

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The hospitality industry is very important for Indonesia's economy, especially in places that many tourists like to visit, like Bali. Bali has gained international recognition for its stunning landscapes, vibrant culture, and warm hospitality. As a result, the island attracts a large number of domestic and international tourists, leading to the establishment of numerous hotels and resorts. These places called hotels give people a place to stay, eat, and have fun when they are on vacation. Hotels in Indonesia have been getting more and more popular because Indonesia has lots of beautiful nature, interesting culture, and many people want to visit. There are different kinds of hotels in Indonesia, like fancy ones and ones that are more affordable, so people can choose what they like. The hotel industry in Indonesia contributes significantly to the economy by generating employment opportunities, attracting foreign investment, and promoting tourism-related businesses.

Having loyal customers is really important for hotels. Loyal customers are people who keep coming back to stay at the hotel again and again. They also spend more money when they stay there. Loyal customers don't really care too much about the price, they just want really good service and are willing to pay extra for it. This increased revenue from loyal customers contributes to the hotel's financial stability and profitability.

Customer loyalty leads to repeat business, where guests choose to stay at the same hotel for future visits. Repeating guests eliminates the need for expensive marketing campaigns and reduces customer acquisition costs. Repeated business creates a stable customer base, helps hotels better forecast demand and plan their resources efficiently. When people really like a hotel, they tell their friends and family about it. This makes other people want to try the hotel too. Positive word-of-mouth can significantly impact the hotel's reputation, attract new customers, and enhance its brand image. (Akbar and Situmorang, 2021).

Hotels need to make sure that people keep coming back to stay with them. This is really important because there are lots of other hotels trying to get customers too. So, hotels need to know what makes customers want to come back again and again. When people like a hotel a lot and keep coming back to stay there, it helps the hotel make more money. These loyal customers also usually spend more money while they are there and tell their friends and family about the hotel. Additionally, loyal customers contribute to positive word-of-mouth marketing and help in establishing a strong brand reputation. (Akira and Sudibyoy, 2021)

Service failures can occur in any hotel, if something goes wrong at a hotel and the customer is not happy, the hotel can do things to fix the problem and make the customer happy again. This is called service recovery. (Melisa and Answati, 2017). Complaint handling plays a crucial role in managing guest dissatisfaction. It involves the hotel's ability to

address and resolve guest complaints promptly and effectively. Effective complaint handling can help in building trust, demonstrating the hotel's commitment to guest satisfaction, and ultimately influencing customer loyalty. (Al'asqolaini, 2019). Perceived value means what a customer thinks they are getting from a product or service compared to how much they have to pay for it. In the context of hotels, perceived value includes factors such as the quality of service, amenities, pricing, and overall guest experience. (Akbar and Situmorang, 2021)

Research by Himmah (2019) shows that service recovery helps companies fix a service failure they make quickly and well, making customers happy and more likely to continue using their services, which demonstrates a commitment to customer satisfaction and retention. This leads to increased customer confidence and trust in the brand, ultimately bolstering loyalty. Customers who are happy with a company are more likely to keep using that company, share positive experiences, and speak favorably about the brand to others. Additionally, successful service recovery efforts provide valuable learning opportunities for the company to improve its processes, further enhancing the overall customer experience. In essence, service recovery is a critical tool in building and maintaining a loyal customer base.

Research by (Akira and Sudibyo, 2021), shows that complaint handling is how a company deals with complaints from customers and can have an effect on customer satisfaction. Complaint handling significantly

influences customer loyalty. When a company adeptly manages customer complaints, it demonstrates attentiveness and a commitment to customer satisfaction. Effectively resolving issues not only rectifies the immediate problem but also leaves customers with a positive impression of the company's responsiveness and dedication to their needs. This, in turn, fosters trust and strengthens customer-brand relationships. Satisfied customers will usually be loyal, speak positively for the hotel, and potentially even become brand advocates. Conversely, mishandling complaints or ignoring them can lead to dissatisfaction, which may result in customer churn and negative word-of-mouth, ultimately eroding loyalty. Thus, adept complaint handling is a pivotal aspect of maintaining and cultivating a loyal customer base.

Research by (Akbar and Situmorang, 2021) shows that perceived value is how much someone thinks something is worth that can make them want to keep buying it, which leads to customer loyalty. This is really important for creating customer loyalty. When customers believe they are receiving a fair and worthwhile exchange for their investment—be it in terms of products, services, or experiences—they are more likely to develop a strong allegiance to a brand. A high perceived value implies that the benefits received outweigh the costs, leading to a sense of satisfaction and trust in the company. This satisfaction often translates into repeat purchases and a reluctance to switch to competitors. Furthermore, customers who

perceive a brand as offering exceptional value are more inclined to become brand advocates, sharing their positive experiences with others. Ultimately, a company's ability to consistently deliver perceived value not only enhances customer loyalty but also fortifies its position in the market.

