

**THE ROLE OF MEDIATION OF CUSTOMER SATISFACTION ON THE
RELATIONSHIP OF SERVICE QUALITY WITH CUSTOMER LOYALTY AT VILLA
LEBAK BALI RESIDENCE**

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ABSTRACT

Quality of service is the level of excellence that the customer expects. If the service received or felt is as expected, the service quality is said to be good and satisfying. This study aims to reexamine the mediating role of customer satisfaction on the relationship of service quality with customer loyalty. Service quality (X1) as the independent variable, customer satisfaction (Y1) as a mediating variable and customer loyalty (Y2) as the dependent variable. The type of research used is explanatory research. The research location was in Villa Lebak Bali Residence, Canggu, North Kuta. The study population was customers who stayed at Villa Lebak Bali Residence. Samples of 96 respondents were taken using purposive sampling techniques and data collection methods using questionnaires. Analysis of the data used is descriptive analysis, and PLS. The results showed that the service quality variable significantly influenced the satisfaction variable with a significant value of 0.677. Service Quality Variable has no significant effect on the Loyalty variable with a value of 0.191. The satisfaction variable has a significant effect on the loyalty variable with a significant value of 0.478 and the satisfaction variable mediates the quality of service to loyalty is significant with the coefficient value of indirect effects 0.324. Further research can add variables related to service quality, customer satisfaction and customer loyalty.

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INTRODUCTION

Indonesia is one of the countries in the world that is famous for having a wealth of natural resources and a variety of people's cultures. This really attracts the attention of local and foreign tourists to prove directly the various charms of natural beauty and culture of the Indonesian people. Tourism is one program that can be a business opportunity to advance the Indonesian economy. Therefore, improvements are needed in the field of facilities and infrastructure that can support the success of tourism programs, including supporting the existence of hotel service companies as adequate and comfortable accommodation facilities for visiting tourists.

Hotels are one of the accommodation facilities that have a dominant role in the progress of tourism in Indonesia. This certainly opens up business opportunities, especially for entrepreneurs operating in the tourism services sector, especially in the hospitality sector. Currently, to win the competition, a system is needed to regulate all service activities carried out by a company. These consumer assessments can be used by company tools to improve service quality. Service quality is the company's ability to provide the best services according to consumer expectations. Apart from

that, the company must always be able to keep up with the times by continuously improving the quality of its services so that consumers who use or use the services still get satisfaction so that consumers believe in the quality of the service they receive and will always use the hotel's services so that indirectly consumer loyalty can be created.

Villa Lebak Bali Residence is a service business operating in the hospitality sector which is currently still in the midst of competition with other hospitality businesses. Villa Lebak Bali Residence is a service business that focuses on service. This means that Villa Lebak Bali Residence has a higher service standard. Villa Lebak Bali Residence divides its room types into two types, namely suite rooms and standard rooms, of course each type of room has different facilities.

Villa Lebak Bali Residence is experiencing problems in creating satisfaction which is thought to cause a decrease in loyalty. The problems experienced by Villa Lebak Bali Residence in early January - March 2022 can be seen from the many customers complaining about the services provided by Villa Lebak Bali Residence. The large number of customer complaints is due to the lack of improving the quality of service from Villa Lebak Bali Residence regarding problems that occur, for example poor internet speed, staff not smiling, not caring about guests, and many complaints about room cleanliness.

It is best for Villa Lebak Bali Residence, which is one of the businesses in the competition, to determine the right strategy. Providing optimal service is the right step so that customers feel satisfied and remain loyal. Optimal service quality is expected to be able to meet customer expectations so that it will create customer satisfaction and company loyalty. Loyal customers are an advantage for the company

According to Goeth & Davis in Irnandha and Utama (2016) service quality is a dynamic condition related to service products, people, processes and environments that are able to meet and exceed customer expectations. Service quality is a must for companies to be able to compete and continue to gain customer trust. Service quality is felt to be quite important for the company's survival. If the quality of service to customers is good, then customer satisfaction is created. The more satisfied customers are, the more customers will come (Defiana et al, 2017). Service quality has a close relationship with customer satisfaction, thereby encouraging customers to have strong ties with the company.

