

**ENGAGING BRAND IMAGE AND
BRAND LOYALTY FOR DOMESTIC MARKET
AT THE APURVA KEMPINSKI BALI**



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POLITEKNIK NEGERI BALI

**TOURISM BUSSINESS PLANNING STUDY PROGRAM
APPLIED MASTER PROGRAM
POLITEKNIK NEGERI BALI
BADUNG
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I hereby declare this thesis and all its content is my own work and does not incorporate without acknowledgement of any previous material. There is no ideas or notions written or published by other respondent, except what has been mentioned in this thesis in the reference.

Shall in the future any plagiarism proven in this scientific paper, I am willing to follow sanction as regulated.

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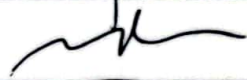



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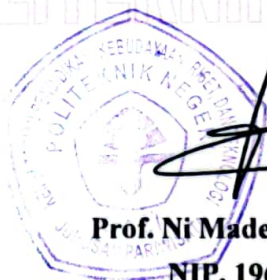
RESEARCH THESIS

ENGAGING BRAND IMAGE AND BRAND LOYALTY FOR DOMESTIC MARKET AT THE APURVA KEMPINSKI BALI

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PREFACE

This research thesis is submitted in regards to the degree of Applied Master of Tourism Business Planning Study Program, Tourism Department, Politeknik Negeri Bali entitled “Engaging Brand Image and Brand Loyalty for Domestic Market at The Apurva Kempinski Bali”.

I would like to express a heartfelt gratitude to Ida Sang Hyang Widi Wasa, The Almighty God for all grace and opportunities that have led to the completion of this research. Several respondents have contributed academically, practically and respondentially with great support to this research. As a result, I also would like to express my gratitude and highest appreciation to everyone who has assisted and supported the successful completion of this research.

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I am fully aware of limitations of this research despite all great efforts to make it as comprehensive as the resources available. There is much space for elevating the writing and I will be glad to have advice and constructive feedback to improve this research. I hope the reader will find this research informative and useful.

Badung, 10 July 2023



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POLITEKNIK NEGERI BALI

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ABSTRACT

Bali's tourism industry is already well-known both in Indonesia and overseas, to the point where practically all Balinese people rely on it for their living. However, as the Covid-19 epidemic imposed travel restrictions between countries which forced to develop new strategies to react to changing market conditions. Domestic tourists are currently the only chance for the Balinese people and tourism industry players in Bali to keep the wheels of their economy turning. The Apurva Kempinski Bali features five-star accommodations which represent Indonesia's richness and diversity. The Apurva Kempinski Bali has become one of the most popular hotels among domestic tourists in Bali, domestic guests are less devoted to the hotel. The Apurva Kempinski Bali received a total of 7,582 reviews on Google Review, with a score of 4.8/5, placing it in the excellent category and to build customer engagement is by replying to all reviews by the General Manager and from the Marketing Team. In addition, The Apurva Kempinski Bali is also active on social media and is ready to answer all audience questions via direct messages. It is so interesting that domestic market is contributing significant business for the hotel during the pandemic, despite their travelling is always affected by the government policy. For The Apurva Kempinski Bali, it is so important to do this research on how is the brand of Kempinski impacted the customer loyalty and to understand that Brand engagement mediate the brand image to create customer loyalty.

