

THE IMPORTANCE OF BRAND EXPERIENCE ON A BOUTIQUE HOTEL: AN EVIDENCE FROM PURI ASRI HOTEL MAGELANG

By:

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Abstract

The purpose of this study is to examine the importance of brand experience in creating brand image, perceived value, and brand loyalty at boutique hotel. Since boutique hotels focus on the experiential nature of service delivery, the study of brand experience in boutique hotel is very inevitable. Then, Puri Asri Hotel which located in Magelang city is chosen as the object of the study. The samples in this research are the guests who ever experienced staying at Puri Asri Hotel. The sampling technique is convenience sampling with 150 respondents. This study used Partial Linear Square (PLS) analysis technique to analyze the data.

The finding of this study revealed that brand experience has a significant effect on brand image and perceived value, but has no significant effect on brand loyalty. Meanwhile, brand image has a significant effect to perceived value and brand loyalty. Then, perceived value has a significant effect on brand loyalty.

Keywords: Brand Experience, Brand Image, Perceived Value, Brand Loyalty, Boutique Hotel.

INTRODUCTION

A growing number of travelers have begun switching to book their lodging at new and more intimate types of hotels (Wang, 2013). They were seeking for different experiences from those they have become so well accustomed to from large hotel chains which accommodate a large number of guests (Aggett, 2007). Boutique hotel came up with the concept that has a lot different from hotel chain.. Boutique hotels represent a different lodging experience that provides stylistic uniqueness, high standards, and individual interaction with guests (McIntosh & Siggs,

2005; Van Hartesvelt, 2006). The most distinctive feature is that boutique hotel provides their customers with the unique experiences because they focus on the experiential nature of service delivery (Chan., 2012). Then, customers nowadays no longer buy products or services in order to fulfill a functional need but instead to purchase the emotional experiences around it, boutique hotels came up to deliver a unique and different experiences to their guest. Since boutique hotels focus on the experiential nature of service delivery, the study of brand experience in this field is very inevitable.

There were still less researcher conducted about the importance of brand experience, especially in case of boutique hotel. This research is designed to know the role of brand experience to each constructs; perceived value, brand image, and also the final output, brand loyalty.

Based on these research backgrounds, this study aimed to:

1. To examine the effect of brand experience on brand loyalty in the study of boutique hotel.
2. To examine the effect of brand experiences on perceived value and brand image in the study of boutique hotel.
3. To examine the effect of brand image on perceived value in the study of boutique hotel.
4. To examine the effects of perceived value and brand image on brand loyalty in the study of boutique hotel.

This study provides some contribution for both academic and practical perspective. From an academic perspective, this study provides a tested model of the role of brand experience into brand image, perceived value, and brand loyalty in the context of boutique hotel industry. Furthermore, this study is giving additional insights in terms of service marketing. From a practical perspective, this study will benefit marketers and practitioners in the hotel industry. This study will help hotel managers to understand how hotel brand experience develops and creates brand loyalty. Thus, hotel managers will be better equipped to develop more appropriate marketing strategies which focus on delivering superior experience.

LITERATURE REVIEW AND MODEL DEVELOPMENT

This study propose a research model that describes the relationship between perceived value, brand image, and brand loyalty taking into account and exploring the effects of brand experience.

First, research has shown that customers no longer simply buy products or services itself. They were seeking for brand that capable to delivering a unique and distinctive experience (Iglesias, Singh, & Batista-Foguet, 2011). Brakus et al. (2009), conceptualized brand experience as subjective, internal consumer responses (sensations, feelings, and cognitions) and behavioral responses evoked by brand-related stimuli that are part of brand's design and identity, packaging, communications, and environments. Brand experiences do not occur only after consumption, they occur whenever there is a direct or indirect interaction with the brand. In term of service, experiences occur when a consumer interacts with a store's physical environment, its personnel, and its policies and practices (Hui & Bateson, 1991; Kerin, Jain, & Howard, 1992).

