

# THE INFLUENCE OF PERCEIVED VALUE TOWARDS CUSTOMER SATISFACTION IN HOSTEL BUSINESS: A CASE OF YOUNG ADULTS TOURIST IN INDONESIA

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# THE INFLUENCE OF PERCEIVED VALUE TOWARDS CUSTOMER SATISFACTION IN HOSTEL BUSINESS: A CASE OF YOUNG ADULTS TOURIST IN INDONESIA

## ABSTRACT

*Perceived value is one of the elements that can influence customer satisfaction in hotel and hospitality industry. Hostel business needs to understand more about factors that influence customer satisfaction to re-create practical strategies. This research measured the influence of perceived value, consist of four aspects which are an image, price, technical dimension and functional dimension. This study uses a quantitative method through multiple linear regression. Data was collected by spreading questionnaires, 300 respondents have participated in this research. This research focused on domestic young adults in Indonesia that already had experience in hostel service as respondents. This study found that perceived value in the form of the price is the most influential aspect that influences young adults tourist satisfaction towards hostel business.*

**Keywords:** *Perceived value, Customer Satisfaction, Hostel Business, Young Adults Tourist, Tourism and Hospitality Business*

## INTRODUCTION

Hotel and hospitality business is the main object in Indonesian travel and tourism business (National Geographic Indonesia, 2013). Indonesia tourism and hospitality sector are growing up. Tourism has turned out to be the most crucial cultural influences; as well as social and economic (Alhroot & Al-Alak, 2009; Aldianto et al., 2020). It also supported by Indonesia investments (2014) "Indonesia's Investments in tourism industry reached a total of USD 602.6 million in 2013. The number consisted of foreign investments (USD 462.5 million) and domestic investments (USD 140.2 million)". The hospitality industry of Indonesia is booming, and it can see the increasing number of tourists each year (Indonesia investments, 2014; Permatasari et al., 2019). The Jakarta Globe (2013) showed that eight from 10 persons in Indonesia prefer to have their holiday in the residential area. It also shows that 64% of Indonesian young adults and active tourist were travelling more than once in a year.

Hostels are low budget and comfortable accommodation. Hostels offer customers a decent place in a friendly environment at an affordable price. Hostels highly demanded travellers because they provide the perfect way to stay at a low cost. So that tourists can meet with many other people and visit other countries. Young travellers tend to choose hostels because they have the same attitude and behaviour of low-cost travel. Brochado et al. (2014) explains that hotels and hostels are similar in that they are both sectors of the lodging industry, which provide customers with a temporary place to stay in exchange for a nominal fee. "Hostels offer a wide range of accommodation including shared dormitories (either single-sex or mixed) and private rooms. Private rooms are becoming increasingly popular at our hostels and are available at most, making hostels open to families and couples as well as individuals and groups" (Hihostel.com, 2019).

This research covered a narrow and particular type aspect that influencing customer satisfaction which is the perceived value. The main scope of this research is to provide valuable information regarding customer level satisfaction in the hostel business. The hostel has become the central part of the travel option

for young adults traveller to have lower price accommodation. Many travellers, especially students and young travellers, prefer to spend their holiday in a hostel rather than a hotel. That situation becomes the main reason why nowadays hotels are not the only source of travel and tourism income. Therefore, this study aims to analyze the influence of perceived value towards customer's satisfaction in hostel business. This research is using young adults in Indonesia perspectives as a customer point of view towards achievement. Furthermore, this research will determine which aspects become the main reason why young adults prefer to choose a hostel as their accommodation—this research expected to find a new strategic model for developing customer level satisfaction in the hostel business.

