

The Influence of Co-creation Toward Customer Loyalty: Survey of Bumi Sangkuriang Members who Stay at Concordia Hotels

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Abstract—In the tourism development, there are several major issues discussed as research topics, one of them is the issue of customer loyalty. Guest loyalty is very important the hotel management should pay attention to it. Hotel Concordia is one of the two-star hotels in Bandung that has a problem of the low loyalty of its customers. Therefore, Hotel Concordia Bandung should have a strategy to overcome this problem by improving and maintaining all aspects to gain and maintain the loyalty of its members. The researchers chose co-creation as a solution to increase the loyalty level of members of Bumi Sangkuriang at Hotel Concordia. In this study, the independent variable (X) used co-creation consisting of dialogue, access, and transparency. The dependent variable (Y) is customer loyalty. The types of research used are descriptive and verification. The methods used are an explanatory survey and cross-sectional approach. The samples were 236 customers of Bumi Sangkuriang. The withdrawal technique used was a systematic random sampling. The data analysis technique used is multiple regression. Implementation of co-creation at Hotel Concordia Bandung indicator access get the lowest score, while transparency gets the highest rating. Each co-creation dimension consists of dialogue, access, and transparency, which affect the customer loyalty. It can be concluded that co-creation gives significant influence on customer loyalty in Hotel Concordia Bandung, with a percentage of 51% and the remaining 49% influenced by other factors not examined in this research.

Keywords—*co-creation; customer loyalty*

I. INTRODUCTION

In the tourism development, there are several main issues highlighted as central research topics, one of them is a matter of customer loyalty. [1] stated that in the concept of customer loyalty, it is very important to focus on marketing. It is not only in terms of the perspectives of practitioners, but also one of the most enduring asset owned by the company. Creating and maintaining customer loyalty help companies developing long term relationships and mutual benefit with customers. Hopefully, the loyal customers show its attachment and commitment to the company, and are not interested in bidding from competitors. Concerns about customer loyalty often occur in hospitality industry. Currently, hospitality industry has been

recognized as a global industry, with its producers and consumers spread across the world.

Guest loyalty gives effect to the hotel, so the management of the hotel should pay attention to it. Jasinskas [2] said, “*The satisfaction and loyalty of customers have both direct and indirect impacts on the hotel industry*”. That means customer satisfaction and loyalty have influence, either directly or indirectly, towards the hotel industry. Therefore, hotel must be very care about customer satisfaction and customer loyalty. Customer loyalty is very valuable and expensive for the hotel. Customer loyalty gives a lot of benefits, one of them is the hotel does not need to spend much money for marketing activity. In other words, the expenditure for marketing activity could be trimmed. Along with the development of tourism industry in Indonesia, the development of the infrastructure is necessary to be done since it will help in increasing the frequency of tourist visits to Indonesia. Infrastructure development includes transportation and accommodation, since they are the most important facilities needed by tourists. One of the most popular and common types of accommodations is hotel. In this research, we will discuss Hotel Concordia, a hotel in Bandung that is located in Ciumbuleuit. This hotel is a Dutch colonial cultural heritage. A guest can be categorized as a member of Bumi Sangkuriang if he has stayed at the hotel more than once and registered himself as the member. In the registration process, there are several requirements that should be fulfilled. The number of Bumi Sangkuriang's member went down from the year of 2014 to 2016. According to the results of the interviews with the management of Hotel Concordia, the declining occurred due to several factors, such as poor quality of service and low satisfaction level of the facilities provided for the member.

One of the efforts to increase the number of members is by conducting a gathering program for the members. In the program, guests can participate actively in customizing the products or services of hotel Concordia. It is a form of collaboration with customers and innovation. other goals of the gathering is to improve the level of customer satisfaction, enhance customer loyalty, and increase revenue from the

existing customers. The program is expected to make the hotel survive in competing with other hotels. According to the theory of marketing, this program can be categorized as co-creation.