Brakus et al., (2009) summarized five experience dimensions that broadly emerged from literature review as follows: sensory, affective, intellectual, behavioral, and social. Then, through data collection and analysis, the authors reduce the findings to four dimensions, called sensory, affective, intellectual, and behavioral.

- a. Sensory : using a sense of customers to measure the customer experience.
- b. Affective : using feelings and emotional of customer to measure the customer experience.
- c. Intellectual : using the ability of the brand to engage customers.
- d. Behavioral : using bodily experience, lifestyles and interactions with the brand to measure the customer experience.

Brand experience result from stimulations and lead to pleasurable outcomes, and consumers want to repeat these experiences. That is, brand experiences should affect not only past directed satisfaction judgments but also future directed brand loyalty. Consumer should be more likely to buy a brand again and recommend it to others and less likely to buy an alternate brand. Brakus et al. (2009) have identified brand experience as an important factor that influences customer perception of the brand and purchase behavior. In addition, previous

research is conducted by Hussein, Ismail, & Hapsari (2015) about brand experience effected brand loyalty in context of restaurant. Hussein et al., (2015) confirmed that brand experience is the predictor of brand loyalty. Thus, this study proposed:

Hypotheses 1 (H1): Brand experience has a significant effect on brand loyalty.

Brand experience may also influence brand image and perceived value. The previous research (Swaminathan, 2003)(Swaminathan, 2003; Alexander, 2005) suggest that brand experience improves the brand extension evaluation and avoids the risk brand image dilution. This finding indicates that brand image has a relation with brand experience. To strengthen this research, Yulianti & Tung (2013) mention that to create a strong brand, companies have to provide positive experience to their customers. The more positive experience delivered to customer, the more positive customers' perceptioan toward the image of some brand. Another research conduct by Ismail (2007) found that brand experience positively affected brand image to formulate word of mouth. In terms effect of brand experience to perceived value, previous study by Chen & Lin (2015) found that experience of customers is positively and significantly influences value perceived by them. Experience of customers toward some brand can affecting the customer to produce values, create good thinking patterns, and leaving a positive for the brand itself. Thus, this study proposed:

Hypotheses 2 (H2): Brand experience has a significant effect on perceived value.

Hypotheses 3 (H3): Brand experience has a significant effect on brand image.

Suhartanto (2011) which conducted research in hotel industry stated that perceived value is affected by customer's perception of brand image. If the firm cannot develop, support, and maintain brand uniqueness and perceived brand equity, then it is not possible to expect the development of brand loyalty. In addition as mentioned by Yulianti & Tung (2013) if customers have positive experience and good assessment toward image of the hotel, they will tend to generate satisfaction and loyalty to the brand. When a consumers feels good about the relationship and appreciates the product or brand, a high level of commitment and loyalty results (Oliver, 1999). The hypotheses of the relationship between brand image, perceived value, and brand loyalty is formulated as follow:

Hypotheses 4 (H4): Brand Image has a significant effect on perceived value.

Hypotheses 5 (H5): Brand image has a significant effect on brand loyalty.

Previous study in hotel industry (Suhartanto, 2011) assessed perceived value in relation with other service evaluation constructs such as service quality, brand image, customer satisfaction, as well as in relation with service outcome, brand loyalty. The mainstream of this study points out that perceived value is an important determinant of brand loyalty. As mention in the previous research of Chaudhuri & Holbrook (2001), brand loyal customers are willing to pay a premium as a result of the higher value they perceive. Thus, it is imperative that this study include perceived value as one of variable that influencing brand loyalty in hotel industry. Therefore, the hypothesis on the perceived value is formulated as follows:

Hypotheses 6 (H6): Perceived value has a significant effect on brand loyalty.

RESEARCH METHOD

Sample

The respondents of this study are the guests of Puri Asri Hotel which is located in Magelang City, Central Java Province, Indonesia. A total 150 questionnaires were distributed and used in this study. These respondents were recruited using convenience sampling method.

