

Analysis of Service Quality and Price Perception on Customer Loyalty with Perceived Value as a Mediating Variable: A Conceptual Study at Villa Star Homestay Takengon

Yulia, Erwansyah, Muhammad Dharma Tua Putra Nasution

Abstract

The tourism and hospitality industry has become one of the key contributors to regional economic development, particularly in emerging tourist destinations such as Takengon, Central Aceh. As competition among accommodation providers intensifies, understanding the factors that drive customer loyalty is essential for sustaining business growth. This conceptual study aims to explore the mediating role of perceived value in the relationship between service quality and price perception toward customer loyalty among visitors of Villa Star Homestay Takengon. Drawing on the principles of Service Quality Theory and Equity, this research proposes that high service quality and fair price perception enhance perceived value, which subsequently strengthens customer loyalty. Perceived value functions as the key psychological mechanism through which customers evaluate whether the service experience and price they receive meet or exceed their expectations. The study employs a conceptual framework derived from existing literature on consumer behavior and hospitality management, integrating key constructs such as tangibility, reliability, responsiveness, price fairness, and value-for-money perception. The proposed model provides a theoretical foundation for future empirical testing using visitors of Villa Star Homestay as the research sample. By presenting this conceptual model, the paper contributes to the theoretical understanding of customer loyalty formation in the hospitality industry and offers managerial insights for small-scale accommodation providers in developing regions. Specifically, it highlights the importance of balancing service excellence and price fairness to build long-term customer relationships and enhance competitive advantage in the tourism sector.

Keywords: Service Quality, Price Perception, Perceived Value, Customer Loyalty, Hospitality, Conceptual Study

Yulia¹

Master of Management, Universitas Pembangunan Panca Budi, Indonesia

e-mail: yulia.rachman1975@gmail.com

Erwansyah², Muhammad Dharma Tua Putra Nasution³

^{2,3}Master of Management, Universitas Pembangunan Panca Budi, Indonesia

e-mail: erwansyah@dosen.pancabudi.ac.id¹, dharma_nasution@dosen.pancabudi.ac.id²

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Introduction

The tourism and hospitality industry plays a pivotal role in driving regional economic development, particularly in emerging destinations such as Takengon, Central Aceh. Known for its natural beauty and cultural richness, Takengon has witnessed significant growth in domestic tourism in recent years. Small-scale accommodations, such as homestays and villas, have become an integral part of local tourism, offering personalized services that enhance visitor experiences. However, the sustainability of these businesses largely depends on their ability to build and maintain customer loyalty amid increasing competition and fluctuating visitor expectations [1].

In this context, Villa Star Homestay Takengon serves as a relevant case study for understanding how service quality and pricing strategies shape customer perceptions and loyalty behavior. Many local homestays face challenges in maintaining consistent service quality due to limited resources, seasonal demand, and varied customer expectations. Simultaneously, visitors often evaluate accommodation not only by the quality of service provided but also by whether the price aligns with perceived fairness and value [2]. Thus, the interaction between service quality, price perception, and perceived value becomes central in influencing customers' intention to return or recommend the accommodation to others.

The conceptual foundation of this study is built upon the Service Quality Model (SERVQUAL) proposed by [3], which identifies five dimensions tangibility, reliability, responsiveness, assurance, and empathy as critical determinants of customer satisfaction and loyalty. Service quality in hospitality has been consistently found to influence customer satisfaction and loyalty intentions [4]. However, these effects are not always direct; instead, they often operate through cognitive and affective mediators such as perceived value.

Price perception is another crucial determinant of customer behavior. Drawing on Equity Theory [5] and Price Fairness Theory [6] customers evaluate whether the price they pay is equitable relative to the quality of services received. When customers perceive prices as fair, their satisfaction and loyalty tend to increase [7]. Conversely, perceptions of unfair pricing can erode trust and reduce repurchase intentions.

Perceived value—defined as the customer's overall assessment of the utility of a product based on perceptions of what is received versus what is given [8] acts as a crucial mediator linking service and price evaluations to loyalty. In the hospitality sector, perceived value integrates both tangible (e.g., facility quality) and intangible (e.g., emotional satisfaction) aspects, serving as the cognitive mechanism that shapes customers' long-term behavioral intentions [9].

