

Model of Service Profit Chain of Hospitality Accommodation in Bali

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Abstract: This study aims to determine a model of service profit chain for the hospitality accommodation industry and to find the relationships between the variables forming the model. It is the first iteration of a three-year research, located in Bali's Badung, Denpasar, and Gianyar regencies. The population in this study were hotel employees in the selected locations. To determine the representativeness of the sample, respondents were chosen based on non-probability sampling technique. Data analysis used include triangulation (mixed methods) using descriptive statistical analysis, SEM-AMOS analysis, and qualitative descriptive analysis. As many as 150 respondents completed the questionnaire in this study.

The study found that internal service variable affects employee satisfaction. Employee satisfaction affects the quality of service. Subsequently, the quality of service affects guest satisfaction. Further, guest satisfaction affects guest loyalty. Guest loyalty ultimately affects profitability. Company profitability fuels revenue growth. All of these variables reinforce each other in a chain reaction. The study recommends that the theoretical model developed on the service quality of hospitality accommodation in Bali is in accordance to the empirical findings, which means that even though the operators of accommodation services in Bali have not explicitly applied the service profit theories in their hotel management and marketing systems, in reality this system has been applied in accordance to the developing theories.

Keywords: internal service, employee satisfaction, loyalty, external service, guest satisfaction.

1. INTRODUCTION

Many business owners merely view profit from the indicator of sales without realizing that this approach can turn into over-exploitation of workers in order to attain the highest sales figures. Employees have desires and aspirations of their work, which are often not in line with their expectations. Unsatisfied employees tend to work less productively with lower output quality. Lower quality can impact the customers' satisfaction. This satisfaction also affects guest loyalty. The loyalty model particularly for consumers of tourism and hospitality services, particularly hospitality accommodation, is markedly distinct from the loyalty model in the consumer goods industry.

Contemporary marketing focuses on consumer satisfaction as the main pillar in business to realize the company's objective of achieving profits. Satisfied consumers become great assets for the survival and sustainability of the company. Therefore, service quality should be thoroughly managed to achieve consumer satisfaction. High quality service will give good results in realizing consumer satisfaction. Consumers have the freedom to assess whether the service mix offered have indeed satisfactorily met their needs.

Company orientation nowadays has shifted from market orientation to consumer satisfaction orientation. One of the determining factors of firm survival and viability is the fulfilment of consumer satisfaction, because satisfied

consumers are likely to recommend other people to use the services of the companies that provide satisfaction to their needs.

One approach used in the service chain of hospitality accommodation is the Service Profit Chain (SPC) concept. SPC focuses on relationship-based business approach, in which this relationship relies on the understanding of what consumers want and need, and sees consumers as long-term assets that will provide continuous income so long as their needs are satisfied.

SPC begins with operating strategy and delivery system, which starts with internal service quality. Further, employee satisfaction will lead to employee retention and employee productivity. Loyal employees will be able to show their best performance in serving consumers, which in turn is the focus of the service concept.

This study aims to determine a service chain model for the hospitality accommodation industry and to find the relationship between the variables that form that model. This model attempts to answer the following questions:

1. How does internal service affect employee satisfaction?
2. How does employee satisfaction affect service quality?
3. How does service quality affect guest satisfaction?
4. How does guest satisfaction affect guest loyalty?
5. How does guest loyalty affect firm's profitability?
6. How does the firm's profitability affect revenue growth?

2. LITERATURE REVIEW

Figure 1 below explains the chain of service as a process that starts with the formation of employee satisfaction and employee loyalty as a direct result of their positive perception of the internal service quality that they receive over time. It illustrates that employee satisfaction relates to the accuracy and comfort of work design, type of work, employee selection and development process, recognition and rewards, as well as the facilities available to deliver quality service to "the next process" (i.e., because the next process is the consumers), which in turn will encourage two-way internal service—meaning "you have served well; you are also well catered for". According to Heskett, et.al. (1994), employee loyalty leads to employee retention and employee productivity.