The following is the demographic profile that emerged from the sample: 58% of the respondents are male, 54% occupation of respondents are private employee, around 68% aged between 30-49, 98% respondents are Indonesian, 88,7% have tertiary education, 60% are visited the hotel for pleasure purpose, 90% are stayed for <3 nights, and 56,7% were repeated guests who ever stay at the hotel at least 3 times.

Data analysis

This study uses Structural Equation Model (SEM) with Partial Least Square (PLS) approach to process the data. Some reasons were behind the selection of using PLS in this study. First of all, measuring individuals' perception using Likert scale will likely yield non-normally distributed responses. PLS is a type of Structural Equation Model (SEM) technique which is based on variance with the aim to predict the effects of a set of independent variables on a set of dependent variable (Ghozali, 2011). This technique is distribution-free, which does not require or

exclude any distributional form for measured variables. For that reason, this technique is suitable for analyzing data from non-normal distribution. In addition, PLS is an analytical method which is very good because it can be applied to all scale of data, does not require a lot of assumptions, and sample should not necessarily be large (Ghozali, 2011).

In using PLS, two steps of analysis were required. The first step is outer model evaluation that consists of convergent validity, discriminant validity and unidimensionality test. According to Ghozali (2011), in convergent validity, the value of loading factor per indicator should be higher than 0,70; yet, in the research stage of scale development, loading 0,50 until 0,60 is still acceptable. Thus, this study is using boundary of loading factor 0.60. For discriminant validity, if the indicator has a higher correlation with its respective latent variable than with another latent variable, it implies that all indicators are valid. The reliability test uses internal consistency reliability based on the value of composite reliability and alpha cronbach. If the value of composite reliability and alpha Cronbach are 0,7 or higher, so the latent variable (construct) can be categorized as reliable. The second step is inner model evaluation which will be indicated by the score of coefficient of determination and the index of goodness of fit.

FINDINGS

The Evaluation of Outer Model

The first outer model evaluation is convergent validity. The score of factor loadings varies between 0.496 and 0.878. According to Ghozali (2011), a construct should not have items which have factor loading below 0.6. Therefore, two items (BE8 and BE9) were deleted. The estimation after deleting these items showed that all of the items have the score of factor loadings above the required threshold. It indicates that all latent variables observed do not have convergent validity problems. For discriminant validity test, we found that all the indicators have higher correlation with its respective latent variable than with any other latent variables (see appendix). This implies that all indicators are valid and discriminant validity is well established.

The reliability test indicates that the score of composite reliability for each construct ranged from 0.867 to 0.922, all of which are beyond the cut-off value (0.70). similar to the score of composite reliability, the score of alpha Cronbach is also above the cut-off value (ranged from 0.821 to 0.887). These results mean all constructs that observed in this study have an acceptable

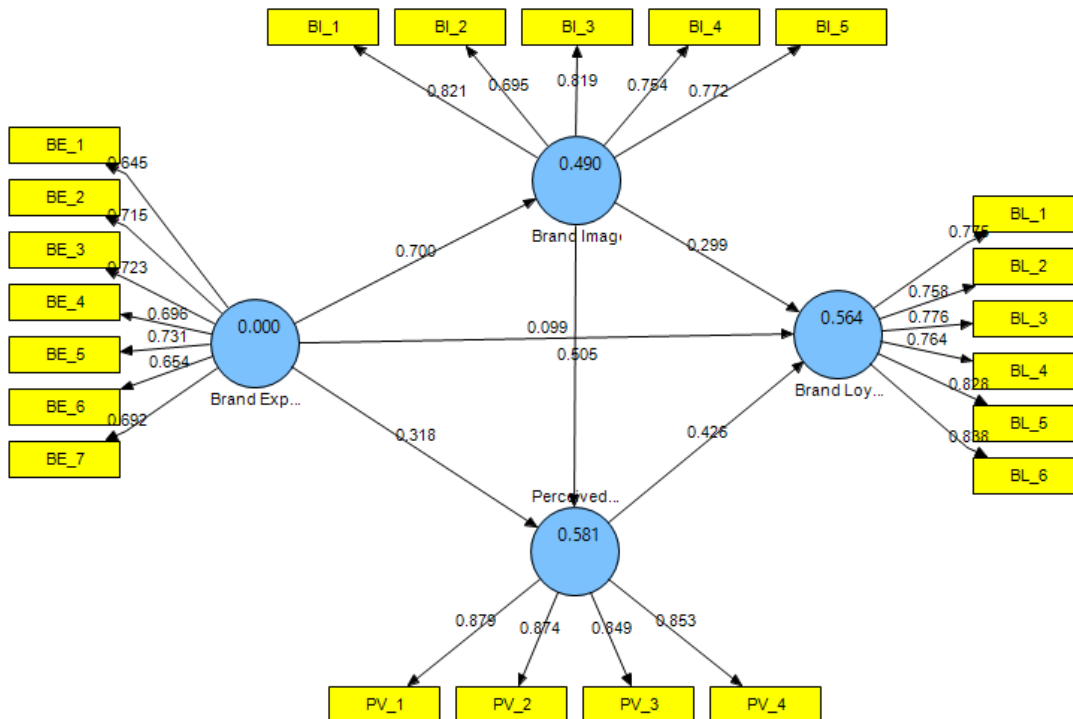
degree of consistency and are thus considered reliable. The table shows the score of composite reliability and alpha Cronbach for each construct.

