

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

Nowadays, Hospitality and Tourism Industry is the most profitable business in generating foreign exchange. Hospitality and Tourism Industry is a potential sector which must be developed and maintained to encourage the development of a country or tourist area.

This is proven by many hotels have been built which attract tourist to come and enjoy the facilities. Hotel is one of the main tools to support tourism industry in Indonesia where tourist could stay a whole day because hotel has the facilities to provide their needs such as food, beverages, and also another services. Hotel is also a place to relax after their long activities. Therefore, hotel could be one of the tool to reach tourist satisfaction.

According to Indonesia Ministry of Transportation, Hotel is a commercially accommodation which provided lodging services along with food and drinks. (SK. MenHub.RI.No.PM 10/PW\_391/Phb-77)

Business world in Indonesia is full of competition for every hotel always tries to increase market share and gain new consumers. Hotel must be able to determine the best market strategy in order to withstand or even winning the competition thus achieving company's goal. Basically, more competitors, more choices for customers to choose to meet their expectation.

High competition in hotel industry gives the result of hardly increases in number of customers. With more players and facilities offered, resulting in lots of hotel to seize competitors' market share. Intense competition indirectly will influence the company to maintain their market share and at the same time work harder to maintain their customer's loyalty. Due to those reasons, maintaining customers' loyalty is important for all hotels need extra efforts to increase the number of customers.

According to Oliver in Boscha, M. (2017), customer loyalty is customer commitment to repurchase products or services from the company even though the influence of marketing has the potential to cause changes in behavior. However, Loyalty will not be created without effort, it needs strategy to maintain customer. Hotel must be able to recognize customer's need and wish at the current circumstances even the one in the future to create customer loyalty. One of the ways to achieve customer loyalty is to create a good brand image in the eyes of the customer. Ability to make a strategy to build brand image will make a lot of benefit to the company. As well as the growing number of hotel brand and existing brand competition increasingly fierce, for instance St Regis, Ritz Carlton, Aston, J.W. Marriott, Mercure and many more.

Nowadays, brand has been transformed to be one of the most important assets for hotel. It's not only a symbol or name, it has been developed to be a huge source of benefit for company. A strong brand is a brand that is more different, relevant, and more superior from its rivals. Keller in Ibrahim (2017) explains brand image as a set of beliefs, ideas, and impressions of a person about a product, because of that the attitude and action of a customer towards a product is determined by the brand image. Customers in choosing a product will go through the experimental stage, at this stage customer will try several different types of similar products. While they found the product that meets their expectations, they will become a loyal customer.

However this final paper aims to investigate the effect of brand image towards customer loyalty. This aim also serves as the research question of the paper. In order to fulfill those goals, the author will use the case study of Po Hotel, Semarang, Indonesia. Po Hotel, which was Crowne Plaza Hotel previously was a five-star hotel in Semarang which was well-known as the famous yet luxurious hotel with their finest service and facilities. Located in the heart of Semarang city, Jalan Pemuda with contemporary design and extremely spacious rooms, Po Hotel is truly a modern and upscale hotel in Semarang. Perfectly placed within downtown business district, it is an ideal

destination for both business and leisure travelers. Adjacent to Paragon Mall, the largest and most modern shopping mall in the city and surrounded by banks, corporate and government offices, with 270 rooms, Grand Ballroom, four meeting rooms, two International restaurants, lobby lounge and fitness centre with warm hospitality made Po Hotel as one of the best hotels in Semarang.

However, this research is done at Po Hotel for its history. History behind this hotel was its name and its management. Firstly, the name of the hotel was Crowne Plaza Hotel which had chain connection to Intercontinental Hotel Group which has about 5000 hotels across nearly 100 countries. After the collaboration end in 2018, the owner changed the hotel's name to his personal brands, Po Hotel under the Pollux Property management. However, based on the observation held by the writer, after the name had changed, there were several statements from guests that the brand image of the hotel which was the most luxurious hotel in Semarang, with the finest services and facilities were degrading. The main objective of this research is to investigate whether the brand image of this hotel still can be maintained after the change of name and management system or the brand image of the hotel has been degrading. Besides, this final paper will also investigate about the correlation between brand image and customer loyalty. Because of that, the author is interested in conducting research with the title: **“The Effect of Brand Image towards Customer Loyalty in Po Hotel, Semarang”**.

