provided is good. It can be concluded that service quality is an action taken by the company in the form of something that is intangible but can be felt by consumers. The quality of services performed by the company is intangible but can be felt by consumers. The main principles in service quality are leadership, education, planning, review, communication, appreciation and recognition (Murdiono et al., 2019).

Parasuraman is explained in (Tjiptono, 2015) develop a service quality model consisting of five dimensions: a). Tangible (physical evidence), related to the attractiveness of the physical facilities, equipment and materials used by the company, as well as the appearance of employees; b). Reliability, refers to the company's ability to provide accurate services from the start without making any mistakes and provide services in accordance with the agreed time; c). Responsiveness , including the willingness and ability of employees to help customers, respond to their requests, and provide information about when services will be provided, and provide services quickly; d). Assurance (guarantee and certainty), related to employee behavior that is able to build customer trust in the company and create a sense of security for customers; e). Empathy , that the company understands the problems faced by customers, acts in the interests of customers, gives personal attention to customers, and has comfortable operating hours. By integrating these definitions and dimensions, companies can work to understand, measure and improve the quality of their services in order to better meet customer expectations.

**Price**

Price is a measure of the size of the value of one's satisfaction with the product he buys (Ikhwan & Indriyani, 2022). Price is a statement of the value of a product, price is an obvious aspect, and price is the main determinant of demand (Pratama et al., 2022). Price is the value of an item expressed in money (Harini & Riono, 2022). In addition, price is the amount of money charged for an item or service or the amount of money exchanged by consumers for the benefits of owning or using the product or service (Dumadi, 2019).

Pricing is a problem when companies must determine the price for the first time. Pricing method or method determination price (Apipah et al., 2022), can done with some method determination price markup, assignment price based on target return (target return pricing), determination price based on mark Which in perceive (perceived value), setting the price (value pricing), pricing according to the prevailing price (going rate pricing), and setting a closed tender price. Pricing objectives include obtaining maximum profit, obtaining a certain market share, milking the market (market skimming), achieving maximum sales revenue levels, achieving targeted profits, and promoting the product.

Someone will dare to pay for a product at a high price if he assesses the satisfaction he expects from the product or service he will buy is very high. Conversely, if a person assesses his satisfaction with a product is low, he will not be willing to pay or buy the product or service at a high price. Loyal customers will also pay attention to the prices set for the products they use. According to Dumadi, (2021) price aims to prevent competitors from entering which will damage market share and maintain customer loyalty.

price indicators according to (Kotler & Amstrong, 2016), namely: a) affordability. Consumers can reach the price set by the company. There are usually several types of products in one brand and the prices also differ from the cheapest to the most expensive. With the price set, many consumers buy the product; b) suitability of price with product quality. Price is often used as an indicator of quality for consumers, people often choose the higher price between two goods because they see a difference in quality. If the price is higher, people tend to assume that the quality is also better ; c) price competitiveness. Consumers often compare the price of a product with other products. In this case, the high and low price of a product is very much considered by consumers when buying the product; d) suitability of price with benefits. Consumers decide to buy a product if the perceived benefits are greater or equal to what has been spent to get them. If consumers feel the product benefits are smaller than the money spent, consumers will think that the product is expensive and consumers will think twice about making a repeat purchase.

**Customer loyalty**

Loyalty is loyalty, determination and ability to obey, implement and practice something with full awareness and responsibility (Hery 2018:31). Customer loyalty is a deeply held commitment to buy or re-patronize a preferred product or service in the future, even though situational influences and marketing efforts have the potential to cause customers to switch (Kotler & Keller, 2016). Customer loyalty is a reliable measure to predict sales growth and customer loyalty can also be defined based on consistent buying behavior. Meanwhile, according to Dharma, (2017) customer loyalty is a consumer who is said to be loyal or loyal if the consumer shows regular buying behavior or there is a condition in which consumers are required to buy at least twice within a certain time interval. It can be concluded that consumer loyalty is an attitude that drives behavior to purchase products or services from a company that includes aspects of feeling in it, especially those who buy regularly and repeatedly with high consistency, but not just repurchasing an item and services, but also has a commitment and a positive attitude towards companies that offer these products/services.

