ANALYSIS OF SERVICE QUALITY AND PRICE PERCEPTION ON CUSTOMER LOYALTY WITH PERCEIVED VALUE AS A MEDIATING VARIABLE AMONG VISITORS OF VILLA STAR HOMESTAY TAKENGON

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INFORMASI ARTIKEL	ABSTRACT
	This study examines the effects of service quality and price perception on customer loyalty, with perceived value serving as a mediating variable among visitors to Villa Star Homestay Takengon. The research is motivated by the growing importance of understanding the determinants of customer loyalty in the hospitality sector amid intensifying competition and rising expectations for service excellence and price fairness. Employing a quantitative approach, data were collected from 155 guests and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS. The findings indicate that service quality does not directly influence customer loyalty but significantly affects perceived value. In contrast, price perception has a positive and significant impact on both perceived value and customer loyalty. Furthermore, perceived value significantly mediates the relationships between service quality, price perception, and customer loyalty. These results highlight perceived value as a key mechanism linking service and pricing factors to loyalty formation. Theoretically, this study reinforces Value-Based Marketing and Price Fairness Theory by emphasizing the strategic importance of perceived value. Practically, it offers managerial implications for hospitality businesses, suggesting that enhancing

perceived value through superior service and fair pricing can effectively strengthen long-term customer loyalty.

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INTRODUCTION

In the increasingly competitive landscape of modern tourism, the lodging sector plays a crucial role in enhancing tourists' experiences and shaping the image of a destination. Villa Star Homestay Takengon, one of the leading accommodations in the Gayo Highlands, faces the challenge of maintaining visitor loyalty amid the growing presence of alternative lodging options. Customer loyalty is a strategic asset that not only reflects satisfaction with the services provided but also determines business sustainability in an experience-driven service industry. In this context, two key factors widely studied in fostering customer loyalty are service quality and price perception, with perceived value serving as a psychological variable that mediates the relationship between them.

Service quality is a primary determinant in creating customer satisfaction and loyalty. According to Parasuraman, Zeithaml, and Berry (1988), service quality comprises five key dimensions: reliability, responsiveness, assurance, empathy, and tangibles. Customers who perceive that a lodging service meets or exceeds their expectations tend to develop a higher perceived value, which, in turn, enhances their intention to revisit or recommend the service to others. Empirical evidence from Gulam, Suryadi, and Waluyowati (2023) demonstrates that service quality positively and significantly influences perceived value and customer loyalty in the restaurant sector, implicitly confirming the importance of service experience in building customer loyalty.

In addition to service quality, price perception is a critical factor influencing customers' decisions to remain loyal to a brand or service provider. Price perception encompasses not only the nominal amount paid but also customers' evaluation of price fairness relative to the benefits received. When customers perceive that the price paid aligns with the quality of service and experience obtained, their perceived value increases, ultimately fostering stronger loyalty. Similar findings by Ginting and Heryjanto (2023) indicate that both price perception and service quality have positive and significant effects on customer loyalty, with satisfaction acting as a mediating variable.Perceived value plays a central role as a bridge between service quality and price perception in shaping customer loyalty. Perceived value refers to customers' overall assessment of the benefits received relative to the costs or sacrifices incurred (Zeithaml, 1988). When customers perceive that the service provides high functional and emotional value, they tend to demonstrate long-term commitment toward the service provider. A study by Prasetyo, Sholichah, Adil, Soelistya, and Rosyihuddin (2023) found that price perception and product quality positively affect customer satisfaction and perceived value, which subsequently enhance loyalty. This supports the notion that perceived value is not merely an outcome of service and price, but also a key driver of loyal behavior.

Although numerous prior studies have examined the relationships among service quality, price perception, perceived value, and customer loyalty, most have focused on urban contexts or large-scale service industries such as hotels and restaurants in

metropolitan areas. Research within the context of local culture-based tourism accommodations, such as Villa Star Homestay Takengon, remains relatively limited. Therefore, this study carries both empirical urgency and academic contribution by expanding the understanding of how service quality and price perception shape perceived value and customer loyalty within the regional tourism context.

Based on this rationale, the present study aims to analyze the influence of service quality and price perception on customer loyalty, with perceived value as a mediating variable among visitors of Villa Star Homestay Takengon. Theoretically, this study seeks to enrich the literature on consumer behavior in the service sector through a mediated value-based model, while practically, the findings are expected to serve as a foundation for Villa Star Homestay management to design service and pricing strategies that can sustainably strengthen visitor loyalty.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Service quality is one of the most influential determinants of customer satisfaction and loyalty across various industries. According to Parasuraman, Zeithaml, and Berry (1988), service quality can be defined as the comparison between customers' expectations and their perceptions of the actual service performance received. The SERVQUAL dimensions tangibles, reliability, responsiveness, assurance, and empathy serve as the primary framework for evaluating service quality.

