

CHAPTER I

INTRODUCTION

1.1 Research Background

The post-pandemic era has resulted in an impressive boost in Indonesian tourism, as seen by the significant increase in room occupancy rates in star hotels. The room occupancy rate in 2022 reached 47.35%, indicating a 13.56% rise over the previous year (BPS, 2022). This turnaround is especially interesting when set against the backdrop of the Covid-19 outbreak, which caused an enormous decline in hotel bookings globally. The beginning of January had significant growth that even surpassed that of 2019 (Kompas, 2023). Tourism is recognized as a foundation of the global economy because of its deep connections with diverse sectors such as hospitality, transportation, and food & beverage. The extensive impact of this sector goes beyond mere business growth and extends to enhancing job prospects, underscoring the crucial requirement for comprehensive support to enhance the welfare of the community (Brüggen et al., 2017). The hospitality business in Indonesia employs a varied range of marketing tactics within this vibrant terrain, an indicator of the country's rich cultural diversity (Fachrudin et al., 2022). In particular, the Indonesian hotel business has seen a significant enhancement, driven by worldwide tourist networks and the widespread influence of social media (Triatmanto et al., 2021).

Timothy (2018) asserted that heritage tourism continues to dominate the tourism sector, as cultural and heritage elements are integral components of most travel experiences. The surge in heritage tourism's popularity has driven the

expansion of heritage hotels within the hospitality industry (Elshaer et al., 2022). Heritage hotels are accommodations that offer lodging services and cultural experiences rooted in history, culture, and heritage. Specifically, a heritage hotel can be defined as an establishment with historical significance that embodies an authentic heritage experience. This experience is characterized by tangible elements such as architectural features, thematic designs, historical attributes, and cultural identities, all of which are intended for public enjoyment (Baniya & Thapa, 2024). A heritage hotel can be located in modest forts, palaces, or havelis, which were formerly the houses of royal and aristocratic families (Khalil & Kozmal, 2020).

Despite being located in historically significant structures and being popular in the hospitality industry, few heritage hotels may have not properly emphasized the power of their distinct heritage characteristics. Instead of embracing their cultural past as a vital component of the guest experience, some heritage hotels only display ancient buildings and antiques, passing up the opportunity to deliver greater cultural immersion and authenticity (Ambarwati, 2023). Additionally, there remains a lack of literature on heritage lodging enterprises aimed at delivering authentic experiences. Ghaderi et al. (2020) highlighted the scarcity of empirical research on heritage hotels and emphasized the need for a clear definition of these establishments. Consequently, there is still a pressing need for comprehensive research on the experiences and dimensions of heritage tourists within the existing body of knowledge (Rasoolimanesh et al., 2021). To realize their full potential, heritage hotels must recognize that their historical aspects are a

gateway to creating remarkable and engaging guest experiences that highlight the essence of heritage and culture (Chittiprolu et al., 2021). There is a recent study done by Hussein & Hapsari (2020) specifically analyzed heritage hotels in Indonesia, acquiring five variables to conduct the research, namely heritage experiential quality and behavioral intention as its exogenous and endogenous variables, and heritage experiential satisfaction, heritage experiential value & heritage hotel image as its intervening variables. It is proven that the main relationship in this research is significant, thus becoming one of the reasons why this study is conducted.

Heritage experiential quality, a variable studied previously by Hussein & Hapsari (2020), Wu et al. (2018), and Jin et al. (2015), is a significant variable for this research. Experiential quality is based on customers' subjective responses to direct and indirect encounters with service providers (Hussein et al., 2018). The idea of experiential quality dives into visitors' emotional responses to the psychological advantages they seek from their experiences (Wu et al., 2018). Based on this fact, Jin et al. (2015) identified experiential quality as an antecedent to experiential value, satisfaction, and image. The quality dimensions, which include interaction quality, physical environment quality, outcome quality, and administration quality, have been used across several industries as a strong and adaptable framework, supported by multi-level and multidimensional modeling. Previously, Wu & Ai (2016) applied interaction, physical, outcome, and access factors in the golf tourism sector. The paradigm of experiential quality has been used successfully in various industries, including hotels, financial services,

cultural heritage, education, retailing, culinary, sports, communications, and transportation (Wu & Ai, 2016).