According to Griffin in (Septiani & Nurhadi, 2020) that loyal customers have the following characteristics: a) make purchases regularly, that is, consumers make continuous purchases of a particular product, b) make purchases across all product or service lines, namely consumers not only buy services and main products but consumers also buy product lines and services from the same company, c) recommend other products, namely where consumers communicate by word of mouth regarding these products, d) show immunity from the attractiveness of similar products from competitors, namely consumers refuse to use alternative products or services offered by competitors.

Marconi in (Candra et al., 2019) mentions the factors that influence loyalty, as follows: value (price and quality), image (both from the personality it has and the reputation of the product) of the company and the brand begins with awareness, convenience and ease of obtaining products, consumer satisfaction who are satisfied with a product or brand that is consumed will have the desire to repurchase the product or brand, good quality service offered by a brand can affect consumer loyalty to the product, and guarantees and warranties provided by the brand will make consumers loyal. Dharma 's customer loyalty indicators , (2017) are as follows: making repeat purchases is the intention to buy that consumers make more than one purchase, recommending to other parties is suggesting or recommending to others about the product or service being purchased, not intending to move is consumers are loyal to the product or service they like and are reluctant to switch brands, and talking about positive things is talking about positive things about the product purchased .

**Customer Satisfaction**

Customer satisfaction is a form of feeling arising from what the customer expects to be felt in a product which can then reduce the chances of wanting to switch to other products or companies (Nurhayati & Nurhalimah, 2019). Customer satisfaction is the success of a business because it can increase the level of profitability and expand market share where this feeling of satisfaction will lead to plans to repurchase and vice versa if the customer feels dissatisfied, then the customer will respond by keeping silent or can also complain about complaints that felt (Nurhayati & Nurhalimah, 2019). Customer satisfaction is determined from the customer's assessment of product performance that has been felt against its expectations (Felsi, 2022). According to Lupiyoadi, (2013:158) there are five main factors in determining customer satisfaction by companies, namely: product quality, service quality, emotionality, and price.

In addition, customer satisfaction is determined by the quality of goods or services desired by customers, so quality assurance is a top priority for every business. The creation of customer satisfaction can provide several benefits, including the relationship between the company and its customers to be harmonious, provide a good basis for repeat purchases and create customer loyalty, and form a word of mouth recommendation that benefits the company. Increased customer satisfaction will also increase the tendency to return to using the products or services offered by hotel management. Conditions like this will have an impact on the performance of the hotel business. Increasing the number of customers is a very valuable asset for hotel management in increasing profitability.

Customer satisfaction is formed through various aspects of service quality that can be perceived by consumers. First, physical quality involves the visual aspects of the service, such as the appearance and physical condition of the facilities, equipment and materials used by the company. Second, the success of the service in meeting the needs, functions, and value expected by consumers, also known as reliability, is very important. Third, responsiveness is about how fast and responsive employees are in providing services, as well as their ability to provide the necessary information to customers. Furthermore, assurance involves customers' belief that the information they receive from the company when receiving services is accurate and reliable. Finally, empathy is an important aspect that includes the desire to help that arises when customers face difficulties, both in making purchase decisions and in overcoming problems related to the company's products or services.

Research (Yulianto et al., 2020) identifies indicators forming customer satisfaction consisting of: conformity of expectations is the level of conformity between service/product performance expected by consumers and what is felt by consumers, intention to visit or repurchase is the willingness of consumers to visit or re-use related services or goods, and a willingness to recommend is a consumer's willingness to recommend.

**RESEARCH METHOD**

The type of research used in this study is causal, because causal research is used to obtain evidence of a causal relationship (Sugiyono, 2017). The design of this study is to determine whether service quality, price affects customer loyalty through customer satisfaction as an intervention. The research was conducted for 6 months from February to July 2023, at Hotel Dedy Jaya which is located at Jalan Ahmad Yani No. 122 Brebes. There are three variables used in this study, namely the dependent variable, independent variable, and intervening variable. The dependent variable in this study is customer loyalty, while the independent variables in this study are service quality and price, as well the intervening variable in this study is customer satisfaction. The location chosen was Brebes City on the grounds that the city center has a very fast growth in the community's economic sector and has a dense population. Apart from that, technically, Brebes City fulfills the category of conducting relevant research, namely because there are many hoteliers who are suitable for research. While the object under study is the behavior of customers who have used or stayed at Hotel Dedy Jaya Brebes which includes customer satisfaction and customer loyalty in using lodging services which will then be linked to the variables of service quality and price.



