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## Article

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## **Service Marketing Mix Strategy and Service Loyalty towards Hotel's Success**

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### **A B S T R A C T**

The contribution from service sector is very effective in supporting income growth of a particular country. Hospitality industry has become a mainstay of some developing countries. Hotel services are capable of providing vast employment opportunities, thus demanding the availability of human resources capable of rendering hotel services professionally. The finest services being offered are expected to create service success. The purpose of this research is to identify whether the implemented service mix strategy has an impact on service loyalty and the achievement of service success. The study was conducted on four-star hotels in Bali. The research findings show that service mix strategy has a significant and positive effect on service loyalty. This means, the better or the more precise the implementation of a four-star hotel service mix strategy is, the greater the opportunity to create service loyalty. Service marketing mix strategy influences service success. Loyalty towards hotel services is capable of promoting service success, which means that the more loyal a hotel guest is, the more a hotel is capable of generating service success. There is a positive relationship between service marketing mix strategy and service success when mediated by service loyalty.

*Keywords: service marketing mix strategy, loyalty, service success*

## **I . Introduction**

Service sector, recently has been growing worldwide along with the economic development in a particular country. Contribution of service sector continues to grow and in many cases represents at least half of Gross Domestic Product (GDP). These developments are more prevalent in developing and developed

countries having robust growth in service economy sector (Lovell *et al.*, 2011:6). The development of service sector generally provides substantial employment opportunity for the community, in various areas of activity. Human resources in the form of labor is an important deciding factor in service marketing (Baker and Magnini, 2016). Factors that drives the transformation of service market and the robustness of service sector growth are: government policies, social changes, business trends, technological developments and globalization. Simultaneously these forces shape demands, supplies, competitions and also customer behaviors in decision making for service selection (Morgan *et al.*, 2014). All of these activities

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will lead to the expectation of a successful achievement of the service being offered.

Service success is the expectation of all entrepreneurs in achieving corporate performance. Service success is identical to the performance of product manufactured. Performance, is basically the result or output of a process performed to achieve goals (Droege and Hildebrand, 2009). Performance achievement or service success requires support from all parties within an organization, and from customers related to service loyalty.

Service customer loyalty could also be a product of the implementation of company's service marketing mix strategy. The said service strategy is comprised of: product, price, place, promotion, process, physical environment and people or commonly referred to as 7P (Lovelock *et al.*, 2011:25). Thus, the success of a service business is highly dependant on the service strategy being developed. Service industry plays an important role and serves as a fairly reliable industry in national economic developments all over the world (Tsai, 2008). One of the growing service industries in Indonesia recently is the hotel industry. This can be concluded based on the report from STR Global Construction Pipeline in March 2014. The report showed that the growth rate of hotel industry in Indonesia was 35,7%, with the construction of new rooms as many as 53,100 rooms. In addition, the contribution of hotel industry towards Gross Domestic Product has also increased for the past five years starting from 2009 until 2013.

Colliers International published research data pertaining to hotel sector in Bali. The research results showed that hotel industry in Bali has experienced an oversupply amid the current economic downturn. In contrast to that result, the demand for hotel services is expected to increase in future years. This is due to the weakening of rupiah's exchange rate against the dollar, so that Bali is expected to be frequently visited by international tourists. In Bali, until the end of 2016 there were 20,661 four-star hotel rooms available. The tendency of hotel industry development in Bali reflects that four-star hotels are the type of hotels mostly preferred by tourists. The number of

hotels in Bali during 2010 - 2014 are presented as below.

**Table 1.** The Number of Hotel in Bali during 2010-2014

Regency / City	Hotel Class					Total
	5 Star	4 Star	3 Star	2 Star	1 Star	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Jembrana	0	0	2	0	0	2
2. Tabanan	2	0	0	0	0	2
3. Badung	44	55	45	11	9	164
4. Gianyar	7	9	5	0	1	22
5. Klungkung	0	0	2	3	0	5
6. Bangli	0	0	0	0	0	0
7. Karangasem	1	2	2	1	1	7
8. Buleleng	1	1	9	2	1	14
9. Denpasar	3	4	10	8	8	33

Source: Cental Bureau of Statistics (BPS) Bali Province, 2016.

