**JURNAL STUDI KOMUNIKASI**

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| **Volume XX** | **Ed XX, MONTH YEAR** | **Page XX** |

**THE EFFECT OF PERCEIVED PRICE, SERVICE QUALITY, AND WORD OF MOUTH ON PURCHASING DECISIONS MEDIATED BY BRAND IMAGE IN SURABAYA**

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ABSTRACT This study aims to measure the effect of Word of Mouth, Perceived Price and Service Quality on Brand Image and Purchase Decision. This study also aims to measure the mediating effect of Brand Image on the relationship between Word of Mouth, Perceive Price and Service Quality with Purchase Decision. This study uses a survey technique that utilizes questionnaires as research instruments to 200 respondents who have visited hotels in Surabaya. This study also uses Partial Least Square (PLS) data analysis techniques. The results of this study prove that Word of Mouth, Perceived Price and Service Quality have a significant positive effect on Brand Image and Purchase Decision. This research also proves that Brand Image also has a mediating role in the relationship between Word of Mouth, Perceived Price and Service Quality with Purchase Decision.

**Keywords:** Perceived Price, Service Quality, Word of Mouth, Purchase Decision, Brand Image

**INTRODUCTION**

In the current globalization, increasingly fierce market competition challenges entrepreneurs to continue to improve product quality so they can produce targeted returns both internally and externally(Fianto, 2020b, 2020a). The condition of business competition, especially in the field of tourism, is developing very rapidly in the current global era(Santoso et al., 2019a, 2019b, 2020). Tourism as a service industry plays an important role in global economic conditions(Fianto, 2020b; Riyanto et al., 2019). The tourism industry as the main business sector that plays a role as a foreign exchange earner in Indonesia(Ikawira & Fianto, 2014; Jafar et al., 2014; Pinasti et al., 2015).

The tourism industry functions as a key in maximizing the level of the economy, providing employment, improving the value of life and as a stimulus for other business sectors such as handicraft, lodging and transportation businesses(Wondirad, 2019; Wu & Tsai, 2016). There are fifteen new hotels in the city of Surabaya that will be operated by the end of 2018. Most of them are middle class, including three and four stars. However, the increase in the number of hotels is not in line with market growth and demand. The average occupancy rate is still 70 percent. Although the activities of meetings, incentives, conferences and exhibitions (MICE) remain stable, but if the quantity of hotels increases, the demand will spread. Market growth (demand) is not as big as supply, so far it has been reduced due to increased hotel volume.

When making consumer purchasing decisions certainly influenced by different things, one of which is finding information and one of the main sources of commercial information in various forms(Kashi, 2013; Pant et al., 2018). High consumer purchasing decisions on products offered by companies are the expectations of every company(Jha, 2019; Kumar & Tripathi, 2019). A high purchase decision from a customer increases the profits of the company, whereas if the level of product purchase is low, the income received by the company will decrease so the company has difficulty meeting operating costs, so the company must achieve the right sales strategy including promotion, price and analysis of consumer attitudes(Udomkit, 2015). Another factor that determines the purchase decision is the perceived price factor(Junyi et al., 2018; Wang et al., 2019). Perceived price assess the cost in terms of the expected benefits from supply consumption(Burguet & Sákovics, 2019; Verma et al., 2019).

In most cases, customers have the opportunity to choose from different offers, so the price will be one of the comparative indicators on which their purchasing decisions are based(Wang et al., 2019). Price has been consistently stated as a major influencing factor in purchasing decisions(Burguet & Sákovics, 2019; Wang et al., 2019). If prices are low, demand for products increases and if product prices are higher, demand for products will be lower(Verma et al., 2019). Consumers in purchases, prices are always stated as a major influencing factor(Junyi et al., 2018). Beside perceived price, brand image can also become a determinant for purchase decision(Burguet & Sákovics, 2019).

Research on the influence of service quality, and satisfaction with company image has been done by several previous researchers, but the results vary(Le et al., 2019; Roma et al., 2020; Vu et al., 2019). Research also shows that patient satisfaction and service quality have a direct and positive influence on the(Fianto, 2020a). The results of other studies conducted also prove that service quality has a positive and significant effect on the image of a air transport services (Roma et al., 2020). Other studies conducted also prove that satisfaction affects the company's image(Fianto, 2020a; Santoso et al., 2019a, 2019b). Research conducted shows the same thing, that service quality and customer satisfaction significantly influence the company's image, however the research conducted shows different things, that customer satisfaction does not completely affect the company's image, or loyalty to the company(Fianto, 2020b, 2020a; Santoso et al., 2020). Other research conducted provides evidence that not entirely the quality of service can improve company image(Le et al., 2019; Roma et al., 2020; Vu et al., 2019).

