

SERVICE QUALITY ON CUSTOMER SATISFACTION: THE MEDIATING ROLE OF BRAND IMAGE

Author¹ : Isra Febriansyah Rajab
Affiliation : Dian Nuswantoro University
Email : israrajab181@gmail.com
Author² : Nurwajanah Riski
Affiliation : Dian Nuswantoro University
Email : nurjannahpasca@gmail.com

ABSTRACT

This study aims to examine the impact of service quality and brand image on customer satisfaction in the hospitality industry in Yogyakarta. It also investigates the mediating role of brand image in the relationship between service quality and customer satisfaction. A total of 260 hotel guests participated in the survey, and data were collected using a structured questionnaire. The study employs Structural Equation Modeling-Partial Least Squares (SEM-PLS) for data analysis. The results reveal that service quality has a significant positive effect on customer satisfaction, and brand image positively influences customer satisfaction. Furthermore, service quality also positively impacts brand image, and brand image mediates the relationship between service quality and customer satisfaction. These findings highlight the importance of maintaining high service quality and managing a positive brand image to enhance customer satisfaction. This research contributes to the understanding of customer satisfaction in the hospitality industry and provides valuable insights for hotel managers seeking to improve their service offerings and brand positioning.

Keywords: Service Quality, Brand Image, Customer Satisfaction

INTRODUCTION

Service quality and brand image have long been key focuses of research in the hospitality industry. Both are considered critical elements influencing customer satisfaction and loyalty (Ali et al., 2021; Kandampully et al., 2011). In the hospitality industry, service quality encompasses various dimensions such as responsiveness, reliability, assurance, and tangibles, all of which contribute to the overall customer experience. Meanwhile, brand image reflects customers' perceptions and impressions of a hotel. Hotels with a positive brand image tend to attract more customers and maintain their loyalty in the long term (Kandampully et al., 2011). Given the importance of these two factors in creating a positive customer experience, this study aims to investigate the relationship between service quality, brand image, and customer satisfaction in hotels located in Yogyakarta, Indonesia.

This research focuses on two main variables: service quality and brand image, both of which play a vital role in enhancing customer satisfaction. Service quality is a primary measure

of how well the delivered service meets or exceeds customer expectations. Recent studies, such as those conducted by Rahmah et al. (2021), have shown that high service quality significantly correlates with increased customer satisfaction. Similarly, brand image, as noted by Lee et al. (2017), influences customers' perceptions of service quality. A strong and positive brand image can enhance customer loyalty as customers are more satisfied with their experiences. This study is crucial as it offers new insights into how service quality and brand image interact to generate higher customer satisfaction.

A review of the latest literature reveals that consistent service quality improves positive perceptions of a hotel's brand and serves as a key driver of customer satisfaction. At the same time, brand image strengthens the relationship between service quality and customer satisfaction. This aligns with findings by Oktavanny and Sulistiadi (2022), who observed that good service quality enhances a hotel's brand image, which in turn affects customer satisfaction levels. Therefore, effectively managing service quality and brand image can create a more positive customer experience and foster loyalty.

Although service quality and brand image have been widely studied separately, a research gap exists regarding how these two factors interact to influence customer satisfaction in the hospitality industry. Some prior studies have focused on either service quality or brand image without exploring how the two interplay to create customer satisfaction (Hsieh et al., 2018). Furthermore, while there is extensive research on service quality and brand image, few studies address the specific context of particular regions, such as Yogyakarta, which has unique cultural and consumer behaviour patterns. This study aims to fill this gap by exploring the relationship between service quality, brand image, and customer satisfaction within the context of hotels in Yogyakarta.

Most existing solutions focus on either improving service quality or developing brand image independently. However, few studies have attempted to integrate these concepts into a comprehensive framework (Dabholkar et al., 2000). Additionally, many studies have centred on models applied in developed countries, with limited attention to local contexts such as those found in Indonesia. Hence, this research seeks to develop a model that combines service quality and brand image into an approach tailored for the local hospitality context in Yogyakarta.