From a consumer behavior perspective, enhanced service quality is believed to foster customer loyalty by creating positive experiences and building trust toward the service provider (Cronin et al., 2000). Empirical studies have confirmed the positive impact of service quality on customer loyalty in sectors such as banking (Fida et al., 2020; Akhtar et al., 2021) and hospitality (Akmaz & Akmeşe, 2025). This implies that superior service quality strengthens perceived value and decreases switching intentions.

Service Quality and Customer Loyalty

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H1: Service Quality has a positive effect on Customer Loyalty.

Price Perception and Customer Loyalty

Price perception reflects not only the nominal amount paid by customers but also their evaluation of price fairness, benefits, and value-for-money (Zeithaml, 1988). When

customers perceive that prices are fair and consistent with the benefits received, they tend to exhibit higher satisfaction and loyalty, especially in competitive markets (Han & Ryu, 2009). Previous studies have shown that price perception directly influences customer loyalty by strengthening both emotional and rational relationships between customers and service providers (Wahjoedi et al., 2022). In the tourism and homestay context, a positive price perception can enhance customers' intention to revisit or recommend the service.

H2: Price Perception has a positive effect on Customer Loyalty.

Service Quality and Perceived Value

Perceived value is defined as the customer's overall assessment of the benefits of a product or service relative to the cost incurred (Zeithaml, 1988). Based on the Customer Value Theory, perceived value emerges from the interaction among service quality, price, and emotional experience (Sánchez-Fernández & Iniesta-Bonillo, 2007). High service quality enhances perceived value since customers feel they receive more than what they pay for.

Empirical evidence supports this relationship, showing a positive association between service quality and perceived value (El-Adly, 2019; Rasheed & Abadi, 2014). Customers who perceive reliable, responsive, and empathetic service tend to experience higher perceived value.

H3: Service Quality has a positive effect on Perceived Value.

Price Perception and Perceived Value

Price perception also serves as an essential determinant of perceived value. When customers believe that prices are fair and proportionate to the benefits received, they tend to perceive greater value (Ayub & Kusumadewi, 2021). In service-based settings, perceived price plays a significant role in shaping customers' evaluations and purchase decisions (Dwiarta & Ardiansyah, 2021). Previous research confirms that a favorable price perception enhances perceived value, which subsequently promotes customer loyalty (Cempena & Putra, 2021).

H4: Price Perception has a positive effect on Perceived Value.

Perceived Value and Customer Loyalty

Perceived value is widely recognized as a key predictor of customer loyalty (Bolton & Drew, 1991). Drawing from Equity Theory, customers who perceive a fair ratio between benefits and costs are more likely to exhibit higher commitment and loyalty to a brand (Bolton et al., 2003). Perceived value not only drives immediate satisfaction but also shapes long-term relationships between customers and service providers. Empirical findings by Sweeney and Soutar (2001) and Tam (2020) indicate that perceived value significantly influences customer loyalty both directly and indirectly through satisfaction. Hence, customers who perceive higher value are more inclined to repurchase and remain loyal.

H5: Perceived Value has a positive effect on Customer Loyalty.

The Mediating Role of Perceived Value
Perceived value functions as a psychological mechanism that explains how customers' perceptions of service quality and price influence their loyalty. According to the Value-Loyalty Chain model (Cronin et al., 2000), improvements in service quality and product performance enhance perceived value, which in turn fosters customer loyalty. Prior studies (Keshavarz & Jamshidi, 2018; Sholeh et al., 2024) have demonstrated that perceived value partially mediates the relationships between service quality and loyalty, as well as between price perception and loyalty. This suggests that perceived value acts as a key factor transforming functional experiences into enduring emotional bonds.