**Figure 1.** Thinking Framework

Validity test was carried out to ensure that all statement items in the questionnaire were valid. The results of the validity test show that the r calculated value is greater than the r table value (0.361), so it can be concluded that all statements in this questionnaire are considered valid. Reliability testing in this study used the Cronbach's Alpha method (alpha coefficient). A questionnaire is considered reliable if it has a Cronbach's Alpha value of more than 0.60. The test results show that the statements in this research instrument (questionnaire) are considered reliable and can be used as a measuring tool to measure the effect of service quality and price on customer loyalty through satisfaction as an intermediary variable.

The population in this study consisted of customers at Hotel Dedy Jaya Brebes, which totaled around 608 people. A sample of 86 respondents was taken using the Slovin formula with a margin of error of 10%, so this sample is considered to represent the population well. The sampling method used was purposive sampling, which means that the respondents were selected based on certain criteria set by the researcher in accordance with the research objectives. The questionnaire is a data collection method used in this study, namely by distributing a list of written questions relating to variables. The questionnaire used consisted of open and closed statements. Open questions are the identity of the respondent while closed questions include questions related to indicators in research with answers that the respondent must choose. The instrument used in this study was a structured questionnaire which was given directly to the respondents. Statements in the questionnaire use a Likert scale as a measurement tool with a score from 1 to 10.

The data obtained were analyzed using descriptive statistics and inferential statistics. Descriptive statistical analysis is a statistical calculation, both describing the characteristics of the sample and the relationship between variables in the sample. Descriptive statistics simply summarize a sample set of observations. Descriptive statistics are a medium for describing data in a managed form (Rahyuda, 2017). Inferential statistical analysis is a statistical calculation that helps researchers to draw conclusions about the population. Conclusions are drawn based on information obtained from observations (samples) of the population (Rahyuda, 2017). Inferential statistics are the body of statistical computations that are relevant for making inferences from findings based on sample observations of the larger population. This study uses an inferential analysis technique, namely PLS. PLS is an analytical method that can be applied to all data scales, does not require a lot of assumptions, does not require a large sample size, can be used for proof of theory, and can also be used to develop relationships that do not yet have a strong theoretical basis.

The data analysis technique used is Partial Least Square (PLS). Partial Least Square (PLS) is a method for analyzing data that is maximal because not many assumptions are used as a basis. Testing the mediating effect in the analysis using PLS uses the procedure developed by Baron and Kenny (1998) in the (Imam Ghozali, 2015)following stages:

1. The first model examines the effect of exogenous variables on endogenous variables and must be significant at the t-statistic > 1.96.
2. The second model examines the effect of exogenous variables on mediating variables and must be significant at the t-statistic > 1.96.
3. The third model, simultaneously examines the effect of exogenous and mediating variables on endogenous variables.

In the final stage of testing, if the effect of exogenous variables on endogenous variables is not significant while the effect of mediating variables on endogenous variables is significant at t-statistics > 1.96, then mediating variables are proven to mediate the effect of exogenous variables on endogenous variables.

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**RESULTS AND DISCUSSION**

**Evaluation of Measurement Model (Outer Model)**

Average Variance Extracted ( AVE) index , Composite Reliability, R Square, Cronbachs Alpha can be seen in the following table.

**Table 4.** Convergent Validity Test Results

|  |  |  |  |
| --- | --- | --- | --- |
| **Indicator** | **AVE** | **Composite Reability** | **Cronbach's Alpha** |
| Quality of Service (X1) | 0.754 | 0.937 | 0.935 |
| Price (X2) | 0.863 | 0.948 | 0.947 |
| Customer Loyalty (X3) | 0.784 | 0.947 | 0.944 |
| Consumer Satisfaction (Y1) | 0.955 | 0.931 | 0.930 |

 Source: Results of 2022 PLS data processing

Based on the results of the convergent validity test, it was stated that all variables met composite reliability because their values were above the recommended figure, which was above 0.7 which met the criteria of being reliable. The following are the results of the outer model test which show the outer loading value using the Smart PLS 4 analysis tool.