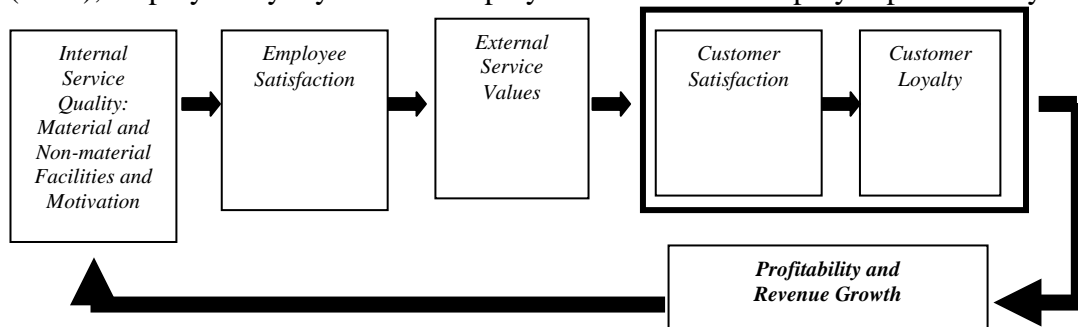


Figure 1: Service Profit Chain (SPC)
Source: Heskett, et.al. (1994)

In turn, employee loyalty will encourage external service quality, which will satisfy consumers. Satisfied consumers tend to be loyal consumers, which

will become valuable assets to generate profit and revenue growth based in the business results provided by the satisfied consumers.

Service companies should focus on human resources because of the *inseparable* nature of service (production and consumption occur simultaneously) and the *variability* of service (variation of shape, quality and type depending on who, when and where the services are given). Therefore, collaboration within service companies, in this case represented by employees and guests, is essential. As such, service quality closely relates to human performance. Zeithaml and Bitner (2000: 287) stated that employee contacts with consumers represent the organization and can directly affect consumer satisfaction. According to Rucci (1998: 82), the starting point of the "Service-Profit Chain" is inseparable from the fundamental objective of all business entities in general, namely to derive profit from its operational activities, to increase productivity and enhance revenue growth.

When a firm provides value for its employees, said firm will ultimately enhance the value delivered to its consumers. Employees desire many of the same things as consumers' desire from the business. Satisfaction, respect, and value are inherently important in the workplace.

3. RESEARCH METHODS

The location of this research is the province of Bali, specifically three regencies: Badung/Denpasar, Tabanan, and Gianyar. The first research period was conducted in 2016 in five Badung/Denpasar area tourist centers of Nusa Dua, Sanur, Canggu, Peti Tenget, and Seminyak—in 10 hotels comprising of 3, 4 and 5 star-rated facilities.

The population in this study include hotel employees in the select research locations. The sample was chosen based on purposive sampling technique. For this research, the sample was 150 respondents. Under this condition, Maximum Likelihood (ML) and Generalized Least Squares (GLS) techniques are possible (Hair et.al., 1998; Ferdinand, 2002:48).

The scope of this study is tourism research with systematic approach, which emphasizes on the movement of tourists, the activities of local communities that facilitate tourism, as well as the implication of both on the lives of the society at large in a mutually "linked system". The construct of the study is depicted by Figure 2 below.

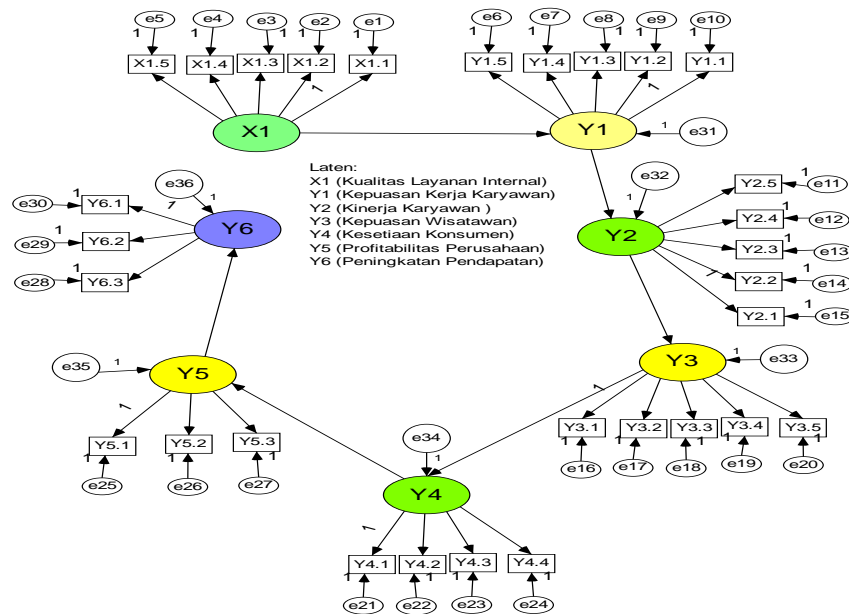


Figure 2. Construct of Service Chain Research

This research utilized mixed approach or triangulation between quantitative and qualitative findings, which warranted that two methods are used to attain valid quantitative and qualitative in the form of close-ended survey questionnaires and open-ended in-depth interviews.