H6: Perceived Value mediates the relationship between Service Quality and Customer Loyalty.
H7: Perceived Value mediates the relationship between Price Perception and Customer Loyalty.
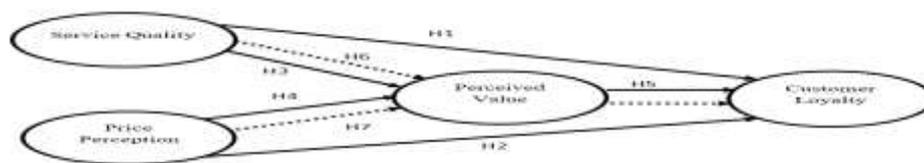
Pict 1. Conceptual Framework

RESEARCH METHOD

Research Type and Approach
This study employs a quantitative explanatory approach, aiming to examine the causal relationships among the variables Service Quality (SQ) and Price Perception (PP) as independent variables, Customer Loyalty (CL) as the dependent variable, and Perceived Value (PV) as a mediating variable. This approach was chosen because it allows the identification and measurement of both direct and indirect effects among variables through a statistically testable structural model (Hair et al., 2019).

Population and Sample
The population of this research includes all customers who have used the services or products of the studied business entity within the past six months. Given that the total population size is relatively large and unknown, this study applied a purposive sampling technique with the following inclusion criteria:
1. Respondents who have stayed at Villa Star Homestay Takengon at least once.
2. Respondents aged 17 years or older.

Data Collection Technique
Primary data were collected through an online questionnaire using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The questionnaire consisted of two main sections:
1. Respondent profile, which includes demographic information.
2. Statements related to the indicators of each research variable.

Table 1. Socio-demographic profile of participants (*n*=155)

Characteristic	Criteria	Frequency (n)	Percentage (%)
Gender	Male	78	50.3
	Female	77	49.7
Age	< 25 years	18	11.6
	25 – 34 years	61	39.4
	35 – 44 years	49	31.6
	≥ 45 years	27	17.4
Education Level	High School / Equivalent	27	17.4
	Diploma / Bachelor's Degree	94	60.6
	Postgraduate	34	21.9
Occupation	Student	14	9.0
	Private Employee	63	40.6
	Civil Servant / Government Employee	22	14.2
	Entrepreneur / Self-employed	56	36.1
Monthly Income	< IDR 5 million	21	13.5
	IDR 5 – 10 million	59	38.1
	IDR 10 – 15 million	47	30.3
	> IDR 15 million	28	18.1
Frequency of Visit to Villa Star Homestay	Once	18	11.6
	2–3 times	75	48.4
	≥ 4 times	62	40.0
Length of Stay	1 night	37	23.9
	2 nights	68	43.9
	≥ 3 nights	50	32.3

Source: processed data, 2025

The analysis of demographic data reveals that among the 155 respondents, the proportion of male (50.3%) and female (49.7%) participants is relatively balanced, providing a proportional representation of Villa Star Homestay's customer base. In terms of age distribution, the majority of respondents are within the 25–34 years age group (39.4%), followed by those aged 35–44 years (31.6%). This indicates that the primary customers of the homestay are dominated by individuals in their productive years active workers and professionals who tend to value comfort and service quality in their travel experiences.

Regarding education level, more than 80% of respondents hold a Diploma or Bachelor's degree, while 21.9% have completed postgraduate education. This suggests that most customers possess a higher educational background, allowing them to form critical perceptions toward *service quality* and demonstrate greater ability to evaluate *perceived value*.

From an occupational standpoint, most respondents are private employees (40.6%) and entrepreneurs (36.1%), followed by civil servants (14.2%) and university students (9.0%). This reinforces the positioning of Villa Star Homestay as a preferred accommodation choice among professionals and businesspeople with high mobility.

In terms of monthly income, approximately 68.4% of respondents earn between IDR 5 million and IDR 15 million, while 18.1% earn more than IDR 15 million per month. These figures align with Villa Star Homestay's market positioning, which targets middle-to-upper-class consumers with relatively strong purchasing power and high expectations regarding value and service quality.

In terms of consumption behavior, 48.4% of respondents reported having stayed 2–3 times, while 40% have visited more than four times. The high frequency of visits indicates strong customer loyalty toward Villa Star Homestay, which may stem from positive past experiences and perceived satisfaction. Moreover, the majority of respondents stayed for 2–3 nights, suggesting that the homestay serves as a preferred choice for both short leisure trips and business travel.

Overall, these respondent characteristics support the context of this study, which focuses on examining the influence of *service quality* and *price perception* on *customer loyalty* through *perceived value*. Given that the respondents generally possess higher education, moderate-to-high income, and strong loyalty tendencies, the collected data are believed to provide a representative empirical picture of consumer behavior in the mid-to-upper segment of the hospitality industry in Takengon.