Hotel industry in Bali is heavily concentrated in Badung Regency. Table 1 above shows that the number of four-star hotels in Badung Regency, as registered on the website of the Indonesian Hotel and Restaurant Association (PHRI) Bali, is 55 hotels. Four-star hotels have developed service strategies in marketing their products as well. The implementation of which are expected to create customer loyalty, and ultimately are expected to be capable of creating optimal service performance to achieve a service business's sustainability. In this regard, it is very compelling to examine the phenomenon of an ever-developing hotel services in implementing strategies to generate loyalty and service performance. The results of this research are expected to provide additional perspective on the importance of service marketing strategies in supporting the sustainability of the hotel industry, and to contribute in enhancing attention towards hotel service strategy variable in hotel businesses in Bali as an effort to ensure their sustainability.

## II. Literature review

### A. Definition of service

Service marketing is a part of an overall service system, where each company has a form of contact with its customers, ranging from advertising to billing, including contact during delivery of services (Lovelock et al., 2010:16). In addition, a service is any activity or benefit offered by a party to other party and is essentially intangible and does not result in ownership of anything. Its production process may or may not be associated with a physical product (Kotler and Armstrong, 2015:58).

Services that can be offered to consumers contain characteristics that can be implemented in marketing programs. According to Nirwana, there are four characteristics of services, namely: 1) intangibility or physically intangible, since service products tend to be more of a performance, unlike goods product that can be touched, seen, or physically sensed. 2) inseparability, which implies that the process of producing services and the process of consuming services occur simultaneously. Thus it is often said that service knows no storage unlike goods storage. 3) variability, which means that services are formed according to variations in quality or type, depending on the performance desired by the customer. So each service customer has a distinct characteristic based on the preferred service. 4) durability (perishability), which implies that the service being generated will be utilized at the same time as the consumption. Utilization of service occurs when required or demanded by the customer. When there is a demand then the service will also be offered, and subsequently the demand is also the supply of a particular service.

The success or failure of a service organization depends not only on equipments, machines or other physical materials, but more importantly depends on human resources which are capable of rendering services to consumers or customers well (Pillai and Bagavathi, 2003). This tenet also applies in the service industry which requires highly qualified human resources together with their characters and

knowledge. Organizational human resources are highly needed as operators and operator supports and also as management executives in service industry. Beside being pillars of an organization, employees as service renderers are part of human resources that are most essential in differentiating one organization from the other. Employee's competency in delivering services will affect and improve organization's performance. It even serves as a competitive advantage for an organization (Cheng, 2000). Furthermore, it has been found that there is a positive and significant relationship between the quality of internal services offered and employee satisfaction which will ultimately have a direct impact on the performance of the company.

### B. Service marketing mix strategy

Lovelock (2010:25) stated that service marketing mix consists of 4P elements (product, price, place, and promotion) plus other 3P variables (process, people, and promise). Thus service marketing mix variables are often referred to as 7P which includes: product, price, place, promotion, process, people, and physical evidence (Lovelock, 2010:25). Product variable will lead to price formation, thus product variable will be followed by price variable. The ensuing variable is the distribution variable. Distribution activities will be carried out after the existence of the product along with its price are established. Promotion variable is the supporting activity of each of the other marketing mix variables. Once the product, price, and distribution variables are established, then the existence of promotion variable becomes highly important.

Other variables include process variable, all range of activities related to a service can not be separated from the process itself. A proper service process follows the exact flow or procedure of service rendering activities, and must be supported by a thoroughly followed procedure. People, or service personnel for a particular service as the service provider. That is, a service is the product created by a worker or a

service provider. Promise, an identifiable indicator of service assessment is the fulfillment of a company's promise to its customer. When a promise do not conform expectation, a service does not sufficiently satisfy customers.