Finally, customer loyalty is a multidimensional construct encompassing both attitudinal (commitment, preference) and behavioral (repeat purchase, positive word-of-mouth) components [10]. In a competitive hospitality landscape, loyalty not only ensures revenue stability but also reduces marketing costs and enhances brand reputation [11].

Previous studies have examined the relationship between service quality, price, and loyalty, yet inconsistencies remain regarding the mediating role of perceived value. Some research suggests a strong mediating effect [12], while others find a more direct influence of service quality on loyalty [13]. Moreover, empirical evidence focusing on small-scale hospitality enterprises in emerging destinations such as Takengon remains scarce. Most studies have been conducted in urban hotels or large tourism markets [11], leaving a gap in understanding how perceived value operates in rural or community-based accommodations.

Therefore, this study proposes a conceptual framework that explores the mediating role of perceived value in the relationship between service quality and price perception toward customer loyalty at Villa Star Homestay Takengon. The purpose of this conceptual model is to deepen theoretical understanding while providing practical insights for local homestay managers to design customer-centered service and pricing strategies that foster sustainable loyalty.

Literature Review and Hypotheses Development

Service quality has long been recognized as a fundamental determinant of customer satisfaction and loyalty, particularly in the hospitality and tourism sectors. It refers to the customer's overall evaluation of a service's excellence and reliability [3]. Within the context of small-scale accommodations such as homestays, service quality includes tangible aspects like cleanliness, room facilities, and safety, as well as intangible dimensions such as responsiveness, empathy, and assurance from service providers [14]. High service quality not only fulfills customer expectations but also creates emotional satisfaction that fosters a strong sense of loyalty. Recent studies confirm that consistent and high-quality service enhances perceived trust, satisfaction, and revisit intentions among tourists [15].

In addition to service quality, price perception plays a crucial role in shaping customers' behavioral responses. Price perception is defined as how customers interpret the fairness and value of the price they pay in comparison to the benefits they receive [8]. A positive price perception where consumers perceive prices as fair, transparent, and commensurate with quality tends to increase satisfaction and loyalty [16]. In hospitality services, particularly homestays and villas that cater to both local and international travelers, perceived price fairness can strengthen emotional connections and trust between service providers and guests [17]. Conversely, perceptions of overpricing or inequity may reduce perceived value and discourage repeat visits.

Perceived value serves as a psychological bridge connecting service quality, price perception, and customer loyalty. It represents the overall evaluation of a product or service based on the trade-off between what the customer gives (e.g., price, time, effort) and what they receive (e.g., quality, satisfaction, experience) [8]. This concept aligns with Cognitive Evaluation Theory [18], which suggests that individuals derive satisfaction and motivation from internal assessments of experiences and rewards, and Equity Theory [5], which posits that perceived fairness and balance between inputs and outcomes shape individual satisfaction. In the tourism context, perceived value reflects not only functional benefits but also emotional and experiential dimensions—such as relaxation, cultural immersion, and personal connection with the environment [19]. Prior research emphasizes that higher perceived value mediates the impact of service quality and price perception on customer loyalty [20].

Customer loyalty, defined as a deeply held commitment to repurchase or recommend a product or service consistently in the future, represents the ultimate goal of any hospitality business [21]. Loyal customers tend to generate sustainable business growth through repeat patronage and positive word of mouth. In small-scale hospitality enterprises like Villa Star Homestay, loyalty is a strategic asset that ensures business continuity and competitive advantage. Research by [22] reveals that perceived value and satisfaction are key predictors of loyalty in the hotel industry, while service quality and fair pricing significantly enhance visitors' long-term commitment to a brand [16].

Integrating these findings, this study proposes a conceptual framework that positions perceived value as a mediating variable between service quality, price perception, and customer loyalty. The model suggests that when visitors perceive high-quality services and fair prices, they develop stronger perceived value, which in turn fosters loyalty.

This framework underlines that both service quality and price perception have direct and indirect effects on loyalty through perceived value. From a theoretical standpoint, it extends the SERVQUAL model [3] by integrating the cognitive and emotional dimensions of value perception and their influence on behavioral loyalty in the context of local hospitality businesses.