## **LITERATURE REVIEW**

### **Customer Satisfaction**

Customer satisfaction is related to the customer's perception of expectation. Customer satisfaction is an emotional response to experiences related to certain products or services (Tjiptono, 2008). Customer satisfaction is a critical element in service delivery because understanding and satisfying customer needs and desires can result in an increase in market share from repeated habits and references (Iacobucci et al., 1995; Chitty et al., 2007). Customer satisfaction determined by the quality of the phenomenon in service in the field. "The satisfaction assessment is related to all the experiences made with certain suppliers regarding their products, sales process, and after-sales service" (Gandhi & Kang, 2011; Alamanda et al., 2019). Furthermore, Kaveh et al. (2012) determine the level of customer satisfaction influenced by five factors: product quality, service quality, emotional factors, price, and cost and ease of getting your product/service. Customer satisfaction can be determined if their expectations have been met or exceeded (Permatasari et al., 2019). Therefore, customer satisfaction is the customer's perception of using a particular company's product, and their expectations met or beyond.

### **Perceived Value**

The concept of perceived value has recently gained and famous in the business environment. The perceived value affects consumer behaviour and provides strategic implications for the success of companies. According to Dhillon (2013), the perceived value defined as the benefits of customers believe, what are they receive relative to the costs associated with the consumptions. For a service organization, it is essential to know how their customers perceive their services. The concept of perceived value known as a trade-off made by a customer between the costs and benefits of a particular product or service. (Kaveh et al., 2012). Hence, perceived value claimed to be a vital tool to help the service company to gain a better competitive position in the market.

In perceived value, the company should know who their customers and understand what products or services that customer needs (Permatasari et al., 2019). Consumers can select the best among the available options. This research is using four aspects of perceived value towards customer satisfaction such as image, technical dimension, functional dimension and price as the independent variables (Figure 1).

### **Image**

Images are a reflection of organizational identity. The picture consists of company attributes that determine a company. The image of the company seen as consumers thinks about the company, including perceptions and attitudes based on sensations from stimuli related to visuals received through the five senses. Milfelner (2009) stated the image based on customer trust. The image interpreted as consumer perception of a comparison of one place with another place. While Chitty et al. (2007) argue that it is the image is the added value that determines satisfaction and loyalty. So it can be concluded the perception of the value of the image deliberately created or built in the company as a translator of customer responses.

## **Price**

The definition of price is the amount of money charged for a product or service. In other words, price is the amount of cost that a customer is willing to pay for a product's value (Tse & Wilton, 1988; Rust & Oliver, 1994; Gandhi & Kang, 2011). The price paid by the buyer includes the services provided by the seller. Customers are willing to pay for products according to their needs, while the value of service compared with time and place (Chitty et al., 2007). For customers, lower prices can be a source of satisfaction, while for sellers prices that provide benefits. Therefore, prices affect shopping behaviour; consumers will determine what to buy based on the amount and value of the product (Kaveh et al., 2012). Price has an impact on the perceived quality and service of the product, so the buyer will pay some money to the seller for a product he bought. High-quality products and services are usually more expensive than equivalent low quality (Chitty et al., 2007).

## **Technical Dimension**

A technical dimension is a tangible object that fixed at a place. Objectively after the service process completed or when interactions between providers and their customers have ended (Chitty et al., 2007). The indicators of the technical dimensions related to physical facilities, such as the exterior (signboard, entrance, parking facilities), interior (light, room conditions, air temperature, the scent of the room, music, employees) and Layout (arrangement of facilities, the grouping of goods, shelves arrangement, etc.). In the case of hostels, the technical dimension is what they receive or experience after checking into a hostel. The object in question is physical facilities such as the availability of parking spaces or clean and comfortable accommodation, as well as other benefits such as TV room, laundry, and kitchen area. The technical dimension of service experience will affect the value of young people's perceptions of the services performed by hostels. Perceived value of technical dimension will affect satisfaction.

## **Functional Dimension**

The functional dimension is process quality. This dimension determines customer perceptions of service processes, production and consumption that are received simultaneously (Dhillon, 2013). Functional aspects have different outputs between individuals, and those outputs play an essential role in determining customer satisfaction. An excellent service provider will heighten a sense of security for customers regarding a transaction. The experience will make a satisfying experience (Rust & Oliver, 1994). The functional dimensions of the hostel in question are readiness, hospitality, courtesy, sympathy, and responsive service that contribute to customer satisfaction (Chitty et al., 2007; Tjiptono, 2008). The purpose of this study is to measure how much functional dimensions can affect the perceived value of customers (Chitty et al., 2007). The perceived value of functional will affect customer satisfaction.

