

CHAPTER I

INTRODUCTION

1.1 Background of Study

In today's globalized world, rapid movement and evolution are commonplace. The current fast pace of economic growth has led to the establishment of numerous companies striving to achieve their respective objectives, typically focused on profitability or financial success. This naturally intensifies competition, particularly within similar industries. Companies need to recognize that this heightened competition makes it increasingly challenging to innovate and progress. In response to this fiercely competitive environment, marketing activities become indispensable for sustaining a company's presence.

Marketing assumes a critical role for many leading firms, prompting them to reassess their business models when faced with new competitors. Even industry leaders acknowledge the need for continual adaptation rather than complacency. Marketing is closely intertwined with identifying and meeting the needs of individuals and society (Musfar, 2020). Succinctly put, marketing entails profitably fulfilling these needs. By leveraging marketing intelligence, businesses can turn personal or societal needs into lucrative business opportunities. Companies operate as entities managed by individuals or groups offering goods and services to the broader public. The objective of marketing extends beyond mere profit generation to the preservation of a company's longevity (Sumarwan, 2020). The diverse desires and needs of customers compel business owners to closely observe and understand buyer preferences. Consequently, crafting effective strategies to seemly

deliver products or services to customers significantly impacts a business owner's profit potential and ensures the sustainability of their enterprise. It comes as no surprise that many entrepreneurs brainstorm innovative ideas to attract and persuade customers to purchase their offerings.

Sudaryanto, et al. (2023), argue that repurchase intention can also be interpreted as the consumer's intention, desire, or desire to make a second or more purchase at the same company.

The Aryaduta Hotel has established itself as a well-known accommodation option among the residents of Medan. Most people in Medan are generally familiar with the Aryaduta Hotel, and various information, both positive and negative, circulates about it. According to preliminary observations made by the researcher, it has been noted that the number of customer visits to the Aryaduta Hotel has been declining annually. This trend is reflected in the data presented in the following table.

Table 1.1. Number of Room Reservations

Year	Total Room Used
2019	31.269
2020	12.372
2021	21.516
2022	27.304
2023	25.921

Sources: The Aryaduta Hotel, 2024

The table indicates that the total number of rooms utilized at Aryaduta Hotel was 31,269 in 2019, but this figure declined to 12,372 in 2020. In 2021, room usage increased to 21,516, followed by a further rise to 27,304 in 2022. However, in 2023, the number of rooms used dropped slightly to 25,921. This trend suggests that customers who previously frequented the hotel have gradually begun exploring

other accommodation options, as Medan offers a variety of alternative hotels that appeal to consumers, including Adimulia Hotel, J.W. Marriott Hotel, Grand Aston Hotel, among others. The decline in customer visits to Aryaduta Hotel is attributed to several factors, including servicescape, digital marketing, and word-of-mouth communication.

According to Rohman (2022), servicescape is all physical facilities that are a place of interaction between service providers and consumers. Servicescape has two different parts, namely exterior facilities and interior facilities. Exterior facilities include the entire environment outside the place where the service takes place, for example exterior design, signs/signage, parking lot layout, garden layout, the environment around the outside of the facility. Meanwhile, interior facilities include the entire interior environment of physical facilities which are the place of interaction between service providers and consumers.

The concept of servicescape, which refers to the physical environment and ambiance of a hotel, may not be adequately satisfying the changing expectations of customers. As travelers place greater emphasis on modern amenities, cleanliness, comfort, and overall aesthetic appeal, any deficiencies in these aspects could prompt customers to look for alternative accommodations that align more closely with their desires and preferences. In the case of Aryaduta Hotel Medan, the issues related to servicescape are highlighted in the figure below, illustrating how the hotel's environment may fall short of meeting the contemporary needs of its guests. This situation underscores the importance of continually assessing and enhancing the physical aspects of the hotel to remain competitive in the hospitality market.

