

Development of Switching Intention Model of Hotel Industry in Bandung

Budhi Prihartono¹, Fika Endah Monika², Ilham Reza Prasetyo¹

¹Industrial Management Research Group, Institut Teknologi Bandung, Indonesia

²Department of Industrial Engineering & Management, Bandung Institute of Technology Indonesia

Abstract

Switching intention in the hospitality industry is shaped by various factors, including service performance, customer satisfaction, and switching barriers. The hospitality industry itself cannot be separated from the loyalty program as it is one of the most common tools used in managing customer behavior. Therefore, this study will analyze the factor of loyalty program towards switching intention. The switching intention model in this study is formed by main service performance, service encounter performance, customer satisfaction, switching barriers, and loyalty programs. The data analysis performed in this research is multigroup structural equation modeling. The grouping of the samples is divided based on the type of hotel visited by the respondents, which are luxury hotels and medium to low hotels. Luxury hotels consist of 4-5 star hotels, while medium to low hotels consist of 1-3 star hotels. The sample size used is 250 respondents with analysis performed using MPLus. The results confirm that loyalty program, along with main service performance and service encounter performance influences switching intention. Based on the result, it is also found that different group of customers also have different effect on the relationship in the model.

Keywords: *service performance, customer satisfaction, switching barriers, loyalty program, switching intention*



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INTRODUCTION

The city of Bandung has received several awards in the tourism sector. The Bandung's Central Statistics Agency stated that the world tourist city designation given to Bandung has led to the development of service providers and hotel business activities that continue to grow every year. There are 392 accommodations in the city of Bandung, consisting of 117-star hotels and 275-non-star accommodations. The large number of hotels with various offers and prices makes hotel service users have many choices of staying with various needs they want. Low product differentiation and strong market competition render hotel customers smarter in choosing and consuming hotel products (Mattila, 2001).

The quality of service provided by hotel service providers is a factor that determines customer satisfaction. Service satisfaction felt by customers is the basis of customers in assessing the performance of hotel services. Experience with hotel services on previous visits can be a decision-maker in customer intention, whether to return to the previous hotel or switch to another. Switching intention is a scale that indicates the level of probability or certainty that the customer will switch from the previous service provider (Bansal et. al., 2005).

Han et. al., (2011) studied the switching intention model using data collected at upper midscale hotels in the US. A total of three 4- and 5-star hotels were used as research objects. Han et. al., (2011) suggested that further research be conducted in various hotel segments and other geographical areas. Qui et. Al. (2015) in his research stated that customer satisfaction has a positive and significant influence on customer loyalty, as such switching costs are the main influence on customer loyalty. Furthermore, Qui et. al. (2015) suggested hotel segmentation should be

Corresponding author

budhi.prihartono@ti.itb.ac.id

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considered model development. Based on these notion, the various types of star hotels in Bandung can be used as the mean to get an overview of hotel segmentation on switching barriers.

The purpose of the research on the development of Switching Intention models in the Hospitality Industry in Bandung City is, first, to get an overview of the effect of service performance and loyalty program on the switching intention which is mediated by customer satisfaction and moderated by the switching barriers variables. Second, to get an overview of the effect of hotel segmentation on the relationship between switching costs and switching intention. The contribution of this research is a more comprehensive conceptual model of switching intention and give a wider consideration for hoteliers in Bandung to develop their business strategy based on these factors.

LITERATURE REVIEW

Service performance

Bolton and Drew (1991) stated that consumer expectations of service quality refer to consumer expectations of service providers in general, while perceptions of service performance leads to more specific companies' services. Service performance which consists of core service performance and service encounter performance is better used to determine service quality because after all, consumers will only be able to judge the quality they receive from a particular provider, not on their perception of service quality in general (Bolton and Drew, 1991; Cronin and Taylor, 1994; Gottlieb, et al., 1994). If the perceived service performance exceeds expectations, the customer will be satisfied. In previous studies, there was evidence that service performance indicates service quality from service providers which has implications for customer satisfaction.

H1. Main Service Performance has a positive effect on Customer Satisfaction.

H2. Service Encounter Performance has a positive effect on Customer Satisfaction.

Customer satisfaction

Several studies have shown that there is a relationship between customer satisfaction and behavioral intention, such as customer revisit and switching intention (Bansal and Taylor, 1999; Cronin et al., 2000; Kotler et al., 2010). Bansal and Taylor (1999) found that the dissatisfaction experienced by consumers leads consumers to switch service providers. The relationship between satisfaction and intention is the basic concept of service marketing, as service operators must meet customer satisfaction and desires to avoid switching (Kotler, et al., 2010).