Keyword: Brand Image, Brand Engagement, Brand Loyalty, Domestic Market

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ABSTRAKSI

Industri pariwisata Bali sudah terkenal baik di Indonesia maupun mancanegara, hingga hampir seluruh masyarakat Bali mengandalkan pariwisata sebagai mata pencaharian. Namun, karena wabah Covid-19 akhirnya menyebabkan terjadinya pemberlakuan pembatasan perjalanan antar negara yang memaksa para wisatawan untuk tetapi di tempat tinggalnya sehingga akhirnya hal ini membuat para pengusaha harus mengembangkan strategi baru untuk bereaksi terhadap perubahan kondisi pasar. Wisatawan domestik saat ini menjadi satu-satunya kesempatan bagi masyarakat Bali dan pelaku industri pariwisata di Bali agar roda perekonomian tetap berputar dimana salah satunya juga dilakukan oleh The Apurva Kempinski Bali. The Apurva Kempinski Bali merupakan akomodasi bintang lima yang mewakili kekayaan dan keragaman akan budaya Indonesia. The Apurva Kempinski Bali menjadi salah satu hotel yang paling populer di kalangan wisatawan domestik di Bali. The Apurva Kempinski Bali menerima total sebanyak 7.582 ulasan di Google Review, dengan skor 4,8/5, yang menempatkannya dalam kategori sangat baik dan untuk membangun keterlibatan pelanggan adalah dengan membalas semua ulasan dari *General Manager* dan dari tim pemasaran. Selain itu, The Apurva Kempinski Bali juga aktif di media sosial dan siap menjawab semua pertanyaan audiens melalui pesan langsung. Topik ini menjadi sangat menarik bahwa pasar domestik memberikan kontribusi bisnis yang signifikan bagi hotel selama pandemi, meskipun perjalanan mereka selalu dipengaruhi oleh kebijakan pemerintah. Untuk The Apurva Kempinski Bali, sangat penting untuk melakukan penelitian ini tentang bagaimana merek Kempinski mempengaruhi loyalitas pelanggan dan untuk memahami bahwa brand engagement memediasi citra merek untuk menciptakan loyalitas pelanggan.

Kata kunci: *Brand Image, Brand Engagement, Brand Loyalty, Domestic Market*

CHAPTER I

INTRODUCTION

1.1 Background

The Apurva Kempinski Bali is one of the most popular luxury hotels in Bali today. After Hotel Indonesia Kempinski Jakarta, the Apurva Kempinski Bali is the first Kempinski resort and the second hotel in Indonesia. As a reflection of the magnificence and originality it has to offer, the Sanskrit term "Apurva" means "unique and magnificent." Presenting the concept of 'Majestic Open Air Theatre' or a magnificent open theatre, The Apurva Kempinski Bali comes with a unique identity where the diversity of the archipelago's combined with the tropical character of Indonesia. In collaboration with a collection of the best Indonesian craftsmen, the interior design of this resort is a form of respect for Indonesia's cultural heritage that was nurtured from the Majapahit era, without forgetting the luxurious and modern touches that are characteristic of five-star hotels. This hotel features five-star accommodations that stress local expertise and represent Indonesia's richness and diversity. The resort is opened on 1st of February 2019, which has a total of 465 rooms, also boasts seven luxurious restaurants, one of which being Bali's first aquarium restaurant, Koral Aquarium Restaurant.

The Apurva Kempinski Bali's interior design and every detail reflect Indonesia's uniqueness. "Unity in Diversity" is one of The Apurva Kempinski Bali's 2022 programs, demonstrating The Apurva Kempinski Bali's commitment to encouraging diversity in Indonesia. The Apurva Kempinski Bali offers guests the

chance to learn about tales, traditional treatments, food, handicrafts, and traditional games from seven Indonesian regions: Sumatra, Java, Nusa Tenggara, Kalimantan, Sulawesi, Maluku, and Papua.

Tourists adore The Apurva Kempinski Bali because of its distinctiveness and diversity, as well as its five-star service. The Apurva Kempinski Bali still has a healthy market, according to the results of an interview with the Director of Sales on March 7, 2022 guests who stay at The Apurva Kempinski Bali feel both from inside the country and from overseas. This may be seen in Table 1.1, which shows the hotel's Top 5 market share.

Table 1.1.
Top 5 Market Share 2020 - 2022

No.	Percentage (%)	Country
1	40	Indonesia
2	25	Australia
3	9	Korea
4	7	Japan
5	5	Germany

(Source: The Apurva Kempinski Bali, 2023)

According to Table 1.1, there are five countries that contribute to the high occupancy rates at The Apurva Kempinski Bali, one of which is Indonesia. Given that international travel is still prohibited from 2020 to 2021, Indonesian tourists are one of the major contributors to the percentage of occupancy. According to interviews which has done with The Apurva Kempinski Bali's Director of Sales on September 7, 2022, there are Top 10 regions of origin for tourists staying at The Apurva Kempinski Bali, as shown in Table 1.2.

