

ANALYSIS OF THE EFFECT OF SERVICE QUALITY ON CUSTOMER LOYALTY WITH CUSTOMER SATISFACTION AS A MEDIATOR AT KOS X IN SIDOARJO

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Abstract- This study aims to test the effect of service quality on customer loyalty with the variable of customer satisfaction mediation at boarding house X in Sidoarjo. This study uses quantitative methods using SmartPLS for data processing. The number of respondents in this study was 122 boarding house tenants selected using the purposive sampling method. The results showed that service quality affects customer satisfaction, service quality affects customer loyalty, customer satisfaction affects customer loyalty, and customer satisfaction has an effect on mediating service quality on customer loyalty.

Keywords: service quality, customer satisfaction, customer loyalty.

1. Introduction

The increase in labor absorption in Sidoarjo Regency makes workers have a short-term residence plan by living in a boarding house. Kos X is a pioneer of sharia and exclusive boarding houses in Sidoarjo Regency, which was established in 2003. In 2020 boarding X already has 4 boarding buildings with a total of 113 rooms. In mid-2020, the occupancy of boarding house X decreased by 4% with an average of 95% caused by the *Covid-19* pandemic, so that there is a *switching intention* of boarding house Y for the period July 2020 - May 2021 causing the rental period to only be 1 a month. Therefore, boarding house X conducted a competitor survey with competitor occupancy results also decreased by 1-2%. The high demand for facilities, satisfactory service, decreased cost occupancy, and the high level of *switching intention* of the X boarding house are the reasons these researchers use the variables *service quality*, factors satisfaction with use, and loyalty as variables to measure how much they want to return to rent and measure quality of service that affects customer satisfaction or increases customer loyalty in the hope that the X boarding house can be used as a reference to increase customer buying interest and increase occupancy.

2. Literature Review

2.1 Past Research

Research conducted by Satti *et al.* , (2020) results were obtained that *service quality* has a positive effect on *customer satisfaction*, *service quality* has a positive effect on *customer loyalty*, *customer satisfaction* affects *customer loyalty*, *customer satisfaction and perceived price* have a significant effect as a mediator between *service quality* and *customer loyalty* in the *hospitality* sector. Priyo *et al.*, (2019) stated that *service quality* has a positive effect on *customer satisfaction*, *service quality has a positive effect on customer loyalty*, *customer satisfaction* has a positive effect on *customer loyalty*, *customer satisfaction* mediates the relationship of *service quality* with *customer loyalty*. Wati *et al.*, (2020) conducted a study that showed that service quality has a significant effect on customer loyalty, customer satisfaction has a significant effect on customer loyalty, promotions affect customer loyalty.

2.2 Theoretical Foundations

2.2.1 Service Quality

Service quality is a collection of benefits that customers obtain both explicitly and implicitly from the ease of obtaining goods or services by placing more emphasis on words, service, quality, and customer level (Priyo *et al.*, 2019). Pizam *et al.* (2016) explained that SERVQUAL is superior to use for the hospitality industry. SERVQUAL indicators that determine service quality (Ahmad *et al.*, 2019) are:

1. *Tangibles*: The extent to which physical facilities, equipment, personnel appearance, and communication are capable of influencing customer perception.
2. *Empathy*: The care and care that service providers give to customers.
3. *Responsiveness*: Employees' willingness to help customers and offer prompt service.
4. *Reliability*: The ability of personnel to perform the promised service reliably and accurately at the right time
5. *Assurance*: The knowledge and hospitality of the personnel and their ability to create opinions to gain customer trust.

2.2.2 Customer Satisfaction

Customer satisfaction according to (Mohammad *et al.*, 2017) is the level of feeling by which a person expresses the result of a comparison between customer expectations and the actual performance of a product or service. Indicator of customer satisfaction according to Ahmad *et al.*, (2019):

1. Customers are satisfied with the decision to choose a service.
2. The customer's decision in using the service is a wise one.
3. The customer's decision to keep using the service is correct.
4. The customer experience in using the service is pleasant.