The data was then analyzes using the mixed methods using descriptive statistical technique, SEM-AMOS analysis, and descriptive qualitative analysis. The descriptive statistics involve numerical, textual, and graphical representations. Meanwhile, Structural Equation Modeling (SEM) analysis involve a multivariate analysis.

After the survey, a hypothesis test was conducted using SEM. Kelloway (1995:215) stated that covariant structural model can be used to test various complex models. SEM is a statistical model that explains the relationship between variables by testing the structure of relationships between those variables, stated in the form of functions (Hair *et al.*, 2006).

After the survey was conducted and data attained, hypothesis testing was performed using *Structural Equation Modelling* (SEM).

Table1

Criteria for Model Suitability

Index Measure Criteria	Value
χ^2 (chi square)	As low as possible
p-value	$\geq 0,05$
CMN/df	$\leq 2,00$
RMSEA (Root Mean Square Error of Approximation)	$\leq 0,08$
GFI (Goodness of Fit Index)	Approaching 1
AGFI (Adjusted Goodness of Fit Index)	Approaching 1
TLI (Tucker Lewis Index)	Approaching 1
CFI (Comparative Fit Index)	Approaching 1

Source: Wijaya, (2013: 104-105)

4. FINDINGS AND DISCUSSION

Characteristics of Respondents

There are 150 respondents in this study, 66% of which are male and 34% female. Based on the age group, 66% of the respondents are between the ages of 20 to 30, 17% are between the ages of 31 to 40, 10% are between the ages of 41 to 50, 3% are above 50 years of age, and 1% are below the age of 20.

Validity and Reliability

Santosa (2004) stated that to find validity, r value is compared to 0.30 with SPSS on the total correlation column. Internal reliability test is done by calculating Cronbach alpha coefficient of each instrument within one variable. An instrument is deemed reliable if it has Reliability Statistics Cronbach's Alpha of more than 0.60 (Imam Ghazali, 2001).

Table2. Validity dan Reliability Tests

Variable	Code	Indicator	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1 (Internal service quality)	X1.1	Sufficient work facilities	.703	.813
	X1.2	Good work procedures	.701	.815
	X1.3	Good managerial motivation	.731	.807
	X1.4	Work load according to expectation	.571	.853
	X1.5	Good vertical communication	.646	.828
Y1 (Employee satisfaction)	Y1.1	I am satisfied with the work facilities available	.677	.752
	Y1.2	I am satisfied with the level of welfare	.624	.763
	Y1.3	I received reward dan recognition in accordance to work performance	.713	.733
	Y1.4	My relationship with superiors and colleagues are harmonious	.569	.780
	Y1.5	I am satisfied with my current position	.432	.826
Y2 (Employee service performance)	Y2.1	Work facilities available contribute to my productivity	.703	.832
	Y2.2	Employee welfare contribute to my productivity	.684	.836
	Y2.3	I am motivated to be more productive because good rewards are available	.701	.831
	Y2.4	The work load is in line with my rights as an employee	.676	.840
	Y2.5	The management facilitates and accommodates most of my needs	.668	.840
Y3 (Guest satisfaction)	Y3.1	Tangibles: The building and location of the hotel are appreciated by the guest.	.609	.877
	Y3.2	Assurance: The prices are according to the guests' expectations	.799	.829
	Y3.3	Reliability: The reality of the hotel is as expected by the guests	.713	.850
	Y3.4	Responsiveness: Guests feel comfortable staying at this hotel	.728	.847
	Y3.5	Empathy: Guests receive service in accordance to their expectations	.706	.851
Y4	Y4.1	Guests indicate willingness to return	.734	.859