Measurement of Variables
Each construct in this study was measured using established and validated indicators from previous research to ensure construct validity and reliability. All items were assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Service Quality (SQ)
Service Quality refers to the customer's overall judgment about the excellence of a service relative to their expectations and actual performance (Parasuraman, Zeithaml, & Berry, 1988). This study adopted and refined nine (9) indicators covering the five SERVQUAL dimensions:
1. Tangibility – appearance of physical facilities and personnel.
2. Reliability – consistency and dependability in service delivery.
3. Responsiveness – promptness and willingness to assist customers.
4. Assurance – employee competence and courtesy that inspire trust.
5. Empathy – personalized attention and care toward customers.

The nine indicators were contextualized to the homestay service experience setting.

Price Perception (PP)
Price Perception is defined as the customer's cognitive and emotional evaluation of whether the price paid is fair, reasonable, and aligned with the benefits received (Zeithaml, 1988; Monroe, 2003). Ten (10) indicators were adapted to capture multiple aspects, including perceived price fairness, value for money, price transparency, and

comparison with competitors. A positive perception of price indicates that customers believe the price reflects both quality and equity.

Perceived Value (PV)
Perceived Value represents the customer's overall assessment of the utility of a product or service based on perceptions of what is received and what is given (Zeithaml, 1988; Sweeney & Soutar, 2001). This construct was measured using six (6) indicators encompassing both functional value (service quality, price fairness) and emotional value (pleasure and satisfaction). The scale emphasizes how customers perceive the benefits relative to the sacrifices made.

Customer Loyalty (CL)
Customer Loyalty is defined as a deeply held commitment to repurchase or consistently recommend a product or service in the future, despite situational influences or marketing efforts that could cause switching (Oliver, 1999; Caruana, 2002). This construct was measured with six (6) indicators reflecting behavioral and attitudinal dimensions—such as repurchase intention, willingness to recommend, resistance to switching, and long-term preference for the homestay.

All questionnaire items were adapted to the tourism and hospitality context of Villa Star Homestay Takengon and pre-tested for clarity, reliability, and cultural appropriateness. Internal consistency was later verified through reliability analysis using Cronbach's Alpha and Composite Reliability (CR) within the PLS-SEM framework.

Measurement Model
The measurement model was employed to assess the validity and reliability of the research constructs prior to conducting the structural analysis. In this study, convergent validity was evaluated using factor loadings and the average variance extracted (AVE), while construct reliability was assessed through Cronbach's Alpha and Composite Reliability (CR).

All indicators demonstrated standardized loading factors greater than 0.70, indicating that each item adequately represents its respective construct. The AVE values for all constructs exceeded the threshold of 0.50, suggesting that the variance explained by the indicators is greater than the variance attributed to measurement error (Hair et al., 2021). Furthermore, both the Composite Reliability and Cronbach's Alpha values were above 0.70 for all constructs, meeting the criteria for acceptable internal consistency (Fornell & Larcker, 1981).

Overall, the results of the measurement model assessment confirm that all constructs in this study possess satisfactory validity and reliability, making them suitable for subsequent structural model testing.
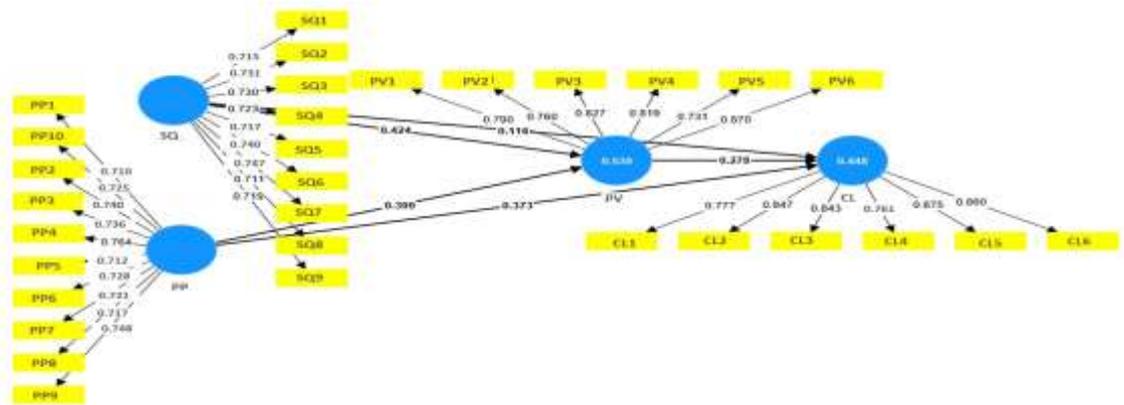
Pict 2. Standardized measurement model
Source: processed data, 2025