To address this research gap, the proposed research model integrates service quality, brand image, and customer satisfaction into a more comprehensive framework. By adopting a mediating approach, brand image is expected to strengthen the relationship between service quality and customer satisfaction (Cheng, 2013). In this model, high service quality not only directly influences customer satisfaction but also indirectly does so through the hotel's brand image. The research focuses on how service quality and brand image work together to enhance customer satisfaction, which in turn strengthens customer loyalty to the hotel. This model will test whether brand image acts as a mediator linking service quality to customer satisfaction in the hospitality sector.

The findings of this study are expected to provide practical insights into how hotels can improve their service quality and brand image to enhance customer satisfaction. Consequently, this research will extend existing literature on the relationship between service quality, brand image, and customer satisfaction by introducing new dimensions relevant to the Indonesian local context. This study will be conducted in various hotels across Yogyakarta, one of Indonesia's leading tourist destinations. The city boasts a unique blend of culture, history, and natural beauty. With its growth as a tourist destination, many hotels have focused on improving service quality to attract customers. However, this research will examine how the brand image built by these hotels contributes to customer satisfaction, particularly among domestic and international tourists visiting the city.

The primary objective of this study is to examine how service quality and brand image interact to influence customer satisfaction in hotels in Yogyakarta. This research also aims to fill gaps in the existing literature by providing an understanding of the relationship between these two variables within the context of Indonesia's hospitality industry. The contributions of this study are expected to offer practical recommendations for hotel managers in designing more effective service strategies and building strong brand images to enhance customer satisfaction and loyalty.

RESEARCH METHODS

This study employs a quantitative approach with an explanatory research design to examine the effects of service quality on customer satisfaction and brand image among hotel customers in Yogyakarta. The sample consists of 260 hotel customers, selected using a convenience sampling technique. Data were collected through questionnaires distributed directly to respondents, using a Likert scale to measure the variables of service quality, brand image, and customer satisfaction. Data analysis was conducted using Structural Equation Modeling - Partial Least Squares (SEM-PLS) to assess the relationships between variables and to identify whether brand image mediates the relationship between service quality and customer satisfaction. This method provides a robust analytical framework to evaluate direct and indirect effects, allowing for a deeper understanding of how these variables interact within the context of the hotel industry in Yogyakarta.

RESULTS AND DISCUSSION

Table 1. Profile of Respondents

	Characteristic	Frequency	Percentage
Gender	Male	67	55,37
	Female	54	44,63
Education	Postgraduate	4	3,31
	Undergraduate	67	55,37
	Associate's Degree	46	38,02
	High School	4	3,31
Age	19-30	65	53,72
	31-40	51	42,15
	41-50	5	4,13
Gross Income/Month	< 5 million	33	27,27
	6-10 million	49	40,50
	11-15 million	25	20,66
	16-20 million	9	7,44
	> 21 million	5	4,13

The respondents in this study were categorised based on several demographic characteristics. In terms of gender, the majority were male (55.37%), while females accounted for 44.63%. Regarding educational background, most respondents held a bachelor's degree (55.37%), followed by those with a diploma (38.02%). A smaller proportion of respondents

had a postgraduate degree or high school education, each accounting for 3.31%. The age distribution revealed that the largest group fell within the 19 to 30 age range (53.72%), followed by those aged 31 to 40 (42.15%), with a smaller percentage aged 41 to 50 (4.13%). For monthly gross income, the majority of respondents earned between 6 to 10 million IDR (40.50%), while 27.27% reported earning less than 5 million IDR. A smaller proportion had incomes of 11 to 15 million IDR (20.66%) and 16 to 20 million IDR (7.44%), with only 4.13% earning more than 21 million IDR per month. These demographic characteristics provide valuable insights into the profile of the sample and the context in which the study's findings were derived.