Variable	Code	Indicator	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
(Guestloyalty)	Y4.2	Guests indicated willingness to recommend other to stay in this hotel	.849	.814
	Y4.3	Guests are willing to give inputs for service improvements	.686	.877
	Y4.4	Guests gave positive testimonies	.735	.858
Y5 (Firm's profitability)	Y5.1	Loyal guests indicate their intention to return on the next visit	.662	.840
	Y5.2	Loyal guests will increase the hotel's profitability	.736	.765
	Y5.3	Loyal guests will recommend others to stay at this hotel	.752	.756
Y6 (Revenue growth)	Y6.1	Loyal guests will contribute greatly to the revenue growth of the hotel	.480	.584
	Y6.2	The company provides me with financial incentives (bonuses, service fees, etc.)	.483	.570
	Y6.3	The company continually provide CSR for the local community	.491	.564

Source: Primary Data

Based on Table 2 above, all independent variables have Reliability Statistics Cronbach's Alpha values of greater than 0.60, which indicate that this research can be considered reliable.

Descriptive Statistics of Research Indicators

Descriptive statistical analysis is used to determine the distribution of responses based on the means of each variable's value on the Likert scale.

Table3.Descriptive Statistics of Research Indicators

Variable	Code	Indicator	Mean	Note
X1 (Internal service quality)	X1.1	Sufficient work facilities	4.29	Very Good
	X1.2	Good work procedures	4.33	Very Good
	X1.3	Good managerial motivation	4.37	Very Good
	X1.4	Work load according to expectation	4.03	Good
	X1.5	Good vertical communication	4.31	Very Good
Y1 (Employee satisfaction)	Y1.1	I am satisfied with the work facilities available	4.05	Good
	Y1.2	I am satisfied with the level of welfare	4.03	Good
	Y1.3	I received reward dan recognition in accordance to work performance	3.96	Good
	Y1.4	My relationship with superiors and colleagues are harmonious	4.37	Very Good
	Y1.5	I am satisfied with my current position	3.71	Good
Y2 (Employee service performance)	Y2.1	Work facilities available contribute to my productivity	4.09	Good
	Y2.2	Employee welfare contribute to my productivity	4.10	Good
	Y2.3	I am motivated to be more productive because good rewards are available	4.02	Good
	Y2.4	The work load is in line with my rights as an employee	3.88	Good

Variable	Code	Indicator	Mean	Note
	Y2.5	The management facilitates and accommodates most of my needs	3.88	Good
Y3 (Guest satisfaction)	Y3.1	Tangibles: The building and location of the hotel are appreciated by the guests	4.15	Good
	Y3.2	Assurance: The prices are according to the guests' expectations	4.00	Good
	Y3.3	Reliability: The reality of the hotel is as expected by the guests	3.97	Good
	Y3.4	Responsiveness: Guests feel comfortable staying at this hotel	4.23	Very Good
	Y3.5	Empathy: Guests receive service in accordance to their expectations	4.24	Very Good
Y4 (Guest loyalty)	Y4.1	Guests indicate willingness to return	4.21	Very Good
	Y4.2	Guests indicated willingness to recommend other to stay in this hotel	4.19	Good
	Y4.3	Guests are willing to give inputs for service improvements	4.22	Very Good
	Y4.4	Guests gave positive testimonies	4.12	Good
Y5 (Firm's profitability)	Y5.1	Loyal guests indicate their intention to return on the next visit	4.39	Very Good
	Y5.2	Loyal guests will increase the hotel's profitability	4.41	Very Good
	Y5.3	Loyal guests will recommend others to stay at this hotel	4.43	Very Good
Y6 (Revenue growth)	Y6.1	Loyal guests will contribute greatly to the revenue growth of the hotel	4.45	Very Good
	Y6.2	The company provides me with financial incentives (bonuses, service fees, etc.)	4.25	Very Good
	Y6.3	The company continually provide CSR for the local community	4.22	Very Good

Source: Primary Data

Analysis of Structural Equation Modeling

This research aims to confirm the interconnectedness patterns between variables, so the matrix used is the correlation matrix. The standard estimation model using AMOS utilizes maximum likelihood estimation (ML). The construct of this study was adopted from a model developed by Yoon and Uysal (2003) and Chi (2005), and adopt the research variable from Esichaikul (2012). After hypothesis testing was conducted on the model within the construct, the following model was developed, as shown in Figure 3.