II. LITERATURE REVIEW

A. Co-Creation as A Marketing Strategy for Hotel

According to [3], marketing management is defined as follows: “Marketing management as the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value”. The main purpose of a business is to create customers, because customers play an important role for the success and sustainability of the business. The major basic functions of a business is marketing and innovation. Currently, marketing should be understood not in the old sense, which is merely to make profit, but also in a whole new meaning i.e. to satisfy the needs of tourists. According to Prahalad and Ramaswamy in [4], co-creation is a series of business practice where the company cooperates and collaborates with their customers in designing, manufacturing, and improving the quality of products and services. Prahalad and Ramaswamy also described the co-creation not only as a trend of creating products together, but also as a way to give new experience for the customers. The value is the result of interaction between companies and customers in the process of the integration of the resources defined as value co-creation (Vargo and Lusch Tregua et al, 2015) in [5]. The activity of the customer is assumed as a starting point to introduce the concept of co-creation as well as the practice of customers everyday.

B. Customer Loyalty

Generally, customer loyalty can be defined as customer who do repeat purchase of products or services and willingly recommend the products or services to others. It has been expressed by Oliver in [6], “Loyalty is a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior”.

[7] argues that “loyalty in a business context describes a customer’s willingness to continue buying from a firm over the long term and recommending the firm’s products to friends and associates. Customer loyalty does not just refer to customer behavior. It also includes preference, linking, and future intentions.” Loyalty in a business context means a desire of customers to continuously purchasing the products of the company in a long term and recommend the products to their friends or relatives. This also includes preferences, desires, and intentions in the future. Meanwhile, according to [8], loyalty is a commitment to purchase a regular birthday against a product or service at a later time.

C. Thinking Framework

Every company needs strategies for competing, marketing, and involving customers in the company's activity. Marketing itself is a process of creating a product or service based on demand from the customers. Marketing also aims to make a profit for the company. According to Kotler Bowen and Makens at *Marketing for Hospitality and Tourism* [9], “marketing is the process by which companies create value for

customer and society, resulting in strong customer relationship that capture value from the customer in return”.

In the 21st century, the trend is that the leading business companies are embracing a new set of beliefs and practices. Holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize the breadth and interdependence. Holistic marketing recognizes that everything is important in marketing and a broad and integrated perspective is often required. Holistic marketing also recognizes and reconciles the scope and complexity of marketing activities. The marketing concept is always changing from time to time. The early marketing concepts that were oriented to the transactional marketing now have changed its direction to relationship marketing. Relationship marketing is a marketing that maintains good relationship with people and organizations, either directly or indirectly. This marketing has proven to be significant in creating success for a company. According to Gronroos in [10], relationship marketing means the process of identifying and establishing, maintaining, improving, and, if necessary, terminating the relationship with the customer and other stakeholders so that the goal of all parties are met. Creating relationship marketing strategy requires a huge concern on the customer's perceived value. Chen developed perceived value in the service sector as a comprehensive approach to understand the utility of a product or service, which is based on a perception of what is perceived and what is given. More specifically, perceived value can be summed up as the value of the trade-offs between benefits and costs. The value is the basis of a relationship between a company's success with customers (Lemon, Rust, Zeithaml) in [11]. Customer value can reduce uncertainty and assist in developing trust and customers willing to do long term relationships with industry (Kim; Moliner and Sanchez) in [11]. This customer satisfaction can be produced if the enterprise is able to create value (value creation) which is superior to customers who in the end will create a positive image for the enterprise [12].