Marketing is one of the means for companies to achieve their stated goals(Fianto, 2020b, 2020a; Santoso et al., 2019a, 2019b, 2020). In order to achieve these goals, each company must strive to produce and deliver goods or services in accordance with the wishes of consumers by providing pleasant personal service and supporting facilities(Riyanto et al., 2019). One of them is the most effective and efficient way of marketing an item or service through word of mouth communication process by utilizing online media(Jha, 2019).

Word of Mouth (WoM) has a very influential or effective role in the survival of a company(Izquierdo & Pérez, 2020). Because WoM can spread widely quickly and trusted by potential consumers(Yang & Mattila, 2020). The spread of WoM can not only be done by providing information through word of mouth communication, but it can also be spread through existing internet social media(Sinha & Verma, 2020). The spread of WoM through social media on the internet is very easy, extends its spread because access is relatively relatively efficient, one of which is through the youtube app, whatsapp, line, google, facebook, and other applications found on devices connected to other internet connections(Izquierdo & Pérez, 2020; Otero et al., 2019; Sinha & Verma, 2020; Xue et al., 2019; Yang & Mattila, 2020). WoM is more effective in marketing activities because WoM activity is based on a person's experience in consuming a product or service of a company(Xue et al., 2019). Satisfied and dissatisfied a consumer is very influential on the impact of WoM both positive and negative that will arise, thus affecting the company(Fianto, 2020b).

Consumer purchasing decisions are not only influenced by price, service quality and word of mouth, in this study purchasing decisions are also influenced by brand image as a mediating variable(Fianto, 2020b, 2020a). Brand image shows a certain level of product quality so that satisfied buyers can choose products that will be returned easily(Santoso et al., 2019a, 2019b, 2020). While buying interest itself is interest, that is, strong internal motivation that stimulates action, because this motivation is influenced by incentives and positive feelings about the product(Jha, 2019; Kashi, 2013; Udomkit, 2015).

In shaping brand image, this research evaluates the role of price, quality of service, and word of mouth toward purchase decision mediated by brand image(Errajaa et al., 2020; Ryu et al., 2019; Song et al., 2019). It is based on differences of opinion regarding the results of previous studies that conducted the impact of brand image on consumer purchasing decisions(Zameer et al., 2019). From those studies, there are differences in search results, based on these differences that researchers want to reconsider the impact of brand image on the purchasing decision process(Song et al., 2019). Based on those various results of researches, this research examines the effect of Word of Mouth, Perceived Price, Service Quality and Brand Image on Purchase Decisions. This study also examines the effect of Brand Image mediation on the relationship between Word of Mouth, Perceived Price and Service Quality with Purchase Decision.

**RESEARCH METHODS**

In line with economic progress, the development of the business world has also experienced rapid growth and progress. All this is proven by the emergence of new companies(Fianto, 2020a, 2020b). They all try to produce goods and services to meet the needs and desires of consumers who continue to increase(Santoso et al., 2019a, 2019b). One of the goals of starting a company is to maximize profits, because with these advantages, the company can develop its business and maintain the company's survival(Ikawira & Fianto, 2014; Jafar et al., 2014; Pinasti et al., 2015). Company profits are realized through production sales(Riyanto et al., 2019). The criteria for sales results can be seen from the number of products or services that can be sold to consumers so that it can be said that the largest number of products marketed or sold can the company succeed in carrying out its sales activities(Santoso et al., 2019b, 2020).

However, to achieve this is not easy, because at present the competition between companies is tightened to a very competitive level(Fianto, 2020a). Competition in the market can be seen if a certain product or service is sold in the market, then in the next stage there will be sales competition from other companies(Fianto, 2020b). Increasing business competition makes entrepreneurs compete to market their products by using various strategies to maximize sales(Santoso et al., 2019b). In achieving its goals, companies often face obstacles to achieving them. Barriers faced by companies in general are competition between similar companies(Santoso et al., 2020). Competition among similar companies seems to create a market for buyers, where buyers create a greater force than sales. In such a market, consumers are relatively greater in deciding what to buy and who to buy(Riyanto et al., 2019).

## The Influence of Perceived Prices on Purchasing Decisions

Perceived prices are tourists’ perceptions of attractions that come from prejudice, knowledge, imagination and emotional(Verma et al., 2019). This price is important to be considered by marine tourism actors because it is a forming of purchasing decisions(Burguet & Sákovics, 2019). These prices can be either negative or positive(Wang et al., 2019). Positive prices can certainly attract tourists to visit, because with this positive image as evidence that the tourist attraction is able to provide the best for tourists(Junyi et al., 2018). Therefore, price influences tourist interest(Burguet & Sákovics, 2019; Junyi et al., 2018; Verma et al., 2019; Wang et al., 2019). This is consistent with research that prices have a significant and positive effect on visiting interests. Thus, the hypothesis can be concluded as follows:

H1: Perceived Price has a positive and significant effect on Purchasing Decisions

## The Influence of Perceived Price on Brand Image

Price is one element of the marketing mix that generates income, other elements produce costs(Fianto, 2020a). Price perception is a matter of concern to consumers when making a purchase. Some consumers even identify price with value(Junyi et al., 2018). If a product requires consumers to spend more than the benefits received, then what happens is that the product has a negative value(Zameer et al., 2019). Consumers will probably consider it as a bad value and then will reduce consumption of these products will affect the brand image of the company itself(Errajaa et al., 2020). If the benefits received are greater, then what happens is the product has a positive value(Ryu et al., 2019). Thus, the hypothesis can be concluded as follows:

H2: Perceived Price has a positive and significant effect on Brand Image

## The Influence of Service Quality on Purchasing Decisions

Perceived Service Quality plays an important role in increasing customer satisfaction and intention to make purchases(Le et al., 2019). Quality of service greatly affects consumers in making purchasing decisions(Vu et al., 2019). Consumers will make a purchase when they have assessed a quality service compared to a service that is judged to be of poor quality(Roma et al., 2020). When the perceived quality of service is high, consumers will be satisfied and more likely to make a purchase again(Kashi, 2013). This is reinforced by the research conducted, which proves that service quality has a positive and significant effect on purchasing decisions(Pant et al., 2018). The better the quality of a product will be able to encourage consumers to make a purchase on the service. Thus the following hypotheses can be drawn:

H3: Service Quality has a positive and significant effect on Purchasing Decisions.

## The Influence of Service Quality on Brand Image

Service quality has a direct and positive influence on the image(Errajaa et al., 2020; Ryu et al., 2019; Song et al., 2019; Zameer et al., 2019). The results of other studies conducted prove that the quality of service has a positive and significant effect on the image of a major types of businesses(Zameer et al., 2019). Research conducted shows the same thing, that service quality has a significant effect on company image, providing evidence that service quality does not fully improve company image(Errajaa et al., 2020). Thus the following hypotheses can be drawn:

H4: Service Quality has a positive and significant effect on Brand Image.

## The Influence of Word of Mouth on Purchasing Decisions

The occurrence of Word of Mouth triggers potential new customers to make purchases in a product that they have heard from others(Xue et al., 2019). When potential customers already know about the products that have been offered through promotions or get information by word of mouth, then potential customers have the right to make consideration before they decide on a decision in the purchase(Otero et al., 2019). When consumers already use a product, consumers will make an assessment of the products they have consumed, if the product gives satisfaction and a positive impression to consumers, then positive word of mouth is likely to occur, and vice versa(Sinha & Verma, 2020). Word of mouth can also mean that as a result of customer satisfaction and impression of a product that has been consumed(Yang & Mattila, 2020). Word of mouth will be positive if the consumer is satisfied and gives a positive impression of the product he has used and will be negative when the consumer is not satisfied and has a negative impression of the product he is wearing(Otero et al., 2019; Sinha & Verma, 2020). Thus the following hypotheses can be drawn:

H5: Word of Mouth has a positive and significant effect on Purchasing Decisions.

## The Influence of Word of Mouth on Brand Image

Word of Mouth is the perception and belief held by consumers, as reflected by the association embedded in consumers’ memories(Otero et al., 2019; Sinha & Verma, 2020; Xue et al., 2019). The richness of the message and the strength of the brand image identified trigger various conditions that influence the occurrence showing that a strong and positive brand image can create positive word of mouth(Fianto, 2020a, 2020b; Santoso et al., 2019b, 2019a). Therefore, the closer the relationship between brand image and word of mouth, the better and stronger the brand image of the company will create a positive word of mouth(Santoso et al., 2020). Thus the following hypothesis can be drawn:

H6: Word of Mouth has a positive and significant effect on Brand Image.

## The Effect of Brand Image on Purchasing Decisions

Brand Image is revealed has a positive influence on purchasing decisions(Song et al., 2019). The brand image of a product will determine consumers’ perceptions in assessing and making a purchasing decision(Zameer et al., 2019). The better the brand image of an item or service, the stronger the consumer’s confidence in the product and drives the desire to make a purchasing decision(Errajaa et al., 2020). This is confirmed by research, which proves that brand image has a positive and significant effect on purchasing decisions(Ryu et al., 2019). A positive brand image will be able to encourage consumers to make a purchase on the product(Errajaa et al., 2020). Thus the following hypotheses can be drawn:

H7: Brand Image has a positive and significant effect on Purchasing Decisions.