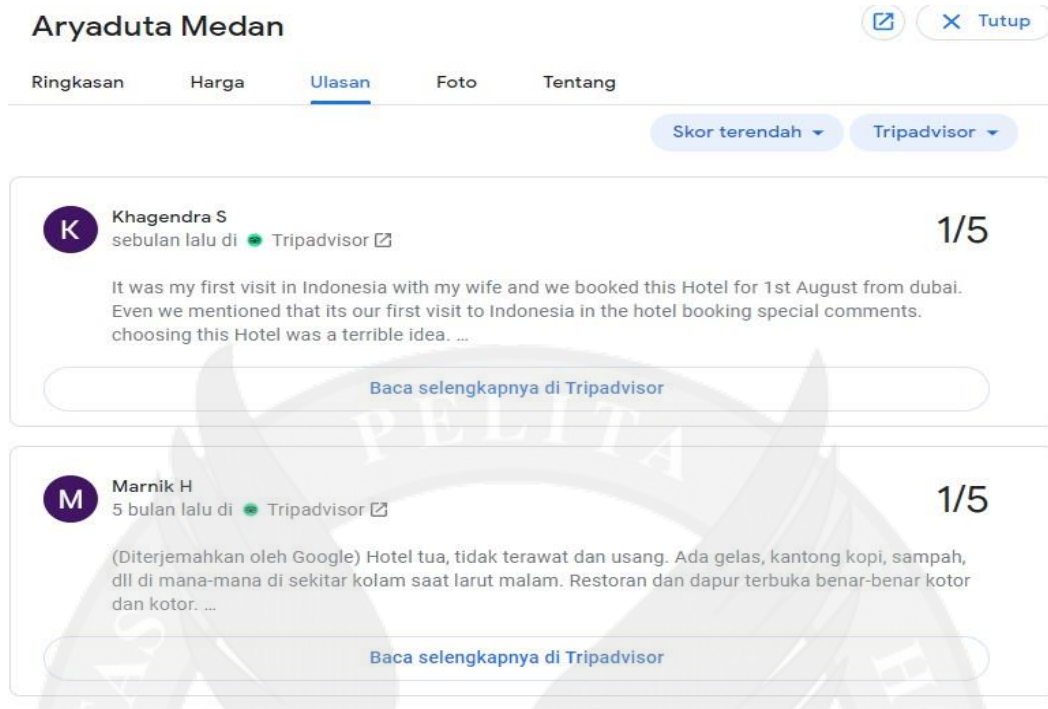


Figure 1.1. Serviscape Phenomenon
Sources: Tripadvisor, 2024

Based on the figure above, it is evident that a segment of consumers perceives a mismatch between the servicescape they experience and their initial expectations causing these consumers to reassess their decision-making process when considering a repeat purchase. As a result, these consumers may hesitate or entirely opt out of engaging with the service provider again, preferring to explore other alternatives that may better align with their expectations.

According to Ramadian et al. (2024), digital marketing has become an integral aspect of modern business. Its role in increasing reach, personalization, measurement, customer relationships, and online sales makes it a highly valuable tool for companies in this digital era. As technology continues to evolve, the role of digital marketing in business is likely to become increasingly important and complex in the future.

The hotel's digital marketing efforts may be less effective compared to competitors. In an era where consumers rely heavily on online platforms for making decisions, having a strong digital presence and engaging marketing strategies are crucial for attracting new customers and retaining existing ones. If Aryaduta's digital marketing is outdated or lacks visibility, it could be losing ground to hotels that are more adept at utilizing online channels to showcase their services. The problem of digital marketing in Aryaduta Hotel Medan can be seen in the figure below as follow:

