

CHAPTER I

INTRODUCTION

1.1. Background of the Study

As the world's largest archipelago with over 17,000 islands and 1,9 million square kilometers of total land (Embassy of Indonesia, 2018), Indonesia has been long regarded as one of the world's most famous tourism destinations. Due to Indonesia's unique and breathtaking nature, where such can be seen reflected in forms of botanical gardens, marine parks, and so forth, it gave rise to the development of hospitality and tourism industry. Indonesia has a general tropical, hot, and humid climate, and more bearable temperatures in the highlands (Climate Change Knowledge Portal, 2020). Terrain-wise, Indonesia is mostly coastal lowland with larger islands having interior mountains with rich soil supporting the abundance of flora and fauna. Mangrove swamps and marshes are commonly found and thrive along the coast, with tropical forests home of oak, pine, and hardwood trees. The lavish forest cover also prompts diversity of animal life (countryreports.org, 2022)

These aspects boost the development of the tourism industry, particularly the constructions of copious numbers of hotels all over the country. Stated in the most recent report of the Indonesia Central Bureau of Statistics (BPS) entitled "2022 Indonesian Hotel and Other Accommodation Statistics", or "*Statistik Hotel dan Akomodasi Lainnya di Indonesia 2022*" (*Badan Pusat Statistik*, 2022), there is a total of 29,742 accommodation

providers in Indonesia, an increase of approximately two thousand entities from the year 2021. With such a saturated market, hotels will strive to make use of their physical environments and turn them into their unique selling points, so as to be able to sustain their operations in the industry. With that being said, hotels need to be able to innovate to appeal to customers, yet still be rooted in the local cultures.

Physical environment, as defined by Farland et al. (2022) involves the integrity, comfort, and functionality of structures, equipment, fittings, furnishings, outdoor areas, and so forth. Moreover, Bitner (1992) as cited in Uboegbulam (2021) believed that physical setting is crucial in forming expectations of guests, in giving the company its unique identity, smooth the goals in achieving customers' satisfaction and affects the overall nature of the customers' experience. Thus, it is of the utmost importance that companies in the service sector, particularly the hotel industry to map out their physical environment and implement their own aesthetics in a way so that leaving an impression on their customers is possible.

Ramya et al. (2019) defines service quality as how an establishment or service provider is able to efficiently deliver services that meet customers' expectations and satisfaction, through which will improve business, Service quality is often considered one of the key factors affecting repurchase intention on customers and that businesses are striving to better themselves in quality and satisfaction.

Jang & Namkung (2019) defines revisit intention as the perceived likelihood that a guest returns to an establishment in the future. It is also one of the favorable post-consumption behaviors that are fundamental components in building tourism loyalty. Uboegbulam (2021) argued that both physical environment and service quality have the same and particularly significant influence on guests' revisit intention, implying that with both aesthetic physical environment and top of the line service, customers will be left with a strong impression that will make revisits more likely to happen.

Located at Jl. Gatot Subroto No. 395, Sei Sikambing D, Medan, Four Points by Sheraton Medan is a 4-star hotel under Marriott that is situated in Medan's vibrant business district. An abundance of historic, religious, and cultural sites is in the vicinity of the hotel, such as Royal Maimun Palace, Great Mosque of Medan, Sri Mariamman temple, and Rahmat International Wildlife Museum & Gallery. Four Points by Sheraton offers upscale amenities and quality service, including a contemporary restaurant, a stylish lounge with floor-to-ceiling windows, apart from the elegant coffee-accentuated rooms and suites. Despite what is being offered, the hotel experienced a fluctuation in the number of returning guests but is very low overall, as shown in the table below:

Table 1.1 Occupancy Rate and Revisit Rate Of 2023

Month	Occupancy	Revisit Rate
January	31.50%	7.52%
February	29.40%	5.08%
March	38.69%	8.69%
April	40.18%	6.28%

Source: Four Points by Sheraton Medan (2023)

The establishment received a satisfactory rating of 4.5 stars from 5,038 reviews on Google Reviews, and a rating of 8.5 out of 10 from 6,708 reviews on Traveloka. The reviews from both platforms range from the establishment's location, services, to the overall condition of rooms and the restaurant.