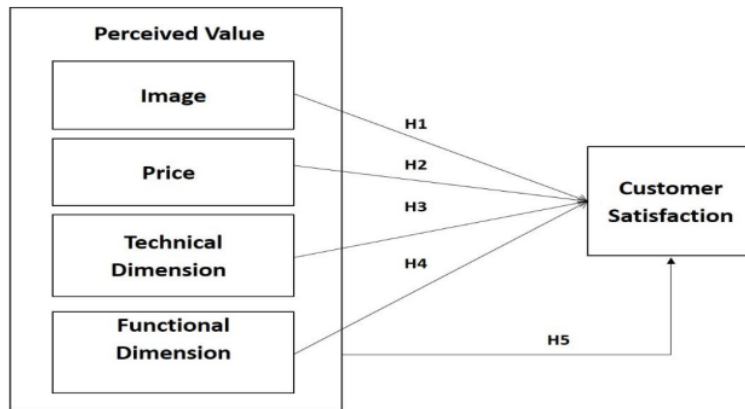


Figure 1. Conceptual Framework Source: Chitty et al. (2007)

Based on the conceptual research framework, five statements of the hypothesis can indicate as follows:

- H1: Hostel perceived value in the form of the image has a significant influence on customer satisfaction.
- H2: Hostel perceived value in the form of price has a significant influence on customer satisfaction.
- H3: Hostel perceived value in the form of technical dimension has a significant influence on customer satisfaction.
- H4: Hostel perceived value in the form of functional dimension has a significant influence on customer satisfaction.
- H5: Hostel perceived value in the form of image, price, technical dimension and functional dimension altogether have significant influence on customer satisfaction

## RESEARCH METHOD

### Population and Sampling Design

Malhotra & Birks (2007) stated the population defined as the collections of all the elements that share some mutual set of characteristics. This research population is consists of domestic young adults with age ranged from 18–25 years old and already experience the hostel services. According to Sekaran (2010), the determination of sample size number should be among 30 to 500 elements. Malhotra & Birks (2007) argue “that the sample size is at least four to five times of variables researched. Then on the other research, excellent research needed 1000 or more sample sizes, very good is 500, good is 300, the fair is 200, and inadequate research is 100 or less for its sample”. The range of age for target respondents is 18-25 years old, primarily domestic young adults that already stayed in a hostel. The total of 300 samples was successfully obtained and analyzed in this research. Margin error is the percentage of allowance for no precision of failure that occurs due to the use of a sample instead of population. There are two levels of the proportion of 0.01 and 0.5 per cent. In this study, the researcher used 0.05 percentage of margin, because of that the confidence level is 95%.

### Research Instrument, Data Collection, and Measurement

This study aims to reveal the influence of four different types of perceived value which is Image, Price, Technical Dimension and Functional Dimension towards Customers Satisfaction, specifically in Hostel Industry. The questions of each variable adapted from the previous research, which is from an application of ECSI Model as a predictor of satisfaction and loyalty for backpackers hostels written by Chitty et al. (2007). The questionnaire consists of 25 questions which constructed from previous journals and researchers. The primary data collected for this research were obtained through online. To measure this primary data, the researcher used five points of Likert scale (strongly disagree, disagree, fair, agree and strongly agree). This study used Multiple Regression to analyse the data and obtain

results. "Multiple regression is a statistical technique used for predicting the unknown value of a variable from the known value of two or more variables that also called predictors" (Hair et al, 2007).