According to Kotler and Armstrong (2015:75), there are seven marketing mix variables known as 7P : 1) product is a combination of goods and services offered by a company to its target market. 2) price is the sum of money that must be paid by the customer in order to obtain the product. 3) place includes activities of a company to provide product access for its consumers. 4) promotion encompasses all methods by which a producer introduces its services to consumers. Promotion can be executed through advertising, personal selling, sales promotion and publicity. 5) people are personnels or human resources representing companies in delivering their services to consumers. 6) process encompasses all activities consisting of procedures, work schedules, mechanisms, activities, and routines, where services are created and delivered to consumers. 7) physical evidence (environment) is the surrounding circumstances or atmosphere or a physical environment in which a service is being delivered, service companies and consumers interact to each other and all tangible components will facilitate the appearance or communication of a particular service.

There is a positive and significant relationship between satisfaction and service value, where the more expected service value conform with service value experienced by the customers, the more satisfied the customers will be, while the conformity of service value with customer's expectations depends on the implementation of marketing mix program being offered (Heskett et al., 1997: 23). Products offered by a hotel having core benefits are quite diverse, such as lodging services in form of providing rooms. Furthermore these services are complemented by supporting facilities or services, such as front office, housekeeping, kitchen, parking, restaurant, sports facilities, swimming pool, tennis court, fitness center, business center and various other facilities.

Service marketing mix is a set of marketing tools

consisting of seven elements, namely: product, price, place, promotion, participants, physical evidence, and process, where all its variables can be controlled and manipulated by an organization to achieve competitive advantage. Organizations engaging in service industries utilize this service marketing mix to support their strategies in achieving high service / customer value which in turn will determine their competitive positioning in their target markets. (Haksever et al., 2000; 131 - 132). The appropriate marketing strategy is vital to an organization and strongly enhances organizational performance (Choe, 2017).

Sustainable competitive advantage for the company can be achieved through the 7P marketing mix (Abubakar et al., 2015). This also implies that service marketing mix affects the company's competitive advantage. In hotel industry, the most commonly used elements among the seven marketing mix elements are people, price and physical evidence. Thus considered to be of utmost importance to be possessed sufficiently (Prapannetivuth, 2015). The implementation of an integrated marketing strategy by consistently implementing the said marketing mix, while combining it with online marketing, would signify competitive advantage (Gujral et al., 2016). In addition, Bangre et al (2015) states that there is a relationship between service provided and company's performance achievement. This indicates that a good service activity is the most important indicator among marketing mix elements.

### C. Customer loyalty

Literally loyal means faithful, or loyalty can be interpreted as faithfulness. This loyalty is invoked without coercion, but rather arises from one's own past consciousness. Efforts made to achieve customer satisfaction are more likely to influence customer's attitude. Customer loyalty can manifest itself in form of customer faithfulness towards a company, brand or product. Customer loyalty is a customer commitment to a particular brand, store or supplier based on a very positive nature in long-term purchases. Customer

loyalty as the willingness of any given customer to purchase the company's goods or services over competitive ones available in the marketplace (Singh and Khan, 2012). Thus, brand loyalty is achieved through a combination of satisfaction and complaints. Meanwhile customer satisfaction arises from the extent of how well a company in attaining such satisfaction by minimizing complaints in order to secure long-term purchase commitments. Loyal customers would generally make purchases on a particular brand despite being faced with numerous brand alternatives from competing products with superior product characteristics (Zikmund, 2002).

The characteristics of customer loyalty serve as reliable indicators to predict sales and customer loyalty growth and can also be defined based on the consistency in purchasing behavior (Griffin, 2005:31). Characteristics of customer loyalty that need to be considered are: 1) incurring repetitive purchases regularly. Customers perform continuous purchases of a particular product. 2) purchasing inter-line products and services. Customer purchases are not limited to main services and products but also include purchases of different lines of products and services from the same company. 3) referencing to others. Where customers perform word of mouth communication related to a particular product. 4) display of immunity from competitor's appeal. Customers refuse to consume alternative products or services offered by competitors. A loyal customer is an asset to the company, this can be seen based on the its characteristics. Therefore, customer loyalty represents a reliable indicator to predict future growth of a company.