Customer satisfaction is defined from the perspective of the consumer's experience after consuming or using a product or service. Thus, satisfaction can be interpreted as the result of the consumer's assessment (perception) that the product or service has provided a level of enjoyment where this level of fulfillment can be more or less (Saputra, 2013). According to (Normasari et al, 2013) the satisfaction felt by customers can encourage them to stay again, resulting in positive things for the company. According to Kotler in (Moha and Loindong, 2016) consumers have one of three levels of satisfaction, namely if performance is below expectations, consumers will feel disappointed, but if performance meets expectations, consumers will feel satisfied and if performance exceeds expectations, consumers will feel very satisfied. happy or excited. Customer satisfaction is the forerunner to the formation of customer loyalty (Wendha et al, 2013).

In general, customer loyalty can be defined as consumer loyalty to a product, either in the form of certain goods or services. According to Irnandha and Utama (2016) customer loyalty has an important role in retaining customers, meaning improving financial performance and maintaining company survival. The benefit of customer loyalty is that it reduces the influence of attacks from competitors from similar companies who are not competent in terms of products but are competent in terms of perception. According to Griffin in Rofiah and Wahyuni (2016) customer loyalty emphasizes behavior rather than attitude.

Previous research examining the influence of service quality on loyalty is not completely uniform, one showing positive significant results (Wahyu Agung Waluyo, 2013; Partua Pramana Hamonangan Sinaga, 2010; Septiadi Santoso, 2013; and Shinta Pandu Pristanti, 2015). Meanwhile, similar research shows results that are not completely significant (Isti Wahyuni, 2008; Sadi, 2009; Rachmad Hidayat, 2009).

Based on the background of the problems that have been discussed as well as references to previous studies, this research was conducted to review existing variables with the title: "The mediating role of customer satisfaction on the relationship between service quality and customer loyalty at Villa Lebak Bali Residence".

METHOD

This research was conducted at Villa Lebak Bali Residence Canggu Bali, which is located at Jln. Raya Batu Bolong, No 23b Canggu North Kuta. The operational definition of each variable used in this research is as follows. Service quality (X) is the ability to provide maximum service to meet consumer needs which includes direct evidence, responsiveness, reliability, guarantee and empathy. Customer satisfaction (Y1) is a customer assessment of services that have provided the level of enjoyment as expected. Customer loyalty (Y2) is consumer loyalty for the villa services used.

The sampling technique in this research used purposive sampling. The sample used as respondents amounted to 96 respondents. The data collection method in this research was carried out by means of a questionnaire. In this research, data analysis uses the Partial Least Square (PLS) approach. PLS is a component or variant-based Structural Equation Modeling (SEM) model. According to Ghozali (2006), PLS is an alternative approach that shifts from a covariance-based SEM approach to a variance-based one.

RESULTS AND DISCUSSION

Data Analysis Results

Partial Least Square (PLS) Model Evaluation Results

Model evaluation in PLS-SEM can be done by assessing the results of the measurement model. For latent variables with reflective indicators, that is through confirmatory factor analysis (CFA) by testing the validity and reliability of the latent construct, while for latent variables with formative indicators, look at the significant t statistical value.

A. Measurement Model Evaluation Results (Outer model)

Outlier model evaluation, also known as measurement model evaluation, is carried out to assess the validity and reliability of the model. Outlier models with reflexive indicators are evaluated through convergent and discrimininal validity for the indicators forming the latent construct, as well as through composite reliability and Cronbach's alpha for the indicator block.

Convergent validity

Table 1. Convergent Loading Factor Validity Test Results

	Customer Satisfaction (Y1)	Service Quality (X)	Customer Loyalty (Y2)
X1		0.638	
X2		0.782	
X3		0.655	
X4		0.789	
X5		0.752	
Y1.1	0.627		
Y1.2	0.679		
Y1.3	0.718		
Y1.4	0.631		
Y1.5	0.673		
Y2.1			0.632
Y2.2			0.670
Y2.3			0.739

Source: processed data, 2023

The convergent validity test of reflection indicators can be seen from the recommended factor loading value that must be greater than 0.7 for confirmatory research and a loading factor value between 0.6 to 0.7 for exploratory research is still acceptable. Based on the table above, it can be seen that all loading factor values in the convergent validity test are greater than 0.7. Thus it can be stated that the data in the research is valid.