The research was conducted at The Trans Resort Bali, a luxury hotel located in Seminyak, Bali, known for its exquisite design and world-class amenities. The hotel offers a range of luxurious accommodation options, including spacious rooms, suites, and private villas, all designed to provide guests with a comfortable and memorable stay. The opinion from customer about the Trans Resort Bali can be seen as follows:



**Figure 1. 1 Opinion from Customers.**

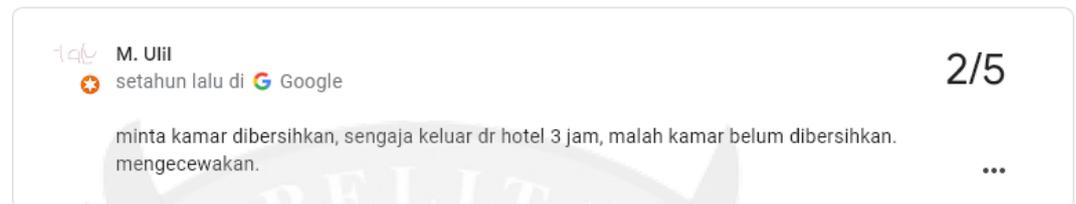
Source: Tripadvisor (2023).

The problem of customer loyalty for Trans Resort Bali stems from a series of disappointing experiences reported by a guest. These experiences primarily revolve around three key aspects of their stay: the SPA service, Villa bachelor, and in-room dining service. The guest encountered significant issues with the SPA service. It does not specify what exactly went wrong, but it's evident that the guest had a negative experience. This

can be a significant concern as spa services are often a focal point of relaxation and rejuvenation for guests at luxury resorts. Again, specific details about the issues with the Villa Bachelor service have not been provided. However, it's clear that this aspect of their stay did not meet their expectations. This could be related to amenities, cleanliness, or other services associated with the villa. The guest also had problems with the in-room dining service. Similar to other issues, specifics are not outlined, but it's apparent that the service did not meet their standards. The guest's statement implies that the resort's services were subpar, and they believe that if a person is not particularly picky, they might find the resort acceptable. However, for someone like the guest who was on their honeymoon (a special and significant occasion), the overall experience fell short of their expectations. Additionally, the issue of punctuality is mentioned. This suggests that there were delays or inconsistencies in the service delivery, which could have caused inconvenience for the guest and their husband, potentially causing them to miss out on planned sightseeing activities. In summary, the reported problems with the SPA service, Villa Bachelor, and in-room dining, along with issues of punctuality, have led to a negative perception of the resort. This negative experience could impact the guest's loyalty to the Trans Resort Bali and potentially deter them from returning or recommending resort to others.

The hotel initiated service recovery by promptly addressing the customer's concerns, offering a sincere apology, and providing a resolution,

demonstrating a commitment to rectify the negative experience and restore customer satisfaction. The problem of service recovery can be seen as follows:

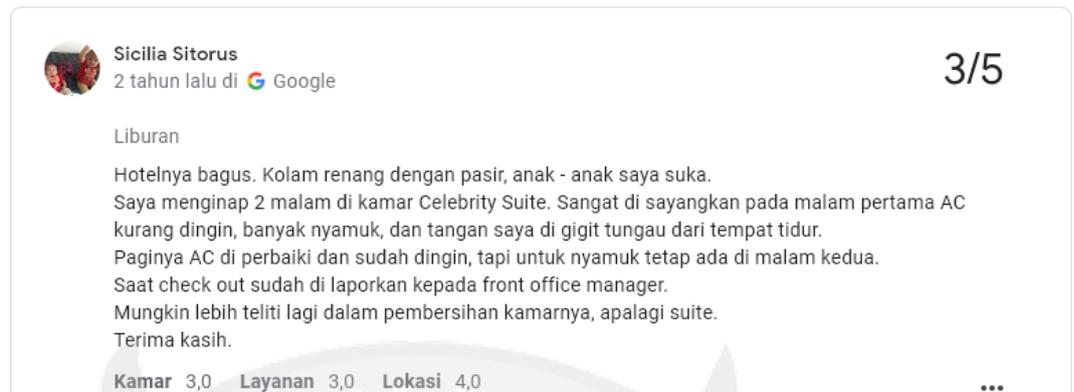


**Figure 1. 2 Problems with Service Recovery.**

Source: Google/travel (2023).

The issue of service recovery at the hotel arises from a guest's dissatisfaction with the cleaning service. The visitor had purposefully left the hotel for three hours in order to give their room the attention it needed, and had asked expressly for it to be cleaned. They had an unpleasant experience when they returned and discovered that the room had not been cleaned as promised. This scenario shows how the hotel's service delivery has broken down and emphasizes the necessity of swiftly addressing and resolving the guest's unhappiness through efficient service recovery procedures. It becomes imperative to put into action a prompt and satisfying resolution in order to win back the trust of the guest and make sure they have a great stay overall.