Table 1.2.
Top 10 Regions of Origin for Domestic Tourists

No.	Origin
1	Surabaya
2	Jakarta
3	Bandung
4	Jogyakarta
5	Solo
6	Makassar
7	Medan
8	Palembang
9	Banyuwangi
10	Malang

(Source: The Apurva Kempinski Bali, 2023)

Table 1.2 provides an overview of the origins of tourists who like to come and visit The Apurva Kempinski Bali such as: Surabaya, Jakarta, Bandung, Yogyakarta, Solo, Makassar, Medan, Palembang, Banyuwangi, and Malang. With a lot of support from domestic tourists to stay at The Apurva Kempinski Bali, it certainly has an impact on the average room occupancy rate at The Apurva Kempinski Bali which is explained in Table 1.3.

Table 1.3.
Occupancy in 2021

Month	The occupancy rate (%)	
	Actual 2021	STLY (2020)
January	30	75
February	20	50
March	36	25
April	45	0
May	39.5	0
June	50	7
July	20	15
August	17	19
September	35	25
October	46	45
November	47	53
December	75	65

(Source: The Apurva Kempinski Bali, 2023)

Table 1.3 shows that even when the pandemic hit Indonesia in the second year of Covid-19, the average annual room occupancy rate at The Apurva Kempinski Bali was always above 15% every month and a new strategy movement from the government applied since 07 March 2022 where Bali applied a quarantine-free. In the past two years, traveling during the month was restricted as it usually resulted in a surge in Covid infections. Therefore, this new regulation given an ease not only for the traveler but also the hotel. Since the regulation applied, The Apurva Kempinski Bali got a positive impact on the average room occupancy rate which is explained in Table 1.4.

Table 1.4.
Occupancy and Forecast 2022 - 2023

Month	The occupancy rate (%)	
	Actual 2022	Forecast 2023
January	38	60
February	30	53
March	30	55
April	66	73
May	68	80
June	81	83
July	89	88
August	89	88
September	74	92
October	81	92
November	88	92
December	90	95

(Source: The Apurva Kempinski Bali, 2023)

Tabel 1.4 shows that since Bali reopening on 07 March 2022, The Apurva Kempinski Bali has hit the forecast three times and furthermore, unlike most other hotels, The Apurva Kempinski Bali continued to operate on a daily foundation during the pandemic. The Apurva Kempinski Bali is one of the most popular hotels in Bali with domestic travelers, according to these statistics. Despite the fact that

The Apurva Kempinski Bali has become one of the most popular hotels among domestic tourists in Bali, domestic guests are less devoted to the hotel. According to Leckie et al (2016), loyalty is a company's most valuable service since loyal consumers can boost current and future sales. The desire to share positive information with others or make repeat purchases can be used to gauge customer loyalty to a company (Leckie et al., 2016). According to interviews which has done with The Apurva Kempinski Bali's Director of Sales on March 7, 2022 mostly the guest leave a comment about their experience stay at The Apurva Kempinski Bali as it shown.



**Figure 1.1. The Apurva Kempinski Bali's Review
(Source: Trip Advisor, 2023)**

As a hotel that has been successful in business and has even become the most popular international hotel in Bali, with so many international tourist visits, the reality is that The Apurva Kempinski Bali's domestic market opportunities are required to be explored properly. The results of preliminary observations and

interviews conducted by the author shows that there is a fact that the role of this hotel's brand image is not optimal in influencing the intended market's brand awareness. More than that, brand engagement is needed to influence the brand image and brand loyalty of the hotel which also functions as an intermediary between the two variables.