**Figure 2.** Outer Model Test Results

Based on the results of the outer model test, it shows that as many as 19 of all indicators have a value greater than 0.7. To see the loading factor value, service quality construct data can be seen in the following table.

Table 5. Value of Service Quality Exogenous Construct Loading Factor

|  |  |  |
| --- | --- | --- |
| **Construct** | **Item Code** | **Loading Factor** |
| Service quality | KP1 | 0.856 |
| KP2 | 0.869 |
| KP3 | 0.838 |
| KP4 | 0.910 |
| KP5 | 0.875 |
| KP6 | 0.859 |

 Source: Results of 2022 PLS data processing

Based on the results of the loading factor value of the exogenous construct of service quality, it shows that the loading factor value has above 0.7 as many as 6 indicators. To see the value of the loading factor, the price construct data can be seen in the following table.

Table 6. Price Exogenous Construct Loading Factor Value

|  |  |  |
| --- | --- | --- |
| **Construct** | **Item Code** | ***Loading Factor*** |
| Price | H1 | 0.941 |
| H2 | 0.951 |
| H3 | 0.914 |
| H4 | 0.910 |

 Source:Results of 2022 PLS data processing

Based on the results of the price exogenous construct factor loading values indicate that the loading factor values have above 0.7 as many as 4 indicators. To see the loading factor value, customer loyalty construct data can be seen in the following table.

Table 7. Loading Factor Exogenous Construct Customer Loyalty Values

|  |  |  |
| --- | --- | --- |
| **Construct** | **Item Code** | ***Loading Factor*** |
| Customer loyalty | LP1 | 0.944 |
| LP2 | 0.935 |
| LP3 | 0.852 |
| LP4 | 0.887 |
| LP5 | 0.858 |
| LP6 | 0.830 |

 Source: Results of 2022 PLS data processing

Based on the results of the loading factor value of the exogenous construct of customer loyalty, it shows that the loading factor value has above 0.7 as many as 6 indicators.

**Discriminant Validity**

Discriminant validity is used to ensure that each concept from each latent model is different from other variables .

Table 8. Cross Loading Value

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item Code** | **Price** | **Consumer Satisfaction** | **Service quality** | **Customer loyalty** |
| H1 | 0941 | 0.808 | 0.826 | 0.822 |
| H2 | 0.951 | 0.769 | 0.769 | 0.809 |
| H3 | 0914 | 0.747 | 0.792 | 0.798 |
| H4 | 0910 | 0.718 | 0.730 | 0.781 |
| KK1 | 0.780 | 0.940 | 0.844 | 0.771 |
| KK2 | 0.769 | 0.935 | 0.731 | 0.743 |
| KK3 | 0.752 | 0.934 | 0.798 | 0.812 |
| KP1 | 0.709 | 0.672 | 0.856 | 0.710 |
| KP2 | 0.690 | 0.698 | 0869 | 0.724 |
| KP3 | 0.705 | 0.678 | 0.838 | 0.772 |
| KP4 | 0.763 | 0.825 | 0910 | 0.783 |
| KP5 | 0.756 | 0.802 | 0.875 | 0.782 |
| KP6 | 0.782 | 0.719 | 0.859 | 0.778 |
| LP1 | 0821 | 0.793 | 0.851 | 0.944 |
| LP2 | 0.765 | 0.750 | 0.804 | 0.935 |
| LP3 | 0.717 | 0.661 | 0.681 | 0.852 |
| LP4 | 0.734 | 0691 | 0.796 | 0887 |
| LP5 | 0.733 | 0.727 | 0.765 | 0.858 |
| LP6 | 0.809 | 0.771 | 0.735 | 0.830 |

 Source: Results of 2022 PLS data processing

Based on the test results, the cross loading value for each construct has a value of more than 0.7. This shows that the manifest variable in this study correctly explains the latent variable and proves that all of these items are valid.

**Composite Reliability**

Composite reliability is usedto measure the reliability of a construct in PLS-SEM with the Smart PLS application.