## The Effect of Price, Service Quality, and Word of Mouth on Purchasing Decisions influenced by Brand Image

Perceived Price, Service Quality, and Word of Mouth can attract tourists to visit because it forms the image of a tourist attraction both positive and negative. Attractions with a positive image can certainly attract tourists to visit, and vice versa attractions with a negative image certainly make tourists not interested in visiting. In addition, attractions with a positive image, if accompanied by a strong brand, can certainly attract more tourists to visit. This is because the brand as a value of the advantages of certain attractions compared to other attractions. Therefore, Perceived Price, Service Quality and Word of Mouth simultaneously influence the interest in visiting. Thus the following hypotheses can be drawn:

H8: Price, Service Quality and Word of Mouth have a positive and significant effect on Purchasing Decisions that are mediated by Brand Image.

Based on the theory and results of previous research, the hypothesis in this study can be concluded as follows:



Figure 1. Conceptual Framework

Source: Author’s Documentation

This research was conducted with reference to the research design that has been made on the basis of a survey data collection system so that the data collected in this study is classified as primary data. The assessment of this study applies a questionnaire instrument that was developed from indicators of research variables. This research was conducted in a period of 7 months from August 2019 to February 2020. The population in this study is tourists who are in the city of Surabaya and the sample of this research is tourists tourists who stay in several star hotels. The sampling technique in this study is purposive sampling, because this can be applied with samples and populations which have certain characteristics. The data analytical technique in this study applies SEM-PLS. Least Square Party (PLS) is a multivariate statistical technique that can be applied to handle many response and explanatory variables at once(Fianto, 2020b, 2020a). So it is good to have advantages such as data that are not normally distributed multivariate and scale the data with classification, ordinal, until the ratio can be applied.

# **RESULTS**

## Measurement Model Evaluations

Questionnaires that have been distributed to respondents in the research conducted require approximately 200 people, and the questionnaire that has been done has criteria. The identity carried out in the study of respondents has research subjects that consist of Gender, Monthly Income, and Choice of Hotel type.

Table 1. Respondents Profiles

|  |  |  |  |
| --- | --- | --- | --- |
| No. | Gender | Frequency | Percentage |
| 1 | Men | 81 | 41% |
| 2 | Women | 119 | 60% |
| Total | 200 | 100% |
| No. | Monthly Income | Frequency | Percentage |
| 1 | Less than Rp. 2,500,000 | 41 | 21% |
| 2 | Rp. 2,500,000 to Rp. 5,000,000 | 58 | 29% |
| 3 | More than Rp. 5,000,000 | 101 | 51% |
| Total | 200 | 100% |
| No. | Hotel Type | Frequency | Percentage |
| 1 | 3-Stars Hotel | 51 | 26% |
| 2 | 4-Stars Hotel | 59 | 30% |
| 3 | 5-Stars Hotel | 90 | 45% |
| Total | 200 | 100% |

Source: Authors’ Calculation (2020)

It can be seen that in the section “Gender” that has been available the number of men and women respondents has a distance of 38 numbers. The number of men respondents is 81 people with a percentage of 41%, while the frequency of women is 119 people with a percentage of 60% of the total number of respondents. So it can be concluded that the respondents who participated in this research were mostly women. It also can be seen that in the section “Monthly Income” that has been available the number of respondents who have income above less than Rp. 2,500,000 as many as 41 people with a percentage of 21%, while respondents who have an income of between Rp. 2,500,000 to Rp. 5,000,000 as many as 58 people with a percentage of 58%. As for the data of respondents with income more than Rp. 5,000,000 as many as 101 with a percentage of 51%. So it can be concluded that the respondents who participated in this research partially had an income more than Rp. 5,000,000. It can be seen that in the section “Type of Hotels” that are available that are spread throughout the City of Surabaya with 3-Star Hotels as many as 51 people with a percentage of 26%, as many as 4-Star Hotels with a percentage of 30%, and 5-Star Hotels as many as 90 people with a percentage of 45%. So it can be concluded that the respondents who participated in this research spent more money to stay at hotels.

Constructs and indicators that have a relationship are needed evaluation in the measurement model carried out, there are several stages, namely evaluation of convergent validity and criminal validity. To evaluate indicators of validity, contract reliability and Average Variance Extracred (AVE) and require convergent validity, while indicator variables can be seen through factor loading values and statistical values with a loading factor standard must be more than 0.5 and the statistical value more than 2.0 in order to be declared as a valid measurement. In the results of the research that has been done it can be seen that the indicators contained in Table 2 can be declared valid because all the desired requirements can all be fulfilled. The outputs made by researchers can be seen in the following Table 2.