## STATISTICAL ANALYSIS, RESULTS AND DISCUSSION

### Descriptive Statistics

This study used multiple regression as statistical technique to analyze the data and obtain results. Multiple regression used to test the hypothesis by measuring the values of unknown variables. The primary purpose of determining the respondent profile is to find which kind of young adults that mostly use the hostel service in Indonesia and to see the trend of aspects that affect their satisfaction in a hostel. The total responses that submitted through Google spreadsheet are 342. However, 42 respondents have not stayed in a Hostel. Thus, 300 responses were usable to be analyzed. The summary of respondents' demographic profile can see in Table 1. A female dominates the percentage of respondents' gender as it reached 52.7% of the total respondents. Since this research intended for domestic young adults, the dominant range of age is 20-22 as it represented 53.7% of the total respondents. Most respondents are travelling more than once in a year no matter the destination with 43% of the total respondents.

*Table 1. Respondent Profiles.*

Profile	Category	Frequency	Percentage
Sex	Male	142	47.3%
	Female	158	52.7%
	Total	300	100%
Age	17 – 19	76	25.3%
	20 – 22	161	53.7%
	23 – 25	63	21%
	Total	300	100%
Origin	Java	133	44.3%
	Sumatra	69	23%
	Kalimantan	22	7.3%
	Sulawesi	50	16.7%
	Papua and Maluku	14	4.7%
	Bali and Nusa tenggara	12	4.0%
	Total	300	100%
Travelling	Rarely	52	17.3%
Frequency in 1 year	At least once	119	39.7%
	More than once	129	43%
	Total	300	100%

## Validity and Reliability Test Result

This study uses Pearson correlation to validity testing. The formula of Pearson correlation is a significance test of r coefficient by doing t-test (significance level 5%). The rest of testing the validity of the items count has the significance level of 5% means if the correlation of the results obtained higher than r table at a significance level of 0.05. As a result of the validity test, 25 statements from the questionnaire are all valid. For reliability test, Cronbach's Alpha should be more than 0.6 to be considered as reliable. Based on a test result, it shows that data is reliable (Table 2).

Table 2. The Result of Reliability Test - Cronbach's Alpha

Variable	Cronbach's Alpha	N of Items	Reliability Consistency
Image (X1)	0.741	5	Good ( $0.7 \leq \alpha \leq 0.9$ )
Price (X2)	0.745	5	Good ( $0.7 \leq \alpha \leq 0.9$ )
Technical Dimension (X3)	0.651	5	Acceptable ( $0.6 \leq \alpha \leq 0.7$ )
Functional Dimension (X4)	0.709	5	Good ( $0.7 \leq \alpha \leq 0.9$ )
Costumers Satisfaction (Y)	0.825	5	Good ( $0.7 \leq \alpha \leq 0.9$ )
<b>Total Sample</b>			<b>30</b>

## Hypothesis testing

The test result shows that: price significantly affects the customer's satisfaction of domestic young adults that stayed in a hostel (H1), it indicated by the sig value of price which is .000 or lower than .05. It means that the variable already met the requirement of significant influence variable. Hypothesis four (H4), the functional dimension significantly affects the customer's satisfaction of domestic young adults. The result indicated the sig value of the functional dimension is .000 or lower than .05. While, the other variables which are image and technical dimension do not significantly affect the customer's satisfaction of domestic young adults that stayed in a hostel, indicated by the value of regression coefficient of 0.849 and 0.258. The result shows that both hypotheses are more prominent than 0.05.

Table 3. Multiple Linear Regression Analysis: Coefficients

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.990	.209		4.733	.000
	Image	-.010	.054	-.011	-.191	.849
	Price	.485	.059	.453	8.215	.000
	Facility	.074	.065	.067	1.133	.258
	Staffm	.259	.061	.238	4.287	.000

a. Dependent Variable: Cussat

## F – Test

The result of this F-test shows the F value = 53.846 with a significance level of 0.000. The F table value found on the F table with  $df1 = 4$  and  $df2 = 295$ ; thus, the F table value is 2.3719. F value > F table ( $53.846 > 2.3719$ ) and a significance level of 0.000 means that there is a simultaneous of Perceived

Value (Image, Price, Technical Dimension and Functional Dimension) towards Customers Satisfaction (Table 4).