Table 2. Summary of the measurement model

Construct	Item	Loading	Cronbach's Alpha	CR	AVE
Service Quality	SQ 1	0.715	0.909	0.909	0.527
	SQ 2	0.731			
	SQ 3	0.730			
	SQ 4	0.723			
	SQ 5	0.717			
	SQ 6	0.740			
	SQ 7	0.747			
	SQ 8	0.711			
	SQ 9	0.719			
Price Perception	PP1	0.710	0.920	0.919	0.533
	PP 2	0.740			
	PP 3	0.736			
	PP 4	0.764			
	PP 5	0.712			
	PP 6	0.728			
	PP 7	0.721			
	PP 8	0.717			
	PP 9	0.748			
	PP 10	0.725			
Customer Loyalty	CL 1	0.777	0.929	0.944	0.738
	CL 2	0.847			
	CL 3	0.843			
	CL 4	0.761			
	CL 5	0.875			
	CL 6	0.860			
Perceived Value	PV 1	0.790	0.928	0.942	0.699
	PV 2	0.760			
	PV 3	0.827			
	PV 4	0.819			
	PV 5	0.731			
	PV 6	0.870			

Source: processed data, 2025

RESEARCH RESULTS AND DISCUSSION

The results of the Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis indicate that all constructs in the research model have met the criteria for adequate validity and reliability, as discussed in the Measurement Model section. After confirming the suitability of the measurement model, the next step was to test the relationships among variables in the structural model to verify the proposed hypotheses.

The direct effects test was conducted to examine the direct influence between Service Quality (SQ), Price Perception (PP), Perceived Value (PV), and Customer Loyalty (CL). Path coefficients, t-statistics, and p-values were estimated using the bootstrapping procedure with 5,000 resamples. The results of the hypothesis testing are presented in the following table:

Table 3. Direct Effects (Hypotheses 1 to 5)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P values	Decisions
SQ → CL	0.116	0.120	0.094	1.23	0.220	Not Supported
PP → CL	0.373	0.370	0.087	4.29	0.000	Supported
SQ → PV	0.424	0.421	0.082	5.17	0.000	Supported
PP → PV	0.399	0.397	0.079	5.05	0.000	Supported
PV → CL	0.278	0.275	0.081	3.43	0.001	Supported

Source: processed data, 2025

Direct Effects Analysis

Based on the results of the direct effects test, as shown in Table 3, not all relationships among the variables in the research model were found to be significant.

First, Service Quality (SQ) did not have a significant effect on Customer Loyalty (CL), with a t-statistic of 1.23 and a p-value of 0.220 (> 0.05). This indicates that service quality alone is not sufficient to directly enhance customer loyalty. In other words, even when customers perceive the service as satisfactory, it may not necessarily translate into loyalty unless they also perceive high overall value from their experience. This finding is consistent with prior studies suggesting that the relationship between service quality and loyalty is often indirect and mediated by perceived value or satisfaction (Keshavarz & Jamshidi, 2018; Cronin et al., 2000).

Next, Service Quality (SQ) had a significant positive effect on Perceived Value (PV) ($t = 5.17$; $p = 0.000$). This finding confirms that the higher the perceived service quality, the greater the customer's perception of value toward Villa Star Homestay's services. In other words, responsive, friendly, and professional service fosters a perception that the experience received is worth the cost paid (Zeithaml, 1988; Parasuraman et al., 1991).

Furthermore, Perceived Value (PV) significantly influenced Customer Loyalty (CL) ($t = 3.43$; $p = 0.001$). This suggests that customers who perceive high value in the services they receive tend to exhibit stronger loyalty, such as the intention to revisit or recommend the homestay to others. This result supports the notion that perceived value is a key predictor of customer loyalty (Yang & Peterson, 2004; Rasheed & Abadi, 2014).

Additionally, Price Perception (PP) had a significant effect on Customer Loyalty (CL) ($t = 4.29$; $p = 0.000$). Customers who perceive prices as fair, competitive, and aligned with the benefits received tend to remain more loyal. This finding aligns with Price Fairness Theory (Bolton et al., 2003), which posits that fair price perceptions foster trust and strengthen customer commitment.