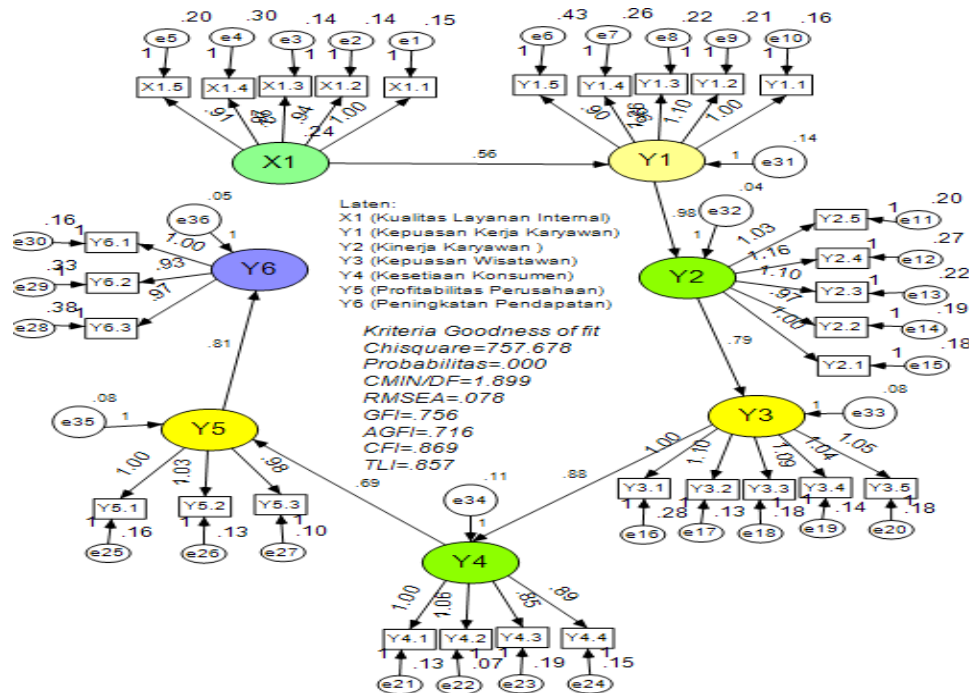


Figure 3. Confirmation of SPC Theoretical Model

Source: Primary research

Goodness of fit test to the model determine that there are two criteria that have met the minimum requisite: CMIN/df and RMSEA (*Root Mean Square Error of Approximation*), which means that the theoretical model and empirical facts are in accordance to one another rendering confirmatory and index modification tests no longer necessary. The CFA method was used to test the hypothesis to determine model measurement and not to determine the relationships between latent variables (Byrne, 1998). The result from the Goodness of Fit test is shown in Table 4 below.

Table 4 Model's Goodness of Fit Tests

Measurement Index Criteria	Benchmark Value	Test Result	Determination
CMIN/df	$\leq 2,00$	1,889	Fit
RMSEA (<i>Root Mean Square Error of Approximation</i>)	$\leq 0,08$	0,078	Fit
GFI (<i>Goodness of Fit Index</i>)	$\geq 0,90$	0,756	Not fit
AGFI (<i>Adjusted Goodness of Fit Index</i>)	$\geq 0,90$	0,716	Not fit

Source: Theoretical SPC Model Confirmation Test

After all the assumptions are met, hypothesis testing was conducted as indicated by Table 5 below.

Table 5. Results of Hypothesis Tests

End.	Ext.	Estimate	S.E.	C.R.	P	Note
Y1	<--- X1	.555	.092	6.007	***	Significant
Y2	<--- Y1	.984	.113	8.709	***	Significant
Y3	<--- Y2	.789	.109	7.260	***	Significant
Y4	<--- Y3	.885	.116	7.606	***	Significant
Y5	<--- Y4	.694	.082	8.476	***	Significant

End.	Ext.	Estimate	S.E.	C.R.	P	Note
Y6	<--- Y5	.809	.105	7.672	***	Significant

Source: Theoretical SPC Model Confirmation Test

The hypotheses tested in this study were as follows:

- 1) Internal service quality (X1) has significant effect on employee satisfaction (Y1), as indicated by the C.R. value of $6.007 > 1.96$ and P-Value ($*** < 0.05$). All indicators of internal service quality (X1) are determined to be significant as measurement indicators because each has *Standardized Regression Weights* (SRW) > 0.5 , as shown by table 6 below.