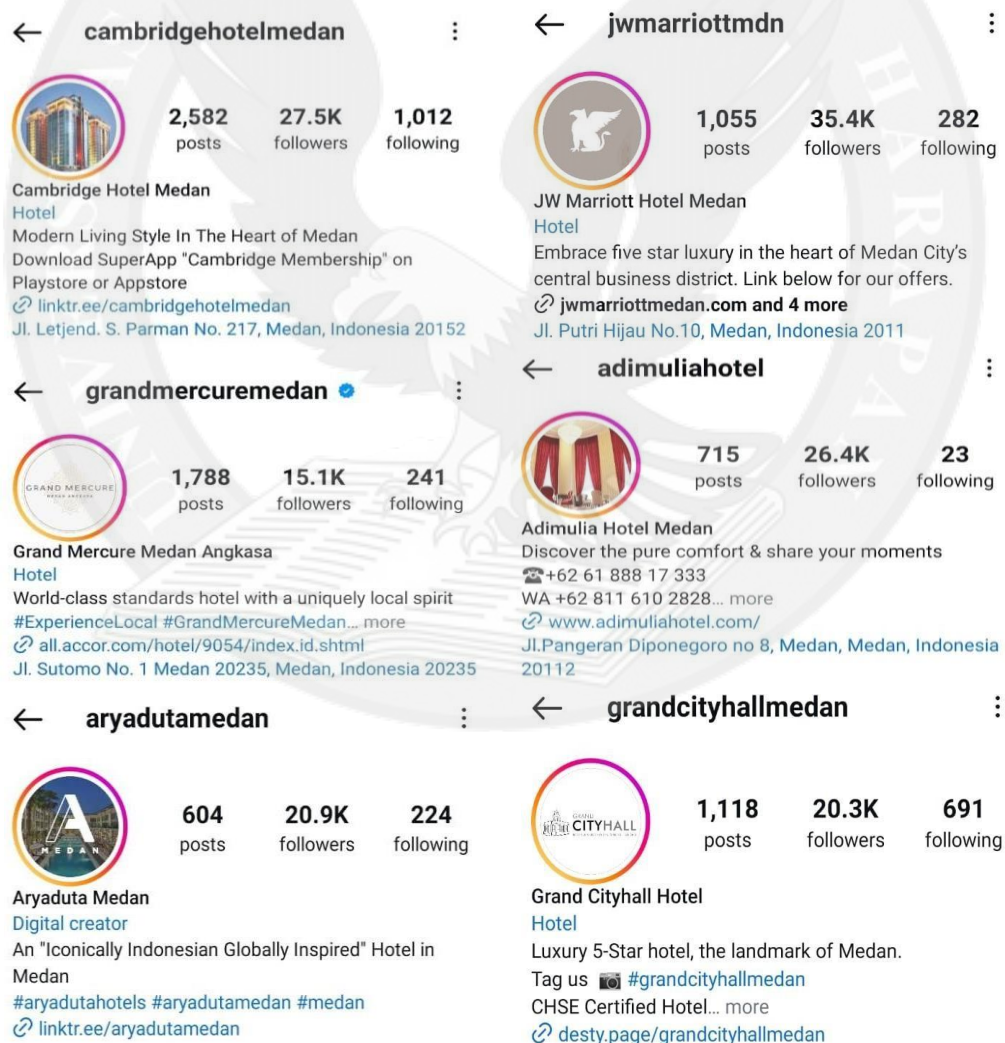



Figure 1.2. Digital Marketing Phenomenon
Sources: Instagram, 2024

The figure above clearly indicates that Aryaduta Hotel is relatively less proactive in its promotional efforts on Instagram when compared to its competitors. Other hotels in the area are seen to engage in a more robust social media presence, characterized by a higher frequency of posts and more dynamic marketing strategies tailored for digital platforms. In the current digital environment, having a consistent and innovative approach to social media marketing is crucial for capturing the attention of target audiences. This is especially true for younger, tech-savvy travelers who increasingly turn to platforms like Instagram for travel inspiration and to guide their decision-making processes. By not fully leveraging the potential of social media, Aryaduta Hotel may be missing out on opportunities to engage with this key demographic and enhance its visibility in a competitive market.