The hotel's complaint handling involves promptly addressing guest concerns, empathetically listening to their feedback, and implementing effective solutions to ensure a positive and satisfactory experience. The hotel cannot conduct the complaint handling. The problem of complaint handling can be seen as follows:



**Figure 1. 3 Problems of Complaint Handling.**

Source: Google/travel (2023).

The issue with complaint handling at the hotel stems from a guest's experience during their two-night stay in the Celebrity Suite. The visitor had a few issues with their accommodation while having a good overall opinion of the facility. The guest got bitten by bed mites on the first night since there were too many insects and not enough cold air conditioning. The mosquito problem was reported and the AC was fixed the next morning, however the issue continued throughout the second night. Visitors conveyed dissatisfaction over the state of the suite's cleanliness and recommended a more thorough method of cleaning rooms, particularly suites. The usefulness of the hotel's complaint handling procedure is questioned, highlighting how crucial it is to have well-maintained rooms and attentive client services to guarantee a happy stay.

The hotel should maintain the perceived value for the customer. The problem of perceived value can be seen as follows:



**Figure 1. 4 Perception of Customer on Perceived Value.**

Source: Google/travel (2023).

Customers appear to be complaining about the hotel's service, particularly when compared to rival five-star establishments. Consumers express dissatisfaction with child-only breakfast prices, saying they are somewhat exorbitant. The state of affairs suggests a high degree of discontent and implies that the customer's expectations about the perceived value of the hotel experience are not being fulfilled. The fundamental issue is that the consumer feels that they did not receive value for their money, and this, along with problems with service, cost, and general experience, makes them decide not to stay at the hotel again. Hotels must address these issues if they want to keep their patrons happy and loyal.

Customer loyalty is a critical factor for the success and profitability of hotels. By analyzing the effects of service recovery, complaint handling, and perceived value on customer loyalty, the research aims to provide insights that can help Trans Resort Bali enhance guest loyalty. Understanding how these variables influence customer loyalty can guide the hotel in developing effective strategies to improve guest satisfaction and retention. Analyzing service recovery, complaint handling, and perceived value can help identify areas where The Trans Resort Bali can make improvements. By assessing guest perceptions and experiences, the research

can highlight any gaps or shortcomings in the hotel's current practices. This information can guide the hotel in implementing changes to enhance service recovery, complaint handling, and perceived value, ultimately leading to increased customer loyalty. findings from this research will provide valuable insights to the management team at The Trans Resort Bali. The analysis can help inform managerial decision-making regarding service recovery processes, complaint handling protocols, and pricing strategies. The research findings can guide the allocation of resources, training programs, and overall strategy formulation to maximize customer loyalty.

Based on the background information, the researcher is motivated to undertake a study titled "**The Effect of Service Recovery, Complaint Handling and Perceived Value On Customer Loyalty at The Trans Resort Bali**"

### **1.2 Problem Limitation**

By considering the limitations of time and the writer's ability, the writer determines the focus of research on service recovery, complaint handling and perceived value as independent variable and customer loyalty as dependent variable.

### **1.3 Problem Formulation**

Based on the background study, the problem identification is as follows :

1. Does service recovery have an effect on customer loyalty at The Trans Resort Bali?

2. Does the complaint handling have an effect on customer loyalty at The Trans Resort Bali?
3. Does the perceived value have an effect on customer loyalty at The Trans Resort Bali?
4. Do the service recovery, complaint handling and perceived value have an effect on customer loyalty at The Trans Resort Bali?

#### **1.4 Objective of the Research**

The purposes of writing are as follows:

1. To understand the effects of service recovery on customer loyalty at The Trans Resort Bali.
2. To understand the effect of complaint handling on customer loyalty at The Trans Resort Bali.
3. To understand the effect of perceived value on customer loyalty at The Trans Resort Bali.
4. To understand the effects of service recovery, complaint handling, and perceived value on customer loyalty at The Trans Resort Bali.

#### **1.5 Benefits of the Research**

##### **1.5.1 Theoretical Benefits**

The findings this study explain the effective relationship between of service recovery, complaint handling and perceived value of customer loyalty at The Trans Resort Bali.

### 1.5.2 Practical Benefits

The benefits of this study are as follows:

- a. For writer, this study is meant to help increase knowledge in hospitality, especially service recovery, complaint handling, perceived value and customer loyalty.
- b. For companies, this research can provide information to company about service recovery, complaint handling, perceived value and customer loyalty.
- c. For the other researchers, it can give benefits as a reference for other researchers for conducting the research.