Table6. Standardized Regression Weights (SRW) of internal service quality variable (X1)

Indicator	Variable	SRW	Description of Indicator
X1.1	<--- X1	.787	Sufficient work facilities
X1.2	<--- X1	.778	Good work procedures
X1.3	<--- X1	.791	Good managerial motivation
X1.4	<--- X1	.636	Work load according to expectation
X1.5	<--- X1	.710	Good vertical communication

Source: Theoretical SPC Model Confirmation Test

- 2) Employee satisfaction (Y1) has significant effect on employee service performance (Y2), as indicated by the C.R. value of $8.709 > 1.96$ and P-Value ($*** < 0.05$). All indicators of employee satisfaction (Y1) are determined to be significant as measurement indicators because each has *Standardized Regression Weights* (SRW) > 0.5 , as shown by table 7 below.

Table7. Standardized Regression Weights (SRW) of employee satisfaction variable (Y1)

Indicator	Variable	SRW	Description of Indicator
Y1.1	<--- Y1	.760	Satisfaction with the work facilities available
Y1.2	<--- Y1	.744	Satisfaction with the level of welfare
Y1.3	<--- Y1	.782	Reward dan recognition in accordance to work performance
Y1.4	<--- Y1	.659	Harmonious relationship with superiors and colleagues
Y1.5	<--- Y1	.539	Satisfaction with my current position

Source: Theoretical SPC Model Confirmation Test

- 3) Employee service performance (Y2) has significant effect on guest satisfaction (Y3), as indicated by the C.R. value of $7.260 > 1.96$ and P-Value ($*** < 0.05$). All indicators of employee service performance (Y2) are determined to be significant as measurement indicators because each has *Standardized Regression Weights* (SRW) > 0.5 , as shown by table 8 below.

Table8. Standardized Regression Weights (SRW) of employee service performance variable (Y2)

Indicator	Variable	SRW	Description of Indicator
Y2.1	<--- Y2	.756	Work facilities available contribute to productivity
Y2.2	<--- Y2	.740	Employee welfare contribute to productivity and performance
Y2.3	<--- Y2	.761	Motivated to be more productive because good rewards are

Y2.4	<---	Y2	.742	available The work load is in line with employee rights
Y2.5	<---	Y2	.750	The management facilitates and accommodates most employee needs

Source: Theoretical SPC Model Confirmation Test

- 4) Guest satisfaction (Y3) has significant effect on guest loyalty (Y4), as indicated by the C.R. value of $7.606 > 1.96$ and P-Value (***) < 0.05 . All indicators of guest satisfaction (Y3) are determined to be significant as measurement indicators because each has *Standardized Regression Weights* (SRW) > 0.5 , as shown by table 9 below.

Table 9. Standardized Regression Weights (SRW) of guest satisfaction variable(Y3)

Indicator	Variable	SRW	Description of Indicator
Y3.1	<---	Y3	.675 Tangibles: The building and location of the hotel are appreciated by the guests
Y3.2	<---	Y3	.823 Assurance: The prices are according to the guests' expectations
Y3.3	<---	Y3	.775 Reliability: The reality of the hotel is as expected by the guests
Y3.4	<---	Y3	.803 Responsiveness: Guests feel comfortable staying at this hotel
Y3.5	<---	Y3	.770 Empathy: Guests receive service in accordance to their expectations

Source: Theoretical SPC Model Confirmation Test

- 5) Guest loyalty (Y4) has significant effect on firm profitability (Y5), as indicated by the C.R. value of $8.476 > 1.96$ and P-Value (***) < 0.05 . All indicators of guest loyalty (Y4) are determined to be significant as measurement indicators because each has *Standardized Regression Weights* (SRW) > 0.5 , as shown by table 10 below.