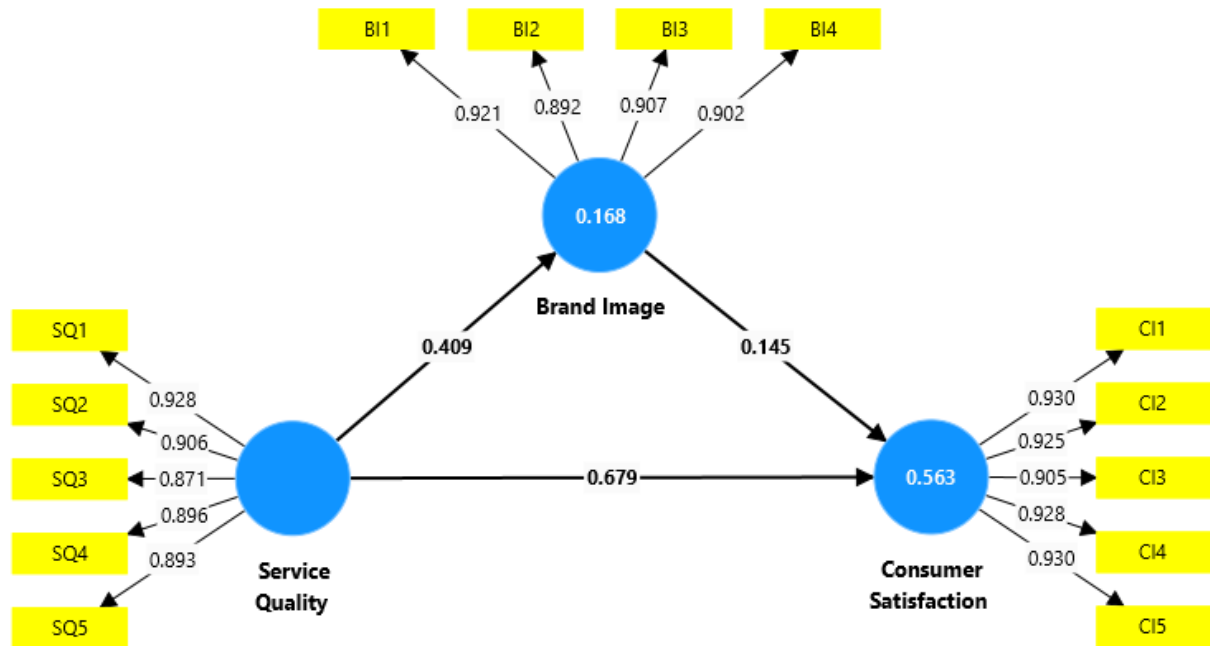


Figure 1. SEM analysis result

Table 2. Convergent validity

Variable	Items	Factor Loading	CA	CR	AVE
Service Quality (SQ)	SQ1	0,928	0,853	0,820	0,808
	SQ2	0,906			
	SQ3	0,871			
	SQ4	0,896			
	SQ5	0,893			
Customer Satisfaction (CS)	CS1	0,921	0,957	0,930	0,942
	CS2	0,892			
	CS3	0,907			
	CS4	0,902			
	CS5	0,930			
Brand Image (BI)	BI1	0,930	0,957	0,927	0,941
	BI2	0,925			
	BI3	0,905			
	BI4	0,928			
	BI5	0,930			

The results of the convergent validity assessment for the research variables, namely Service Quality (SQ), Customer Satisfaction (CS), and Brand Image (BI), show that the measurement model is proven to be valid and reliable. For Quality of Service, all items (SQ1 to SQ5) have a high loading factor, ranging from 0.871 to 0.928, with a Composite Reliability (CR) value of 0.820 and an Average Variance Extracted (AVE) of 0.808, both of which exceed the recommended thresholds (0.70 for CR and 0.50 for AVE). Customer Satisfaction also showed excellent results, with loading factors for all items (CS1 to CS4) ranging from 0.892 to 0.921, CR of 0.930, and AVE of 0.942, well above the threshold accepted. The same applies to Brand Image, where the loading factor for its items (BI1 to BI5) ranges from 0.905 to 0.930, CR is 0.927, and AVE is 0.941. Overall, these results confirm that the measurement models for the three constructs, namely Quality of Service, Customer Satisfaction, and Brand Image, are valid and reliable.