In 2023, The Apurva Kempinski Bali received a total of 7,582 reviews on Google Review, with a score of 4.8/5, placing it in the excellent category. This demonstrates that customers have a favorable perception of The Apurva Kempinski Bali. In a study conducted by Chang (2021) revealed that loyalty is significantly influenced by brand image. In addition, research conducted by Palevi et al. (2018) and Rusandy (2018) and Yunaida (2018) shows that brand image has a significant effect on customer loyalty, only the research conducted by Firanzulah, et al (2021) results in research that is in the opposite direction of research. The stronger the brand image, the stronger customer loyalty to a brand will be. Brand image can be measured through customer perceptions of the brand, associations, attributes, benefits and consumer attitudes towards the brand. The Apurva Kempinski Bali is one of the luxury hotel brands that can be seen from the various unique five-star facilities that are rarely found in other hotels. In addition, the image of The Apurva Kempinski Bali which emphasizes local Indonesian wisdom also aims to make staying guests experience exploring Indonesia and gain new knowledge about Indonesian culture, so that guests get additional benefits when staying at The Apurva Kempinski Bali. These efforts are made in order to provide a brand image that is inherent in the minds of customers.

In addition to reviews, the frequency with which customers repurchase a product or brand (Leckie et al., 2016) or return guests can be used to determine loyalty. Members of this loyalty program receive special member prices, points that may be traded, and discounted rates for using hotel facilities even if they do not stay overnight which is depicted in Table 1.5.

Table 1.5.
Loyalty Program

Member Tier	Silver	Gold	Platinum	Titanium	Red
	Upon join	Stay 2 times or spend USD 1000	Stay 10 nights or spend USD 5000 or stay at 2 brands	Stay 30 nights or spend USD 15000 or stay at 3 brands	By invitation only
Member Rates-save 10% or more	Yes	Yes	Yes	Yes	Yes
Exclusive offers	Yes	Yes	Yes	Yes	Yes
Earns D\$ on eligible spend	4%	5%	6%	7%	7%
Redeem D\$ on eligible spend	Yes	Yes	Yes	Yes	Yes
Complimentary wifi	Yes	Yes	Yes	Yes	Yes
Experiences	Yes	Yes	Yes	Yes	Yes
Local offers	Yes	Yes	Yes	Yes	Yes
Welcome amenity	-	-	Yes	Yes	Yes
Guaranteed room availability 48hr prior	-	-	-	Yes	Yes
Early's check in	-	-	-	11 am	10 am
Late check out	-	-	3 pm	4 pm	6 pm
Room upgrade	-	-	Next category	Double	Suite
Status sharing	-	-	-	Yes	Yes
Additional benefits	-	-	-	Yes	Yes

(Source: The Apurva Kempinski Bali, 2022)

In addition to brand image, there are other variables that affect customer loyalty to a brand, namely brand engagement such as research conducted by Kosiba et al. (2018) and Ting et al. (2020). According to Gutafsson in Leckie (2016), brand loyalty can be achieved by building bonds and direct relationships with customers. In the digital era, this attachment can be done through social media, review sites and online travel agents. One way The Apurva Kempinski Bali builds customer engagement is by replying to all reviews on review sites like Google Reviews. In Google Review, The Apurva Kempinski Bali received 5,301 reviews and all these reviews will be replied to by the General Manager and from the Marketing Team. In addition, The Apurva Kempinski Bali is also active on social media and is ready to answer all audience questions via direct messages.

Several studies show that there is a positive and significant relationship between brand image and brand engagement, such as research conducted by Chen (2016); Hamid et al. (2017); and Neupane (2015). In addition, research conducted by Islam et al. (2017) reveals that the better and stronger the brand image of a company will lead to high customer attachment to a brand. Brands that have a strong attachment to their customers will affect customer loyalty to the brand (Ozata and Lujja, 2017).

From the previous research the author finds that the venue of the research has never been done, in this case at The Apurva Kempinski Bali and also research for domestic market as they number one key market for the hotel. Brand engagement as mediator brand image to drive brand loyalty, this finding will be very importance for the hotel to continue being visible in the domestic market.

In this research as said focus on the domestic market due to the research is done during the pandemic, right after the border open and the hotel is focusing on the domestic market until now. It is so interesting that domestic market is contributing significant business for the hotel during the pandemic, despite their travelling is always affected by the government policy. Moving forward domestic market will continue take an important role for Bali as destination as the biggest market available right now after the border is opened. The domestic market where available throughout the year. As a brand The Apurva Kempinski Bali is the first Kempinski Brand in Bali and domestic market like the hotel for their leisure, family, event or weddings destination.