Table 2. AVE Convergent Validity Test Results

Variable	Average Extracted(AVE)	Variance
Customer Satisfaction (Y1)	0.544	
Service Quality (X)	0.527	

Customer Loyalty (Y2) 0.564

Source: processed data, 2023

Based on the table above, it can be seen that all AVE values *convergent validity* greater than 0.5. Thus it can be stated that the data in the research is valid.

Discriminant Validity

Discriminant Validity relates to the principle that measurements (manifest variables) of different constructs should not be highly correlated. The way to test discriminant validity with reflexive indicators is by looking at the cross loading value for each variable which must be > 0.7 .

Table 3. Validity Test Results *Discriminant Cross Loading*

	Customer Satisfaction (Y1)	Service Quality (X)	Customer Loyalty (Y2)
X1	0.360	0.738	0.298
X2	0.486	0.782	0.239
X3	0.375	0.755	0.294
X4	0.611	0.789	0.449
X5	0.550	0.752	0.455
Y1.1	0.827	0.372	0.361
Y1.2	0.779	0.481	0.464
Y1.3	0.718	0.447	0.437
Y1.4	0.731	0.446	0.417
Y1.5	0.873	0.499	0.333
Y2.1	0.374	0.236	0.832
Y2.2	0.343	0.356	0.770
Y2.3	0.501	0.434	0.739

Source: processed data, 2023

Based on the table above, it can be seen that all cross loading values for each indicator for each variable are greater than 0.7. Thus it can be stated that the data in the research is valid.

Reliability

Reliability tests are carried out to prove the accuracy, consistency and precision of the instrument in measuring the construct. Testing the reliability of a construct with reflexive indicators can be done in two ways, namely composite reliability and Cronbach's alpha. Using Cronbach's alpha to test construct reliability will give a lower value (under estimate) so it is more advisable to use composite reliability in testing the reliability of a construct

Table 4. Results *Composite Reliability*

Variable	Cronbach's Alpha	Composite reliability
Customer Satisfaction (Y1)	0.687	0.687
Service Quality (X)	0.777	0.777
Customer Loyalty (Y2)	0.738	0.738

Source: processed data, 2023

Based on the table above it can be seen that all values *Cronbach's alpha* And *Composite reliability* for each variable between 0.60 to 0.70. Thus it can be stated that the data in the research is reliable. Based on the table above, it can be seen that all Composite reliability values for each variable are greater than 0.70. Thus it can be stated that the data in the research is reliable

Structural Model Evaluation (inner model)

R – square

Q-Square predictive relevance for structural models, it measures how well the observed values are generated by the model and also its parameter estimates. Q-square value > 0 indicates the model has predictive relevance; Conversely, if the Q-Square value ≤ 0 indicates the model lacks predictive relevance. Q-Square calculations are carried out using the formula:

$$Q^2 = 1 - (1 - R1^2)(1 - R2^2)$$

Where R1², R2² are the R-square endogenous variables in the equation model. The Q² quantity has a value in the range $0 < Q^2 < 1$, where the closer it is to 1, the better the model (Mindra and Sumertajaya, 2008). The results of the analysis using Partial Least Square produce the R1² and R2² values shown in Table 5.15 below

Table 5

R-square test results

Variable	R Square	R Square Adjusted
Customer Satisfaction (Y1)	0.459	0.453
Customer Loyalty (Y2)	0.389	0.376

Source: processed data, 2023

Based on the R square (R2) data in Table 6, the Q2 predictive relevance value can be calculated as follows.

$$Q2 = 1 - (1 - 0.459)(1 - 0.389)$$

$$Q2 = 1 - (0.541)(0.611)$$

$$Q2 = 0.6695 \text{ (Q2 predictive relevance is very good)}$$

Research Hypothesis Testing Results

The results of hypothesis testing with the Partial Least Square structural equation model are shown in Figure 1 below