Table 3. Discriminant Validity Assessment

	Brand Image	Customer Satisfaction	Service Quality
Brand Image			
Customer Satisfaction	0,040		
Service Quality	0,877	0,201	

Table 3 presents the discriminant validity assessment for the study's constructs: Brand Image, Customer Satisfaction, and Service Quality. Discriminant validity was evaluated by comparing the square root of the AVE for each construct with the correlations between the constructs. For Brand Image, the correlation with Customer Satisfaction (0.040) and Service Quality (0.877) indicates a very strong relationship with Service Quality, suggesting a close but distinct association that supports discriminant validity. The correlation between Customer Satisfaction and Service Quality is 0.201, indicating a weak relationship between these two constructs, which positively reflects discriminant validity by demonstrating that the constructs measure different aspects of the customer experience. Furthermore, the low correlation between Customer Satisfaction and Brand Image (0.040) strengthens the evidence for discriminant validity, showing that while related, each construct uniquely captures a distinct dimension of customer perceptions. Overall, these results confirm that discriminant validity is achieved for all three constructs in the study.

Table 4. R-square and Q2

	R-square	Q2
Brand Image	0,563	
Customer Satisfaction	0,168	0,637

Table 4 presents the R-square and Q2 values for the study's constructs. For Brand Image, the R-square value is 0.563, indicating that 56.3% of the variance in Brand Image is explained by the model, which shows a moderate level of explanatory power. The Q2 value for Brand Image is 0.637, which exceeds 0, indicating a good predictive relevance for this construct. On the other hand, Customer Satisfaction has an R-square value of 0.168, meaning only 16.8% of the variance in Customer Satisfaction is explained by the model, indicating a relatively weak explanatory power. However, the lack of a Q2 value for Customer Satisfaction suggests that its predictive relevance was not assessed in this particular context.

Table 5. Hypotheses Results

Path	Original sample	P values
Brand Image -> Customer Satisfaction	0,145	0,026
Service Quality -> Customer Satisfaction	0,679	0,000
Service Quality -> Brand Image	0,409	0,000
Service Quality -> Brand Image -> Customer Satisfaction	0,060	0,042

Table 5 presents the results of the hypothesis test in this study which tests the relationship between Service Quality, Brand Image, and Customer Satisfaction among hotel guests in Yogyakarta. The test results showed that Brand Image had a positive effect on Customer Satisfaction with an original sample value of 0.145 and a p-value of 0.026. These results indicate that guests who have a positive perception of the hotel's brand image tend to be more satisfied with their stay. This emphasizes the importance of building a good brand image to increase customer satisfaction. Furthermore, Service Quality has a significant influence on Customer Satisfaction, with an original sample value of 0.679 and a p-value of 0.000. This shows that the quality of service provided by hotels has a strong and significant impact on customer satisfaction. Guests who experience high-quality service tend to be more satisfied with their experience, which emphasizes the importance of paying attention to service quality in the hospitality industry.

Service Quality also had a positive effect on the Brand Image, with an original sample value of 0.409 and a p-value of 0.000. These results show that good service quality can strengthen the hotel's brand image in the eyes of guests. Hotels that provide high-quality services will more easily build a positive brand image, which can increase the hotel's attractiveness in a competitive market. Finally, Brand Image mediates the relationship between Service Quality and Customer Satisfaction, with an original sample value of 0.060 and a p-value of 0.042. These results show that although Service Quality has a direct influence on Customer Satisfaction, Brand Image also acts as a mediator that strengthens the influence of Service Quality on Customer Satisfaction. This means that good service quality not only has a direct impact on customer satisfaction, but also through the improvement of a positive brand image

Discussion

The results of this study reveal that Brand Image has a significant and positive influence on Customer Satisfaction. Guests who have a positive view or perception of the hotel's brand image tend to feel more satisfied with their stay experience. A strong brand image, which reflects the hotel's quality, reliability, and reputation, provides a sense of confidence for guests to choose the hotel, and this contributes to a higher level of satisfaction (Ali et al., 2021; Lahap et al., 2016). These findings show that building a positive brand image is not only important to attract the attention of potential guests, but also to improve the satisfaction of existing customers. A strong brand image serves as a guarantee for guests that they will have a satisfying stay, which can reinforce guest loyalty to the hotel (Cheng, 2013; Kandampully et al., 2011). That said, investing in good brand image management is an important step to ensure long-term satisfaction for guests. In addition, this study also shows that Service Quality has a very significant influence on Customer Satisfaction. The quality of service provided by the hotel has proven to play a major role in determining the level of guest satisfaction (Rao & Sahu, 2013).