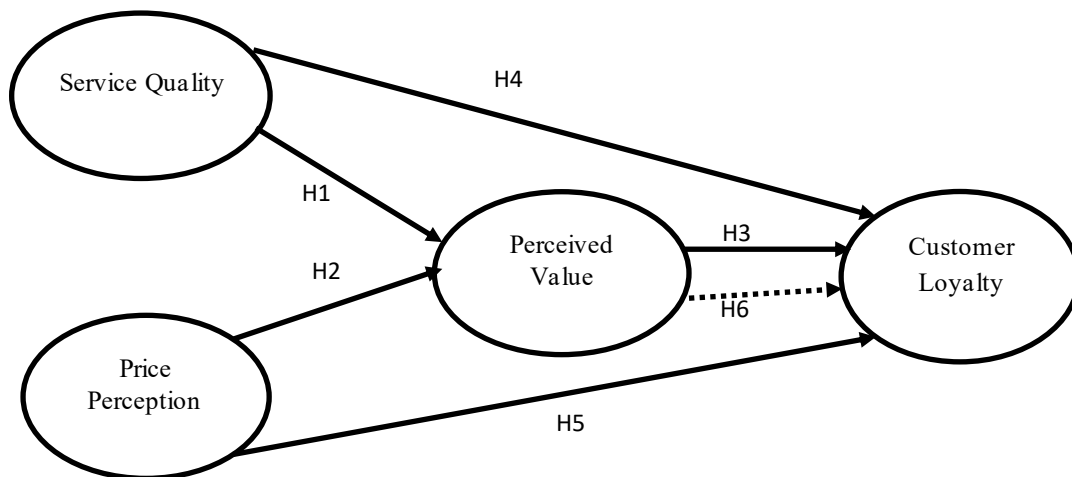
Based on the literature and theoretical synthesis, six hypotheses are proposed:

- H1: Service Quality has a positive and significant effect on Perceived Value.
- H2: Price Perception has a positive and significant effect on Perceived Value.
- H3: Perceived Value has a positive and significant effect on Customer Loyalty.
- H4: Service Quality has a positive and significant effect on Customer Loyalty.

H5: Price Perception has a positive and significant effect on Customer Loyalty.

H6: Perceived Value mediates the relationship between Service Quality, Price Perception, and Customer Loyalty.

In summary, this conceptual model highlights that the synergy between service quality and price perception filtered through customers' cognitive and emotional evaluation of value—becomes the core determinant of loyalty formation. For small hospitality businesses such as Villa Star Homestay in Takengon, understanding and implementing these relational dynamics can serve as a strategic foundation for sustainable competitive advantage and long-term guest retention.



Picture 1. Research Framework

Research Methodology

This study adopts a quantitative explanatory research design aimed at developing a conceptual model that links service quality and price perception to customer loyalty, with perceived value as the mediating variable. The research design is based on a hypothetical deductive approach, where the relationships among variables are derived from established theories such as the SERVQUAL Model [3], Equity Theory [5], and Cognitive Evaluation Theory [18] and supported by recent empirical findings in hospitality and tourism research. Although this conference paper focuses on the conceptual foundation, the proposed empirical phase will employ a cross-sectional survey method, using structured questionnaires to collect data from visitors of Villa Star Homestay Takengon. This design is appropriate to examine causal relationships and mediation effects among variables in a specific time frame [23].

Population and Sample

The target population of this proposed study comprises domestic and international tourists who have stayed at Villa Star Homestay Takengon, located in Central Aceh, Indonesia. These visitors represent a relevant population because their experiences reflect both service interactions and price-value perceptions typical of small-scale hospitality settings.

A non-probability purposive sampling technique will be employed to select respondents who have stayed at the homestay at least once in the past six months. The proposed sample size follows the minimum rule of 5–10 respondents per indicator in Structural Equation Modeling [24], resulting in an estimated 150–200 valid responses. This sample size is sufficient to ensure statistical robustness and reliability in model testing.

Variables and Operational Definition

This conceptual study consists of four key variables, each defined and operationalized as follows:

1. Service Quality (X1)
Refers to the customer's overall evaluation of the service excellence and reliability offered by the homestay. Measurement is based on the SERVQUAL dimensions: tangibility, reliability, responsiveness, assurance, and empathy [3]. *Indicators*: cleanliness of rooms, staff friendliness, responsiveness to requests, and accuracy of information.
2. Price Perception (X2)
Represents the customer's subjective judgment about the fairness and reasonableness of the price relative to the benefits received [8]. *Indicators*: perceived fairness of price, price transparency, and alignment between price and service quality.
3. Perceived Value (Z)
Defined as the overall assessment of the utility of the service based on the trade-off between perceived benefits and perceived costs [21]. *Indicators*: value for money, emotional satisfaction, and perceived experiential worth.
4. Customer Loyalty (Y)
Describes the customer's intention to revisit or recommend the homestay to others, reflecting both behavioral and attitudinal loyalty [21]. *Indicators*: intention to return, willingness to recommend, and preference over competitors.