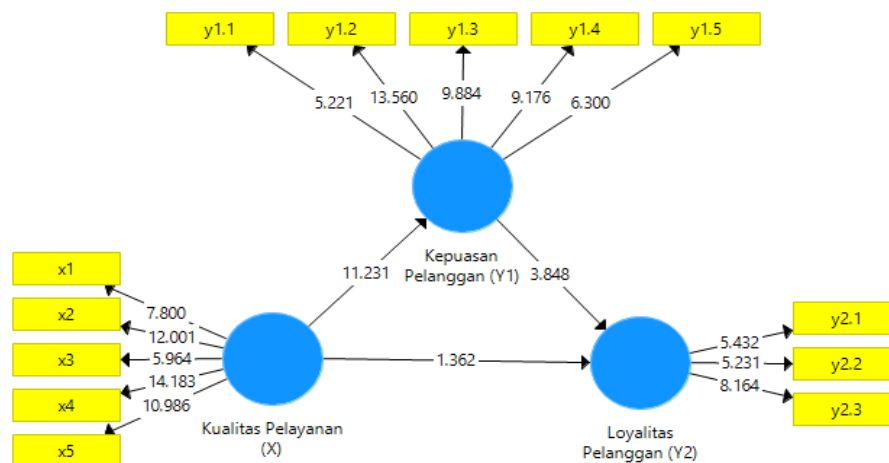


Figure 1. PLS bootstrapping output results

Source: processed data, 2023

Figure 1 shows that hypothesis 1 (H1), which states that service quality has a positive and significant effect on customer satisfaction, can be accepted. Likewise, hypothesis 2 (H2) which states that customer satisfaction has a positive and significant effect on customer loyalty can be accepted. However, hypothesis 3 (H3) which states that service quality has a positive and significant effect on customer loyalty cannot be accepted (rejected).

The direct influence of service quality on customer satisfaction.

The results of hypothesis testing regarding the direct influence of service quality on customer satisfaction show that service quality has a positive and significant effect on customer satisfaction. These results are based on the path coefficient of the direct influence of service quality on customer satisfaction with a value of 0.677 with a t-statistics coefficient of 11.231 (11.231 > 1.96).

The results of the analysis show that the quality of service at Villa Lebak Bali Residence's flight services has a big influence on customer satisfaction at Villa Lebak Bali Residence. The results of this research support the findings of (Kuntari et al, 2016; Muttaqin et al, 2016; Darwin and Kunto, 2014; Elrado et al, 2014; Saputra, 2013)

The direct influence of customer satisfaction on customer loyalty

The results of hypothesis testing regarding the direct influence of customer satisfaction on customer loyalty show that customer satisfaction has a positive and significant influence on customer loyalty. These results are based on the path coefficient of the direct influence of customer satisfaction on customer loyalty with a value of 0.478 with t-statistics of 3.848 (3.848 > 1, 96).

The results of the analysis show that customer satisfaction using Villa Lebak Bali Residence flight services has a big influence on customer loyalty to stay again. The results of this study support the findings of (Bahrudin & Zuhro, 2015; Gultom et al. 2020)

The direct influence of service quality on customer loyalty.

The results of hypothesis testing regarding the direct influence of service quality on customer loyalty show that service quality has a positive and insignificant effect on customer loyalty. These results are based on the path coefficient of the direct influence of service quality on customer loyalty with a value of 0.191 with t-statistics of 1.362 ($1.362 < 1.96$).

The results of the analysis show that even though the service provided to Villa Lebak Bali Residence customers is good, it does not guarantee that these customers will be loyal and return to use the same service due to situational factors and marketing efforts carried out by competing companies.