**Table 9. Construct** Test Results for Reliability and Validity

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Indicator** | **Conbach's Alpha** | **Composite Reliability (rho\_a)** | **Composite Reliability (rho\_c)** | **Average Variance Extracted ( AVE)** |
| Service Quality | 0.935 | 0.937 | 0.948 | 0.754 |
| Price | 0.947 | 0.948 | 0.962 | 0.863 |
| Customer loyalty | 0.944 | 0.947 | 0.956 | 0.784 |
| Customer satisfaction | 0.930 | 0.931 | 0.955 | 0.877 |

 Source: Results of 2022 PLS data processing

Based on the results of the reliability and validity construct tests, it can be seen that all variable values in the reliability test using either Cronbach's alpha or composite reliability have a value above 0.7, and validity testing uses AVE with a value of more than 0.5. Therefore, it can be concluded that the variables tested are valid and reliable, so that structural model testing can be carried out.

**Evaluation of the Structural Model (Inner Model)**

Evaluation of the structural model aims to predict the relationship between latent variables based on the substantive theory of the structural model evaluated using R-Square for the dependent construct.

**Table 10.** R Squares Test Results

|  |  |  |
| --- | --- | --- |
| **Indicator** | **R Square** | **R Square Adjusted** |
| Customer satisfaction | 0.754 | 0.748 |
| Customer loyalty | 0.826 | 0.820 |

 Source: Results of 2022 PLS data processing

Based on the test results, the first R-Squares value is 0.754. This value indicates that the variable service quality and price affect the customer satisfaction variable by 75.4%. Meanwhile, the second R-Squares value is 0.826. This value indicates that the variable service quality and price affect the customer loyalty variable by 82.6%, the rest is influenced by other variables outside the variables in this study.

**Table 11.** Test Results t

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator** | **Original Samples (0)** | **Means** | **STDEV** | **Q****Statistics** | **P values** |
| Service Quality🡪Customer Loyalty | 0.409 | 0.422 | 0.138 | 2,971 | 0.003 |
| Price🡪Customer Loyalty | 0.370 | 0.377 | 0.111 | 3,350 | 0.001 |
| Service Quality🡪Customer Satisfaction | 0.540 | 0.547 | 0.114 | 4,722 | 0.000 |
| Price🡪Customer Satisfaction | 0.362 | 0.356 | 0.109 | 3,330 | 0.001 |
| Customer Satisfaction 🡪Customer Loyalty | 0.179 | 0.159 | 0.096 | 1,857 | 0.063 |

Source: Results of 2022 PLS data processing

Based on the results of the t test, the determination of the hypothesis is accepted or rejected is described as follows:

1. The service quality construct has a t-statistical value of 2.971 greater than 1.96, and a p-value of 0.003 less than 0.05. The first hypothesis which states that there is an effect of service quality on customer loyalty is accepted/proven.
2. The price construct has a t-statistic value of 3.350 greater than 1.96, and a p-value of 0.001 which is less than 0.05. The second hypothesis which states that there is an effect of price on customer loyalty is accepted/proven.
3. The service quality construct has a t-statistical value of 4.722 greater than 1.96, and a p-value of 0.000 less than 0.05. The third hypothesis which states that there is an effect of service quality on customer satisfaction is accepted/proven.
4. The price construct has a t-statistic value of 3.330 greater than 1.96, and a p-value of 0.001 which is less than 0.05. The fourth hypothesis which states that there is an effect of price on customer satisfaction is accepted/proven.
5. The consumer satisfaction construct has a t-statistical value of 1.857 greater than 1.96, and a p-value of 0.063 less than 0.05. The fifth hypothesis which states that there is an effect of customer satisfaction on customer loyalty is proven.

**Discussion**

* + - 1. **Effect of Service Quality on Customer Loyalty**

Service quality affects customer loyalty. Good service quality can lead to satisfaction. If the service received or felt by the customer matches or even exceeds customer expectations, then the service is considered to be of high quality and satisfactory. When satisfaction has arisen, customer loyalty will be formed . The results of this study are in accordance with the results of research (Sari & Andjarwati, 2018) that Service quality has a positive effect on customer loyalty, both direct and indirect. According to (Safitri & Hayati, 2022) companies must be able to compete in one business by creating customer satisfaction by improving service quality. Customer satisfaction can provide customer loyalty and is a good promotional medium with increasing environmental demands for service quality, improving service quality is a way to compare services to other services that the customer feels.