2.2.3 Customer Loyalty

Customer loyalty is the focus of any serious organization because it determines the willingness of consumers to buy back and recommend products and services (Priyo *et al.*, 2019). The *customer loyalty* indicators according to (Cheng *et al.*, 2019) are as follows:

1. The customer considers himself to be a loyal customer.
2. Customers will not switch to another service provider, even if another service provider offers a lower price.
3. Customers intend to use the current service for the future.
4. Customers have no plans to move to another service provider, if visiting the area.
5. Customers will recommend this service provider to family or other relatives.
6. Customers will tend to give positive comments about the service provider used to relatives.

3. Research Framework

3.1 Analytical Model

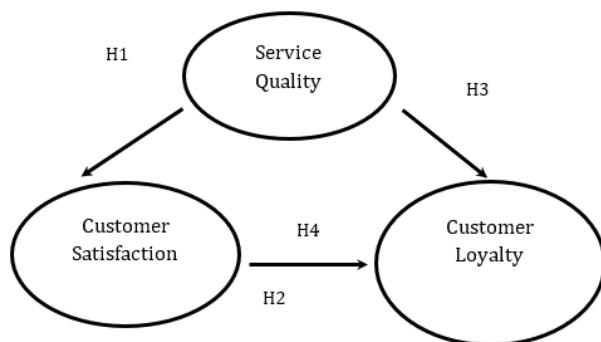


Figure 3.1 Analysis Methods
Source: Data processed by the author, 2022

3.2 Hypothesis

H1: Service quality affects customer satisfaction at the X boarding house.

H2: Service quality affects customer loyalty to the X boarding house.

H3: Customer satisfaction affects customer loyalty at the X boarding house.

H4: Customer satisfaction affects mediating service quality on customer loyalty at the X boarding house.

4. Research Methods

4.1 Types of Research, Samples, and Data Collection

This research is a quantitative study with a *multivariate PLS-SEM* analysis method. The population of this study was all tenants of the X boarding house which amounted to 175 people and the sample determination used the Slovin formula as follows:

$$n = N / (1 + N(e)^2)$$

information:

n = sample size or number of respondents

N = population size

e = percentage of the size of the allowance of the sampling error that can still be tolerated (e= 0.05)

The sample was obtained by 122 respondents. The sampling method is used *non probability sampling* with *purposive sampling* as follows:

1. Aged > 17 yrs.
2. Have a job or play a housewife.
3. The person in charge of the rented room.

This type of research data is primary data, obtained by performing survey. Data collection was carried out using questionnaires with research instruments in the form of a *Likert scale 1-5*.

4.2 Variables and Operational Definitions

Table 4.1 Operational Definitions

Dimension	Indicators	Operational Definition
Service Quality Tangible (SERVQUAL) (Ahmad et al., 2019)	<ol style="list-style-type: none"> 1. The hotel has a visually appealing building 2. The hotel has complete room facilities 3. The hotel has complete public facilities 4. Cozy hotel atmosphere 5. Facilities (equipment) functioning properly 6. Facilities (equipment) functioning properly 	<ol style="list-style-type: none"> 1. Kos X has a visually appealing building 2. Kos X has complete facilities, such as: springbed, private bathroom, wardrobe, air conditioning, TV, table, chair. 3. Kos X has complete facilities, such as: parking lot, CCTV, living room, public kitchen, laundry and clothes drying place, wi-fi 4. The atmosphere of Kos X is not noisy. 5. The fixtures are nothing broken, and they work as they should 6. The equipment is nothing damaged, and it works as it should
Reliability (SERVQUAL) (Ahmad et al., 2019)	<ol style="list-style-type: none"> 1. Services provided as promised 2. The services provided are flexible according to the needs of guests 3. The service guests receive is the maximum 4. Employees and management teams are skilled in carrying out their work 	<ol style="list-style-type: none"> 1. The service I received was in accordance with the service promised at the beginning of occupying the boarding house 2. The boarding house management team provided the assistance I needed when living in the boarding house 3. The service I received was maximum 4. Employees can provide solutions to my problems related to boarding houses
Responsiveness (SERVQUAL) (Ahmad et al., 2019)	<ol style="list-style-type: none"> 1. Employees provide efficient and fast service 2. Employees are always there when guests need it 3. Employees always treat guests kindly 4. Employees respond quickly to complaints 5. Employees treat guests like 	<ol style="list-style-type: none"> 1. The employee gave my boarding needs in terms of service quickly 2. There are always employees <i>on standby</i> at the boarding house to help me 3. Employees are friendly to me 4. The employee resolved my complaint quickly 5. Employees treat me like an important person