Table 4. Multiple Linear Regression Analysis: F-Test (ANOVA)

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.315	4	17.579	53.846	.000 <sup>a</sup>
	Residual	96.307	295	.326		
	Total	166.622	299			

a. Predictors: (Constant), Image, Price, Technical Dimension, Functional Dimension

b. Dependent Variable: Customer Satisfaction

*t-test*

The t-test used to determine significance influence of perceived value that consists of image, price, technical dimension and functional dimension towards customer satisfaction—the result of the t-test progress written in table 5.

Table 5. *t* – test results

Model		t	Sig.
1	(Constant)	4.733	.000
	Image	-.191	.849
	Price	8.215	.000
	Facility	1.133	.258
	Staff	4.287	.000

Table 5 shows that variable X1 (Image) has a significant level of 0.849; it concludes that there is no significant partial influence between the perceived value on Image and Customers Satisfaction. The second hypothesis was supported. The results showed that there is a significant partial influence on the perceived value on price and customers satisfaction. Hypothesis three (H3) rejected because the significance level is more than 0.05 (0.258). Therefore, the perceived value in the form of technical dimension has no significant partial influence on customer satisfaction. In the other hand, the variable X4 (Functional Dimension), the results showed t value = 4.287 with a significance level of 0.000. Thus, the fourth hypothesis accepted that there is a significant partial influence on the perceived value in the form of functional dimension and customers satisfaction.

### Multiple Correlation Analysis

The coefficient of determination (R<sup>2</sup>) used to measure how much the ability of the model to explain the variations dependent variable. Results calculated that the adjusted R square value of 0.414 obtained. The 41.4% means that customers satisfaction can be explained by the variable perceived value (image, price, technical dimension and functional dimension), while the rest is 58.6% influenced by other variables. The coefficient represents in table 6.



Table 6. Coefficient Determination table

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.650 <sup>a</sup>	.422	.414	.57137

a. Predictors: (Constant), Staffmean, Imagemean, Pricemean, Facilitymean

b. Dependent Variable: Cussatmean

**Data Interpretation and Discussion**

Hypothesis 1 testing results show that the Image variable did not have significant effects or influence towards Customer Satisfaction of Domestic Young Adults. Based on the outcome of multiple linear regression analysis with a score of 0.849. This data means that the Perceived value in the form of Image factor does not influence customer satisfaction of young adults of Indonesian Hostel guests. The perceived value on the image did not gives significance affect on domestic young adults pleasure. It because most of Indonesians young adults do not give concern with the representation of the hostel. The image is not affecting their experience and happiness in their stay in the hostel.

Hypothesis 2 testing results show that price has a significant effect or influence on customers satisfaction of domestic young adults in Indonesia. Based on the outcome of multiple linear regression analysis with the significance level of 0.000 lower than 0.05 and the t value is 8.215 which it is the most substantial influence towards customers satisfaction of domestic young adults in Indonesia. This data means that the perceived value in the form of price factor has a significant influence on customer satisfaction of hostel guest. The results showed that the perceived value of price itself gives a substantial effect on the customer's satisfaction (Chitty et al., 2007; Kaveh et al, 2012). It also showed that most domestic young adults in Indonesia prefer to stay in a hostel because of the price that suitable for their needs. Indonesian young adults mostly consist of backpackers and have the intention to travel in a big group. It helps them to lower the cost of travelling and make them enjoy their holiday because the hostel provides nifty accommodation at low prices.

Hypothesis three (H3) testing results show that technical dimension (X3) did not have significant effects or influence towards customer satisfaction of domestic young adults. Based on the outcome of multiple linear regression analysis with the significance level of 0.258. This data means that the perceived value in the form of technical dimension factor cannot influence the customer satisfaction of domestic young adults of Indonesian hostel guests. While lower perceived value on the technical dimension itself did not give significant effect toward domestic young adults satisfaction. It shows that most Indonesians young adults do not give concern to the technical dimension aspect (facilities, room quality, etc.). Therefore, H3 result is proof not to have a significant effect on young adults experience and satisfaction in the hostel.