Figure 1.1 Guest's Review
Source: Google Reviews (2023)

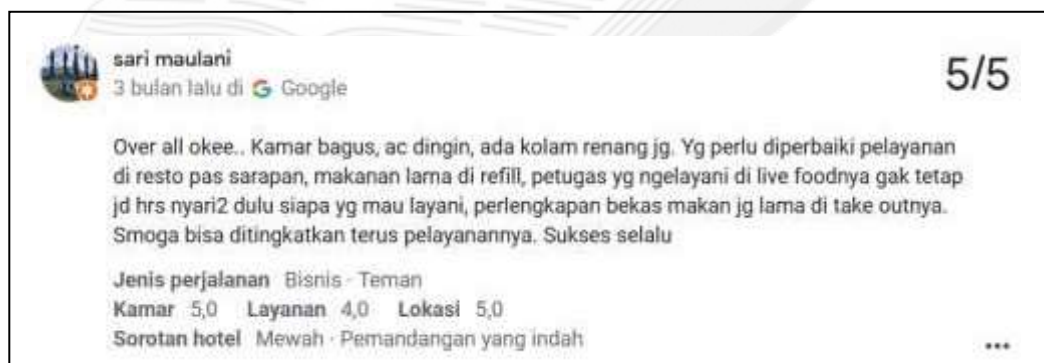


Figure 1.2 Guest's Review
Source: Google Reviews (2023)

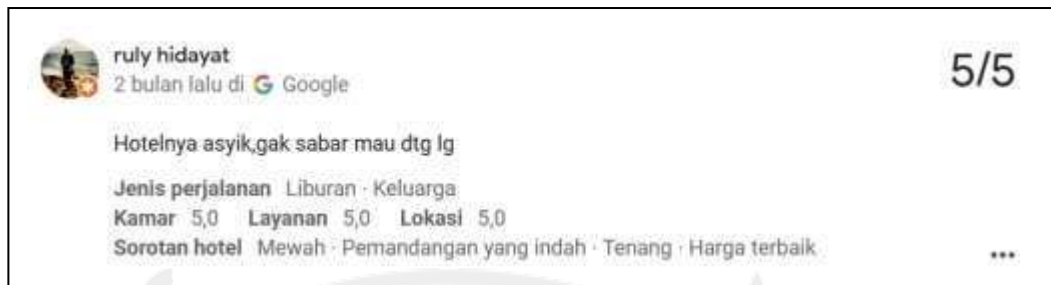


Figure 1.3 Guest's Review

Source: Google Reviews (2023)

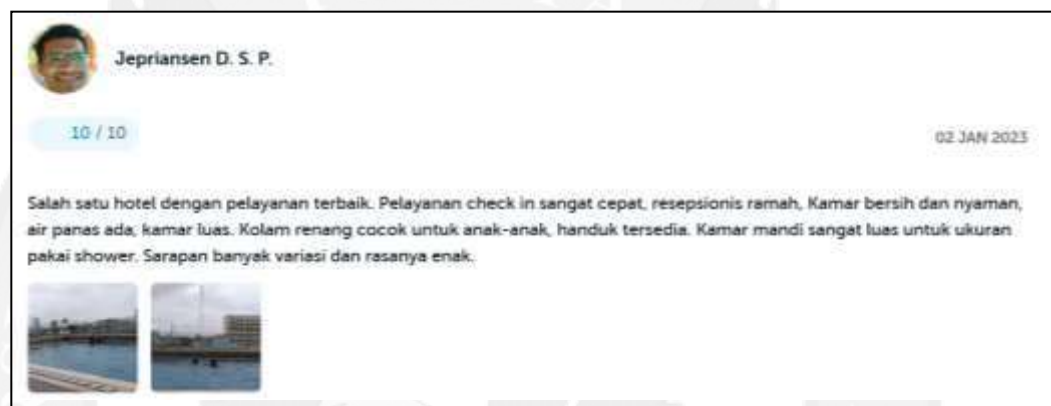


Figure 1.4 Guest's Review

Source: Traveloka Reviews (2023)