	important people	
Assurances (SERVQUAL) (Ahmad <i>et al.</i> , 2019)	<ol style="list-style-type: none"> Guaranteed hotel safety Employees are quick to respond to help guests Employees act like tour guides (providing clear information to guests) 	<ol style="list-style-type: none"> The boarding house is equipped with CCTV and <i>security</i> so that I feel safe living in boarding house X Employees are always swift in providing services I get clear information against what I'm questioning and what I need
Empathy (SERVQUAL) (Ahmad <i>et al.</i> , 2019)	<ol style="list-style-type: none"> Employees have a caring attitude towards guests Employees understand guest needs Easy access to the hotel Non-burdensome hotel regulations Hotel tenants trust employees 	<ol style="list-style-type: none"> Employees care about me Employees understand the needs I convey The road to the boarding house is easy I don't have any objections to kos rules The boarding house employee is a person who can be trusted for me to be able to leave rooms, room equipment, boarding room equipment, vehicles, packages.
Customer Satisfaction (Ahmad <i>et al.</i> , 2019)	<ol style="list-style-type: none"> Customer satisfaction in the decision to choose a service provider The customer's decision to use the service is a wise decision The customer's decision to keep using the service is the right decision The customer experience when using the service is pleasant 	<ol style="list-style-type: none"> I was satisfied with my decision to choose cost X My decision to stay at boarding house X was a wise one My decision to still choose cost X was the right one I had a pleasant experience when staying at boarding house X
Customer Loyalty (Cheng <i>et al.</i> , 2019)	<ol style="list-style-type: none"> The customer considers himself to be a loyal customer Customers will not switch to another service provider, even if another service provider offers a lower price Customers intend to use the current service for the future The customer has no plans to switch to another service provider, if visiting the area Customers will tend to give positive comments about the service provider used to relatives Customers will recommend this service provider to family or other relatives 	<ol style="list-style-type: none"> I am a boarding house tenant who is loyal to boarding house X because I feel at home living in boarding house X I will not switch to another boarding house (in Sidoarjo) even though other boarding houses have competitive prices I will extend the rent of the boarding house in the next month if there are still needs in Sidoarjo I will choose kos X again, if at any later time I have a need to visit Sidoarjo I am pleased to give positive comments regarding my experience living in boarding house X I would like to recommend boarding house X to my relatives or family

5. Results and Discussion

5.1 Descriptive Analysis of Respondents

The most respondents were in the age group of 20-30 years as many as 45.08% which was 55 respondents. There were 98 respondents who were renters of the boarding house who were responsible for the rental of the room and had a job with the most rental period of 4-6 months, 37 respondents or 30.32%.

5.2 Descriptive Statistics

Table 5.1 Descriptive Statistics

Variable	Code	Statement	Mean	Sd
Service Quality (Tangible)	TG4	The atmosphere of boarding house X is comfortable	4,67	0,661
Service Quality (Reliability)	RE1	The service I got at cost X was in accordance with what was promised by the cost X	4,69	0,547
Service Quality (Responsiveness)	RS3	Boarding house employee X always treats me kindly	4,69	0,644
Service Quality (Assurances)	AS1	The safety of cost X is guaranteed	4,73	0,561
Service Quality (Empathy)	EM5	I believe in the employees of boarding house X	4,72	0,549
Customer Satisfaction	CS4	The boarding house X regulations are not burdensome for me	4,68	0,607
Customer Loyalty	CL6	I would like to recommend boarding house X to my relatives or family	4,70	0,615

Source: Data processed from SmartPLS (2021)