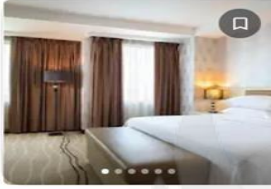
Aryaduta's reduced level of activity on Instagram could potentially weaken its relationship with both prospective and existing customers. When consumers perceive a lack of connection with a brand or notice that there are infrequent updates that fail to resonate with their changing preferences, they may become reluctant to return. Instead, they might choose to stay at hotels that seem more engaged and aligned with current trends. Actively interacting with customers through regular posts, engaging stories, and targeted promotions not only helps attract new guests but also significantly increases the chances of repeat business from satisfied patrons. Additionally, the results from Google regarding recommendations for 4-star hotels in Medan further illustrate this point, as shown in the figure below. These insights highlight the importance of maintaining.

Medan · 152 results



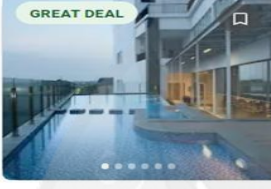
Grand Central Premier Rp 695.521
 4.6 ★ (484)
 4-star hotel, Free parking, Restaurant, Breakfast, Pool, Room service, Free Wi-Fi, Air conditioning, Airport shuttle

[View prices](#)



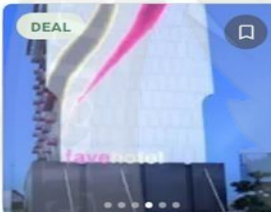
Four Points by Sheraton Medan Rp 804.616
 4.5 ★ (5,579)
 4-star hotel, Outdoor pool, Spa, Breakfast (S), Air conditioning, Wi-Fi, Parking (S), Fitness centre, Restaurant

[View prices](#)



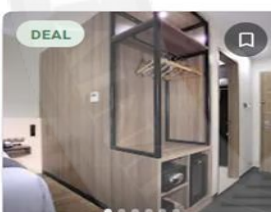
GREAT DEAL **Hotel GranDhika Setiabudi Medan** **GREAT DEAL** Rp 410.914
 4.4 ★ (4,436)
 4-star hotel, Free parking, Fitness centre, Breakfast, Outdoor pool, Spa, Free Wi-Fi, Air conditioning, Restaurant

[View prices](#)



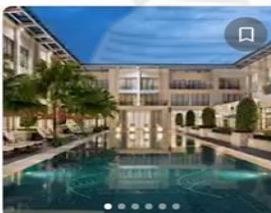
DEAL **favehotel S. Parman Medan** **DEAL** Rp 392.861
 4.5 ★ (4,768)
 3-star hotel, Free parking, Restaurant, Breakfast, Air conditioning, Room service, Free Wi-Fi, Spa, Airport shuttle

[View prices](#)



DEAL **HARPER Wahid Hasyim, Medan** **DEAL** Rp 509.728
 4.8 ★ (2,396)
 3-star hotel, Free parking, Room service, Free breakfast, Air conditioning, Full-service laundry, Free Wi-Fi, Restaurant, Accessible


[View prices](#)



Aryaduta Medan Rp 781.787
 4.5 ★ (5,043)
 5-star hotel, Free parking, Fitness centre, Breakfast, Outdoor pool, Spa, Wi-Fi, Air conditioning, Restaurant

[View prices](#)

You viewed this 2 days ago



LePolonia Hotel & Convention Rp 518.673
 4.3 ★ (5,928)

Figure 1.3. Digital Marketing Phenomenon

Sources: Google, 2024

Based on the figure above, it is evident that Google's recommendation results place Aryaduta Medan in the 6th position compared to other hotels, which

highlights potential gaps in its SEO (Search Engine Optimization) strategy. In today's highly competitive digital landscape, ranking lower on search engine results pages can significantly impact visibility and customer acquisition. SEO is a critical component of digital marketing, as it directly influences how easily potential customers can find a business online. Factors such as keyword optimization, quality content, mobile-friendliness, and backlinks all contribute to a higher ranking on search engines like Google. A strong digital marketing strategy that integrates SEO with other elements—such as social media engagement, content marketing, and paid search ads—helps create a comprehensive online presence.