Construct	Composite Reliability	Cronbach's Alpha
BE	0.866874	0.821084
BI	0.881306	0.831807
BL	0.908834	0.879681
PV	0.921724	0.886733

Source: Primary Data Processed (November, 2015)

The Evaluation of Inner Model

After ensuring the robustness of the measures, the next step is to provide validation that supports the theoretical model, as demonstrated by the structural model. To determine the coefficient of determination, R-square, it could be done by looking the numbers in the circle. Those numbers show how much the variance of the latent variable is being explained by the other latent variables. The value ranged from 0.490 to 0.581. Figure shows the PLS analysis for the model built.



To ensure the robustness of the model, this study also employed GoF indicator. The calculation of GoF indicates that the index is 0.578 which indicates it is good. Higher score of GoF is better than small score of GoF. The results of GoF index indicated that the model observed for this study is robust (exceeds 0.36). Therefore, hypotheses testing can be conducted.

Hypotheses Testing

From the result of path coefficient, the relationship between two variables could be classified significant if the value of its is higher than 0.1. In using a two tailed t-test with a significance level of 0.05 (5%), the path coefficient will significant if the t-statistics is larger than 1.96 (Ghozali, 2011)

The result of this study shows that brand experience has a positive but no significant effect on brand loyalty. Its path coefficient is 0.099 and its t-statistic is 1.240 which lower than 1.96. Based on this result, it can be concluded that Hypothesis 1 is not supported. Then, brand experience has a positive and significant effect on perceived value and brand image with t-statistic 4.697 and 18.69, respectively, which are higher than 1.96. This results support Hypothesis 2 and Hypotheses 3.

In addition, the statistic estimation confirmed that there is a positive and significant effect of brand image on perceived value with its path coefficient value and t-statistic which show 0.505 and 7.781, respectively. It means Hypotheses 4 is supported. Hypotheses 5 is proposed that Brand image has a significant effect on brand loyalty. hypotheses testing found that its t-statistic is 4.853 and path coefficient 3.376, which means Hypotheses 5 is supported. Similar with Hypotheses 5, Hypotheses 6 is also supported. The study found that there is a positive and significant effect of perceived value on brand loyalty with its t-statistic 4.853 and path coefficient 3.376.