5.3 Instrument Validity and Reliability Test

Table 5.2 Instrument Validity and Reliability Tests

Indicators	Sig	Cronbach Alpha	Validity	Reliability
Tg	0,000	0,938	Valid	Reliable
Re	0,000	0,918	Valid	Reliable
Rs	0,000	0,954	Valid	Reliable
Axle	0,000	0,961	Valid	Reliable
Em	0,000	0,914	Valid	Reliable
.CS	0,000	0,925	Valid	Reliable
Cl	0,000	0,917	Valid	Reliable

Source: SPSS processed data (2021)

All research indicators have a significance value of less or less than 0.05 so they are declared valid. On the reliability test, all questions showed having a cronbach alpha value of more than 0.6 so that all questions in the questionnaire were said to be reliable.

5.4 Test outer model

The outer model test is used to determine the valid and reliable indicators used on each variable. This research is included in the *second order* research model (Sarstedt, M., et al., 2019), therefore it is necessary to process data as much as 2 times. Here's a picture of the *outer model*:

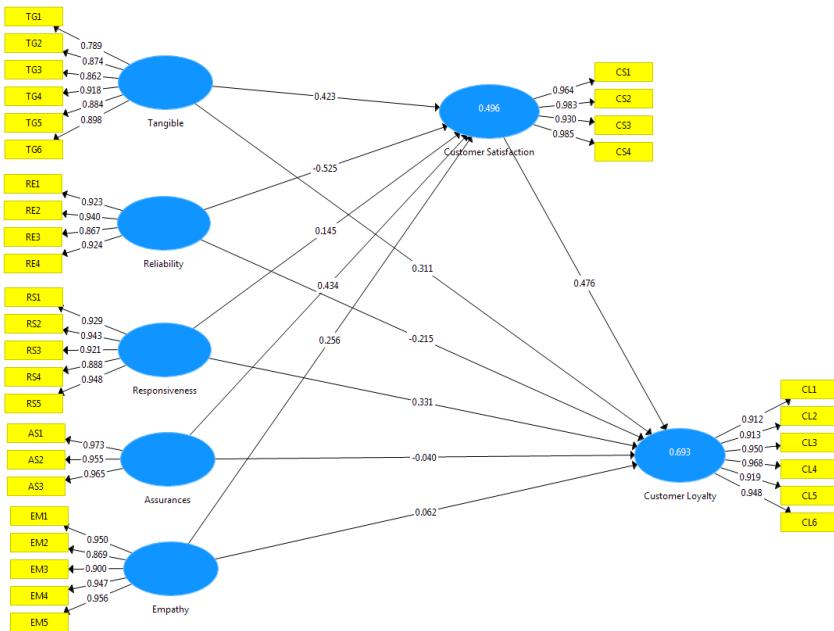


Figure 5.1 Outer Model 1
Source: Data processed from SmartPLS (2021)

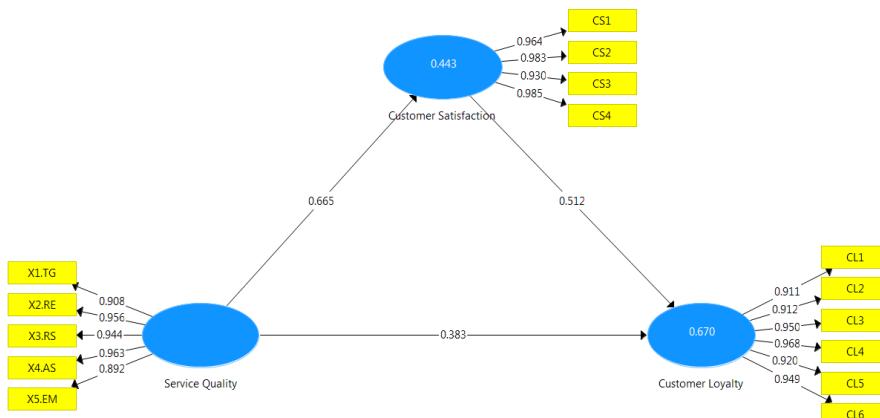


Figure 5.2 Outer Model 2
Source: Data processed from SmartPLS (2021)

