

**RELATIONSHIP BETWEEN LOW-COST BOUTIQUE HOTEL'S SERVICESCAPE  
AND PERCEIVED VALUE, CUSTOMER SATISFACTION EXPERIENCE AND  
CUSTOMER LOYALTY IN SURABAYA**

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**Abstract:** Boutique hotel is small and thematic accommodation, which use servicescapes, uniqueness, personal service, and customer experience as their competitive advantages. Servicescape is term that used to define the landscape where services are experienced, or man-made environment which a service firm delivers services to its customers. It also described as purposeful environment designed to fulfil specific needs of customers. Servicescape categorized as substantive servicescape (SSoS) and communicative servicescape (CSoS). Substantive servicescape is servicescape that represents the physical aspects of the environment (atmosphere, facade design, background music, smell, cleanliness, sign, layout, etc.), while communicative servicescape is servicescape that represents the social aspects (cultural elements, behavior of the employee, the way employee communicates with the customers, etc.). In Surabaya, several low-cost boutique hotels tried to grab the opportunity of this phenomenon, by maximized their substantive servicescape and communicative servicescape as their competitive advantage. However, the sustainability of this strategy is still unknown. This research aimed to answer that question by analyze the relationship between low-cost boutique hotel's servicescape (substantive and communicative) on perceived value, customer satisfaction experience and customer loyalty. The study used multidimensional perceived value and PLS-SEM as analytical tool.

**Keywords:** *Boutique Hotel, Servicescape, Perceived Value, Customer Satisfaction, Customer Loyalty*

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## **1. Introduction**

Boutique and Lifestyle Leader Association (BLLA) defined boutique hotel as a small accommodation that offers authentic experience and high-quality service (Jones et al., 2013). There are some characteristics of boutique hotel that differentiate it from another type of accommodations, such as: its small size, commonly has unique design and theme, offers personal service, built in a unique location, and offers unique experience to its guests. Boutique hotel sector grows quickly along with the increasement of customers' expectation and the increasement of social media user. Recently, customers considered a hotel as more than a place to sleep, and they chose boutique hotel because they are looking for something special that has surprise factor and delight to provide a memorable experience during their stay in an accommodation (Lockwood & Pyun, 2019). The era of social media also played a role because it

created new customers' behavior. Social media encouraged customer to visit place that has unique or beautiful servicescape and post their activity as attractive as possible (Jaber, 2021). Later, this phenomenon used by the business owner to level up their accommodation by provide unique servicescape to attract customers.

Servicescape has been defined in different way and in different contexts (Harris & Ezech, 2008). Servicescape is term that used to define the landscape where services are experienced, or man-made environment which a service firm delivers services to its customers. Bitner (1992) It also described as purposeful environment designed to fulfil specific needs of customers (Lockwood & Pyun, 2019). In a hotel setting, servicescape has been explained by the elements of ambience, layout, decor, and signage (Dedeoglu et al., 2018). Based on Bitner (1992) conceptualization, the ambient conditions include background features of the service environment such as temperature, air quality, noise, music, scent, and lighting. Spatial layout refers to the way in which machinery, equipment and furnishings are arranged, the size and shape of those items and the spatial relationships among them, and the functionality refers to the ability of the same items to facilitate performance and the accomplishment of goals. Signs, symbols, and artifacts refers to the use of signage, decor and other physical elements used to communicate and enhance a certain mood or to direct customers to desired destinations.

These concepts usually related to the definition of substantive servicescape (Dedeoglu et al., 2018; J.-Y. Park et al., 2019). Some researchers have confirmed that substantive servicescape influences outcome variables such as firm performance, behavioral intentions, and customer's emotional responses (Dong & Siu, 2013), however Durna et al. (2015) confirmed that there has been a lack of empirical studies carried out within the hospitality sector regarding the influence of substantive servicescape on customers' responses.

Dong & Siu (2013) categorized servicescape as sunstantive servicescape (SSoS) and communicative servicescape (CSoS). Substantive servicescape is servicescape that represents the physical aspects of the environment (atmosphere, facade design, background music, smell, cleanliness, sign, layout, etc.), while communicative servicescape is servicescape that represents the social aspects, including cultural elements, behavior of the employee and the way employee communicate with the customers. Both of SSoS and CSoS become focal point to increase revenue and compete against an expanding competitor base (Lockwood & Pyun, 2019). But in some cases, the effectivity of this strategy is still questionable because nowadays customers not only asking for a good servicescape but also looking for something that has a positive perceived value (El-Adly & Eid, 2016).

Perceived value (PV) is a customer's overall assessment of the utility of a product based in perceptions of what is received and what is given (Zeithaml, 1988). There are several studies about the relationship among PV, customer satisfaction and customer loyalty, but most of them used unidimensional approach (El-Adly, 2019). This unidimensional only considered the PV as a trade-off between quality and price (Levyda, 2017), however PV is a complex construct that should not only be described as simple as that (Sweeney & Soutar, 2001), especially in hospitality sector that not only provides product and service but also offers experience to its customers. The PV in hospitality sector should be studied by using a holistic view, and multidimensional PV considered as the most suitable approach to study this sector (Levyda, 2017).