Organizations that leave a good impression on customers will find a place in the minds of those customers. The image of the organization and its product have a positive influence on customer loyalty where the image serves as a recommendation material and a motive for re-purchase particularly is hospitality services (Kandampully and Suhartanto, 2000). The image of the hotel also affects tourists' loyalty. It is also said that customer satisfaction has a positive and significant impact on loyalty. Therefore, tourists who are satisfied with their experience of consuming

services of a hotel tend to have loyalty and regard the said hotel as their main preference of stay (Kandampully et al., 2011). Other empirical evidences in previous studies suggest that the image formed through the application of a good service mix has a strong influence on the attributes of customer loyalty and the desire to recommend the hotel to others (Nguyen and LeBlanc, 1998).

#### **D. Service success**

Service success is identical to performance which is a description of the extent of success or failure of an organization in carrying out its main duties and functions in order to accomplish vision, missions, goals, and objectives. In other words, performance is an achievement attainable by an organization within a certain period. Performance is a general term used for a part or overall actions or activities of an organization during a certain period, carried out with reference towards a set of standards. These standards include; past or projected costs, certain basis for efficiency, management responsibility or accountability and others alike (Hsiao and Chang 2005). Performance is the ability, effort and opportunity of a personnel, team, or organizational unit in carrying out its duties to achieve predetermined strategic goals. The success of a strategic achievement which serves as basis for performance measurement needs to be quantifiable in its measurement. Strategic objectives and their measurements are then employed to determine the targets which serve as basis for performance measurement. Therefore, performance measurement is a measurement effort applicable to activities in various value chains within the company. The results of these measurements are then employed as feedback to provide information on the implementation of a plan as companies require adjustments to such planning and controlling activities.

Performance measurement is a process of recording and measuring the achievement of an activity execution in the direction of a mission achievement through presentable results in form of product, service, or process. Performance measurement is needed to

gauge the achievement of the predetermined targets. Performance measurement reflects the philosophy and culture of an organization and illustrates how well a performance has been accomplished with optimal cost, time and quality (Zeithaml et al., 2009). Various methods of performance measurement are being employed thus far, and in accordance with the company's goal to secure profit, almost all companies measure their performances with financial measures. In addition, there are company performance measures that takes into account stakeholder interests as well.

Paladino (2007) explained that there are different ways of measuring product performance or product success such as sales on target, fulfillment of customer's need, competitive product, consumer satisfaction, fulfillment of stakeholders' requirement, compliance towards government regulations, however financial indicators such as product margin and product revenue remain superior than other indicators as the most common indicators for product performance.

Measuring success of a new product can be observed from product development whether it is capable of providing benefits, having financial competitiveness and having responsibility towards environment. A new product can be categorized as a product success when there is an observable development of innovative ideas integrated into product features resulting in a competitive feature variation (Wong and Tong, 2012). It can also be indicated by product performance at post-production stage where the product is able to provide profit and benefits for the company. In case of hotel industry, those will happen after the customer experience the implemented service mix.

### III. Hypotheses

There are four hypotheses proposed in this research based on previous discussion, as follows:

H<sub>1</sub> : There is a positive and significant influence of service marketing mix strategy on service loyalty of four-star hotels in Bali

H<sub>2</sub> : There is a positive and significant influence of service marketing mix strategy on service success of four-star hotels in Bali

H<sub>3</sub> : There is a positive and significant influence of service loyalty on service success of four-star hotels in Bali

H<sub>4</sub> : Service loyalty mediates influence of service marketing mix strategy on service success of four-star hotels in Bali

### IV. Research conceptual framework

Conceptual framework developed in this research is as follows.

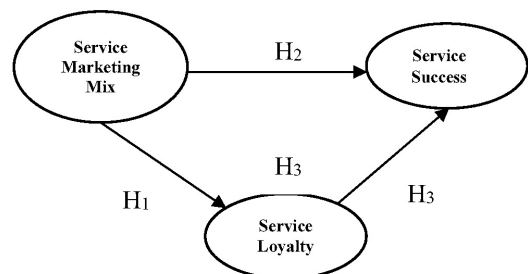


Figure 1. Research conceptual framework

### V. Research methodology

Research design is very crucial for the success in achieving good and useful research results. This study employs a quantitative research design (Creswell, 2010:5). Quantitative analysis through multivariate analysis employs structural equation modeling model (SEM) based on Partial Least Square (PLS).