5.4.1 Reliability Indicator Test

Table 5.3 Outer Loading 1

	Assurances	Customer Loyalty	Customer Satisfaction	Empathy	Reliability	Responsiveness	Tangible
AS1	0.973						
AS2	0.955						
AS3	0.965						
CL1		0.912					
CL2		0.913					
CL3		0.950					
CL4		0.968					
CL5		0.919					
CL6		0.948					
CS1			0.964				
CS2			0.983				
CS3			0.930				

CS4			0.985				
EM1				0.950			
EM2				0.869			
EM3				0.900			
EM4				0.947			
EM5				0.956			
RE1					0.923		
RE2					0.940		
RE3					0.867		
RE4					0.924		
RS1						0.929	
RS2						0.943	
RS3						0.921	
RS4						0.888	
RS5						0.948	
TG1							0.789
TG2							0.874
TG3							0.862
TG4							0.918
TG5							0.884
TG6							0.898

Source: Data processed from SmartPLS (2021)

The table shows *outer loading* where the resulting value on all indicators is more than 0.7. This means that the value on the *outer loading* has met the minimum value requirements and can be continued to the next stage.

5.4.2 Discriminatory Validity Test

Table 5.4 Cross Loading

	Assurances	Customer Loyalty	Customer Satisfaction	Empathy	Reliability	Responsiveness	Tangibility
AS1	0.973	0.650	0.609	0.830	0.876	0.871	0.792
AS2	0.955	0.681	0.647	0.780	0.840	0.836	0.763
AS3	0.965	0.658	0.640	0.842	0.909	0.917	0.841
CL1	0.600	0.912	0.700	0.571	0.545	0.633	0.617
CL2	0.592	0.913	0.695	0.558	0.590	0.674	0.686
CL3	0.596	0.950	0.748	0.566	0.558	0.642	0.621
CL4	0.697	0.968	0.777	0.657	0.624	0.681	0.686
CL5	0.674	0.919	0.643	0.584	0.610	0.683	0.641
CL6	0.699	0.948	0.731	0.648	0.630	0.672	0.660
CS1	0.630	0.702	0.964	0.584	0.543	0.573	0.590
CS2	0.685	0.794	0.983	0.643	0.602	0.656	0.632
CS3	0.558	0.668	0.930	0.546	0.492	0.573	0.553
CS4	0.651	0.786	0.985	0.616	0.566	0.625	0.613
EM1	0.816	0.628	0.616	0.950	0.769	0.781	0.727
EM2	0.687	0.525	0.505	0.869	0.639	0.688	0.584
EM3	0.764	0.567	0.544	0.900	0.731	0.669	0.619
EM4	0.776	0.591	0.568	0.947	0.766	0.756	0.674
EM5	0.861	0.637	0.623	0.956	0.792	0.818	0.680
RE1	0.851	0.550	0.527	0.756	0.923	0.775	0.762
RE2	0.844	0.650	0.573	0.746	0.940	0.808	0.899
RE3	0.773	0.511	0.433	0.661	0.867	0.740	0.793

RE4	0.847	0.594	0.545	0.763	0.924	0.862	0.758
RS1	0.821	0.646	0.568	0.724	0.824	0.929	0.727
RS2	0.816	0.678	0.604	0.729	0.805	0.943	0.783
RS3	0.912	0.635	0.539	0.804	0.846	0.921	0.775
RS4	0.798	0.614	0.563	0.729	0.763	0.888	0.683
RS5	0.855	0.709	0.635	0.748	0.805	0.948	0.792
TG1	0.638	0.506	0.447	0.550	0.664	0.632	0.789
TG2	0.678	0.618	0.563	0.611	0.720	0.651	0.874
TG3	0.675	0.579	0.512	0.547	0.698	0.733	0.862
TG4	0.823	0.685	0.584	0.711	0.849	0.748	0.918
TG5	0.766	0.630	0.576	0.694	0.859	0.744	0.884
TG6	0.735	0.611	0.544	0.594	0.795	0.739	0.898

Source: Data processed from SmartPLS (2021)

In the table above, it shows that the *cross loading* value has met the condition that the correlation value between the indicators that measure the variable is actually greater than the correlation value between the indicator and other variables.