H3. Customer Satisfaction has a negative effect on Switching Intention.

Loyalty program

Loyalty program relates to emotional customer and satisfaction customers (Lo et al., 2017). Ashley (2011) revealed that benefits offered through loyalty program provide positive influence in respondents who become loyalty programs member. The more benefit given by a loyalty program, the more intention purchase and trust increase, and thus leads to improvement in customer loyalty (Lo, et al 2017). Hwang and Kwon (2016) found negative emotion influence from customer as the results of evaluation to the loyalty program provided to overcome switching intentions.

H4. Loyalty Program has a positive effect on Customer Satisfaction.

H5. Loyalty Program has a positive effect on Switching Intention.

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Switching barriers

Switching barriers consist of three types, switching costs, lack of attractive alternatives and relational investment (Jones et. Al., 2000). Meanwhile, according to Paterson and Smith (2003), switching barriers are not only based on economic considerations, but also related to psychological, social, functional, and ritual factors. These factors make it difficult for customers to switch to other products or services so that customers continue to use the product or service they have chosen. In this study, switching costs act as a barrier for service users to switch to other service providers.

H6a. Switching Cost has a positive effect on the relationship between Customer Satisfaction and Switching Intention.

H6b. Relational Investment has a positive effect on the relationship between Customer Satisfaction and Switching Intention.

H6c. Lack of Attractive Alternatives has a positive effect on the relationship between Customer Satisfaction and Switching Intention.

Research on switching intention has been previously studied in various sectors, for example the service sector (Bansal, et al., 2005). This study includes various push factors consisting of service quality, perceived value, commitment, customer satisfaction and others. Some of these factors indicate that if the level is low, the intention to switch will be high. Therefore, the push factor should be increased.

METHODOLOGY

Proposed Model

The basic model of the study is based on previous research conducted by Han et. al. (2011). The switching intention model is formed by factors of customer satisfaction, service performance, and switching barriers. In the conceptual model, there are direct and indirect relationships between constructs. In this study, loyalty program was added to the model as one of the factors that influence switching intention. Based on research conducted by Hwang and Kwon (2016), it is discovered that loyalty programs can cause negative emotions which are generated by the demotion of the loyalty program, causing customers to switch to other service providers.

Switching barriers used in Han et. al. (2011) consists of three factors, switching costs, relational Investment, and lack of alternatives attractiveness. Recent research conducted by Qiu et.al (2015) shows that the significance of the relationship between switching barriers on loyalty requires hotel segmentation. This is because the results of the study show differences in the effect of switching costs on high-cost hotels with low-cost hotels.

Based on these aforementioned studies, the proposed research model for this study is shown in Figure 1.

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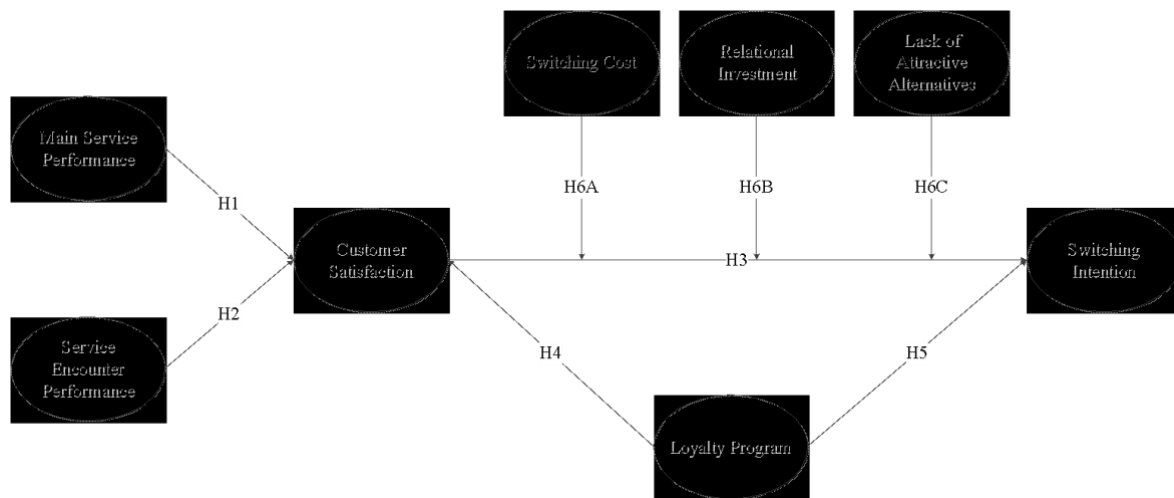


Figure 1 . Proposed Research Model

Data Collection and Analysis

The proposed switching intention model was analyzed using the structural equation modeling (SEM). The research was conducted through four main operational stages of research, research preparation, research design, data collection and processing, and research synthesis. The constructs used in this research model are service performance, customer satisfaction, loyalty program, switching barriers, and switching intention.