According to [13] in his journal titled '*Co-Creation and Higher Order Customer Engagement in Hospitality and Tourism Services*', “Co-creation is defined as “the joint creation of value by the company and the customer; allowing the customer to co-construct the service experience to suit her context”. The definition explains that co-creation is defined as the creation of shared value by companies and customers as well as allowing customers to build shared-experience services in accordance with the context. *Co-creation* is a high level of involvement focused on the customer participation in tailoring a product or service, which requires a collaboration with the customers for the purpose of innovation. The main focus of co-creation is to improve the level of customer satisfaction, enhance customer loyalty, and increase revenue from the existing customers in facing the high level of competition, globalization, turnaround customers as well as the development of the cost of customer acquisition. Therefore, co-creation forms a strong relationships with customers and create customer loyalty. Oliver in [3] defines loyalty as follows,

“Loyalty has been defined a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior”. Customer commitment is a form of loyalty in the form of a persistence to buy and repeat purchase the products and services periodically. However, the situation and effort for the marketing is potential to cause a change. Customer satisfaction toward a certain product does not mean the customer will show the same loyalty toward other products from the same company. [14] in [15] mentions that a customer stated loyal when the customer repeat purchase regularly, do purchase across product and service lines, encourage others to buy such products, and demonstrates an immunity to the full of the competition.

D. Hypothesis

According to [16] the hypothesis is a statement that is generally accepted as a truth as it is, at the time of the phenomenon is known and is the basis of work as well as guide in the verification. The hypothesis is a provisional description of the relationship of complex phenomena. Hypothesis requires the research to be the answer of the research question. In organizing a research hypothesis, it is important to consider the following premises:

1. Ogechukwu Blessing Maduka [4]
Stating that the "co-creation that consists of the dimensions of dialogue, access, and transparency has a positive and significant influence towards customer loyalty".
2. Tregua et al [17]
Stating that “This need implies that a company’s view of co-creation must be expanded to consider the customer’s roles and activities at different touch points to better understand the social, cultural, and relational dimensions of the context in which the customer’s processes take place”.
3. Chatoth et al [13]
Posited that “Output from the value chain of the co-creation process may include increased customer trust, loyalty and deepening engagement.”.

III. RESEARCH METHOD

This research examines co-creation starting from the dialogue, access, transparency, and its significant impact on customer loyalty in Concordia Hotel, Bandung. The approach used in this research is knowledge marketing management approach. The study also uses some concept expansions, which are co-creation and customer loyalty. Co-creation acts as an independent variable. While the loyalty of customers who repeat purchase, do purchase across product and service lines, recommend the product and service to others, and demonstrate an immunity to the full of the competition, acts as a dependent variable. The member-hour respondent involved in this research is Bumi Sangkuriang in Concordia Hotel, Bandung. The analysis was conducted on the object, followed by another analysis on co-creation and customer loyalty in Concordia Hotel, Bandung.

The supervision process took about a year. The sampling technique used in this study is systematic random sampling. According to [18], systematic random sampling is “a method to do systematic sampling over a specific interval of a sorted frame sample”.

IV. FINDING AND DISCUSSION

A. Description of Co-Creation at the Hotel Concordia Bandung

Recapitulation on consumers' response toward the result of co-creation execution in Concordia Hotel of Bandung can be seen in the following table:

TABLE I. CONSUMERS' RESPONSE TOWARD THE RESULT OF CO-CREATION EXECUTION IN CONCORDIA HOTEL OF BANDUNG

No	Sub Variable	Total Score	Average Score	%
1	Dialogue	9153	915,3	33,27
2	Access	4557	911,4	33,13
3	Transparency	4620	924	33,59
Total		18330	2750,7	100

Source: Data Process, 2017

Table I indicates that the sub variable that has the highest score is the value of transparency, which is 33.59%. Whereas the sub variable that gets the lowest assessment is access with the percentage of 33.13%.