* + - 1. **Effect of Price on Customer Loyalty**

Prices affect customer loyalty. The role of price fixing will be very important, especially in conditions of increasingly fierce competition and limited demand development. In today's increasingly fierce competition, which is especially felt in the buyer's market, the role of price is very important, especially to maintain and improve the company's position in the market, which is reflected in the company's market share , in addition to increasing company sales and profits. The findings from this study are in line with the results of previous research conducted by (Septiani & Nurhadi, 2020) , which showed a significant and positive effect of price on customer loyalty. According to research (Andalusi, 2018) explains that price is a value that must be paid for a product or service that consumers sacrifice to gain profit to obtain a product or service. Cheap and high prices a service is relative. The research results that are in accordance with this research are research conducted by (Setyaji & Ngatno, 2016) which explains that direct price has a significant influence on customer loyalty . In addition, it is supported by previous research, namely (Cardia et al., 2019) explaining that price has a positive effect on customer loyalty, price is also an important factor in customer satisfaction which can bring loyalty.

* + - 1. **Effect of Service Quality on Customer Satisfaction**

Service quality affects customer satisfaction. That service quality has a major influence in creating customer satisfaction. This is because the provision of good service quality will bring a sense of satisfaction to customers who have enjoyed the service. Customers tend to feel satisfied when they get good service, so that they feel happy. The better the quality of service provided, the higher the level of customer satisfaction. That service quality has a significant impact on customer satisfaction. These results support and strengthen research by (Aristia, 2021). The findings from this study are in line with the theory that service quality has a significant impact on customer satisfaction. According to (Kotler & Keller, 2016) explains that product or service quality, customer satisfaction, and company profitability are three aspects that are very related to one another. The results of this study are also consistent with the results of research conducted by (Aprileny et al., 2022), which shows that service quality has a positive influence on customer satisfaction. This indicates that the higher the quality of services provided, the higher the level of customer satisfaction. A similar statement was also expressed by (Kresnamurti Rivai P et al., 2019), which emphasized the significant influence of service quality on customer satisfaction. In addition, the view (Hartono, 2013) also shows that better service quality has a significant impact on increasing customer satisfaction, because the better the service received, the more satisfied the customer will be.

* + - 1. **Effect of Price on Customer Satisfaction**

Prices affect customer satisfaction. Price has an important role in the decision-making process, namely the role of price allocation is to help buyers to obtain products or services with the best benefits based on their purchasing power. The results of this study strengthen research (Ariyanti et al., 2022) that price has a major effect on creating customer satisfaction. Price plays an important role in the marketing mix, because pricing is directly related to the income received by the company. For companies, in setting prices it must be in accordance with the consumer's economy so that consumers can buy these goods. And for consumers, price is a consideration for making decisions in obtaining goods/services as well as perceptions about these products/services.

* + - 1. **The Effect of Customer Satisfaction on Customer Loyalty**

Customer satisfaction on customer loyalty. A customer, if he is satisfied with the value provided by a product or service, is very likely to be a customer for a long time. One way to get loyal customers is to consistently satisfy consumer needs from time to time. The results of this study are the same as research that has been conducted by (Supertini et al., 2020) that customer satisfaction has an influence on customer loyalty. This shows that the higher customer satisfaction will increase loyalty customer. It can be concluded that customer satisfaction is the biggest factor influencing customer loyalty. The results of this study are supported by the results of previous research by (Oktaviani, 2014) explains that customer satisfaction has a significant effect on customer loyalty. Product quality has a significant effect on customer satisfaction. Customer satisfaction has a significant effect on customer loyalty.

**CONCLUSION**

Based on the results of the analysis that has been done, the conclusions that can be obtained from this study are as follows:

1. There is a positive and significant influence of service quality on customer loyalty at Hotel Dedy Jaya Brebes.
2. There is a positive and significant price effect on customer loyalty at Hotel Dedy Jaya Brebes.
3. There is a positive and significant influence of service quality on customer satisfaction at Hotel Dedy Jaya Brebes.
4. There is a positive and significant price effect on customer satisfaction at Hotel Dedy Jaya Brebes.
5. There is a positive and significant influence of customer satisfaction on customer loyalty at Hotel Dedy Jaya Brebes.

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