Perceived values, shaped by customers' evaluations of received versus given aspects (Hussein et al., 2018), hold a significant role in this research. The diverse range of experiences that customers engage in offers them perceived value, a distinct focus from conventional customer value, emphasizing the value retained from these encounters (Wu et al., 2018). Perceived value is distinguished from conventional customer value in that it emphasizes the value retained from these interactions (Wu et al., 2018). From Habibi & Rasoolimanesh (2021) marketing-driven investigation of tourism experiences, it is evident that perceived value has an impact on behavioral intentions. This relationship is supported by prior research, which indicates that perceived experiential quality is an antecedent to the perceived value of tourism services. Additionally, See & Goh (2019) noted that in the realm of heritage tourism experiences, the quality of the heritage tourism experience substantially affects the patient's perception of value, subsequently affects tourists' intention in visiting the heritage hotels.

Satisfaction, supported by the satisfaction of tourists, is dependent upon meeting both general and specific to the setting requirements. It includes both transaction-based satisfaction and a combination of cognitive and affective reactions to service experiences (Wu et al., 2018). This was demonstrated by Hussain's (2016) study, in which service quality played a crucial role in developing positive behavioral intentions through customer satisfaction. It is notable that the central role that quality evaluation plays in consumer satisfaction,

is with experiential quality uniquely contributing to experiential satisfaction. Wu & Ai (2016) emphasize that satisfaction directly influences revisit intentions, with satisfaction proving more influential than quality considerations in molding such intentions.

The concept of hotel image developed from the concept of brand image. Both physical environment and social interaction have been identified as brand image antecedents (Khoo, 2022). In the field of hospitality research, particularly within the hotel industry, the concept of hotel image has been identified as having a significant impact on the customer's perception. It is explained that image combines the effects of marketing communications and the experience of the consumer when interacting with the products or services to influence the customer's perception (Hussein & Hapsari, 2020). The brand's image was found to have a significant positive influence on behavioral intention in Taiwan's fast-service restaurant industry (Wu, 2013), gaming industry (Wu, 2014), and theme park industry (Wu, Li, et al., 2018) within the context of hospitality marketing and entertainment.

As a crucial factor in a company's long-term viability or sustainability, behavioral intentions are an essential objective for the consumer marketing community (Wu et al., 2016). From the perspective of leisure and recreation, behavioral intention refers to visitors' plans to return within a year and their propensity to travel frequently to the destination (Wu, 2014). Customers who are extremely satisfied with their commercial experience are more likely to become repeat purchasers, and diehard brand advocates, and promote positive word-of-

mouth. The extent to which a customer is loyal to a destination is frequently reflected in tourists' behavior intentions (Azmi et al., 2018). Based on the vast majority of studies, quality influences behavioral intentions via satisfaction, as mentioned in the paragraph above. Referring to a model presented in the journal by Wu et al. (2016), behavioral intentions can be measured by repurchase intentions, word of mouth, loyalty, complaining behavior, and price sensitivity.

The Royal Ambarrukmo is chosen as an example of one of the heritage hotels that is taking its heritage aspects seriously. This hotel is known as the oldest heritage hotel in Yogyakarta. It dates to the late 1850s but was built as a residence for the city's royal family and became a hotel in the 1960s (Neubauer, 2022). Knowing that this hotel was officially built as a residence for the royal family, it is acknowledged that there is a huge heritage aspect that this hotel has. The Royal Ambarrukmo Yogyakarta Hotel has a total of 247 guest rooms and suites, providing a luxurious experience. The hotel seamlessly blends the rich tradition and heritage of the Yogyakarta Royal Palace with top-notch amenities and indulgences, ensuring a five-star experience for guests (Royal Ambarrukmo Yogyakarta, 2021a). Pendopo Agung Ambarrukmo is one of the heritage sites in the Royal Ambarrukmo Yogyakarta's grounds that are still in the attempt to maintain its' heritage authentic spirits. Until now, this hotel still has lots of traditional activities that can be done and seen by the visitors, namely, Patehan (The Royal High Tea), Ladosan Dhahar (Royal Javanese Dining), Jemparingan (Javanese Traditional Archery), and other Pendopo activity that can be done by the in-house guests (Royal Ambarrukmo Yogyakarta, 2021c). In this research,

Royal Ambarrukmo Yogyakarta is chosen as a setting of heritage hotels due to its' strong heritage aspects, so the results of this research can be taken as an example and inspiration for other heritage hotels in Yogyakarta and also, Indonesia, to improve their business strategies and taking advantage of their local cultural conservative background.