The aim of this study is to analyze the relationship between low-cost boutique hotel's servicescape and perceived value (as a multidimensional construct) and its influence on both customer satisfaction experience and customer royalty. The selection of Surabaya as the research location is based on the uniqueness phenomenon that recently happened in Surabaya, which is the emersion of low-cost boutique hotel. This became unique phenomenon because Surabaya more familiar as business destination than tourist destination. This is quite contradictive with the boutique hotel characteristics which offers experience to its customers so that commonly this sector growth in tourism destinations. The strategy to maximize servciescape in hospitality industry, also still has an unknown result in terms of its sustainability. The result of this study expected to give information whether the importance of servicesape will give long term and sustain profit in low-cost boutique hotel industry or not by studying its customers' behaviors (satisfaction experience and loyalty).

The remaining sections of this paper are organized as follows: conceptualize the model and proposes the hypotheses; introduces the research method and conducts the data analytics; the results and outlines key conclusions and then provides a discussion on theoretical contributions, implication for practice, limitations of this research and directions for future research on this topic..

## **2. HYPOTHESES DEVELOPMENT**

### **Servicescape and Perceived Value**

Mehrabian & Russell (1974) stated that an environment's physical can produce a direct effect on people's emotion. Bitner (1992) added that the influence of atmospheric or physical design and decoration influences customer's behavior, later these aspects categorized as substantive servicescape (SSoS). Suitably designed substantive servicescapes manifest as tasteful tangible facilities (such as: appealing interior designs, comfortable lighting and sounds, unique fragrances, etc.) will invite customers into constructed atmosphere which can satisfy their needs and expectations. Arnould et al. (1998) stated that not only SSoS, but also CSoS has a major effect on overall servciescape perceptions, and both of it should not be examined as single factor, communicative servicescape need to be considered together with substantive servicescape because social interaction also has big impact on customer's behavior.

The relationship between servicescape and perceived value have been done previously by several researchers. Lyubomirsky et al. (2005) found that SSoS in hospitality industry has a positive impact on customer positive perceived value, confirmed by Loureiro (2017) that studied the effect of servicescape on medical tourists' emotions, perceived value, and image. Loureiro (2017) found that ambience and design constituted the most significant servciescape factors. Another study performed by Alfakhri et al. (2018) found that hotel interior design elements can trigger customers' emotions, which influence the customers' behaviors. Durna et al. (2015) studied servicescape by used both of SSoS and CSoS to investigate these roles on customer's image perceptions and behavioral intentions in hotel industry. Durna et al. (2015) found that both of those factors have a positive affect on behavioral intentions.

In this study, we use multidimensional perceived value. In multidimensional perceived value, commonly researchers categorized perceived value as utilitarian and hedonic value. Utilitarian value refers to functional value (value for money, value for quality, etc.) while

hedonic value refers to happy and satisfying experience. The selection of these values can be customized depends on the characteristic of the research object. Specifically, this study used functional value (utilitarian), emotional value and epistemic/novelty value (hedonic). Functional value is perceived utility gotten from appropriate quality, attribute, outcome, and price (Park, 2019). Functional value in this study is defined as value that derived from boutique hotel facilities and boutique hotel staff in carrying out their services beyond the standard at reasonable price (Levyda, 2017). Functional value commonly attached with tangible aspects, so that it influenced by SSoS. However, hotel industry not only provided tangible product (hotel rooms, amenities, food etc.) but also intangible product (room service and experience), so that in this study we also examine the influence of CSoS on functional value. This is supported by research done by Bujisic et al. (2014) and C.-F. Chen & Chen (2010) in hospitality business, that stated both of tangible and intangible product has impact on customer behavior. The selection of functional value itself as one of the dimensions of perceived value in this study refers to the characteristic of the research object (low-cost boutique hotel). In low-cost boutique hotel, the target market is middle to lower customers who are expected to prefer function that luxury. Hence, we proposed the following hypothesis:

**H1.** Substantive servicescape has a significant influence on functional value.

**H2.** Communicative servicescape has a significant influence on functional value.

Sheth et al. (1991) defined emotional value as perceived utility acquired from an alternative capacity to arise feelings or affective states and epistemic value as the ability of a product/service to stimulate customer's curiosity, provide new experience and fulfilled customer's desires of a knowledge. Emotional value in this study is defined as positive feelings that arise during customer stay in the boutique hotel, while epistemic value defined as value felt by customer that related with the fulfillment of customer's curiosity about the product and services given by boutique hotel. The selection of emotional value as one of the dimensions of the perceived value in this study is based on the consideration that boutique hotel not only provide products and services, but also provide certain experiences that can bring up certain feelings, both positive and negative. On the other hand, the selection of epistemic value as one of the dimensions of the perceived value in this study is based on the consideration that during their stay, customers will experience a unique, different, and possibly will satisfy their curiosity. Hence, we proposed the following hypothesis:

**H3.** Substantive servicescape has a significant influence on emotional value.

**H4.** Communicative servicescape has a significant influence on emotional value.

Dedeoglu et al. (2018) conducted a study about servicescape and hedonic value (emotional and novelty/epistemic value). The selection of these dimensions is based on consideration that when customers stay in a hotel, they will not only experience happiness but also uniqueness. They will experience something different that may can make them satisfied, so that emotional value will have strong relationship with epistemic value. The result of this study then showed that both of SSoS and CSoS gave positif effect to hedonic value, where CSoS has bigger effect on perceived value than SSoS. Hence, we proposed the following hypothesis:

**H5.** Substantive servicescape has a significant influence on epistemic value.

**H6.** Communicative servicescape has a significant influence on epistemic value.

### **Perceived value and customer's satisfaction experience**

Customer satisfaction experience is defined as internal and subjective response that felt by customer when the customer does a consumption that has direct contact or indirect contact with an organization (Meyer & Schwager, 2007). Customer satisfaction experience also can be described as customer's judgement about product/service that gave a certain level of happiness (Oliver, 1997). In this study, customer satisfaction experience defined as customer evaluation about whether the boutique hotel's product can give a certain level of happiness, after they do the consumption.

In this study, we tried to analyze the relationship between perceived value and customer satisfaction experience using multidimensional perceived value (functional, emotional, and epistemic value). In this approach, perceived value not only measured by functional against price or quality, but also by other factors, including emotional and peistemic. Emotions are known as a main factor that can initiate customer satisfaction (Oliver, 1997), because customer satisfaction is a reaction resulted from a favorable appraisal of a consumption experience (Babin & Griffin, 1998). Babin et al. (1994) found that positive affect/perceived value is positively and directly related with customers' satisfaction. Rust & Oliver (1993) also found that customer decide whether they are satisfied or not when they experience a product/service, so that when customers experience positive emotion, it will increase their satisfaction (Clark & Isen, 1982). Epistemic value used because it relates with ability to stimulate curiosity, provide novelty or satisfy customer's desires for knowledge (Sheth et al., 1991). Epistemic value is very important to encourage customers to try new products and become one of the core values of tourism experience (Williams & Soutar, 2009). Şen Küpeli & Özer (2020) added epistemic value as one of perceived value dimension used in hospitality research and found that epistemic value also has positive impact on customer satisfaction and behavioral intention. This could be because experiencing new and different lifestyle, social and cultural environment, meeting new people, trying new food, increasing knowledge, learning, and discovering are the strongest motivation of tourist (Andreu et al., 2006; Kim et al., 2007).

This construction similar with study conducted by El-Adly (2019), Nasution & Mavondo (2008), and Gallarza et al. (2016). El-Adly (2019) used 7 dimensions of perceived value (self-gratification, aesthetic, pride, prestige, transaction, hedonic and quality). Nasution & Mavondo (2008) conceptualized perceived value as 3 dimensions, such as: reputation for quality, value for money and prestige, while Gallarza et al. (2016) used namely, entertainment, aesthetics, ethics, and spirituality as his perceived value dimensions. However, most of that research shown that not all those perceived value dimensions have a positive impact on customer satisfaction experience. This result showed that perceived value dimension perceived by customer, will depend on the characteristic of the accommodation. Low-cost accommodation (the object of this study) may will not give pride or prestige value to the customer, but high-end accommodation may give those values. Considering that boutique hotel perceived value is a multidimensional construct, we proposed the following hypothesis:

**H7.** Functional value has a significant influence on customer satisfaction experience.

**H8.** Emotional value has a significant influence on customer satisfaction experience.

**H9.** Epistemic value has a significant influence on customer satisfaction experience.



### **Perceived value and customer's loyalty**

Perceived value is one thing that played an important role to generate behavioral outcomes in services such as revisit intention and customer loyalty (Z. Chen & Dubinsky, 2003). The concept of perceived value has been applied to several study of customer behavioral intention in different types of accommodation (Luxury, mid-luxury, budget hotels, and green hotels) (Ahn & Kwon, 2020; E. Park, 2019). Many previous studies conducted to analyze relationship between customer perceived value and customer loyalty, including functional value (E. Park, 2019), hedonic value (Ahn & Kwon, 2020; E. Park, 2019; J.-Y. Park et al., 2019), social value (Ahn & Kwon, 2020; E. Park, 2019), and epistemic value (Şen Küpeli & Özer, 2020) etc. which showed that customer may experience different perceived value dimensions and each of those dimensions has different effects on customer behaviors.

One of those studies, conducted by Zhang et al. (2021), used multidimensional construction with 4 perceived value dimensions (functional value, hedonic value, epistemic value, and social value). Zhang et al. (2021) showed that perceived value gave an important impact to customer loyalty, that shown by some customer's behavior (repurchase intention). This behavior appeared when the customer stayed at the hotel and experienced high-quality service that initiated perceived quality, experienced convenience that initiated emotional value or special price that initiated perceived economic value (Eid, 2015; Gallarza et al., 2016).