When a hotel can provide services that match or even exceed guest expectations, guests will feel more satisfied and have a more enjoyable experience during their stay. High-quality service involves various aspects, from the friendliness of the staff, speed of service, cleanliness, adequate facilities, to overall comfort (Singgalen, 2024). These findings confirm that service quality is a key factor that every hotel must maintain to achieve a high level of customer satisfaction. Therefore, hotels need to continue to strive to improve service standards in order to retain and attract more guests, which will ultimately boost the hotel's reputation and business success.

In addition to affecting Customer Satisfaction, Service Quality is also proven to have a positive influence on the hotel's Brand Image. Good service quality not only affects customer satisfaction but can also strengthen the hotel's brand image in the eyes of guests (Kandampully et al., 2011; Setyadi et al., 2017). When guests experience high-quality service, they are more likely to build a positive perception of the hotel. This positive brand image then becomes a factor that can attract more new guests and retain existing guests. In a highly competitive hospitality industry, a strong brand image is one of the differentiators that can make a hotel stand out from its competitors (Deng, 2022). Thus, the quality of service provided by the hotel directly contributes to building a good reputation, which in turn increases the hotel's attractiveness in the market.

Finally, the results of this study show that Brand Image serves as a mediator in the relationship between Service Quality and Customer Satisfaction. This means that while service quality has a direct impact on customer satisfaction levels, the influence is also amplified through improving the hotel's brand image. A hotel that provides excellent service not only makes guests satisfied directly, but also enhances a positive brand image in the eyes of guests (Kandampully et al., 2011). As a result, a strong brand image will magnify the positive impact of service quality on customer satisfaction. In other words, good service quality can have a double impact: directly increasing customer satisfaction and also through a positive brand image, which overall improves the customer experience. This underscores the importance of not only focusing on improving service quality, but also on brand image management to maximize customer satisfaction.

CONCLUSION

Based on the results of the research, it can be concluded that Service Quality and Brand Image have a significant influence on Customer Satisfaction in hotels in Yogyakarta. Quality of Service proves to be a major factor influencing the level of guest satisfaction, which in turn can strengthen the brand image of the hotel. Brand Image also plays an important role in improving customer satisfaction, with a positive brand image encouraging guests to feel more satisfied with their stay. In addition, Brand Image has been shown to mediate the relationship between Service Quality and Customer Satisfaction, showing that a good brand image amplifies the positive effects of service quality on guest satisfaction. Therefore, hotels in Yogyakarta should focus on improving service quality and brand image management to achieve higher customer satisfaction and increase competitiveness in the hospitality industry.

This study has several limitations that need to be considered. First, this study was only conducted on hotels in Yogyakarta, so the findings cannot be generalized to hotels in other areas. The implications of the findings of this study can contribute to hotel managers in improving the quality of their services and brand image. Hotels in Yogyakarta need to realize that the high quality of service not only affects the level of guest satisfaction but also plays a role in forming a strong brand image.

RECOMMENDATIONS FOR FUTURE RESEARCH

Further research can expand the scope of research by including other service sectors, such as beauty, health, or education services. That way, it will be easier to know if the relationship found in this study also applies outside the hospitality industry. In addition, it is important for further research to pay attention to the development of digital marketing in these sectors, considering the increasing importance of digital marketing to attract and retain customers. A longitudinal approach is also recommended to look at the influence of service quality and brand image on customer satisfaction in the long term, as well as its impact on other similar sectors.

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