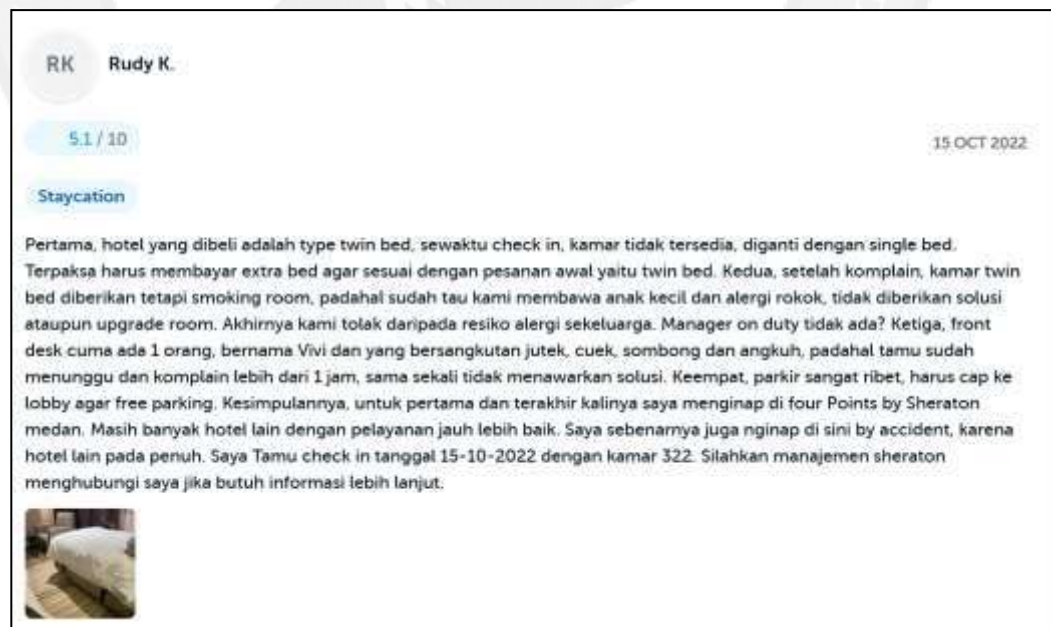


Figure 1.5 Guest's Review

Source: Traveloka Reviews (2023)

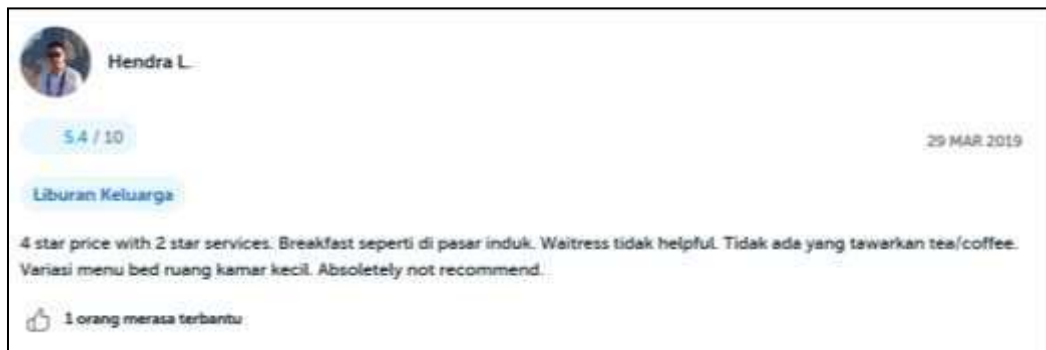


Figure 1.6 Guest's Review

Source: Traveloka Reviews (2023)

It can be observed from the comments and reviews above that guests have a very mixed and different experience with the hotel, and that guests frequently observed and commented on the physical condition and the service of the establishment. The negative reviews cover how a front desk agent refused a guest's deposit reclaim request, wrong assignment of rooms, to how the breakfast is not up to par. While the positive reviews praised the speedy check in process and the friendliness of the front desk agent, also commending the spacious rooms, to the availability of swimming pools and how kid-friendly the establishment is. However, other than just taking in guests' reviews, the writer also conducted a preliminary study on the establishment, with results of the following:

Table 1.2 Preliminary Study on Physical Environment

Indicators	Observation Results
Ambient Conditions	Thanks to the large floor-to ceiling glass panels, the lobby of the hotel is flooded with natural light throughout the day. Warm-colored, diffused lightings are also in place, giving the hotel a homier feeling to guests while providing adequate lighting, even though the lobby toilet lacks this. The overall temperature is cool and not freezing. While no background music can be heard, no disturbing sounds were also observed.
Spatial Layout and Functionality	The hotel provides adequate space for guests to maneuver around. There are no pieces of furniture that are blocking walking paths, and items around the hotel are proportionally sized. Multiple seating areas are also provided, complete with tabletops, armchairs, sofas, even high bar stools.

Signs, Symbols, and Artifacts	Themed decorations are often used during certain holidays in order to elicit sentiment and excitement in guests. Places such as toilets, lounges, gyms, and ballrooms have signs in both general areas and the lifts that show their locations. However, several general areas still have no sign that indicates location.
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Source: Prepared by the Writer (2023)

It is observed in the preliminary study that the hotel is trying to make guests feel the comfort of their own homes with their ambiance, and ease the maneuver of guests with their spatial layout, and the usage of signs. However, they are still lacking in some parts, such as the minimal lighting in the lounge and lobby toilet, the absence of signs in some general areas, and the lack of gentle lobby music that can often be observed in other hotels. It can be concluded that the hotel's attempt in their physical environment can still be improved even though it is already satisfactory.