5.4.3 Composite Reliability

Table 5.5 Cronbach's Alpha and Composite Reliability

	Cronbach's Alpha	Composite Reliability
Assurances	0.962	0.976
Empathy	0.957	0.967
Reliability	0.934	0.953
Responsiveness	0.958	0.968
Tangible	0.936	0.950
Customer Loyalty	0.971	0.977
Customer Satisfaction	0.976	0.982

Source: Data processed from SmartPLS (2021)

It shows that the values of *Cronbach's alpha* and *composite reliability* are above 0.7, which means they are qualified.

5.4.4 Convergent Validity

Table 5.6 Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Assurances	0.930
Empathy	0.856
Reliability	0.835
Responsiveness	0.857
Tangible	0.760
Customer Loyalty	0.875
Customer Satisfaction	0.933

Source: Data processed from SmartPLS (2021)

In the table, the variables *tangible*, *reliability*, *resonsiveness*, *assurances*, *empathy*, *customer loyalty*, *customer satisfaction*, and *customer loyalty* have an AVE value of > 0.5. Therefore, all indicators are declared *valid* to measure all variables in the study.

5.5 Structural Model Test (Inner Model)

The inner model test showed the relationship between the latent *variables in the structural model*. The test carried out is to test the goodness of the model or *goodness of fit*. This test can be done by looking at the values on the *R-Square*.

5.5.1 Goodness of Fit Test

Table 5.7 R-Square Results

	R Square	R Square Adjusted
Customer Satisfaction	0.443	0.438
Customer Loyalty	0.670	0.664

Source: Data processed from SmartPLS (2021)

The *R-square* value in *customer satisfaction* of 0.443 indicates that 44.3% of *the customer satisfaction* variable can be explained by an independent variable studied by the researcher, namely *service quality*, while the remaining 55.7% is explained by other variables outside the study. The table shows the number 0.670 in the *customer loyalty* variable. This means that the quality of service of the X boarding house has an influence of 67% in describing *customer loyalty* to the X boarding house, and the remaining 33% is explained by other variables outside the study.

5.6 Hypothesis Test

5.6.1 Significance Test (Bootstrapping)

An independent variable is said to have a significant effect if it has a *t-statiscis* value of more than 1.96 or by looking at the *p-value* where it is only said to be significant if the value is less than 0.05.

Table 5.8 T-Statistical Results (direct influence)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Significance
Service Quality -> Customer Satisfaction	0.665	0.677	0.095	7.016	0.000	Significant and positive
Service Quality -> Customer Loyalty	0.383	0.395	0.152	2.529	0.012	Significant and positive
Customer Satisfaction -> Customer Loyalty	0.512	0.499	0.176	2.916	0.004	Significant and positive

Source: Data processed from SmartPLS (2021)

Variable *service quality* has a significant positive effect on *customer satisfaction* which is indicated by a t-statistics value above 1.96, namely 7,016. The *service quality* variable has a significant positive impact on *customer loyalty* which is indicated by a t-statistics value above 1.96, which is 2,529. The *customer satisfaction* variable for *customer loyalty* has a t-statistics value of 2,916 which means that *customer satisfaction* has a significant positive effect on *customer loyalty*.

Table 5.9 T-Statistical Results (mediation)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Significance
Service Quality -> Customer Satisfaction -> Customer Loyalty	0.341	0.336	0.128	2.665	0.008	Significant and positive

Source: Data processed from SmartPLS (2021)

Variable *customer satisfaction* which mediates *service quality* to *customer loyalty* is a significant positive, namely having t-statistics of 2,665 where the value is more than 1.96.

5.7 Discussion

5.7.1 The Effect of Service Quality on Customer Satisfaction.

The results of this study can be seen in that the *service quality* variable affects *customer satisfaction* in boarding house X. Therefore, H₁ in this study is accepted. Customer satisfaction is determined by customer perceptions of service quality which focus on five dimensions of service quality, namely: *tangibles, empathy, responsiveness, reliability, and assurance*.