Table 2. Standardized Loading Factor

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | Standard Error (STERR) | T Statistics (|O/STERR|) |
| X1.1 🡨 X1 | 0.6771 | 0.6190 | 0.3213 | 0.3213 | 2.1074 |
| X1.2 🡨 X1 | 0.7163 | 0.6195 | 0.2661 | 0.2661 | 2.6920 |
| X1.3 🡨 X1 | 0.8570 | 0.7421 | 0.2511 | 0.2511 | 3.4130 |
| X1.4 🡨 X1 | 0.8086 | 0.6896 | 0.2430 | 0.2430 | 3.3281 |
| X1.5 🡨 X1 | 0.8100 | 0.6850 | 0.2442 | 0.2442 | 3.3163 |
| X2.1 🡨 X2 | 0.7639 | 0.6229 | 0.2803 | 0.2803 | 2.7254 |
| X2.2 🡨 X2 | 0.7486 | 0.6581 | 0.2564 | 0.2564 | 2.9197 |
| X2.3 🡨 X2 | 0.7199 | 0.6162 | 0.2555 | 0.2555 | 2.8179 |
| X2.4 🡨 X2 | 0.7076 | 0.6442 | 0.2497 | 0.2497 | 2.8341 |
| X3.1 🡨 X3 | 0.9535 | 0.9159 | 0.0560 | 0.0560 | 17.0408 |
| X3.2 🡨 X3 | 0.3075 | 0.3063 | 0.1864 | 0.1864 | 1.6500 |
| X3.3 🡨 X3 | 0.1263 | 0.1048 | 0.2416 | 0.2416 | 0.5229 |
| X3.4 🡨 X3 | 0.1656 | 0.1483 | 0.2335 | 0.2335 | 0.7093 |
| Y1.1 🡨 Y | 0.7136 | 0.7008 | 0.0670 | 0.0670 | 10.6517 |
| Y1.2 🡨 Y | 0.6619 | 0.6480 | 0.1023 | 0.1023 | 6.4709 |
| Y1.3 🡨 Y | 0.7751 | 0.7782 | 0.0506 | 0.0506 | 15.3236 |
| Y1.4 🡨 Y | 0.6727 | 0.6579 | 0.0997 | 0.0997 | 6.7477 |
| Y1.5 🡨 Y | 0.5520 | 0.5325 | 0.1263 | 0.1263 | 4.3698 |
| Z1.1 🡨 Z | 0.8290 | 0.8253 | 0.0375 | 0.0375 | 22.0846 |
| Z1.2 🡨 Z | 0.8353 | 0.8314 | 0.0379 | 0.0379 | 22.0474 |
| Z1.3 🡨 Z | 0.7969 | 0.7916 | 0.0461 | 0.0461 | 17.2775 |
| Z1.4 🡨 Z | 0.8247 | 0.8196 | 0.0390 | 0.0390 | 21.1417 |

Source: Authors’ Calculation (2020)

Table 2 shows that in the value of the factors owned by each indicator used to measure variables that are more than 0.5 and the results of significant test analysis of factors with t statistics that have been studied by researchers. The results given by Table 2 can be concluded that this study has good validity because of the analysis of factors owned by the correlation between indicators and their constructs. Table 2 shows that factor analysis has a t value above or more than 2.0. So that the results held in all indicators in this study can be said to have significant validity. Subsequent measurements were made of the reliability of the convergence reliability using Cronbach’s Alpha. Proper reliability has a combined reliability of more than 0.7 and AVE with a value of more than 0.5. In Table 3 it can be seen that the test results from AVE and the reliability of composites that can show construction in this study can be said to be reliable because the results have a composite value of more than 0.7 and a AVE value of more than 0.5.

Table 3. Overview of Quality Criteria

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | AVE | Composite Reliability | R Square | Cronbachs Alpha | Communality | Redundancy |
| Brand Image | 0.6750 | 0.8925 | 0.4052 | 0.8406 | 0.6750 | 0.0191 |
| Perceived Price | 0.6032 | 0.8830 |  | 0.8475 | 0.6032 |  |
| Purchase Decision | 0.4611 | 0.8087 | 0.5427 | 0.7120 | 0.4611 | 0.2277 |
| Service Decision | 0.5407 | 0.8247 |  | 0.7253 | 0.5407 |  |
| WoM | 0.2618 | 0.4496 |  | 0.7361 | 0.2618 |  |

Source: Authors’ Calculation (2020)

Evaluation of the research model with discriminant validity was carried out in two stages, namely by measuring the cross-loading value and by comparing the square of the correlation with the construct having the AVE value with the AVE Root. Criteria in Cross-Loading can be emphasized on each indicator that measures the contract must have a higher correlation than the contract itself compared to the other contracts. The Cross-Loading output values can be shown in the following Table 4.

