

# CHAPTER I

## INTRODUCTION

### 1.1. Background of Study

In the highly competitive and dynamic hospitality industry, the concept of guest loyalty holds great significance and importance to hoteliers. In 2016, Travel & Tourism contributed US\$7.6 trillion to the global economy and supported 292 million jobs (Gupta, 2018). In an increasingly competitive market in hospitality industry, ensuring the quality of services is very important in maintaining or increasing numbers of visitors, which is why companies become more aware of the importance of quality as a key competitive advantage (Crina, 2017). Many hotel managers acknowledge intense competition within the industry, leading them to prioritize the improvement of service quality as a strategic measure to remain competitive in the market (Anwar & Zebari, 2015). Building a base of loyal guests who not only return to the same hotel but also recommend it to others is a cornerstone of sustainable success. This phenomenon has prompted researchers to investigate the factors that drive guests' loyalty, with specific attention directed towards examining how the location, service quality, and guest experience exert their influence.

Location is a fundamental factor that can significantly influence a guest's decision when choosing a hotel. It can be a pivotal determinant of whether a guest decides to stay at a particular hotel or select for a competitor. Previous studies conducted by Orhan (2023) highlights that guests tend to

choose locations that meet their needs, leading to a higher probability of revisiting the hotel. This underscores the significant importance of a strategic location in hotel investments, as such a location not only saves customers time and effort but also becomes a valuable factor in fostering long-term guest loyalty. A hotel located close to key points of interest, such as tourist attractions, business districts, transportation hubs, and dining options, can greatly impact a guest's overall experience.

Service quality is a key component in the realm of guest loyalty at hotels, and it plays a vital role in shaping the overall guest experience. It is not just about delivering what is promised but often exceeding guest expectations. Exceptional service quality creates a positive perception of the hotel, enhancing the overall guest experience. As highlighted by Gupta (2018) in "*Service Quality in the Hospitality Industry*", measuring and improving service quality is a continuous process in the hotel industry. It involves collecting guest feedback, identifying areas of improvement, and training staff to consistently deliver exceptional service. Studies in this field aim to understand the direct link between service quality and guest loyalty and explore strategies to enhance service quality to ensure guests not only have a satisfying stay but also become loyal patrons of the hotel.

Guest experience can be described as the alignment between what experiences they expect in terms of goods and services and the actual quality of services offered. When a service falls short of meeting guest expectations, it results in disappointment. Conversely, when services meet or exceed guest

expectations, it leads to satisfaction. These guest expectations are formed through personal experiences with a service company, word-of-mouth recommendations, and promotional information (Panjaitan & Yuliati, 2016).

This research focuses on Aryaduta Hotel Medan, a 4-star hotel located at Jalan Kapten Maulana Lubis No. 8, North Sumatra, Medan, Indonesia. The hotel offers accommodation and other services to its guests, including event facilities, a 35-meter courtyard pool, and restaurants. The hotel's location, service quality, and guest experience are important factors that can influence guests' loyalty.

**Table 1. 1 Booking.com Reviews of Aryaduta Medan**

Total reviews: 386		
Average ratings: 7.8		
Name (initial)	Ratings	Comments
RO	4 / 10	The staff didn't cooperate. I paid for extra bed with registration at 11.00 am. But the extra bed done at 17.00 pm. So disappointing. They also only add the bed, not the towel and other compliments.
RO	6 / 10	The hotel is located in an abandoned mall and needs a new renovation.

JS	7 / 10	Very minor, but some things on the property and in the rooms are showing some wear. The Wi-Fi varied between rooms. In one room it was completely unusable, and I had to go to the lobby to use the Internet.
LA	7 / 10	Overall okay...the reception area in Level 9 is okay. However, would be good if reception area is at ground level.
TO	7 / 10	Room is too far from elevator, breakfast/ food quality is so so and options are too limited.

Source: Booking.com (2024)

From table 1.1, the writer can see that there were complaints from guests about the location, service quality, and guest experience. Some guests complained about the difficulty is accessing internet, some complained about the service that is not provided to them, and some complained about the location that is located in an abandoned mall.

## 1.2.Problem Limitation

This research discusses the influence of location, service quality, and guest experience towards guests' loyalty at Aryaduta Hotel Medan and might have a limited scope by concentrating exclusively on Aryaduta Medan, potentially overlooking crucial factors or trends that are widespread in the wider hotel industry. Based on the study, the author used 3 independent variables and 1 dependent variable, where:

Independent Variables:

- Hotel Location (X1)
- Service Quality (X2)
- Guest Experience (X3)

As the independent variables that influence the dependent variable (Y).

Dependent Variable:

- Guest Loyalty (Y)

As the dependent variable that will be influenced by the independent variables (X).

### **1.3.Problem Formulation**

- 1) Do location partially influence guest loyalty at Aryaduta Medan?
- 2) Do service quality partially influence guest loyalty at Aryaduta Medan?
- 3) Do guest experience partially influence guest loyalty at Aryaduta Medan?
- 4) Have location, service quality, and guest experience simultaneously influenced guest loyalty at Aryaduta Medan?

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

The objective of this research include:

- 1) To investigate whether location has a significant influence on guest loyalty at Aryaduta Medan
- 2) To investigate whether service quality has a significant influence on guest loyalty at Aryaduta Medan

- 3) To investigate whether guest experience has a significant influence on guest loyalty at Aryaduta Medan
- 4) To investigate whether location, service quality, and guest experience have significant influence towards guest loyalty at Aryaduta Medan

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

There are 2 types of benefits, such as theoretical benefit and practical benefit.

#### **1.5.1. Theoretical Benefit**

The theoretical benefit from this study includes:

- 1) This research is anticipated to contribute to the development of management theory as a literary resource and enhance scientific research at the Universitas Pelita Harapan Medan Campus for the Undergraduate Hospitality Management Studies Program, particularly in the field of guest loyalty and hospitality services. The findings of this study will be valuable for educators and students.
- 2) This study is expected to provide insights and knowledge both in theory and practice. Empirical data from this research can be utilized as a source of information, debate material, and additional research for readers interested in hospitality management, especially those focusing on guest loyalty, service quality, and customer experience.
- 3) This research is expected to help Aryaduta Hotel Medan in making informed decisions regarding their business strategies, including the enhancement of service quality, optimizing the location, and

improvement of guest experience. And by identifying areas for improvement, it can result in practical measures to elevate overall guest satisfaction.

### **1.5.2. Practical Benefit**

Practical benefit of this research includes:

1) For writer

By investigating aspects such as location, service quality, and guest experience that influence guest loyalty, this research deepens the writer's comprehension of the topic. This comprehensive study provides valuable hands-on experience in conducting empirical research, data analysis, and drawing actionable conclusions, which are essential skills for academic and professional growth.

2) For Aryaduta Hotel Medan

This study offers a thorough examination of the factors influencing guest loyalty, providing actionable insights that can be used for strategic decision-making and business improvement initiatives.

3) For Future Researchers

This study can serve as a starting point, reference, or informational source for further research on guest loyalty and related topics in the hospitality industry. Future researchers can build upon the findings, methodology, and data analysis techniques used in this study to explore new dimensions and validate the results in different contexts.