The preliminary study stage was carried out by collecting data and studying the symptoms that occur in the industry and literature studies focusing on the hotel industry in Bandung. This stage was conducted to study the concept and theory of switching intention in the hospitality industry. Concepts and theories from the literature study were then used as the basis for solving research problems.

The stage of research design was divided into three main stages. First, model design began with the study of previous models. Second, the measurement instrument was designed by studying the indicators on each of the variables in existing literatures. Simultaneously with the instrument design, the characteristics of the respondents and the number of respondents were also determined based on the requirement of SEM. The instrument used was in the form of a questionnaire consisting of the operationalization of construct in the model. Third, preliminary data collection was carried out to test the validity and reliability of the instrument used.

Next, the data was collected and then analyzed. As previously explained, the samples being used in this study is divided into two groups. The first group is the customers of high cost hotel while the second group is the customers of low cost hotel. Afterwards the data analysis was performed also in several stages. The first is descriptive data analysis followed by the testing of measurement model, which was conducted to test how well the measurement model formed by the constructs. Structural model testing was conducted to test the hypotheses between constructs in the study. Data processing in this study was performed using Microsoft Excel and Mplus software.

Lastly, the interpretation and analysis was performed based on the SEM's result. In addition, an analysis of hypothesis testing was also carried out including a discussion of the conformity of the results with previous studies and related literatures.

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FINDINGS AND DISCUSSION

Testing of measurement model was performed on the initial research model and the improvement model. In this regard, 30 indicators were tested, and it was found that four indicators were not fulfill the discriminant validity requirement. Therefore, these indicators were removed, leaving the rest of the 26 indicators to be remained in the model. The measurement model was then re-specified as an adjustment to the improvement model. The improvement model only consists of 26 indicators that measure 5 research constructs. The test was carried out on a small sample of 33 respondents. The results of the measurement model showed that all indicators pass the validity and reliability tests.

The structural model was then evaluated by conducting three model suitability tests, the basic goodness of fit, absolute fit, and incremental fit. Based on the test of structural model, the chi-squared value was quite high which means the fit of the structural model is questionable. The RMSEA index value for absolute fit for the initial research model was also greater than the accepted model fit limit, which is 0.088. The CFI and TLI indexes to determine whether the structural model has incremental fit indicate that the estimated structural model did not pass the incremental fit. The CFI and TLI index values are 0.813 and 0.790. Therefore, it can be concluded that the initial structural model did not pass the fit tests.

The initial model was improved by excluding moderating variables in the research model as shown on Figure 2. The revised structural model was also evaluated by conducting three model fit tests. The improvement model had an RMSEA value less than 0.8 for both models. In addition, the CFI and TLI index values also had values above 0.9 respectively. Therefore, it can be concluded that the relationship between the constructs specified in the two structural models of this study is relatively better than the initial model.