Location of the research is Bali, especially at four-star hotel businesses. The consideration behind choosing Bali with its four-star hotel businesses is based on several factors, namely; (1) Bali is one of dominant domestic and international tourist

destinations (2) Four-star hotel businesses are capable of creating new job opportunities (3) The existence of four-star hotels has become a staple of today's community (4) And other technical field considerations. This research is conducted in 2017.

Research population is four-star hotel businesses in Bali. The number of population in this research is 55 four-star hotels. A sample is a portion, or a subset, of a population that is intended to provide information regarding the population. Sampling method used in this research is census which provides equal probability or opportunity for each element or member of a given population to be selected as sample. This implies that the entire population becomes sample research units. This research uses individuals as unit of analysis, so that from each member of the population (55), two individuals will be selected. Individual units in this research are general managers or other existing managers, so that the number of sample reaches 110 research respondents.

Questionnaire is a data collection technique using a prepared list of statements / questions related to variables being studied (Sekaran, 2010:82). In-depth interviews are performed in an unstructured and flexible

manner, in an informal setting, and are conducted repeatedly. The objective is to retrieve information objectively regarding organizational strategy phenomena to obtain factual information.

## VI. Research results and discussions

First, measurement model (outer model) evaluation aims to determine the validity and reliability of the indicators used to measure research variables. These validity - reliability tests refer to convergent validity, discriminant validity, and composite reliability. Second, inner model or structural model evaluation is employed to detect the existence of relationships between constructs, as measured by significance and R-square values of the research model. The test of inner model is performed through bootstrap resampling process.

**Table 2.** Outer loading of research indicators

Variable, Dimension and Indicator	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t-Statistics
Service mix strategy variables:				
X <sub>1.1</sub> Product	0.741	0.739	0.051	14.420
X <sub>1.2</sub> Price	0.753	0.752	0.039	19.108
X <sub>1.3</sub> Place	0.784	0.781	0.045	17.301
X <sub>1.5</sub> Physical evidence	0.778	0.778	0.037	20.983
X <sub>1.6</sub> People	0.796	0.793	0.038	20.943
X <sub>1.7</sub> Process	0.770	0.771	0.047	16.282
Service loyalty variables:				
Y <sub>1.1.1</sub> Trust	0.819	0.817	0.038	21.517
Y <sub>1.1.2</sub> Referencing to others	0.814	0.814	0.036	22.847
Y <sub>1.1.3</sub> Repetitive purchases	0.848	0.849	0.028	29.826
Service success variables:				
Y <sub>2.1</sub> Financial performance	0.842	0.836	0.034	24.776
Y <sub>2.2</sub> Service performance	0.865	0.864	0.023	38.415
Y <sub>2.3</sub> Aftersales performance	0.874	0.870	0.025	35.066



### A. Measurement model (*outer model*) evaluation

Outer model evaluation on reflective indicators requires three assessment criteria, namely: convergent validity, discriminant validity, and composite reliability. Based on these three evaluation criteria applied to bootstrapping results with PLS method, measurement model evaluation can be explained as follows.

Convergent validity is used to measure indicator's validity as a measure of a construct, as seen in its outer loading value. Outer loading results are shown in Table 2 below. Discriminant validity test is based on cross loading values. When the cross-loading value of a certain variable indicator exceeds cross loading values of other variables, then the indicator is said to be valid. The suggested cross loading value is higher than 0.7 for each variable. The cross loading analysis results are presented in Table 3.

**Table 3.** Calculation results of cross loading

Notation	Variable		
	Service mix strategy	Service Loyalty	Service Success
X <sub>1,1</sub>	<b>0.741</b>	0.646	0.536
X <sub>1,2</sub>	<b>0.753</b>	0.624	0.581
X <sub>1,3</sub>	<b>0.784</b>	0.506	0.572
X <sub>1,5</sub>	<b>0.778</b>	0.579	0.580
X <sub>1,6</sub>	<b>0.796</b>	0.494	0.571
X <sub>1,7</sub>	<b>0.770</b>	0.572	0.562
Y <sub>1,1</sub>	0.656	<b>0.819</b>	0.578
Y <sub>1,2</sub>	0.592	<b>0.814</b>	0.573
Y <sub>1,3</sub>	0.597	<b>0.848</b>	0.619
Y <sub>2,1</sub>	0.576	0.551	<b>0.842</b>
Y <sub>2,2</sub>	0.631	0.596	<b>0.865</b>
Y <sub>2,3</sub>	0.687	0.684	<b>0.874</b>