According to Fawzi, et al. (2021), Word of Mouth is an effort to market a product or service so that consumers are willing to talk, promote, recommend with talkers, topics, tools, taking part, tracking. offline or online regarding the experience in purchasing or using it that they feel.

Word-of-mouth communication, which remains a powerful influence on consumer behavior, may also be contributing to the decline. Negative reviews or unsatisfactory experiences shared by previous guests can significantly impact potential customers' perceptions of the hotel. As positive recommendations and reviews drive consumer trust, any dip in these factors may result in a gradual shift of customers toward other hotels in Medan that have built a stronger reputation. The problem of word of mouth in Aryaduta Hotel Medan can be seen in the figure below as follow:

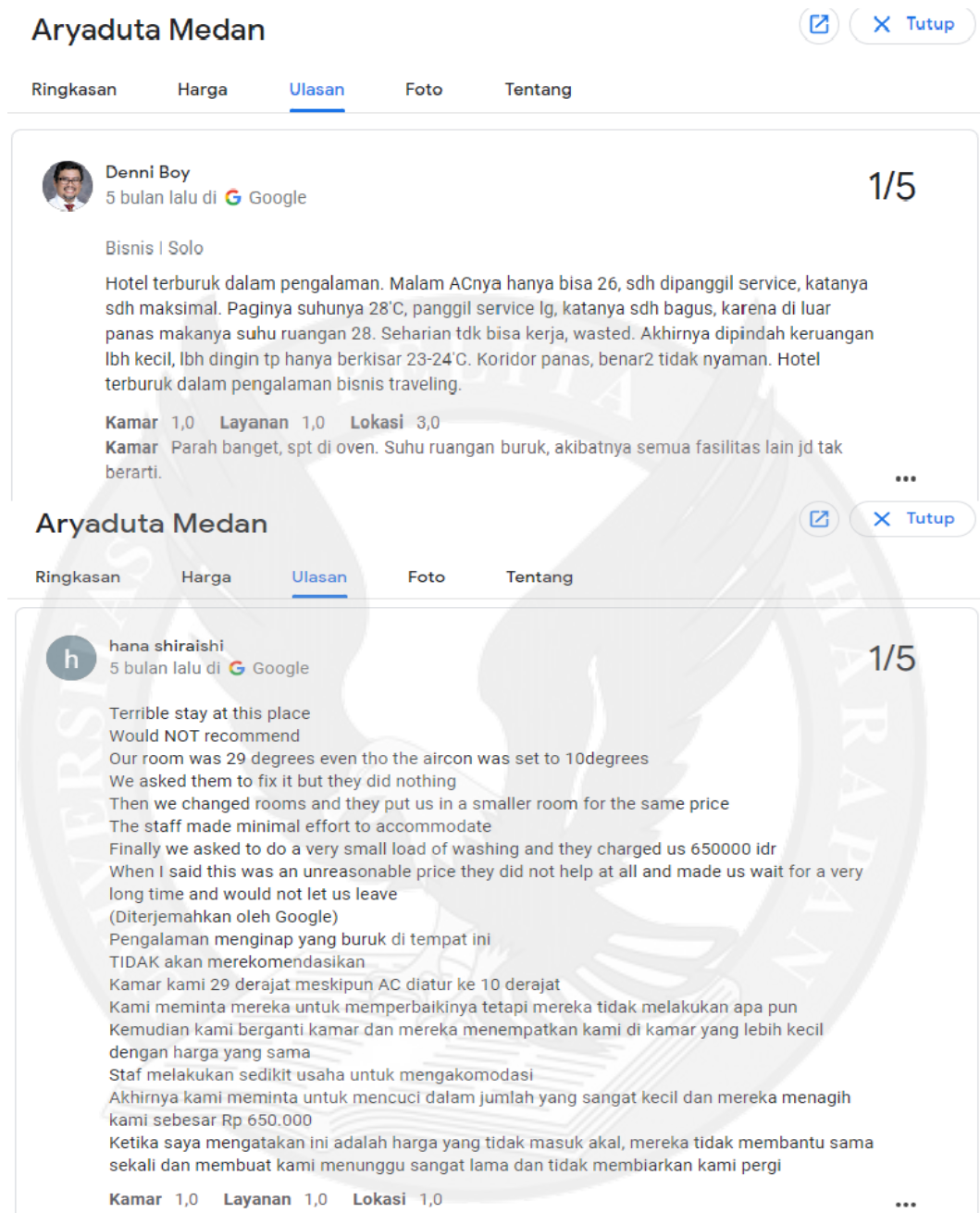


Figure 1.4. Word of Mouth Phenomenon

Sources: Tripadvisor, 2024

Based on the figure above, it can be observed that several customers do not recommend Aryaduta Medan, which signals potential challenges with word-of-mouth marketing. Negative experiences that lead to poor recommendations can quickly spread, especially in the digital age where online reviews and social media

amplify customer voices. When guests feel their expectations are not met whether due to service, facilities, or overall experience they are less likely to recommend the hotel to others, which can harm its reputation and deter future bookings. Together, these factors are contributing to Aryaduta Hotel's customer repurchase intention, as patrons are drawn to competitors offering more appealing experiences.

Based on the background study, the writer is interested to conduct research with the title: **“The Effect of Servicescape, Digital Marketing and Word of Mouth on Customer Repurchase Intention at Aryaduta Hotel Medan.”**

1.2 Problem Limitation

Due to limitations in the abilities, funds and time that researchers have, therefore, the discussion was not long and effective. To limit the problem, the author will focus on three variables: servicescape, digital marketing and word of mouth as independent variables while repurchase intention as dependent variable. This thesis aims to study the extent to which servicescape, digital marketing and word of mouth can affect repurchase intention. This study will focus on Aryaduta Hotel Medan.

1.3 Problem Formulation