Table 4. Cross-Loading Output Values

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Perceived Price | Service Quality | WoM | Purchase Decision | Brand Image |
| X1.1 | 0.6771 | 0.6597 | 0.2166 | -0.0147 | -0.0024 |
| X1.2 | 0.7163 | 0.5510 | 0.1085 | -0.0395 | 0.0842 |
| X1.3 | 0.8570 | 0.6165 | 0.1979 | 0.0760 | 0.1429 |
| X1.4 | 0.8086 | 0.6144 | 0.0440 | -0.0589 | 0.0845 |
| X1.5 | 0.8100 | 0.7089 | 0.1675 | -0.0308 | 0.1188 |
| X2.1 | 0.6337 | 0.7639 | 0.0455 | -0.1253 | -0.0085 |
| X2.2 | 0.6519 | 0.7486 | 0.1158 | -0.0560 | -0.0379 |
| X2.3 | 0.5434 | 0.7199 | 0.0950 | -0.1105 | 0.0304 |
| X2.4 | 0.4862 | 0.7076 | 0.1447 | -0.0998 | 0.0228 |
| X3.1 | 0.0820 | 0.0589 | 0.9535 | 0.5866 | 0.4247 |
| X3.2 | 0.1155 | -0.0275 | 0.3075 | 0.1806 | 0.0909 |
| X3.3 | 0.4460 | 0.4857 | 0.1263 | -0.0038 | 0.1978 |
| X3.4 | 0.0095 | 0.0571 | 0.1656 | 0.0116 | 0.1496 |
| Y1.1 | -0.0511 | -0.1148 | 0.3915 | 0.8290 | 0.5540 |
| Y1.2 | 0.0313 | -0.0769 | 0.7018 | 0.8353 | 0.6061 |
| Y1.3 | -0.0630 | -0.1578 | 0.3168 | 0.7969 | 0.5992 |
| Y1.4 | 0.0497 | -0.1322 | 0.4579 | 0.8247 | 0.6108 |
| Y1.5 | 0.0038 | -0.1566 | 0.2525 | 0.6331 | 0.7136 |
| Z1.1 | 0.1698 | 0.1366 | 0.4637 | 0.3771 | 0.6619 |
| Z1.2 | 0.1980 | 0.1736 | 0.4452 | 0.5239 | 0.7751 |
| Z1.3 | 0.0018 | -0.1494 | 0.1851 | 0.5359 | 0.6727 |
| Z1.4 | 0.1670 | 0.1233 | 0.2736 | 0.2757 | 0.5520 |

Source: Authors’ Calculation (2020)

Table 4 shows the result of Cross-Loading that can be seen in each indicator in this study has higher relationship with each construct compared to other constructs, so it can be concluded from the data held that the indicators in this study have a relative discriminant validity value as well. Then proceed with the comparative test between correlation with existing AVE construct in Table 5. Table 5 shows that the value of the maximum correlation Brand Image has a variable value of 0.6750 with a root value of AVE of 0.8216 which is higher compared to the maximum correlation value. The maximum correlation value of the other variables in this study also has a value greater than AVE for each correlation. Thus it can be concluded that in this study had a pretty good variable of determination.

Table 5. Latent Variable Correlations

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Brand Image | Perceived Price | Purchase Decision | Service Quality | WoM | AVE | AVE Root |
| Brand Image | 1 |  |  |  |  | 0.6750 | 0.8216 |
| Perceived Price | -0.0041 | 1 |  |  |  | 0.6031 | 0.7766 |
| Purchase Decision | 0.7223 | 0.1406 | 1 |  |  | 0.4610 | 0.6790 |
| Service Quality | -0.1429 | 0.7788 | 0.0091 | 1 |  | 0.5407 | 0.7353 |
| WoM | 0.5887 | 0.1744 | 0.4652 | 0.1292 | 1 | 0.2618 | 0.5116 |

Source: Authors’ Calculation (2020)

For the next stage, in this study also test the measurement model carried out has been fulfilled, so that structural model testing can be done. This test is carried out to evaluate the significance of the relationship between the path and the value of R2. The results of the structural evaluation can be seen in the Path coefficient which can be seen in Table 6.

Table 6. Path Coefficient (Mean, STDEV, T-Values)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | Standard Error (STERR) | T Statistics (|O/STERR|) |
| Z 🡪 Y | 0.7083 | 0.6996 | 0.0928 | 0.0928 | 7.6321 |
| X1🡪 Z | 0.1591 | 0.0683 | 0.1577 | 0.1577 | 3.0092 |
| X1 🡪 Y | 0.1417 | 0.0884 | 0.1476 | 0.1476 | 2.9603 |
| X2 🡪 Z | -0.3451 | -0.2469 | 0.1596 | 0.1596 | 2.1619 |
| X2 🡪 Y | -0.0031 | 0.0509 | 0.1628 | 0.1628 | 4.0188 |
| X3 🡪 Z | 0.6056 | 0.6041 | 0.0932 | 0.0932 | 6.4953 |
| X3 🡪 Y | 0.0239 | 0.0423 | 0.1150 | 0.1150 | 3.2079 |

Source: Authors’ Calculation (2020)

Table 6 shows the results of the measurement of the path coefficient of the relationship between the variables examined in this study. These results indicate that Brand Image, WoM, Perceived Price and Service Quality have a significant influence on Purchase Decision. Not only that, Table 6 also shows that WoM, Perceived Price and Service Quality have a significant influence on Brand Image. This is because the path coefficient of all relationships between variables has a value of more than 2.0. Therefore, this study found that the existing hypothesis was proven. This research finds the results of an external model test that results in the value of the loading factor of all indicators exceeding 0.7.