Not only measure the functional value, in this study, we also considered emotional, and epistemic value. The reason is we believe that perceived value dimensions shows that they are belong to both cognitive (functional) and affective (emotional and epistemic). The satisfaction of hotel customer is a result of getting accommodation, food and beverages, and other hotel services that worth the price and through getting consistently high and reliable hotel service (El-Adly, 2019). This is also supported by studies conducted by Eid (2015) that showed price, quality and emotional value have significant direct positive impact on customer satisfaction in tourism package. Considering that boutique hotel perceived value is a multidimensional construct, we proposed the following hypothesis:

**H10.** Functional value has a significant influence on customer loyalty.

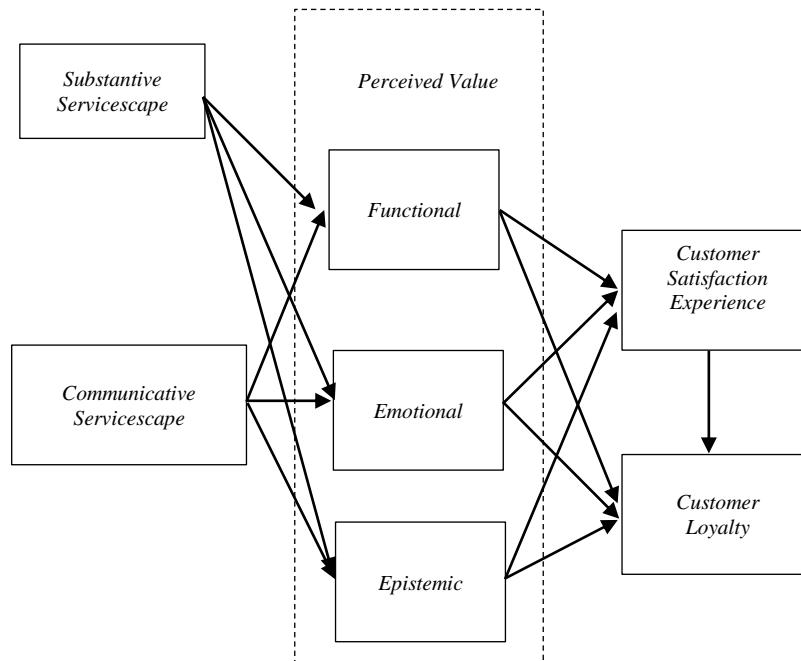
**H11.** Emotional value has a significant influence on customer loyalty.

**H12.** Epistemic value has a significant influence on customer loyalty.

### **Customer satisfaction experience and customer loyalty**

Customer loyalty has been a subject to many investigations in marketing. Although there's no comprehensive framework that can identifying the factors that give impact on customer loyalty, researchers agree that customer satisfaction plays a big role that influence customer loyalty, both of direct and indirect (El-Adly, 2019). In his study about hospitality, El-Adly (2019) stated that customer satisfaction has a direct positive impact on customer loyalty. Study conducted by El-Adly (2019) showed that perceived value dimensions and customer satisfaction are strong predictors of customer loyalty, since they share together 82,6% of the variance explained. This means that, when customers got a high perceived value from a hotel, they intend to satisfy and loyal. This is also in lined with previous study conducted by Lee et al. (2007); Williams & Soutar (2009); El-Adly & Eid (2016). Hence, we proposed the following hypothesis:

**H13.** Customer satisfaction experience has a significant influence on customer loyalty.



**Fig. 1. Conceptual Framework**

### 3. Research Method

#### Data Collection

This study was designed to analyze the effect of servicescapes (substantive and communicative) on boutique hotel customer's perceived value, satisfaction, and loyalty. The population of the study was defined as people who have visited Panahouse Surabaya, and the target sample was the people (more than 18 years old) who have stayed at Panahouse at least once since 2021. An online survey was created, and link of the survey was distributed through email based on Panahouse customer's database. To collect a larger sample size, we also create QR code posted in Panahouse reception and social media. Upon the completion of the survey, respondents were included in a random prize draw conducted by Panahouse. A total of 300 surveys were collected and after eliminating surveys with errors and/or missing values, 266 responses were utilized for further analysis.

#### Research Instrument

The measurement model for substantive and communicative servicescape were taken from previous study conducted by J.-Y. Park et al. (2019) and Dedeoglu et al. (2018). Functional value was adapted from Sweeney & Soutar (2001), emotional value was adapted from Barsky & Nash (2002), epistemic value was adapted from Caber et al. (2020), Prebensen & Rosengren (2016), Dedeoglu et al. (2018). Customer satisfaction experience measurement model adapted from previous studies conducted by Gallarza et al. (2016), El-Adly & Eid (2016), El-Adly

(2019), and Su et al. (2016) and the last customer loyalty measurement criteria taken from previous studies conducted by Gallarza et al. (2016), El-Adly & Eid (2016), and El-Adly (2019). All of these items were measured using five-point Likert scale anchored by strongly agree and strongly disagree. Demographic questions were also included at the beginning of the questionnaire.