The problem formulation in this research can be described as follow:

1. Does servicescape have a partial effect toward customer repurchase intention at Aryaduta Hotel Medan?
2. Does digital marketing have a partial effect toward customer repurchase intention at Aryaduta Hotel Medan?

3. Does word of mouth have a partial effect toward customer repurchase intention at Aryaduta Hotel Medan?
4. Do servicescape, digital marketing, and word of mouth have simultaneous effect toward customer repurchase intention at Aryaduta Hotel Medan?

1.4 Objective of the Research

The objective of the research as follow:

1. To analyze whether the servicescape has an effect toward customer repurchase intention at Aryaduta Hotel Medan.
2. To analyze whether digital marketing has an effect toward customer repurchase intention at Aryaduta Hotel Medan.
3. To analyze whether the word of mouth has an effect toward customer repurchase intention at Aryaduta Hotel Medan.
4. To analyze whether the servicescape, digital marketing, and word of mouth has an effect toward customer repurchase intention at Aryaduta Hotel Medan.

1.5 Benefit of the Research

The benefit of the researches as follow:

1. Theoretical Benefit
 - a. For Readers

The result from this study can be proof for readers to know that servicescape, digital marketing, and word of mouth have an effect towards repurchase intention.

b. For Writer

The result from this study can provide insight and experience as well as observations in real life situations which is very useful for the writer in the future.

c. For Other Researches

The result from this study can be used for reference for those who are interested in studying the same problem in the future.

2. Practical Benefit

a. For Aryaduta Hotel Medan

The researcher expects the result from this study could benefit the business to evaluate and take the result as suggestion to know the effect of servicescape, digital marketing, and word of mouth towards repurchase intention at Aryaduta Hotel Medan.

b. For Writer

The result from this study can make the writer gain new experience and more knowledge about the importance of servicescape, digital marketing, and word of mouth towards repurchase intention.

c. For Future Research

The researcher expects the result from this study could become a comparison for the future researchers who are interested in studying the same topic which is the effect of servicescape, digital marketing, and word of mouth towards repurchase intention.