The results of this research are not relevant to research conducted by (Irnandha & Utama, 2016; Ismail, 2014)

Table 6. Indirect Effect Test Results

	<i>Original Sample(O)</i>	<i>Sample Mean(M)</i>	<i>Standard Error(STERR)</i>	<i>T- Statistics(O/STDEV)</i>
KL(X)- KP(Y1)>LP(Y2)	0.324	0.322	0.090	3,583

Source: processed data, 2023

Indirect influence of service quality on customer loyalty through customer satisfaction

Based on the results of the data analysis test, the results of the service quality variable on customer loyalty through customer satisfaction with a beta value of positive 0.324 and a t statistic value $> t$ table ($3.583 > 1.96$) can be concluded. It can be concluded that customer satisfaction is able to positively and significantly mediate the influence of quality. service for customer loyalty at Villa Lebak Bali Residence

Basically, service quality cannot simply influence customer loyalty. The quality of service provided by Villa Lebak Bali Residence does not necessarily mean that they will be able to use the services offered again and again without feeling satisfied first. Based on descriptive statistical tests, it was found that service quality has a positive influence on customer loyalty, indirectly on service quality through customer satisfaction. The results of the analysis show that customer satisfaction at Villa Lebak Bali Residence can mediate service quality on customer loyalty at Villa Lebak Bali Residence. This is in accordance with research conducted by (Rofiah & Wahyuni, 2016; Khikmah & Prihandono, 2017)

To determine the role of mediation in the model, it can be seen using the mediating variable testing method as follows (Hair, et al., 2010: 744-745):

- a. Examining the direct influence of the independent variable on the dependent variable on model involving mediating variables.
- b. Examining the influence of independent variables on mediating variables.
- c. Examining the influence of the mediating variable on the dependent variable.

Based on the results of the investigation of these three influences (a, b, and c), the level of intervention of the mediating variable can then be determined with the following analysis stages:

- 1) If the influence of the independent variable on the mediating variable (b) is significant, the influence of the mediating variable on the dependent variable (c) is significant, the direct influence of the independent variable on the dependent variable in the model involving the mediating variable (a) is non-significant, then it is said to be perfect mediation (complete/full mediation).
- 2) If the influence of the independent variable on the mediating variable (b) is significant, the influence of the mediating variable on the dependent variable (c) is significant, the direct influence of the independent variable on the dependent variable is model involving the mediating variable (a) is significant, then it is said to be partial mediation.
- 3) If one (b) or (c) is non-significant then it is said to not be a mediating variable (unmediation).

Test the mediation criteria described above, then the results of the hypothesis test using Partial Least Square (PLS) analysis are in accordance with the criteria in point 2, namely: partial mediation.

CONCLUSION

Based on the discussion of the results of the research that has been carried out, it can be concluded that:

- 1) Service quality has a positive and significant effect on customer satisfaction at Villa Lebak Bali Residence, with a value of 0.677 with a t-statistical coefficient of 11.231 ($11.231 > 1.96$).
- 2) Customer satisfaction has a positive and significant effect on customer loyalty at Villa Lebak Bali Residence, with a value of 0.478 with a t-statistical coefficient of 3.848 ($3.848 > 1.96$).
- 3) Service quality has a positive but not significant effect on customer loyalty at Villa Lebak Bali Residence, with a value of 0.191 with a t-statistical coefficient of 1.362 ($1.362 < 1.96$).

Based on the statement above, service quality on customer satisfaction is significant with a significance value of 0.677. Customer satisfaction with customer loyalty is significant with a significance value of 0.478, and the direct influence of service quality on customer loyalty involves a significant mediating variable with an indirect effect of 0.324 which is said to be partial mediation.

Based on the results of the analysis and conclusions, suggestions that can be given to parties in need are as follows:

- 1) Villa Lebak Bali Residence needs to increase customer satisfaction. By improving the quality of service, such as responding quickly to complaints made by guests, being friendly towards guests, respecting guests.
- 2) It is important for Villa Lebak Bali Residence to be able to create a good impression on customers by providing maximum service. Through this, it is hoped that we can get closer and more easily understand the desires of customers so that we can increase satisfaction, which in turn is expected to have a positive impact on the formation of loyalty.
- 3) Villa Lebak Bali Residence places more emphasis on the total customer satisfaction program through this strategy which is centered on service quality to get customers who are loyal to Villa Lebak Bali Residence. Each part of the company must have easy access to communicate with its customers so that, if the customer communicates with a certain part, the customer can directly contact the employees of the company concerned.

For further research, we can retest this research model by adding new variables such as trust, promotion, location and price in relation to service quality, customer satisfaction and customer loyalty. Future research agendas can also be carried out in several different service industries.

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