### **Analysis Method**

This study used Partial Least Squares – Structural Equation Modeling (PLS-SEM) as an analytical tool with SmartPLS as the analytical software. We chose PLS-SEM because compared to Covariance-Based Structural Equation Modeling (CB-SEM), PLS-SEM has various advantages, especially when CB-SEM assumptions are violated about the normality of distribution and minimum sample size (Sarstedt et al., 2011). PLS-SEM also has higher levels of statistical power compared to CB-SEM, PLS-SEM doesn't have distribution assumptions as it is a non-parametric method, and PLS-SEM has robustness to small sample sizes and utilization of a single item construct (Hair et al., 2021). Before further analysis, we took 26 samples and tested the measurement model.

## **4. Results and Discussion**

### **4.1. Results**

#### **4.1.1. Descriptive Statistics**

The demographic characteristics of all sample respondents showed that the respondents are 48,1% male and 51,9% female, with the most frequent age group is 30 – 40 years old (41%), and most dominant educational background is undergraduate degree (63,2%). Most of the respondents are private employees (60,2%) from Surabaya and over half of the respondents (75,2%) visited Panahouse just once, 12% visited twice, 6% visited 3 times and 6,8% visited more than 3 times. Further details about socio-demographic characteristics of the respondents are provided in Table 1.

**Table 1. Socio Demographic Profile**

<b>Variable</b>		<b>Frequency</b>	<b>%</b>
Gender	Male	128	48,1
	Female	138	51,9
Age	< 20 years old	22	8,2
	20 – 30 years old	88	33,1
	30 – 40 years old	109	41
	40 – 50 years old	33	12,4
	50 – 60 years old	7	2,6
	> 60 years old	7	2,6
Job	Government employees	32	12
	Private employees	160	60,2
	Entrepreneur	26	9,8
	Student	31	11,7
	Retired	5	1,9
	Other	12	4,5



Education	Elementary/Junior/High School	26	9,8
	Undergraduate	168	63,2
	Postgraduate	47	17,7
	Doctoral	6	2,3
	Diploma	19	7,1
Time visited	1 time	200	75,2
	2 times	32	12
	3 times	16	6
	More than 3 times	18	6,8

#### 4.1.2. Measurement Model

First step in analytical process is analyze the measurement model with small sample (26 samples/10% from total sample) to assess the reliability and validity of the constructs. According to (Hair et al., 2021), the measurement model is reliable if the indicators' outer loading values is higher than 0,708. In this study, all outer loadings for every construct were above 0,708 so that we can assume that the model is reliable. For internal consistency, we also calculated the Cronbach's alpha and found that every latent construct in this study has an alpha value above 0,800 that confirmed the internal consistency. To assess the convergent validity, we calculated the average variance extracted (AVE) for each construct, and each construct has an AVE value more than the threshold of 0,50 (Hair et al., 2021). We also confirmed the discriminant validity using the Fornell-Larcker criterion. Fornell-Larcker compares the square root of AVE value with the latent variables' correlations (Hair et al., 2021; Henseler et al., 2012). In this study we found that all latent constructs have the Fornell-Larcker criterion higher than the correlations among constructs, so that we can confirm the discriminant validity. Further details about the reliability and validity test are presented in Table 2.

**Table 2. Measurement Model**

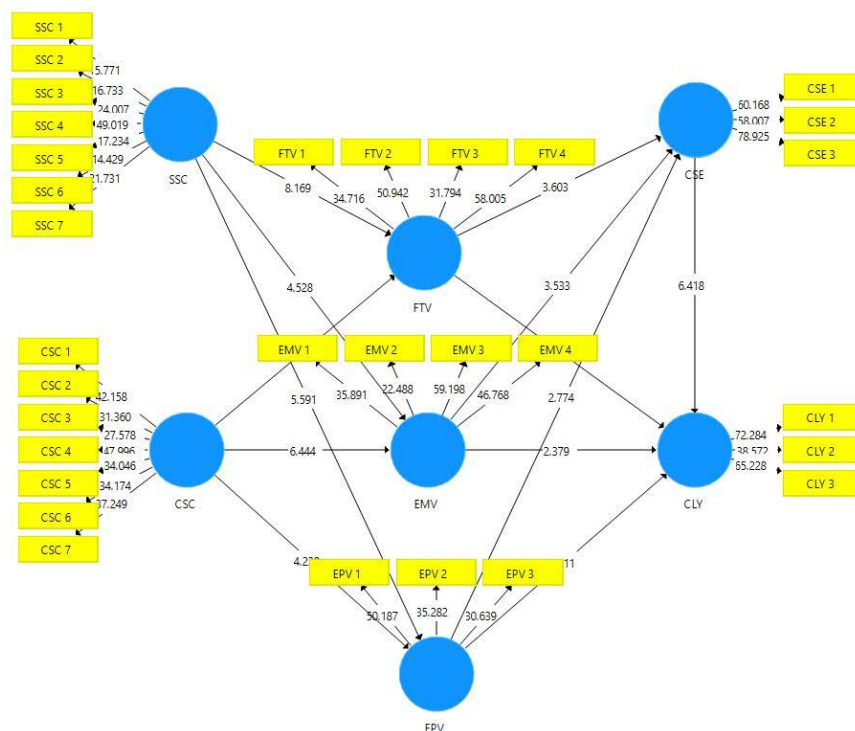
Variable	Loading Factor	AVE	Cronbach Alpha	Composite Reliability	R <sup>2</sup>
<b>Substantive Servicescape</b>		0,580	0,879	0,906	
Panahouse's facilities are clean and functioning properly	0,715				
The room layout facilitates consumer activities	0,725				
Panahouse's atmosphere makes customers feel comfortable	0,795				
Hotel concept gives a pleasant feeling	0,853				
Panahouse's furniture is ergonomic and comfortable	0,729				
Panahouse's architectural style raises customer's interest and curiosity	0,728				
Panahouse's decoration is unique and different from other boutique hotels	0,767				