Finally, Price Perception (PP) also had a significant effect on Perceived Value (PV) ($t = 5.05$; $p = 0.000$). This result indicates that a positive perception of price substantially contributes to customers perceived value. When customers believe that the price paid is commensurate with the service quality and facilities received, they are more likely to perceive their stay as highly valuable (Sweeney & Soutar, 2001; Dodds et al., 1991).

Overall, these results demonstrate that both Service Quality and Price Perception significantly influence Perceived Value, which in turn enhances Customer Loyalty. However, the direct effect of Service Quality on Customer Loyalty was not significant, implying that Perceived Value serves as a crucial mediating variable in explaining this relationship.

Table 4. Indirect Effects (Hypotheses 6 to 7)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P values	Decisions
SQ→ PV →CL	0.147	0.145	0.048	3.06	0.002	Supported
PP→ PV →CL	0.111	0.109	0.042	2.64	0.008	Supported

Source: processed data, 2025

Indirect Effects and Mediation Analysis
The analysis of indirect effects revealed that Perceived Value (PV) plays a crucial mediating role in the relationship between Service Quality (SQ) and Price Perception (PP) on Customer Loyalty (CL).

Based on the structural model estimation, Service Quality (SQ) significantly influenced Perceived Value (PV) ($t = 5.17$; $p = 0.000$), and Perceived Value (PV) also had a significant effect on Customer Loyalty (CL) ($t = 3.43$; $p = 0.001$). These results indicate a significant mediating effect of Perceived Value in the relationship between Service Quality and Customer Loyalty. Thus, the indirect effect of Service Quality on Customer Loyalty through Perceived Value is significant, whereas its direct effect was not ($p = 0.220$). This suggests that customers do not automatically become loyal simply because they receive good service; loyalty emerges only when they perceive the service as valuable and commensurate with the effort and cost incurred.

This finding supports the perspectives of Zeithaml (1988) and Sweeney & Soutar (2001), who emphasize that Perceived Value serves as a psychological bridge linking service quality with post-consumption behaviors such as satisfaction and loyalty. In other words, perceived value acts as a key psychological mechanism that transforms service experiences into sustained behavioral intentions, including commitment and positive word-of-mouth.

Furthermore, the relationship between Price Perception (PP) and Customer Loyalty (CL) also exhibited a significant indirect effect mediated by Perceived Value (PV). The analysis showed that Price Perception significantly affected Perceived Value ($t = 5.05$; $p = 0.000$), and Perceived Value significantly affected Customer Loyalty ($t = 3.43$; $p =$

0.001). Therefore, Perceived Value was confirmed as a partial mediator in the relationship between Price Perception and Customer Loyalty.

This finding reinforces the Price Fairness Theory (Bolton et al., 2003), which posits that fair price perceptions enhance customers perceived value, ultimately leading to stronger loyalty. Customers who perceive prices as fair and aligned with service quality tend to regard their experience as high in value and worthy of repetition. This is consistent with prior research by Yang & Peterson (2004) and Rasheed & Abadi (2014), which highlighted the mediating role of Perceived Value in linking price perceptions to customer loyalty.

Overall, the mediation results confirm that Perceived Value functions as a key mechanism in fostering Customer Loyalty from both service and price dimensions. Theoretically, this implies that Perceived Value is not merely an outcome of customers' evaluations of service quality and price, but rather a transformative factor that determines the extent to which customer experiences are translated into long-term brand commitment and loyalty behaviors.

CONCLUSION

This study aimed to analyze the influence of Service Quality (SQ) and Price Perception (PP) on Customer Loyalty (CL), with Perceived Value (PV) serving as a mediating variable. Based on the analysis of responses from 155 participants, the findings indicate that Service Quality does not have a significant direct effect on Customer Loyalty but exerts an indirect influence through Perceived Value. This suggests that service quality can enhance loyalty only when customers first perceive positive value from the services provided.

Conversely, Price Perception was found to have both direct and indirect significant effects on Customer Loyalty through Perceived Value. This implies that a fair, benefit-driven, and competitive price perception not only enhances the perceived value but also strengthens customers' tendency to remain loyal to the service provider.

Furthermore, the results emphasize that Perceived Value plays a pivotal role as a key determinant in fostering Customer Loyalty. Customers who perceive that the benefits they receive are equal to or exceed the sacrifices they make are more likely to maintain long-term relationships with the company.

Overall, these findings reinforce the notion that customer loyalty is not solely shaped by superior service quality or competitive pricing but rather by the *total perceived value* derived from the combination of both factors. Therefore, strategies to enhance customer loyalty should focus on creating and strengthening perceived value through meaningful service experiences and fair pricing policies.

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