5.7.2 The Effect of Service Quality on Customer Loyalty.

The result of this study, it can be seen that the *variable service quality* affects *customer loyalty* to the X boarding house. Therefore, H₂ in this study is accepted. Customers will have a positive attitude towards a service when the customer gets a positive experience.

5.7.3 The Effect of Customer Satisfaction on Customer Loyalty.

The result of this study, it can be seen that the *variable customer satisfaction* affects *customer loyalty* to the X boarding house. Therefore, H₃ in this study is accepted. Customer loyalty is an important attribute of a customer's feeling of satisfaction generated by comparing related products, services, or experiences.

5.7.4 The influence of Customer Satisfaction in mediating Service Quality on Customer Loyalty.

The results of this study are known that *customer satisfaction* has succeeded in mediating *service quality* to *customer loyalty*. Therefore, H₄ in this study was accepted. High quality of service can lead to customer

satisfaction. The renter of the boarding house feels for himself the quality of the service provided by the X boarding house and is well received, thus causing customer satisfaction and encouraging the tenant of the boarding house to be loyal to the X boarding house.

5.8 Managerial Implications

Table 5.10 Managerial Implications

Variable	Before Research	After Research
Service Quality (tangible)	<p>Service Quality (tangible) has an excellent average value, this is evidenced by the statement that "Kos X has complete public facilities" with the lowest average score but falls into the category of "agree".</p> <p>There are no public boarding facilities in the form of a soup kitchen. In addition the lack of parking slots, and less, the internet speed is still lacking.</p>	<ul style="list-style-type: none"> -Renovating little by little for the old boarding house building model, so that the design can be like a new boarding house building. -Repainting the room against a boarding room that is more than 5 years old. -Providing public facilities, namely a public kitchen by providing gas and stoves and a shared refrigerator. So that all boarding house tenants who want to cook feel facilitated. -Creating a living room in each of the boarding house buildings that is more comfortable for tenants to relax or receive guests -Increase internet speed (wi-fi) for each boarding house building. -Increase the number of rooms with TV facilities, so that it can meet the needs of boarding house tenants. -Using an empty space on the 1st floor as a parking lot for motorbikes, so that the previous motorbike parking area could be used for car parking slots, but still pay attention to the comfort of boarding house tenants and the aesthetics of the building.
Service Quality (Reliability)	<p>Service Quality (reliability) has an excellent average value, this is evidenced by the statement that "the cost X service I received is the maximum" with the lowest average value but falls into the category of "strongly agree"</p> <p>There is no room cleaning service, and express laundry.</p>	<ul style="list-style-type: none"> -Provide a platform for boarding house tenants to submit criticisms and suggestions. - <i>Benchmarking</i> competitors' boarding houses in Sidoarjo and innovative costs outside Sidoarjo. This is useful for obtaining information about what facilities and services are provided by other boarding houses that are not yet owned by boarding house X. In addition, to find out how the boarding house tenants respond to the facilities and services in the boarding house. -This benchmark aims to improve cost X services to adjust the needs