Hypothesis 4 testing result shows that functional dimension has significant effects or influence on domestic young adults satisfaction in Indonesia. Based on the outcome of multiple linear regression analysis with the significance level of 0.000 lower than 0.05. This data means that the perceived value in the form of functional dimension factor has a significant influence on domestic young adults satisfaction of Indonesian hostel guests. The functional dimension itself gives a significant effect on domestic young adults satisfaction. It showed that most domestic young adults in Indonesia prefer to stay in the hostel that has staff rater that provides them with information and some minor bits of help.

The results showed that the perception of value has a significant impact in determining customer satisfaction. Inexperienced consumers tend to value the cost of a product and service from its service quality and price (Iacobucci et al., 1995). The price is one of perceived value aspect that most

influential to customer satisfaction. Similar to the previous research that mentions the usage of perceived value in the Hospitality Industry like Kaveh et al. (2012), the perceived value has a positive impact on customer satisfaction. The usage of the aspect itself varies on the area of the hospitality business. Chokesikarin (2014) stated in south-east Asia, mostly customers within young adults age are affected by the price and room quality. In the most cases, the problem of it is mainly because the young adults guest is focusing on exploring the tourism area so they will use the hostel or their accommodation as the place for resting not more to relaxing like a hostel. Thus, the probability customers to get more satisfaction are more in how the hostel management can serve them with the affordable price and cosy facility, not the luxurious one. The customers mostly well accept the staff that can provide tourism service and information, the research showed that functional dimension (an aspect that influences the staff performances and knowledge.etc) also have some impact that is affecting the customer satisfaction.

The other results show that the image and technical dimension are not affecting customer satisfaction. Those results its quietly opposite from the previous research like from Chokesikarin (2014) and Chitty et al. (2007), that mention image and technical dimension from perceived value mostly become the main factor that influencing the customer satisfaction. The result might be different because the implementation of the population and also sample area are different between the research and by that means it also prove that each destination has its characteristic—the previous study conducted in various regions like Australia and Europe.

## **CONCLUSION**

From the results, it found that price in term of perceived value is the most affecting aspect that makes most hostel costumers satisfy with their hostel experience. The statistical results also implied that, according to the F test result. It showed that all independent variables have significance simultaneously influence the customer's satisfaction. The significance F value which present is 53.846 greater than 2.3719 and significance value is 0.000 lower than 0.05. Statistically, the study found functional dimensions have a significant effect on customer satisfaction. However, the level of significance is far lower than the price aspect of perceived value.

Perceived value in the form of image and technical dimension identified to be insignificant on customers satisfaction based on its statistical calculation. This finding is in contrast with a previous study by Chokesikarin (2014) as they stated that image of a hostel and its facility (Technical Dimension) was one of the most influencing aspects towards customer satisfaction, inducing the other perceived value aspects which are price and functional dimension.

The image shows a negative impact on the customer's satisfaction variable. It may happen because mostly the young adults are focus more deeply into the price and services that hostel offers, so the image itself is not considered as their part of the consideration in case of choosing their accommodation. While technical dimension not found to have a significant impact towards the customer's satisfaction, it is assumed because mostly the costumer which come from the young adults are looking for at least a place to "crashed" or stay for a night. Since they will have their activity outside of the hostel more often, the facility and another source not considered to be very important.

In conclusion, according to the research, the price aspect from perceived value still holds a vital role in customer satisfaction, especially in the hospitality industry of hostel business for young adults in Indonesia. Moreover, the result of this research based on domestic young adults as its respondents; thus, it may also reflect their preferences regarding the related sector, which is the hostel industry, especially for modern franchises. By knowing this information, marketers expected to be more aware and understanding about consumer preferences as they may set young adults in Indonesia as their target market. Future research can be improved to expand the new variables that related to digital marketing in tourism.

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GENERAL COMMENTS

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