# DISCUSSIONS

This study successfully revealed that Brand Image has a significant positive effect on Purchasing Decisions. This means that the better the Brand Image owned by the Hotels, so the visitors can further enhance purchasing decisions on the sevices offered by the Hotels. These findings are relevant to the findings of Jha (2019); Kashi(2013); Kumar (2019); Pant et al. (2018); Udomkit(2015) and contention that view that brand image as a series of visitor’s perceptions that arise from the results of visitor’s evaluations on information about a brand. A set of these perceptions can remind visitors of a brand that can be the basis of visitor thinking in determining purchasing decisions.

The findings in this study are in accordance with the view that states that visitors determine the decision to buy a service based on the Brand Image that is in the minds of visitors. This is because the Brand Image is considered as a type of association that is in the minds of visitors when remembering a particular brand. Besides, Brand Image is also seen as a set of beliefs, impressions, and thoughts that consumers have in a brand so that the decisions of a visitors can be determined from the Brand Image that is thought by visitors on a Hotel brand.

Thus, the Hotel business people need to pay attention to aspects of Brand Image and develop the Brand Image comprehensively so that the services offered by the Hotels can have a better impression so that visitors can determine the decision to purchase the services offered. In more detail, the Hotels need to develop indicators of Brand Image including Value, Quality, and Awareness, which in this study are proven to have the right level of validity and reliability to measure Brand Image variables. Therefore, the Hotels must be able to develop the benefits of the services offered, the impression of quality inherent in these services, and remain consistent in increasing consumer awareness of the existence of services from the Hotels.

This research also proves that brand image is also influenced by several factors such as Word of Mouth, Perceived Price, and Service Quality. The findings of the influence of marketing communication on the Brand Image are relevant to the results of research from Errajaa et al. (2020); Huang & Liu (2018); Ryu et al. (2019); Song et al. (2019) and Zameer et al. (2019). These findings are relevant to the fact that services that are well communicated and carried out consistently can also create a good impression and are attached to the minds of consumers. The association formed in the mind of the consumer is what then creates a particular image. Thus it can be concluded that a company that aims to create the right Brand Image in the minds of customers must be able to make excellent Word of Mouth and be done consistently to the visitors. In the context of Hotel services, Word of Mouth seems rather tricky if the Hotels emphasizes conventional advertising, which requires expensive costs. The Hotels can prioritize aspects of public relations activities and emphasize attention to the Word of Mouth aspect because they could be both critical aspects of marketing communication success other than relying on conventional aspects of advertising.

In addition to influencing Brand Image, this research also succeeded in proving that Word of Mouth also has a significant influence on Puchase Decision. The findings of the influence of Word of Mouth on Purchase Decisions are relevant to research results from Errajaa et al. (2020); Huang & Liu (2018); Ryu et al.(2019); Song et al. (2019) and Zameer et al.(2019). This finding is also relevant to the view that consistency and a good impression of marketing communication activities can encourage visitors to make purchasing decisions on the services offered. Visitors determine the Purchase Decision because it is driven by a wealth of useful information about the services offered. The impulse is created from consumer confidence in the product purchased based on information that is received massively. Visitors certainly have doubts about determining the Purchase Decision if they do not have adequate information from marketing communication activities. Therefore, the Hotels must also pay attention to these findings that information relating to the value and quality of the products offered must be consistently informed to consumers.

On the other hand, this research also proves that Perceived Price can also influence the the Brand Image that is relevant to the results of research from Burguet& Sákovics (2019); Junyi et al.(2018); Verma et al. (2019) and Wang et al.(2019). This finding is in line with the view that the Perceived Price creates a certain impression in the visitor’s mind. Low prices tend to create a cheap impression of a product and high prices tend to produce a luxurious and exclusive impression of a product. In this context, of course the Hotels cannot set a high price so that the impression of good quality appears on the service being offered because it can actually produce a bad image. The Hotels also cannot immediately carry out a price war strategy by setting a low price because this actually turns off the image of the Hotels because it can be considered cheap. In these circumstances, the Hotels must be consistently at a price level that is in accordance with the value felt by visitors. Both aspects must be balanced because the Hotels certainly cannot pursue the impression of luxury, and also should not be known as a manufacturer of cheap services.