## **1.2. Problem Limitation**

This final paper aims to investigate how Brand Image provides value and how it creates guest loyalty. In order to investigate the effect of brand images towards customer loyalty, the author will use the case of study in one of the most luxurious hotel in Semarang, Po Hotel which is well-known as the famous yet luxurious hotel with their finest service and facilities. This hotel was also chosen as the best hotel in Semarang. This particular hotel was chosen primarily due to author ability to gain permission to do the research,

Finally, based on the author, this final paper aims is to highlight The Effect of Brand Image towards Customer Loyalty at Po Hotel, Semarang while the problem limitation will be listed below:

1. The survey will be spread using online questionnaires to the guests who have stayed for minimum two times at The Po Hotel.
2. Variables that will be used are limited to brand Image and customer loyalty.
3. The questionnaires will only be spread in a week

### **1.3. Problem Formulation**

According to the Background of the Study, to fulfill the goals of investigating the effect of brand images towards customer loyalty at The Po Hotel, Semarang; the Problem Formulations are:

1. What is Po Hotel brand image in the eyes of their customers?
2. Does brand image have effect towards customers' loyalty at Po Hotel, Semarang?

### **1.4. Research Objective**

According to Background of the study and the problem formulation which has been listed before, the purpose of this research is:

1. To know the brand image of Po Hotel in the eyes of their customers.
2. To know if there is any effect of brand image towards customer loyalty at Po Hotel, Semarang.

## **1.5. Benefit of the Research**

### **1.5.1. Theoretical Benefit**

According to the theoretical benefit, this result of this study are expected to enrich concepts and theories that encourage knowledge, especially in hospitality management that relates to the influence of brand image towards customer loyalty of Po Hotel, Semarang. Besides, this research also could be used as a reference or guidance for the next researcher.

### **1.5.2. Practical Benefit**

For the practical benefit, the results of this study are expected to help Po Hotel to evaluate and use the research results as suggestions in increasing customer loyalty and retaining customers.

## **1.6. Systems of Writing**

This research will be divided to five sections. Explanation as the following will briefly describe each of the chapter:

### **CHAPTER I : INTRODUCTION**

Introduction chapter is divided into six sections which begin with introduction, which explains briefly about the research's background of the study, followed by problem limitation explaining the restricted study of this research for customers, followed by the problem formulation giving a question which will be answered in this research, followed by objectives of the research also explain the benefits of the research for different parties.

### **CHAPTER II: LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

Literature review consists of five sub sections which firstly explaining briefly the theoretical background such as the definition of the brand images and customers loyalty, also the indicator for both brand images and customer

loyalty, followed by at least five previous researches. There is also Hypothesis development, Research model and Framework of thinking which describes the two variables of the study.

### CHAPTER III : RESEARCH METHODOLOGY

This chapter contains five sub sections and the explanation which start with research design which talks about the types of research which is being used in this study, followed by the population and sample, what type of the data collection method is being used in this research, operational variable definition, variable measurement and lastly, data analysis method which explains about the analysis of the data which has been collected.

### CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter is divided into three sub sections. The three sub-section consists of general view of research object which shows the general description of the object that will be studied, followed with data analysis which shows the result of data analysis that has been conducted in this research. For this research is quantitative research, it will show the classic test assumption and the statistical result, next it will be followed by discussions which describe the results from data analysis thoroughly.

### CHAPTER V : CONCLUSION

Conclusion chapter contains three sub-sections which start with conclusion which is a brief, precise and clear explanation of what have already explained in discussion chapter. Next, it will be followed by the implication which contains the impact of the result of the research conducted theoretically and or practically, and the last one will be recommendation which explains the suggestions to the external parties.