Table 10. Standardized Regression Weights (SRW) guest loyalty variable (Y4)

Indicator	Variable	SRW	Description of Indicator
Y4.1	<---	Y4	.837 Guests indicate willingness to return
Y4.2	<---	Y4	.908 Guests indicated willingness to recommend other to stay in this hotel
Y4.3	<---	Y4	.728 Guests are willing to give inputs for service improvements
Y4.4	<---	Y4	.779 Guests gave positive testimonies

Source: Theoretical SPC Model Confirmation Test

- 6) Firm profitability (Y5), has significant effect on revenue growth (Y6), as indicated by the C.R. value of $7.672 > 1.96$ and P-Value (***) < 0.05 . All indicators of firm profitability (Y5) are determined to be significant as measurement indicators because each has *Standardized Regression Weights* (SRW) > 0.5 , as shown by table 11 below.

Table 11. Standardized Regression Weights (SRW) Firm profitability variable (Y5)

Indicator	Variable	SRW	Description of Indicator
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Y5.1	<---	Y5	.758	Loyal guests indicate their intention to return on the next visit
Y5.2	<---	Y5	.804	Loyal guests will increase the hotel's profitability
Y5.3	<---	Y5	.825	Loyal guests will recommend others to stay at this hotel

Source: Theoretical SPC Model Confirmation Test

All indicators of revenue growth (Y6) are also determined to be significant as measurement indicators because each has *Standardized Regression Weights* (SRW) > 0.5, as shown by table 12 below.

Table 12. Standardized Regression Weights (SRW) revenue growth variable (Y6)

Indicator	Variable	SRW	Description of Indicator
Y6.1	<---	Y6	.738 Loyal guests will contribute greatly to the revenue growth of the hotel
Y6.2	<---	Y6	.583 The company provides me with financial incentives (bonuses, service fees, etc.)
Y6.3	<---	Y6	.569 The company continually provide CSR for the local community

Source: Theoretical SPC Model Confirmation Test

4.4.2 Model of Service Chain in Hospitality Accommodation

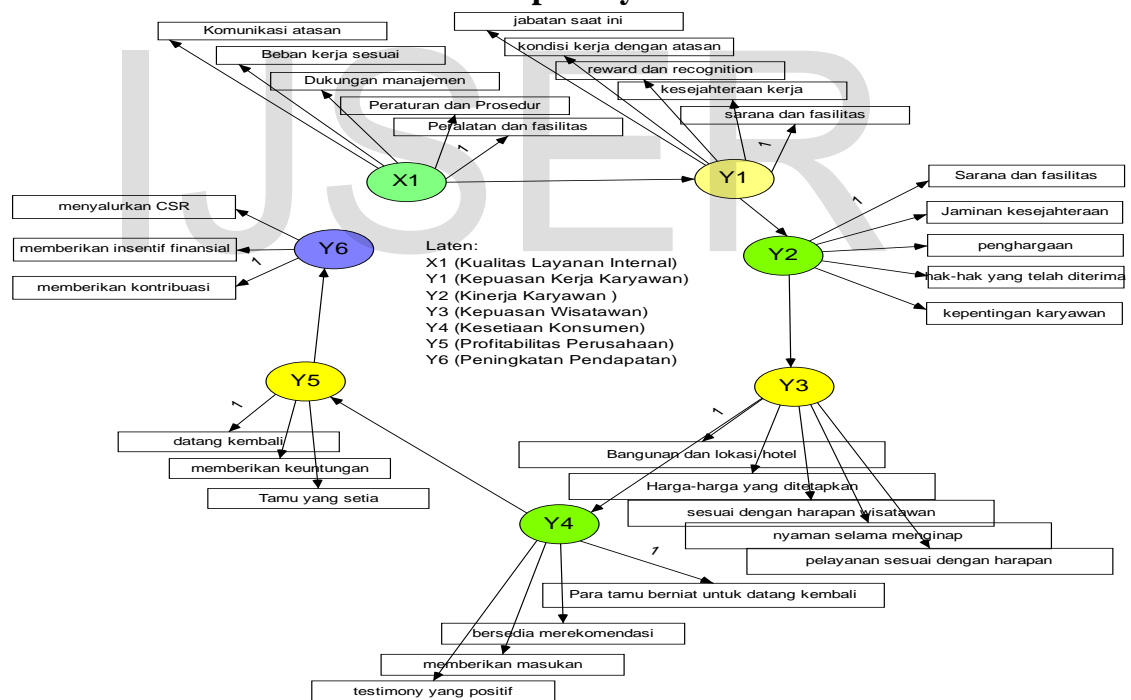


Figure 3.SPC Model for Hospitality Accommodation

Source: Primary research

The model above can theoretically and empirically explain that the internal service variable (X1) affects employee satisfaction (Y1). Employee satisfaction (Y1) affects service quality (Y2). In turn, service quality (Y2) affects guest satisfaction (Y3). Guest satisfaction affects the guest loyalty (Y4). Further, guest loyalty (Y4) affects the firm's profitability (Y5). Firm's profitability (Y5) affects the revenue growth (Y6). Those variables are moving like a chain that moves one another.