Discriminant validity test can also be performed with square root of average variance extracted ( $\sqrt{\text{AVE}}$ ). Recommended AVE value is above 0.50 (Hair et al., 2010:79). Table 4 shows that the magnitude of AVE values for all constructs have exceeded 0.50, which is 0.594 for service mix strategy construct or variable; 0.684 for service loyalty; and 0.740 for

service success. This indicates that 50 percent (50%) or more variances of an indicator can be explained. In addition, the square root of AVE value for each variable appears to be greater than the correlation value between the said latent variable and other latent variables. It appears that the square root of AVE value for the service mix strategy (0.770) is the smallest compared to other latent variables, but nonetheless remains well within the tolerance limit. Hence, all research instruments meet the discriminant validity criteria.

**Table 4.** AVE and  $\sqrt{\text{AVE}}$  Values

Variable	AVE	$\sqrt{\text{AVE}}$
Service Mix Strategy	0.594	0.770
Service Loyalty	0.684	0.827
Service Success	0.740	0.860

Composite reliability is used to test the reliability values between indicators that compose a construct. The composite reliability test results of the measurement model are shown in Table 5.

**Table 5.** Results of instrument reliability test

Research Variable	Construct Reliability
Service Mix Strategy (X)	0.898
Service Loyalty (Y <sub>1</sub> )	0.866
Service Success (Y <sub>2</sub> )	0.895

Based on the evaluation results on convergent validity, discriminant validity, and composite reliability of the indicators of variables or constructs, it is concluded that the indicators used to measure latent variables, and the variables constituting the model are all valid and reliable measures. Thus, in the next process it can analysed the model's goodness of fit by evaluating the inner model.

### B. Structural model (*inner model*) evaluation

Structural model (inner model) evaluation is a measurement to evaluate appropriateness level of the

overall research model, which is composed of several variables along with their respective indicators. In this structural model evaluation, several approaches are used, such as: R-square ( $R^2$ ), Q-square predictive relevance ( $Q^2$ ), and goodness of fit (GoF).

R-square ( $R^2$ ) indicates the strength of influences posed by exogenous variables towards endogenous variables and also simultaneously indicates the strength of a research model.

**Table 6.** R-Square ( $R^2$ ) values

Structural Model	Endogenous Variable	R-square
1	Service Loyalty ( $Y_1$ )	0.554
2	Service Success ( $Y_2$ )	0.604
Average		0.579

Q-square predictive relevance ( $Q^2$ ) is a measure of how well the performed observations provide results towards research model.  $Q^2$  is based on the coefficient of determination of all dependent variables. The structural model evaluation shows that the value of  $Q^2$  is 0.99 or close to 1. Thus, this test result provides evidence that the structural model is sound. In other words, it can be interpreted that 99 percent of information contained in the dataset can be explained by the model, while the other 1 percent is explained by errors and other variables outside the model.

Goodness of fit (GoF) is a measurement of overall model fit as developed by Tenenhaus et al., (2004), which stated that GoF-small at 0.10, GoF-medium at 0.25 and GoF-large at 0.36. The calculation of GoF produces a value of 0.69 which means that the overall model is categorized as a very fit predictive model. This also indicates that the appropriateness of the overall model measurement is very good.

Statistical tests of direct and indirect influences between research variables (service mix strategy, service loyalty and service success) are performed with t test.

Influences among variables prove to be entirely significant. Significant influences occur from service loyalty to service success with t-statistics value of 2.926; service mix strategy to service loyalty with t-statistics value of 14.529 and service mix strategy to service success with t-statistic value of 14.204.

Indirect influence of service mix strategy variable on service success is tested using Sobel test with product of coefficient strategy. This strategy is deemed statistically superior than other formal methods including approach from Baron and Kenny (Preacher and Hayes, 2004:719). The Z value of 2.8379 exceeds 1.96, this value indicates that there is a significant indirect influence of service mix strategy on service success.