The research aims to investigate the fundamental processes that influence guests' behavioural intentions in heritage hotels by investigating these interrelated aspects. This research's model is combined with the model by Hussein & Hapsari (2020) and Jin et al. (2015). This study explores the connection between heritage experiential quality and behavioral intentions to measure the significance of heritage quality on customers' intentions. The research looks at how three mediating variables affect this relationship, namely heritage experience satisfaction, perceived heritage value, and heritage hotel image. Understanding how guests' perceptions of the heritage experience, its value, and the image of the heritage hotel shape their behavioral intentions will provide hotel managers with valuable insights for optimizing their offerings and creating more authentic and memorable heritage experiences for their visitors. Furthermore, the results of such investigations can be used to create individualized guest experiences, allowing the hotel to exceed expectations and develop deep emotional relationships with its customers. Finally, The Royal Ambarrukmo and other heritage hotels in Yogyakarta can optimize their marketing strategies, differentiate themselves in the competitive landscape, and solidify their position as a sought-after destination for

those seeking authentic heritage encounters by leveraging the insights gained from investigating the effects of heritage experiential quality on behavioral intention.

1.2 Research Questions

Based on the research background, the formulations of the problem are:

1. Does customers' heritage experiential quality have an impact on heritage hotel image?
2. Does customers' heritage experiential quality have an impact on perceived heritage value?
3. Does customers' heritage experiential quality have an impact on heritage experience satisfaction?
4. Does customers' heritage hotel image have an impact on behavioral intention?
5. Does customers' perceived heritage value have an impact on behavioral intention?
6. Does customers' heritage experience satisfaction have an impact on behavioral intention?
7. Does customers' heritage hotel image have an impact on perceived heritage value?
8. Does customers' perceived heritage value have an impact on heritage experience satisfaction?
9. Does customers' heritage experience satisfaction have a mediating effect on the relationship between heritage experiential quality and behavioral intention?

10. Does customers' perceived heritage value have a mediating effect on the relationship between heritage experiential quality and behavioral intention?
11. Does customers' heritage hotel image have a mediating effect on the relationship between heritage experiential quality and behavioral intention?
12. Does customers' heritage experiential quality have an impact on behavioral intention?

1.3 Research Objectives

Based on the problem formulation, the objectives of this research are:

1. To investigate customers' heritage experiential quality impact on heritage hotel image.
2. To assess customers' heritage experiential quality impact on perceived heritage value.
3. To measure customers' heritage experiential quality impact on heritage experience satisfaction.
4. To analyze customers' heritage hotel image impact on behavioral intention.
5. To investigate customers' perceived heritage value impact on behavioral intention.
6. To measure customers' heritage experience satisfaction impact on behavioral intention.
7. To analyze customers' heritage hotel image impact on perceived heritage value.
8. To assess customers' perceived heritage value impact on heritage experience satisfaction.

9. To investigate customers' heritage experience satisfaction mediating effect on the relationship between heritage experiential quality and behavioral intention.
10. To assess customers' perceived heritage value mediating effect on the relationship between heritage experiential quality and behavioral intention.
11. To analyze customers' heritage hotel image mediating effect on the relationship between heritage experiential quality and behavioral intention.
12. To measure customers' heritage experiential quality impact on behavioral intention.

1.4 Research Benefits

The benefits of this research are:

1. Benefits in the theoretical fields

In this case, it can be used as a reference source and bibliography for research with the same title or issue related to the effects of heritage experiential quality dimensions on customers' behavioral intentions in Yogyakarta's heritage hotels.

2. Benefits in the field of practice

This research is expected to have benefits that can be used as input for companies engaged in the heritage hotel industry, especially for those who seek information and references related to heritage experiential quality and customers' behavioral intentions.

3. Benefits for decision or policymaking

This research can provide valuable insights to decision-makers in heritage hotels. It can inform strategic decision-making, guide marketing strategies, drive product and service improvements, offer a competitive advantage, and enable targeted guest segmentation. These benefits can lead to better decision outcomes, improved guest experiences, increased customer loyalty, and enhanced financial performance for heritage hotel.