<b>Communicative Servicescape</b>		0,790	0,956	0,963	
Panahouse's employees behave informatively	0,898				
Panahouse's employees provide personal service and attention	0,862				
Panahouse's employees behave responsively	0,872				
Panahouse's employees are polite	0,918				
Panahouse's employees are friendly	0,894				
Panahouse's employees provide honest service and create a sense of security	0,892				
Panahouse's employees dress casually but neatly and politely	0,883				
<b>Functional Value</b>		0,773	0,902	0,931	0,655
Panahouse's product and service has a good quality and able to meet customer needs	0,866				
Panahouse's product and service quality could meet customer's standard and expectations	0,893				
Panahouse's product and service quality are consistent	0,859				
Panahouse's product and service are trusted and realiable	0,897				
<b>Emotional Value</b>		0,753	0,890	0,924	0,693
Panahouse's product and service provide a pleasant experience	0,881				
The personal service provided by Panahouse make customers feel more appreciated	0,811				
Panahouse's product and service generate admiration	0,901				
The experience of staying in Panahouse brings pride	0,876				
<b>Epistemic Value</b>		0,763	0,844	0,906	0,650
Panahouse gives customers authentic and unique experience	0,899				
Panahouse gives customer experience that can satisfy customer's curiosity and knowledge	0,875				

Panahouse has various room types that unique and different that make customers want to revisit and feel different experience from different room	0,846				
<b>Customer Satisfaction Experience</b>		0,862	0,920	0,949	0,755
Customer's decision to stay at Panahouse is a correct and appropriate decision	0,921				
Customers are satisfied with products and services provided by Panahouse	0,923				
Customers are satisfied with the experience they have when stayed at Panahouse	0,941				
<b>Customer Loyalty</b>		0,819	0,889	0,931	0,829
Customers have high tendency to return	0,928				
Customers want to extend their stay	0,868				
Customers want to recommend Panahouse to people they know	0,917				

#### **4.1.3. PLS-SEM Results**

After finished reliability and validity analysis for the measurement model, we run the full model of PLS-SEM based on the proposed hypotheses. We used bootstrapping since an overall goodness-of-fit measure in PLS-SEM is not exist. The number of bootstrap samples is 500 (should be larger than the number of samples (Hair et al., 2021). The result shows that  $R^2$  for functional value is 0,655; emotional value is 0,693 and epistemic value is 0,650. This indicates that functional value can be affected by substantive and communicative servicescape variable by 65,5%, emotional value by 69,3% and epistemic value by 65%.  $R^2$  value for customer satisfaction experience is 0,755 and customer loyalty is 0,829. This indicated that customer satisfaction experience can be affected by functional value, emotional value, and epistemic value by 75,5%, and customer loyalty can be affected by functional value, emotional value, and epistemic value by 82,9%.



**Fig.2. Structural Model and Path Analysis**

In addition, to evaluate the  $R^2$  values of all endogenous constructs, we also calculated  $f^2$ . The  $f^2$  value of substantive servicescape to functional, emotional, and epistemic value are 0, 504; 0,252 and 0,403. The  $f^2$  value of substantive servicescape to functional, emotional, and epistemic value are 0, 504; 0,252 and 0,403. The  $f^2$  value of communicative servicescape to functional, emotional, and epistemic value are 0, 212; 0,598 and 0,278. Functional value to customer satisfaction experience and customer loyalty has  $f^2$  value as 0,122 and 0,048. Emotional value to customer satisfaction experience and customer loyalty has  $f^2$  value as 0,143 and 0,052, and epistemic value to customer satisfaction experience and customer loyalty has  $f^2$  value as 0,081 and 0,025. The last, customer satisfaction experience to customer loyalty has  $f^2$  value as 0,332. All  $f^2$  effect sizes in range (a)  $0,02 \leq f^2 < 0,15$  considered has weak influence; (b)  $0,15 \leq f^2 < 0,35$  considered has moderate influence; and (c)  $f^2 \geq 0,35$  considered has strong influence.