X1 Internal service quality

Several factors within the quality of the internal service include the type of management practices, communication between departments, reward, training, clear job description, and appropriate responsibilities. Those are very influential to employee satisfaction, which can affect to the firm's performance. Every individual will work hard with the hope of attaining something, but the extent of this hard work also depends on how large the incentives given. Employee satisfaction on internal service quality will encourage the growth of employee loyalty within the organization, and will eventually encourage the increased value of external services then determines guest satisfaction.

Y1 Employee satisfaction

Employee loyalty and productivity do not automatically occur without a sense of satisfaction from the employees on their jobs, their superiors, and the facilities, also other work aspects. Often, employees are merely pressured to work only to reach a certain target, without having any adequate support of necessary facilities, authority, and supervisory guidance, which results in the low quality of the process and the final result (product) given to the consumers. In other words, many companies focusing on consumer satisfaction simply forget about one of the success factors in order to achieve it: employee satisfaction. In reality, the value received by consumers comes from the hands of the employees in the company.

Y2 External service value

One thing that can increase guest satisfaction is what is given is less than what is received. This is not only based on the price factor, but also the entire package called "service delivery". Positive value is the final result of what guests perceived, and eventually will create a perception about whether or not the product/company is valuable for them, which at the end affects their satisfaction.

Y3 Guest satisfaction

In the business world, satisfaction is one key for success. By satisfying the guests, the organization will improve its profitability and able to increase its market share.

Y4 Guest loyalty

The benefits of guest loyalty to the company is firstly, the satisfied guests have a higher intention for repurchase. This intention is caused by a satisfying experience and the good memory. Secondly, satisfaction is a factor that motivates the positive word-of-mouth communication.

Y5 Revenue growth

In this stage the firm has a range of products and services that significantly have excellent growth potential. A firm operating at this stage probably operates in the negative cash flow zone due to the low investment. Financial targets at this stage should emphasize revenue growth within the target market. Revenue growth is an important indicator of how well products and services from the firm are received. The consistent revenue growth and the growth of profits are considered important for any firm that provides products and services to the public.

Y6 Profitability

The measure of profitability contribution for each guest to the total profit is how profitable a guest is in the firm's perception. Valuable guests should be maintained to keep their loyalty. If certain guests are not yet profitable then the

relationship to those guests should developed until they become profitable. In this research, profitability affects revenue growth.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

This study found that the internal service quality variable affects employee satisfaction. Employee satisfaction affects the services quality. The service quality affects guest satisfaction. Guest satisfaction affects guest loyalty. Guest loyalty affects revenue growth. All those variables move like a chain that reinforces one another.

The research findings strengthen the findings of Heskett, et.al. (1994). Consumer satisfaction is seen as a function derived from the value created by the service quality given by the firm and its employees. Consumer satisfaction greatly contributes to consumer loyalty and thus firm's profitability. Heskett's model on service chain profitability is important because the model demonstrated that the quality of service given is a function of the satisfaction of employees giving the services.

Recommendations

The recommendation from this study to the field of marketing is that the theoretical model of service profit chain in the hospitality accommodation industry in Bali has been implemented in accordance to the empirical facts, which means that although hospitality accommodation operators in Bali have yet to apply the theories of the service profit chain in their respective business units, the system has actually been applied empirically in accordance to the developing theories.

Practical recommendations for hospitality accommodation operators is that they should pay closer attention to their human resources particularly because of the inseparability and variability in the service industry. Human interaction and cooperation within service companies, in this between by employees and guests, are essential. The service profit chain cannot be separated from the basic objective from the entire business entity, which is to increase profits from operational activities, as well as increasing productivity revenue growth.

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