		<p>of boarding house tenants, so that cost X management is pressured to better understand the need for housing without having to receive complaints from boarding house tenants first.</p> <ul style="list-style-type: none"> -Adding a dryer machine for laundry so that express laundry services are available -Adding room <i>cleaning</i> facilities, where the fee for the facility is included in the cost rental price. This is certainly very helpful for boarding house tenants to keep their rooms clean and of course also take care of the boarding rooms.
Service Quality (Responsiveness)	<p>Service Quality (responsiveness) has an excellent average value, this is evidenced by the statement that "boarding house employee X responds to me quickly" with the lowest average value but falls into the category of "strongly agree"</p> <p>When there is damage to the door hinges, leaking faucets, door sliders, often the tenants of the boarding house have to wait more than 24 hours for repairs.</p>	<p>Increasing the number of employees, especially male employees where the energy is not only used to clean up the boarding house can also be used to make repairs, so that the tenants of the boarding house do not have to wait long for the resolution of the complaint. These repairs include repairing leaky faucets, problematic door vacuums, problematic door hinges, problematic water pumps, and other things that are not considered heavy so there is no need to use the services of a handyman. Additional employees are also needed to adjust to the large number of rooms.</p>
Service Quality (Assurances)	<p>Service Quality (assurances) has an excellent average score, this is evidenced by the statement that "boarding house employee X was quick to respond in helping me at the boarding house" with the lowest average score but fell into the category of "strongly agree"</p> <p>Garbage bins are often full because garbage collectors do not pick up garbage every day, there is a leaking air conditioner, and there are rats in the boarding house area.</p>	<ul style="list-style-type: none"> -Management and employees outing or eating together to create familiarity and establish internal communication. This can certainly increase morale and cohesiveness in work. This outing is also a form that the management of cost X really appreciates the performance of employees. In addition, it is also a pleasant means to evaluate the performance of each employee. Evaluation is necessary to improve the cost service. -Communicate and cooperate with waste transporters to be able to prioritize cost X so that the transportation of cost X waste can be carried out every day. This has

		<p>an impact on reducing the number of rats in the boarding house area.</p> <p>-Have a trusted AC service vendor and have a commitment to prioritize cost X, and have a backup vendor for ac repairs so that it can quickly resolve complaints of cost tenants for air conditioning damage.</p>
Service Quality (Empathy)	Service Quality (empathy) has an excellent average value, this is evidenced by the average value of Empathy falling into the category of "strongly agree"	The management of boarding house X and employees attend training or seminars on hospitality and how to provide services for the scope of hotels / <i>guest houses</i> / boarding houses. This is certainly to increase the experience and skills of management and employees in providing services.
Customer Satisfaction	The satisfaction of the tenants of boarding house X is relatively high, this is indicated by the positive response to the satisfaction of the boarding house tenants in choosing, and the satisfaction of staying in the X boarding house.	The management of boarding house X and employees of boarding house X apply the culture of 5S (smile, greeting, greeting, courtesy, courtesy). This culture is a recommendation that must be done when communicating and socializing with others. This of course is also expected to be able to maintain the mood of the boarding house tenants so that they are always <i>happy</i> and feel comfortable in the X boarding house environment.
Customer Loyalty	Customer Loyalty has a very good average value, this is evidenced by the statement that "I will not switch to another boarding house (in Sidoarjo) even though other costs have competitive prices" with the lowest average value but fall into the category of "strongly agree"	The cost management reconsiders the price that is suitable, according to the conditions of the boarding house (i.e. the environment, access to the boarding house), and the boarding house service itself with the aim of increasing the loyalty of the cost tenants.

6. Conclusions and Suggestions

6.1 Conclusion

Based on the results of data processing, analysis, and discussion that has been carried out by researchers, the following conclusions can be drawn:

1. Service quality has a significant positive effect on customer satisfaction. This shows that the higher the service quality, the higher the customer satisfaction.
2. Service quality has a significant positive effect on customer loyalty. This shows that the higher the service quality, the higher the customer loyalty.
3. Customer satisfaction has a significant positive effect on customer loyalty. This shows that the higher the customer satisfaction, the higher the customer loyalty.
4. Customer satisfaction has an effect on partially mediating service quality to customer loyalty.

6.2 Suggestion

6.2.1 For Management

This research is expected to be a reference for developing the X boarding house business by providing maximum service and appreciation to boarding house tenants to maintain tenant loyalty. The appreciation can be in the form of providing *merchandise periodically* and creating *a forum group discussion* for boarding house management and boarding house tenants to *share* information such as job vacancies in their respective places or share interesting experiences as *lesson learned*.

6.2.2 Share Further Research

1. The results of this study will be more accurate if the former tenant of the X boarding house (tenant of the X boarding house who once lived in the X boarding house) is also included as a respondent.
2. Adding price variables and technology (social media) as factors that can affect the satisfaction and loyalty of boarding tenants.
3. Deepening the characteristics of the respondents studied so as to get more specific results in the discussion, such as the hobbies of boarding house tenants or the activities of boarding house tenants during free time.

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