Results also showed that substantive and communicative servicescape had a positive effect on functional value ( $\beta = 0,540$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ;  $\beta = 0,350$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ); substantive and communicative servicescape had a positive effect on emotional value ( $\beta = 0,361$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ;  $\beta = 0,555$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ), and substantive and communicative servicescape had a positive effect on epistemic value ( $\beta = 0,487$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ;  $\beta = 0,404$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ). Thus H1, H2, H3, H4, H5 and H6 were supported. Next, we examined relationship between functional value, emotional value and epistemic value to customer satisfaction experience and customer loyalty. Results confirmed that functional value significantly has positive effect on customer satisfaction experience ( $\beta = 0,330$ ,  $t\text{-statistic} >$

1,96,  $p < 0,001$ ) and customer loyalty ( $\beta = 0,183$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ); emotional value significantly has positive effect on customer satisfaction experience ( $\beta = 0,358$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ) and customer loyalty ( $\beta = 0,192$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ); and epistemic value significantly has positive effect on customer satisfaction experience ( $\beta = 0,245$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ) and customer loyalty ( $\beta = 0,119$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ). Thus H7, H8, H9, H11, H11 and H12 were supported. Lastly, customer satisfaction experience significantly has positive effect on customer loyalty ( $\beta = 0,481$ ,  $t\text{-statistic} > 1,96$ ,  $p < 0,001$ ), thus validating H13. The result of the structural path analysis is presented in Table 2.

**Table 2. Structural Path Analysis**

Hypotheses		$\beta$	T-Statistic	P Value	Confidence Interval	
					2,5%	97,5%
H1	Substantive servicescape has a significant influence on functional value	0,540	8,289	0,000	0,420	0,661
H2	Communicative servicescape has a significant influence on functional value	0,350	4,634	0,000	0,182	0,496
H3	Substantive servicescape has a significant influence on emotional value	0,361	5,573	0,000	0,223	0,526
H4	Communicative servicescape has a significant influence on emotional value	0,555	4,426	0,000	0,374	0,701
H5	Substantive servicescape has a significant influence on epistemic value	0,487	6,555	0,000	0,336	0,647
H6	Communicative servicescape has a significant influence on epistemic value	0,404	4,182	0,000	0,216	0,552
H7	Functional value has a significant influence on customer satisfaction experience	0,330	3,477	0,001	0,136	0,488
H8	Emotional value has a significant influence on customer satisfaction experience	0,358	3,311	0,001	0,141	0,602
H9	Epistemic value has a significant influence on customer satisfaction experience	0,245	2,750	0,006	0,083	0,450
H10	Functional value has a significant influence on customer loyalty	0,183	3,159	0,002	0,061	0,303
H11	Emotional value has a significant influence on customer loyalty	0,192	2,650	0,008	0,075	0,371



H12	Epistemic value has a significant influence on customer loyalty	0,119	1,998	0,046	0,021	0,240
H13	Customer satisfaction experience has a significant influence on customer loyalty	0,481	6,829	0,000	0,332	0,607

## 4.2. Discussion

This study was designed to identify the role of substantive and communicative servicescape on customer's perceived value (functional, emotional, and epistemic value), then identify the role of customer's perceived value (functional, emotional, and epistemic value) to customer satisfaction experience and customer loyalty, and the last identify the role of customer satisfaction experience to customer loyalty. The results gained from PLS-SEM showed that substantive servicescape and communicative servicescape have a positive influence on functional, emotional, and epistemic value (H1, H2, H3, H4, H5, and H6). The influence of substantive servicescape on perceived value was greater than communicative servicescape, with the highest influence is to functional value. According to Ahn and Back (2019), functional value relates with physical object, so that it will be impacted by substantive servicescape (physical aspects). This result shows that substantive servicescape owned by low-cost boutique hotel (Panahouse) has a function that expected by the customers and worth the money spent.

As a low-cost boutique hotel, Panahouse has a minimum facility and only fulfilled customers' basic needed. Panahouse doesn't have luxury facilities and only focus on its function. This is the reason why substantive servicescape that related with physical things, has the highest impact greatest impact to functional value compared with to emotional and epistemic value. Previous studies conducted by Ahn & Back (2019) and Li (2021) supported this finding, another study conducted by (Dedeoglu et al., 2018) also said that when customer experienced something in hospitality context, the customer will not only gain the functional value, but also gained excitement, happiness and enjoyment that related with emotional value. Sometimes the experience provided by the hospitality provider will give customer something different and unique that related with epistemic value.

Communicative servicescape also has direct positive impact to functional value, emotional value, and epistemic value, but the impact is lower than substantive servicescape. This shows that in Panahouse, customers feel that the physical aspect has higher influence on their perceived value than non-physical aspect. The highest impact given by communicative servicescape is to emotional value. This result is in accordance with previous studies conducted by Dedeoglu et al. (2018) and Teng & Chang (2013) that stated communicative servicescape has greater influence on hedonic value (emotional and epistemic) than utilitarian value (functional). This result shows that how the employee treats the customer will impact the emotional condition of the customer. However, we can assume that in low-cost boutique hotel context, substantive servicescape gives higher impact on perceived value than communicative servicescape.