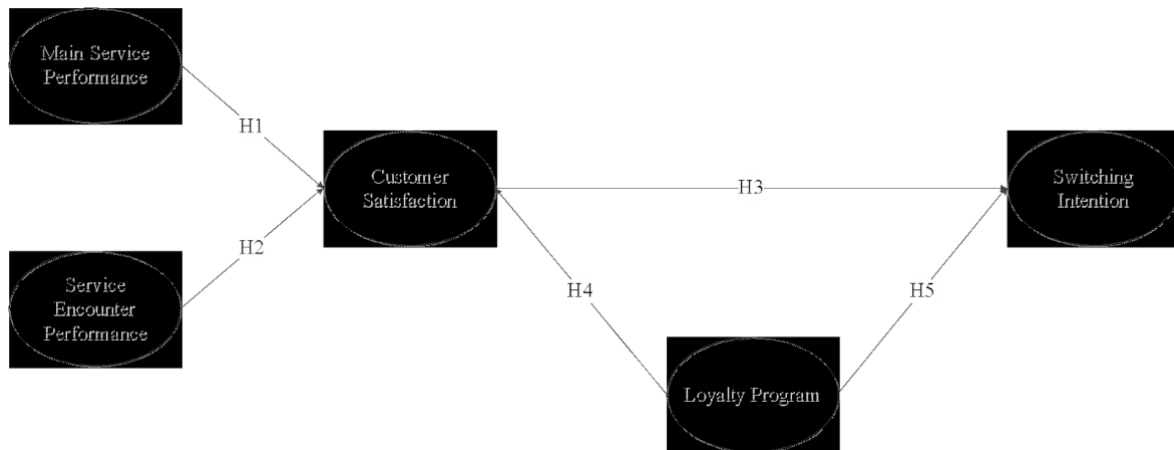


Figure 2. The Revised Structural Model

Table 1 shows sufficient empirical evidence to conclude that the structural models of the two groups are different. From the structural model invariance test, it can also be concluded that there is a significant moderating effect of the type of star hotel on the structural model in this study. As such, the structural model is considered good and the model estimation results are acceptable for each group.

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Table 1. Fit Index between the Two Groups.

Group 1 (High-cost Hotel)		Group 2 (Low-cost Hotel)	
Fit Index	Mark	Fit Index	Mark
Basic goodness of fit			
2_	408,312	2_	498,868
Degree of Freedom	257	Degree of Freedom	252
P-Value	<0.0001	P-Value	<0.0001
Absolute fit			
RMSEA	0.067	RMSEA	0.078
90% Confidence Interval	0.053 – 0.076	90% Confidence Interval	0.068-0.088
Incremental fit			
CFI	0.945	CFI	0.926
TLI	0.936	TLI	0.912

There were 5 hypotheses tested in the revised model. In addition to hypothesis testing, structural invariance models were also tested to determine the moderating relationship between constructs caused by different groups. The results of hypothesis testing shows that the structure model differs between groups. In addition, the results of the model invariance test also show that there are differences in the effect of hotel types on the relationship between constructs in the research structural model.

Based on table 2, there are 3 relationships between constructs that are influenced by the type of hotel. The relationship that is influenced by the type of the hotel is the relationship of customer satisfaction to switching intention, loyalty program to switching intention, and service meeting performance to switching intention through customer satisfaction.

Table 2. Hypothesis Test Results between the Two Groups.

Code	Hypothesis	Group 1			Group 2		
		Estimated coefficient	p-value	Information	Estimated coefficient	p-value	Information
H1	The main service performance has a positive effect on customer satisfaction.	0.905	<0.001	Accepted	0.898	<0.001	Accepted
H2	Staff interaction with customers has a positive effect on customer satisfaction.	-0.038	0.733	Rejected	0.261	0.016	Accepted
H3	Customer satisfaction has a negative effect on switching intentions.	-0.036	0.701	Rejected	-0.27	<0.001	Accepted

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H4	Loyalty programs have a positive effect on customer satisfaction.	0.029	0.515	Rejected	0.036	0.546	Rejected
H5	Loyalty programs have a positive effect on switching intentions.	0.1	0.379	Rejected	0.362	0.026	Accepted

CONCLUSION AND FURTHER RESEARCH

The measurement model had to be revised from the initial research model owing to the use of constructs which apparently cannot accurately describe the reality regarding customer intentions to switch hotels in Bandung. The improved model was then formed by excluding moderating constructs in the model. The improved model has a better suitability index which means that it can describe the reality that exists in the hotel industry in Bandung much more accurately.

Based on the result, the factors that influence switching intention of hospitality customers in Bandung are main service performance, service encounter performance, loyalty program, and customer satisfaction. To better attract new customers and retain existing customers, hotel service providers need to focus on these important factors.

Differences in hotel types based on high-cost hotels and low-cost hotels affect the relationship between hotel choices used by hotel customers in Bandung. In low-cost hotels, customer satisfaction does not affect the switch intention of hotel users. At high-cost hotels, the loyalty program does not affect customer satisfaction, but it does affect customer decisions in choosing a hotel on their next visit.

Finally, the research model can be developed by adding other relevant constructs such as price and customer loyalty. These two factors should be more sensitive for hotel customers in Bandung. Research is also suggested to be performed outside Bandung to get wider understanding regarding switching intentions. The grouping of respondents can also be done on ownership of hotel membership if possible..

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