	Path Coefficient	T Statistics (O/STERR)	Explanation
Hypothesis 1 (BE→BL)	0.099155	1.240697	Not Supported
Hypothesis 2 (BE→PV)	0.317963	4.696623	Supported
Hypothesis 3 (BE→BI)	0.699772	18.691828	Supported
Hypothesis 4 (BI→PV)	0.505334	7.781210	Supported
Hypothesis 5 (BI→BL)	0.298984	3.375646	Supported
Hypothesis 6 (PV→BL)	0.425579	4.853213	Supported

Source: Primary Data Processed (November, 2015)

DISCUSSION AND CONCLUSION

The results of this study show that the Hypothesis 1 which captured the relationship between brand experience and brand loyalty is not significant. The result concludes that brand experience has a positive but no significant effect on brand loyalty. An interesting finding is showed by this study. While other studies (Hussein et al., 2015; Sahin et al., 2011) found that brand experience has a significant effect on brand loyalty, this study showed a different results. Similar with previous research conducted by Iglesias et al., (2011) that found brand experience has no significant effect on brand loyalty. The same result found in this study, brand experience needs another factors to creating brand loyalty. Since there are two other variables which connecting brand experience to brand loyalty; perceived value and brand image. Thus, we can also assume that these both intervening variables probably affect the influence of brand experience to brand loyalty. As proposed in Hypotheses 2, this study found there is a positive

significant effect between brand experience and perceived value. This result means that the more positive experience felt by customers during their stay at the hotel, the higher value perceived by them. This result is consistent with previous research by Chen & Lin (2015) which conduct study in blog has found experience of customers in using blog is positively and significantly influences value perceived by them.

The effect of brand experience on brand image (Hypotheses 3) is confirmed by this study. The result of this study found that there is a positive significant effect between brand experience and brand image. This positive effect indicates that the more positive the experience that perceived by customers during their stay, the higher their perception about good image toward hotel's brand. The finding is similar with previous research about the relationship between brand experience and brand image. The research of Yulianti & Tung (2013) concluded that companies have to provide positive experience to customer to create a strong brand image. The image of hotel's brand will not be good if the customers do not have a good experience during their stay. The finding of this study is also confirmed that brand image has a positive and significant effect on perceived value as proposed in Hypotheses 4. When customers feel the hotel has a good image and appreciates the brand, they tend to agree that they perceive a high level of value during their stay in the hotel. Similar with previous study of Chitty, Ward, & Chua (2007) found that brand image has a significant effect on perceived value. This finding is also consistent with the previous research of Suhartanto (2011) which found that perceived value is effected by the perception of brand image. Thus, when staying in the hotel with a good brand image, the benefit that obtained by the customers exceed their sacrifice (cost) to gain it.

The significant effect of brand image on brand loyalty is confirmed in this study (Hypotheses 5). If the image of one brand is developed well, a high level of customer's loyalty toward the brand results. Customers will tend to choose brand with a good image rather than others who do not have. Customer's loyalty toward some hotel brand can be indicated through their intention to stay again in the hotel, consideration to make the hotel as their first choice of accommodation, continuity to become loyal customer to the hotel, and their willingness to say positive things also recommend the hotel to others who seek their advice. Finally, as proposed by Hypotheses 6, this study confirms there is a positive and significant effect of perceived value on building customer's brand loyalty in boutique hotel industry. This finding is similar with

previous researches which point out that perceived value is an important determinant of brand loyalty. Based on Zeithaml, Bitner, & Gremler (2006), perceived value is important in decision processes. Thus, customers will choose one brand over another because they believe it will provide better value. From this discussion, it can be concluded that it is important for the hotel to create, maintain, and deliver a good value to its customers because it affects the process of decision making.

This study found a tested conceptual model that illustrates the role of brand experience into brand image, perceived value, and brand loyalty in the context of boutique hotel. The majority finding on this study is giving an additional insight in terms of service marketing by capturing the relationship between brand experience, brand image, perceived value, and brand loyalty in a specific industry which is in the area of boutique hotel. Implication of this study is that marketer, practitioner, or management of the hotel industry should consider these four dimensions into their marketing strategy. By having the insights of these four dimensions, they will be better equipped to develop more appropriate marketing strategies to defend current customers and attract potential customers.

As the limitation of this study, this research does not examine the effect of intervening variable and also only obtained the data from one single boutique hotel. It is suggested for further research to examine intervening variable to measure the influence of it into its exogenous and endogenous variable. Furthermore, future research can obtain the data from several samples of boutique hotels, to make a comparison and develop broader discussion.

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