The result also shows that perceived value (functional, emotional, and epistemic value) has a direct positive impact on customer satisfaction experience (H7, H8, H9) and customer loyalty (H10, H11, H12). Functional value is perceived value dimension with the highest influence on customer satisfaction experience and the highest influence on customer loyalty. This is in line

with previous explanation that function is the most factor that needed by Panahouse customer and measured as the best feature. However, since the result shows that emotional and epistemic values also have impact to customer satisfaction experience, it proves that in hospitality, where there's an experience felt by customer, there's another factor despite utilitarian (functional) that felt by customers. Customer also gain hedonic value (in this study, emotional and epistemic) and it can be assumed that customer satisfaction experience and customer loyalty affected by multidimensional value. This finding related with previous studies conducted by Nasution & Mavondo (2008), Gallarza et al. (2016). Lastly, the result shows that customer satisfaction experience has a direct positive impact to customer loyalty (H13). This is also in accordance with previous studies conducted by El-Adly (2019), Lee et al. (2007), Trasorras et al. (2009), Williams & Soutar (2009) and Getty & Thompson (1995). They stated that there's a relationship among customer's perceived value, satisfaction experience and customer loyalty. Customer satisfaction experience will affect customer loyalty because when a customer experiences some products/services and satisfied, they are intended to show loyalty behavior such as: extend their stay/spend more money, recommended the product/service to other people and do repurchase.

The result of this study expected to be able to fulfill the previous studies about servicescape, perceived value, customer satisfaction experience, and customer loyalty. Most of the previous studies focused on restaurant (Lin & Mattila, 2010; Meng & Choi, 2017; Ryu & Jang, 2008), amusement park (Dong & Siu, 2013), hotel, etc., but very few studies specifically focused on low-cost boutique hotel. Most of studies about perceived value also commonly used unidimensional construct (Sánchez-Fernández & Iniesta-Bonillo, 2007) and neglected facts that customers not only got functional (utilitarian) value, but also another values, when they consumed products or services. In boutique hotel context, this accommodation not only provide place to stay, but also provide unique experience as competitive advantage. Servicescape used by most of boutique hotels to differentiate themselves from competitors, so that multidimensional perceived value assumed to be the best construct to measure the overall customer's perceived value. The result of this construct expected can give information about which perceived value dimension that has the highest impact on customer satisfaction experience and customer loyalty.

Theoretically the result of this study can be used to complement previous study and gives perspective that in low-cost boutique hotel, servicescape still become the main competitive advantage and substantive servicescape gives greater impact than communicative servicescape to perceived value. This result is similar with previous study conducted by Park et al. (2019) and Meng & Choi (2017), but different with studies conducted by Teng & Chang (2013), Lin & Mattila (2010) and Arnould et al. (1998) that stated communicative servicescape gave greater impact on perceived value than substantive servicescape. The difference shows that the influence of substantive and communicative servicescape can be different depends on the object. In a low substantive staged servicescape setting, communicative servicespace may dominated and vice versa. This result also extends the theoretical understanding that substantive and communicative servicescape are two separate dimensions and have different effects in differently staged environment and contexts (Park et al., 2019).

## **5. Conclusion**

The result of this study can be used as reference for all hospitality manager/owner to improve their service or as a guidance to do further expansion. This study shows that in low-cost boutique

hotel context, substantive servicescape will give more effects on customer perceived value, especially functional value. This can be assumed that manager/owner should consider maximizing their substantive servicescape and make sure that all facilities can work properly to make customer satisfied and loyal. The PLS-SEM analysis also shows that atmosphere is substantive servicescape component that has greatest impact, so that in the future the manager/owner should consider improving their atmosphere and make it as comfortable as possible and unique. Substantive servicescape supposed to be designed carefully so that it can be the boutique hotel trademark and competitive advantage.

The owner/manager also need to consider communicative servicescape aspect, because it proven that communicative servicescape will impact customer's emotional condition. It included how the employee gives services to the customer, how they behave, their appearance, character, and attitude. No matter how well-known the boutique hotel and how good the substantive servicescape, the boutique hotel cannot risk paying insufficient attention to the communicative servicescape.

The owner/manager also need to understand that in boutique hotel context, experience is important thing that considered by customer. It means, owner/manager should provide something that can ignite customer excitement, curiosity. Owner/manager should design some experience program/seasonal package/event to attract customer's attention.

Although this study provides significant information about how servicescape (substantive and communicative) gives impact on perceived value (functional, emotional, and epistemic value), customer satisfaction experience, and customer loyalty, this study is not free from limitations. First the research is limited to Panahouse as representation of low-cost boutique hotel in Surabaya. Thus, we suggested future study to be more general in several low-cost boutique hotel, not only in Surabaya. Second, sample size was relatively small, thus, we suggested that future studies consider collecting larger samples, which will enable the adoption of other analysis methods (CB-SEM).

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