Measurement and Instrumentation

All constructs will be measured using multi-item Likert scales adapted from validated instruments in previous studies. Responses will be captured using a five-point scale (1 = strongly disagree to 5 = strongly agree). The questionnaire will consist of four main sections: (1) demographic information, (2) items measuring service quality, (3) items measuring price perception and perceived value, and (4) items measuring customer loyalty. Each indicator will be adapted and refined based on context suitability through a pilot test involving 30 respondents to ensure content validity and clarity.

Validity and reliability testing will be conducted using Confirmatory Factor Analysis (CFA), while internal consistency will be assessed through Cronbach's Alpha (>0.70 threshold). Convergent and discriminant validity will be evaluated following Fornell–Larcker criteria.

Theoretical Implications

This research is expected to contribute to the development of consumer behavior and marketing science, particularly in the context of the hospitality industry within emerging markets. First, it strengthens the theoretical foundation of the Service Quality–Customer Loyalty linkage by integrating Perceived Value as a mediating construct, highlighting how consumers' cognitive and emotional evaluations transform service encounters into loyalty behavior [8], [21].

Second, this study enriches the literature by examining the Price Perception construct not merely as a transactional factor but as a psychological and comparative assessment influencing perceived fairness and satisfaction [25], [26]. By contextualizing these relationships in the tourism and homestay industry of Takengon, this research extends the Expectancy-Value Theory [27] and Equity Theory [5] into a localized consumer behavior framework.

Third, this study adds value to marketing literature in developing economies by integrating theoretical insights from service-dominant logic [28] that value is co-created through consumer experience. Therefore, the model proposed can serve as a theoretical reference for future research exploring perceived value as a central mediating mechanism between marketing stimuli and behavioral outcomes.

Practical Implications

From a managerial perspective, this study offers actionable insights for business owners and managers in the hospitality and homestay sectors, particularly small-scale accommodations such as Villa Star Homestay Takengon. The findings can guide practitioners to focus on service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) that directly enhance perceived value and foster customer loyalty.

Moreover, understanding price perception as a subjective fairness judgment encourages managers to implement transparent pricing strategies and ensure the perceived benefits outweigh the costs from the customer's viewpoint. Emphasizing value creation through service experience can help sustain competitive advantage, especially in markets where word-of-mouth and repeat visits are essential for business continuity.

At the policy level, this research may also inform regional tourism stakeholders in developing quality assurance frameworks and training programs that enhance service standards among local hospitality businesses. By strengthening the perceived value and loyalty of domestic and international tourists, the study supports sustainable tourism development and the economic empowerment of local communities.

Conclusion

This conceptual paper has proposed a comprehensive framework that explains how *service quality* and *price perception* influence *customer loyalty* through *perceived value*, specifically in the context of hospitality services at Villa Star Homestay Takengon. Drawing upon the Service Quality Model [3], Perceived Value Theory [8], and the Loyalty Framework [21], this study highlights the psychological process through which customers translate their service experiences and price evaluations into loyalty behaviors.

The model suggests that *perceived value* plays a mediating role that bridges functional service performance and emotional commitment, providing a holistic understanding of customer loyalty formation. This integration contributes theoretically by reinforcing the importance of customer perception as a central mechanism in the service–loyalty linkage and practically by offering actionable insights for hospitality managers. Specifically, managers of small-scale accommodations such as Villa Star Homestay can strengthen loyalty by consistently maintaining high service quality, ensuring transparent and fair pricing, and enhancing customers' perceived value through personalized experiences.

Moreover, this conceptual framework underscores the need for future empirical validation. Researchers are encouraged to test the proposed hypotheses using quantitative methods such as Structural Equation Modeling (SEM) to verify the strength and direction of relationships among the variables. Further exploration may include moderating factors such as customer satisfaction, trust, or destination image to enrich the understanding of loyalty dynamics in tourism and hospitality sectors.

Ultimately, this study contributes to both academic and practical discussions on how perceived value acts as a strategic bridge connecting service excellence and price fairness with sustainable customer loyalty an essential driver for long-term competitiveness in the hospitality industry.

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