In the context of this Perceived Price, this study also found that the Perceived Price can also influence the determination of purchasing decisions made by consumers. This finding is relevant to the results of the Burguet& Sákovics (2019); Junyi et al.(2018); Verma et al. (2019) and Wang et al.(2019) study. The logic of the results of research that proves that there is an effect of Perceived Price on Purchase Decisions lies in the preferences of visitors to consume the services offered. The Hotels must have the foresight to identify these visitor’s preferences. This is because some visitors in determining the purchase decision tend to consider the prestige value of a product, and other visitors may consider the value for money of the service consumed.

This study also found that Service Quality has a positive and significant influence on Brand Image. This finding is relevant to the results of research conducted by Le et al.(2019); Roma et al. (2020) and Vu et al.(2019). The results of this study are also relevant to the view of the definition of Service Quality which states that Service Quality can create customer attitude that results a series of beliefs, feelings and behavioral tendencies in other people, objects or entities other than themselves from consumers in the form of happy disclosure of the entity. Of course, if visitors feel happy about a service, then the minds of these visitors can produce the right Brand Image of the product. Individual attitudes are expressions of visitors’ feelings about an object and illustrate beliefs in various attributes and benefits of the object. Therefore, the Hotels must also be able to identify and develop a pleasant Service Quality in order to create a Brand Image on the services offered.

In the aspect of purchase decision, this study also proves that Service Quality also has a positive and significant influence on Purchase Decisions and is in accordance with the results of research conducted by Jha, (2019); Kashi (2013); Kumar (2019); Pant et al. (2018) and Udomkit (2015). This finding is certainly also relevant to the thought that visitors who are happy bring a positive attitude towards a product and ultimately determine the Purchase Decision on the service. This is because attitude is a condition in a consumer that tends not to change in responding to a product in the form of expressions of pleasure or displeasure at the services. So it can be interpreted that the view of customer attitude is more emphasized on the reaction or evaluation of consumers on the products offered and respond to it with a positive or negative attitude. This attitude can ultimately underlie consumers to buy the products offered.

# **CONCLUSIONS**

Based on the research findings that consistently support all hypotheses proposed in this study, it can be concluded that Word of Mouth has a positive and significant influence on Brand Image and Purchase Decisions; Perceived Price also has a positive and significant impact on Brand Image and Purchase Decisions; Service Quality was also found to have a positive and significant impact on Brand Image and Purchase Decisions. On the other hand, it was also found that Brand Image had a positive and significant influence on Purchase Decisions. Not only that, this study also proved that Brand Image has a mediating role in the relationship between Word of Mouth, Perceived Price, and Customer Attitude with Purchase Decisions. This study also proves that the indicators used to measure the variables studied in this study have good consistency and reliability. This is indicated by the results of prerequisite tests conducted on the indicators of the Purchase Decision, Brand Image, Word of Mouth, Perceived Price and Service Qualitgy variables known to meet the requirements of both the evaluation of the measurement model or the evaluation of the structural model.

# MANAGERIAL IMPLICATIONS

This research produces findings that can be utilized for managerial development. The Hotels executives in their efforts to increase sales by influencing Purchase Decisions need to improve marketing communication activities better, which emphasizes on improving public relations and Word of Mouth so that visitors’ knowledge of the Hotel services is more extensive and makes it easier for visitors to determine Purchase Decisions. The Hotel managers must also be careful in pricing strategies that must be aligned with the benefits and value obtained by consumers so that the price set can compete with similar products. The Hotel managers must also be able to identify and develop better Service Quality so that the considered Purchase Decision can be realized by the visitors.

# LIMITATIONS AND FUTURE RESEARCH RECOMMENDATION

Although this research contributed significantly to the study of consumer behavior and service marketing development by generating significant findings from the hypotheses proposed in this study, this study also has a number of limitations. The limitations in this study consisted of four aspects, namely, variables, measurement indicators, research samples, and data analysis techniques. The variables in this study that determine the Purchase Decision only consist of individual factors, whereas the determinant of the Purchase Decision can depend on many other aspects. Therefore it is recommended for further research in order to examine the broader factors in influencing Purchase Decisions.

This study also has limitations in processing variable measurement indicators that are used based on previous studies. It is also recommended for further research in order to develop measurements so that the variables studied in this study can be more precise. The sample in this study was also limited to the visitors who were consumers of Hotels and were only in specific locations. Thus, it is recommended for future research to investigate other professions and develop research coverage areas so that the research findings produced can be generalized more. On the other hand, the data analysis technique used in this study only uses the Partial Least Model. It is recommended for further research to be able to use other data analysis techniques that can produce more precise models.

# **ACKNOWLEDGEMENT**

The author is very grateful to journal reviewers for useful suggestions for improving the quality of papers made.

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