## VII. Test of hypotheses

$H_1$ : Service mix strategy has a positive and significant influence on service loyalty

The test result of the influence of service mix strategy on service success shows a t-statistics value of 2.926, which means that the relationship between those variables is significant at 95 percent confidence level. Path coefficient has a positive sign which can be interpreted that the relationship between service mix strategy and service loyalty has a direct variation. That is, the better or the more precise the implementation of a four-star hotel's service mix strategy is, the greater the probability of creating service loyalty.

**Table 7.** Statistical tests of intervariable influences

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STERR )
Service Loyalty -> Service Success	0.370	0.355	0.127	2.926
Service Mix Strategy-> Service Loyalty	0.744	0.748	0.051	14.529
Service Mix Strategy-> Service Success	0.737	0.739	0.052	14.204

H<sub>2</sub>: Service mix strategy has a positive and significant influence on service success

The test result of the influence of service mix strategy on service success shows a t-statistics value of 14.204, which means that the relationship between those variables is significant at 95 percent confidence level. Path coefficient has a positive sign which can be interpreted that the relationship between service mix strategy and service success has a direct variation. That is, the better or the more precise the implementation of the service mix strategy of a four-star hotel is, the greater the expected probability to achieve service success.

H<sub>3</sub>: Service loyalty has a positive and significant influence on service success

The result of test performed on the influence of service loyalty variable on service success produces t-statistics value of 2.926 which means that the relationship between those variables is significant. This significant t-statistics result shows that there is sufficient empirical evidence to accept the hypothesis (H<sub>3</sub>) which implies that the more loyal a hotel guest is, the more a hotel is capable of creating service success. .

H<sub>4</sub>: Service loyalty significantly mediates the influence of service mix strategy on service success

The test result evaluation of the influence of service mix strategy on service success mediated by service loyalty is performed using the Sobel test. The test result shows that there is a positive relationship between service mix strategy and service success mediated by service loyalty. This is indicated by Z value of 2.8379 which exceeds 1.96. Thus, there is sufficient empirical evidence to accept the hypothesis (H<sub>4</sub>) which states service loyalty positively and significantly mediates the influence of service mix strategy on service success. This means the better the implementation of service mix strategy of a four-stars hotel is, whilst being supported by service loyalty, the closer service success meet its expectation.

## VIII. Conclusions

Based on the above analysis results on business activities with the commitment to implement the marketing mix strategy optimally, observation of consumer loyalty level in the following visits and service success that enables a hotel to face the competition, some conclusions that can be drawn are as follows. Service mix strategy applied thus far has a positive and significant influence on service loyalty. This implies that the more a hotel effectively and optimally implement the service mix, the more apparent the hotel guest's loyalty to return in the future. Service mix strategy has a positive and significant influence on service success. Service success is realized when an organization has a good commitment to execute its strategy. Attainment of a successful hotel strategy execution requires a strong and solid organizational commitment (Sihombing et al., 2017). The more committed a hotel in implementing a sound service mix strategy, the more it is able to achieve service success. Service loyalty has a positive and significant influence on service success. The hotel is very important to inform everything including marketing mix strategy in order to improve its performance (Mazhenova et al., 2016). The more loyal a guest to return and stay, the more successful a hotel is in offering its services which directly affect its revenue. Based on the results of the Sobel test, it is indicated that service loyalty is able to act as a mediating variable in the relationship between service mix strategy and service success. This means that the loyalty of hotel guests is very important in achieving hotel's service success.

Based on the findings of this study, further practical implication for four-star hotels in Bali is that it is necessary to pay close attention to the implementation of service marketing mix offered to hotel customers. An appropriate and consistent service mix strategy will have a good impact on customer loyalty, which will ultimately improve the service success of a hotel. Nonetheless, these findings will also contribute to the academic discussion regarding the importance

of service marketing strategy concept in the hospitality industry. Service marketing strategy is still a viable strategy to stay competitive and to improve hotel performance.

## Research Limitations

The limitation of this research is that this research can not be generalized to every hotel industries in other areas. In addition, this research only employs cross-sectional data which can only be valid for certain period of time.

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