

# CHAPTER I INTRODUCTION

## 1 Research Background

Indonesia is a developing country blessed with immeasurable natural resources and beautiful scenery around the country with countless astonishing cultures. Said factors are the reasons that Indonesia is highly advantageous in tourism. With the advantages mentioned, the country needs accommodations provider one of which is hotel. According to Sulastiyono (2011), "Hotel is a company operated by the owner that provides food and beverage services and rooms for people who are traveling and willing to pay in exchange for said services." It can be concluded that hotel is a business that provides accommodations, meals and services that travelers and tourists need. Bandung is one of the cities located in West Java, is highly regarded with its tourism, with that being said, its hospitality industry grows rapidly. This growth can be seen from the number of hotels in Bandung. High demand of accommodation affects the high numbers of new hotels being built. Shown in the table below is the statistics of rooms provided in Bandung's hotels:

**TABLE 1**  
**NUMBERS OF ROOM PROVIDED BY HOTELS ACCORDING TO BANDUNG'S**  
**CLASSIFICATION IN YEAR 2020**

<b>No.</b>	<b>Hotel Classification</b>	<b>Number of Hotels</b>	<b>Number of Room</b>
1	5 Star Hotels	9	1870
2	4 Star Hotels	32	3651
3	3 Star Hotels	42	3507
4	2 Star Hotels	25	1500
5	1 Star Hotels	10	382
6	Non-Star Hotels	218	6041

Source: BPS Bandung (2020)

According to the table 1, it shows that 3 stars-hotels have the highest number of hotels and second highest number of rooms provided compared to other hotel

classification. With high market demand and so does the competition. This has pronounced effect on 3-star hotels to show each of its appealing products to match the customers' needs and requirements in taking consideration of purchasing the products and eventually leads to becoming loyal to the brand. Nowadays, the market is ever so critical when purchasing a product. Their needs and requirements may vary with one and another and it can shift with trends. With the current era of free trades, a company is required to find and build a management system that can professionally retain their customers. According to (Strauss; 2001) there are two factors that are being put into company's consideration in achieving customer retention are, one; with the increasing price of acquiring new customers in currently tight competition climate and, two; a company's ability to acquire profits is proportional with the growth of company relationship with its customers permanently.

Oliver (1996) defined customer loyalty as a deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior. And the benefits of having loyal customer are explained by Griffin (2002) as follow:

1. It can decrease the budget in marketing because as it can be pricier to attract new customers.
2. Decreases transaction cost.
3. Decreases the cost of customer turn over.
4. Increases cross selling which also increases the company's market share.
5. Encourages a positive word of mouth with the assumption that a loyal customer is also a pleased customer.
6. Decreases the cost of failures.

With the benefits shown above, it is clear that a loyal customer is an important asset to a company. This can be seen from characters of loyal customers as explained by Griffin (2002), that loyal customers have these characteristics:

1. Makes regular repeat purchases.
2. Purchase across product and service lines
3. Refers other.
4. Demonstrates immunity to the full of the competitions.

With the race to acquire loyal customers, it conditions the market in such a way that it causes hotels to come up with brands that has been shaped and known earlier on. According to Kotler & Keller (2009) Brand is a name, sign, symbol, or a combined form of the three with the goals of identifying their products and services from other provider and to differentiate themselves from the competition.

Brands can also be identified as a trademark which is important for a company to identify themselves to the market or how the market perceive the product and services provided by said company. Brands can be used to create quality for a product and to appear appealing to the market compared to other product. In that case, a company has to introduce their brand to the market so that the market knows the brand has an edge over other brand. A brand that has positive brand image can be an assurance for the market that the product they provide is of quality. In order to preserve their brand image a company has to increase their product quality over time.

According to Tjiptono (2015) brand image is a description of trust a customer has on certain brand. Brand image is a perceived image of a consumer for a brand. It can

also be defined as overall impression a brand has on their customers. Brand image does not mean that it has to be built on purpose, but it is automatically shaped. The factors that shape the brand image according to Keller (2013) are the strength of brand associations, the favorability of brand associations, and uniqueness of brand associations.

Brand image holds the relationship in the shape of trust with the customers of a certain brand. The stronger the brand image in the eyes of the customers then the stronger the urge to purchase a product from the said company. A brand that has a positive brand image or liked by the market is considered to have a lower risk of purchase failures. A strong brand image can give a company competitive advantage, increasing their number of loyal customers and retain older generations of customers. This makes a brand image as a consideration for customers to make a purchase of a product.

Moxy Bandung Hotel is a three starred modern business hotel operating under an American multinational hospitality company called Marriott International and located in the heart of the city. It features 97 rooms and 12 suites, a cyber café that serves a wide variety of cuisines daily and 4 meeting rooms that could host up to 250 guests for business as well as leisure events. It is reachable from all across the city within minutes of travel time. According to the interview with the hotel's management it shows that occupancy percentage in the hotel can still receive improvements. The table 2 shows the occupancy percentage in the hotel in the year 2018:

**TABLE 2**  
**FORECAST & ACTUAL OCCUPANCY OF MOXY BANDUNG HOTEL YEAR 2018**

<b>Month</b>	<b>Forecast Occupancy</b>	<b>Actual Occupancy</b>	<b>Variance</b>
Jan	60.03%	32.13%	(27.90%)
Feb	53.93%	35.22%	(18.71%)
Mar	64.89%	42.06%	(22.83%)
Apr	68.83%	47.97%	(20.86%)
May	69.01%	24.67%	(44.34%)
Jun	72.82%	42.42%	(30.40%)
Jul	75.69%	45.79%	(29.90%)
Aug	70.99%	53.83%	(17.16%)
Sept	70.32%	42.22%	(28.10%)
Oct	69.52%	39.78%	(29.74%)
Nov	73.99%	52.81%	(21.18%)
Dec	70.75%	49.59%	(21.16%)

Source: Processed by author (2020)

The table 2 shows that Moxy Bandung Hotel's occupancy percentage from January 2018 to December 2018 did not meet the target set by the management. Based on the problem stated above this research was made to make an understanding of how the impact of brand image on customer loyalty, hence this research is entitle "THE IMPACT OF BRAND IMAGE ON CUSTOMER LOYALTY"

## **2 Problem Formulation**

1. How is the brand image of Moxy Bandung Hotel?
2. How is the loyalty of Moxy Bandung Hotel's customers?
3. What is the impact of brand image on customer's loyalty in Moxy Bandung Hotel?

## **3 Aims and Objectives**

1. To develop stronger market value through brand image.
2. To describe the relationship between brand identity and customer loyalty.
3. To describe and examine Moxy Bandung Hotel's brand image.
4. To describe and examine Moxy Bandung Hotel's customer loyalty.

#### **4 Benefits of Research**

The Benefits of research is to develop, broaden, and enrich the knowledge of marketing both for the writer and Moxy Bandung Hotel and to give suggestion and input in an effort to help Moxy Bandung Hotel to maximize brand image in order to acquire new customers and retain current customers.