The writer also made the following observations on the service quality of Four Points by Sheraton Medan:

Table 1.3 Preliminary Study on Service Quality

Indicators	Observation Results
Reliability	The staffs that are being observed show very apparent reliability. Staffs are often seen having no issues and causing no commotions when they are handling guests, and that they can be seen trying to cater to the guests so as to make the guests feel welcomed and at home.
Responsiveness	Staffs are very responsive when it comes to guests. The security member and greeters will open the doors for guests and greeting them according to the time. Bellboys will directly assist guests with their luggage and organize them in trolleys for transit. Front desk staffs will also stand and greet guests as they approach them.
Assurance	All staffs can be seen doing their utmost best in their jobs. Most of them are skillful when it comes to providing services to guests. Guest requests and inquiries are often met with sincere, polite, concise, and clear replies from all staff members.

Empathy	Despite the smooth-running operations, there are some issues that are reported by guests, such as the examples shown from the reviews above. Staffs often take note on them to relay to the corresponding department to be resolved. Staffs also usually ask guests on their opinion on their stay so far at the hotel, and adjust and cater accordingly to each guest.
Tangibility	All staffs are well groomed and neat, all guest-touching surfaces are clean, sofas, stools and armchairs are soft, comfortable, and free from stains, drinking glasses are clean and polished, and all metal surfaces are also shiny and clean.

Source: Prepared by the Writer (2023)

From the sample of reviews above, the writer observed that a phenomenon exists, where guests will frequently include whether they will stay at the establishment again in the future in their reviews, both positive and negative alike. The observations on both physical environment and service quality also nets a mixed outcome. The above factors aroused the writer's curiosity in finding out whether both physical environment and service quality affects guest's revisit intention. Thus, the writer decides to do research on Four Points by Sheraton Medan with the title **“The Influence of Physical Environment and Service Quality on Guest Revisit Intention at Four Points by Sheraton, Medan”**

1.2. Problem Limitation

Due to limitations in both time and budget, the writer will be implementing the following restrictions and limitations to the research. That being:

- a. The data collected for the research will only be taken from Four Points by Sheraton, located at Jl. Gatot Subroto No. 395, Medan.

- b. The research will only focus on 3 variables, namely physical environment and service quality as the independent variables, and guest revisit intention as the dependent variable.
- c. Bitner (1990) as cited in Uboegbulam (2020) refers to the artificial physical environment where service delivery takes place as 'services cape'. Moreover, the indicators of services scape that influences re-patronage are ambient conditions, spatial layout and functionality, and signs, symbols, and artifacts.
- d. As cited in Uboegbulam (2020), Hussain et al. (2015) stated that the indicators of service quality are reliability, responsiveness, assurance, empathy, and tangibility.
- e. Uboegbulam (2020) stated that the literatures on guest revisit intention to hotel firms are very limited. And from the many studies done on customer revisit intention, some of the indicators considered are satisfaction, trust, number of previous visits, customer value, and perceived switching costs.

1.3. Problem Formulation

Based on the observation done by the writer during the preliminary research, the writer has formulated the following questions to be answered in this research:

- a. Does Physical Environment partially influence Guest Revisit Intention at Four Points by Sheraton Medan?

- b. Does Service Quality partially influence Guest Revisit Intention at Four Points by Sheraton Medan?
- c. Do Physical Environment and Service Quality simultaneously influence Guest Revisit Intention at Four Points by Sheraton Medan?

1.4. Objective of the Research

Based on the problems addressed in the previous section, the objectives of this research are as follows:

- a. To identify if Physical Environment has a partial influence on Guest Revisit Intention at Four Points by Sheraton Medan.
- b. To identify if Service Quality has a partial influence on Guest Revisit Intention at Four Points by Sheraton Medan.
- c. To identify if Physical Environment and Service Quality has a simultaneous influence on Guest Revisit Intention at Four Points by Sheraton Medan.

1.5. Benefit of the Research

There will be 2 divisions of the research benefits, them being:

1.5.1. Theoretical Benefit

It is expected that this research is able to provide knowledge and insights on Physical Environment, Service Quality, Guest Revisit Intention, and the relationship between the variables. This research will also be used to

prove whether Physical Environment and Service Quality will influence Guest Revisit Intention or not. Furthermore, it is expected that this research will prove useful for future researchers that are researching topics on physical environment, service quality, and guest revisit intention.

1.5.2. Practical Benefit

In addition to the theoretical benefits, there will also be practical benefits of this research. They are as follows:

- a. For the writer, this research gives the writer a broader and wider understanding on Physical Environment, Service Quality, and Guest Revisit Intention.
- b. For the company, this research is expected to be able to guide and give insights for the company to find out about Guest Revisit Intention based on the company's Physical Environment and Service Quality.
- c. For other researchers, this research may be used as a reference for them who are also conducting research on Physical Environment, Service Quality and Guest Revisit Intention.