B. Description of Customer Loyalty at the Hotel Concordia Bandung

Recapitulation regarding consumers' response toward the result of Customer Loyalty execution in Concordia Hotel of Bandung can be seen in the Table II below:

TABLE II. CUSTOMER LOYALTY EXECUTION IN CONCORDIA HOTEL OF BANDUNG

No	Sub Variable	Total Score	Average Score	%
1	Repeat Purchases	1929	964,5	24,89
2	Purchase Across Product and Service Lines	2916	972	25,09
3	Refers Other	1960	980	25,29
4	Demonstrates an Immunity To The Full of Competition	1915	957,5	24,71
Total		8720	3874	100

Source: Data Process, 2017

Table II indicates that the sub variable that has the highest score is 'Refers Others' with the percentage of 25.29%, whereas the sub variable that has the lowest assessment is 'demonstrates an immunity to the full of competition' with the percentage of 24.71%..

C. *The Influence of Co-Creation through Customer Loyalty at Hotel Concordia Bandung.*

Based on the result of regression equation, the formula to process the data for the analysis is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

$$Y = 21.993 + 0,354X_1 - 0,609X_2 + 0,761X_3$$

The results of the analysis show that the constants value is 21,993, which means if we neglect the x1, x2, x3, and x4, the score for customer loyalty is 21.993. the coefficient x1 of 0,354 means that every unit of the increased value of dialogue will improve the customer loyalty, in which the score is 0,354. the access coefficient of - 0,609 means that every unit of the increased value of access will decrease the customer loyalty, in which the score is 0,609. the transparency coefficient of 0,761 means that every unit of the increased value of transparency will improve the customer loyalty, in which the score is 0,761.

V. CONCLUSION

Based on the results, the conclusion could be drawn as follows:

1. The result of the respondents' assessment toward co-creation in Concordia Hotel is in the high category, in which the respondents involved in the research are the guest member of Bumi Sangkuriang that visit Concordia Hotel of Bandung. In this study, the indicators used are dialogue, access, and transparency. From the highest rank to the lowest are transparency, dialogue, and access.
2. Respondents' assessment toward customer loyalty in Concordia Hotel of Bandung is measured using four indicators: repeat purchase regularly, do purchase across product and service lines, encourage others to buy such products, and demonstrates an immunity to the full of the competition. The indicator that has the highest score is 'encourage others to buy such product', while the indicator that has the lowest score is 'demonstrates an immunity to the full of the competition'.

From the results of the hypothesis testing, it can be seen that co-creation through member gathering, which consists of indicators such as dialogue, access and transparency, has an impact on customer loyalty. This means that the higher the co-creation, the higher customer loyalty is.

Based on the conclusion, the author has a few of recommendations as follows:

1. This research proves that there is a significant impact of co-creation on the customer loyalty. Other than that, the research also shows the problem that should be solved by the management of Concordia Hotel. The result shows that the score for the indicator of access is contradictory with the score for co-creation. It means that many guests experience

difficulty in accessing information about the hotel. Easy access is a very important thing since the hotel needs to provide a comprehensive information about them to the guests. Therefore, the researchers suggest some things that can be done to improve the access:

- a. Providing easy access through online media, such as website, Facebook, and Instagram.
- b. Providing easy access through offline media, such as pamphlete, brochure, bulletin, and advertising in printed media.
- c. Clarify the information that is sent as a requirement.

Those are some basic things that are necessary in providing a good access to the customer.

2. The indicator that gets the lowest score from the guests is 'demonstrates an immunity to the full of the competition'. The competitors of Concordia Hotel of Bandung apparently have more interesting promo, advertisings, and programs. Most people will be attracted to hot promo or interesting programs. However, Concordia Hotel is indeed lack of these things. As a result, even the guest that has become a member will be attracted to stay at other hotels. Therefore, the researchers recommend the hotel to make their promo more interesting and provide more facilities for its members.

Another recommendation that is intended for further research. Judging from the results of research that has been done that the existence of influence between co-creation through member gathering against customer loyalty, staying at Concordia Hotel Bandung, so other researchers can pick up other problems more of co-creation and efforts that can maintain or even increase customer loyalty, staying at Concordia Hotel Bandung until finally the guests really loyal and it does not move to another hotel.

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