For The Apurva Kempinski Bali it is so important to do this research on how is the Brand of Kempinski impacted the customer loyalty and to understand that brand engagement mediate the brand image to create customer loyalty. In order to sustain and drive quality of the domestic market at The Apurva Kempinski Bali this research is a great way to do it to be able to find a new model that can be implemented to be always as the market leader in domestic markets. It is a risk for The Apurva Kempinski Bali that has opened for 5 years to continue drive business from this key market. It will affect the overall revenue as customer potentially move to other brand as domestic market love to try a new hotel with different experience. Meaning this research will help the hotel to find new way and model to be continue exist and driving quality customer loyalty. Based on this phenomenon, the authors are interested in raising the topic entitled “Engaging Brand Image and Brand Loyalty for Domestic Market at The Apurva Kempinski Bali”.

1.2 Problem Statement

Based on the background above, the writer formulated the main problems in this study as follows:

- a. How does brand engagement influence brand image and brand loyalty and mediate the relationship between brand image and brand loyalty at The Apurva Kempinski Bali?
- b. What model of brand image and brand loyalty engagement can be implemented at The Apurva Kempinski Bali?

1.3 Research Objective

Based on the problem statement above, the objectives of this study are as follows:

- a. In general, the objective of this study is to analyze brand engagement influence brand image and brand loyalty and how does brand engagement mediate the relationship between brand image and brand loyalty at The Apurva Kempinski Bali
- b. Particularly the objective of this study is to design new model of brand engagement can be implemented to strengthening the brand loyalty at The Apurva Kempinski Bali

1.4 Research Benefit

Based on the background of the problem, subject matter, and research objective, the results of this study are expected to provide the following benefits:

- a. For Students of Politeknik Negeri Bali

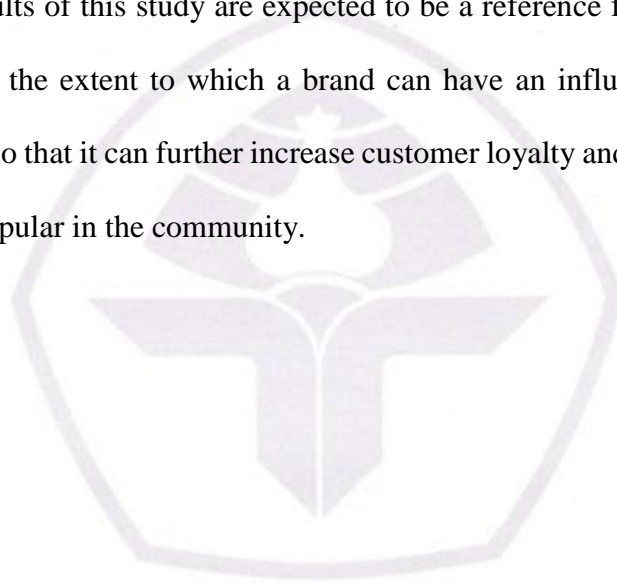
The results of this study are expected to be a reference for similar research for the students in the near future.

b. For Politeknik Negeri Bali

The results of this study are expected to be a reference for similar research to develop knowledge for the development and progress of the business world, especially to create consumer loyalty to a brand in the company.

c. For The Apurva Kempinski Bali

The results of this study are expected to be a reference for the company to find out the extent to which a brand can have an influence on consumer loyalty so that it can further increase customer loyalty and make the product more popular in the community.



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CHAPTER VI

CLOSING

6.1 Conclusion

From the results of research on the effect of brand image and brand engagement on brand loyalty that has been carried out at The Apurva Kempinski Bali, there is influence of brand image on brand loyalty; there is an effect of brand engagement on the brand loyalty; and there is a high influence of brand image on brand loyalty mediated by brand engagement. A brand is more than the company logo; it is everything a business is about, from the mission statement to the culture. Having a positive brand image helps the customers understand what kind of business is all about, and know what they can expect from the hotel as the seller, the product or the service. The brand image established should truly tell the story of the hotel business. Once the business' brand is established and consistently implemented by all involved within the company, recognition for the brand (and business) will grow. A well-developed brand image will help the business be perceived as reliable, experienced and consumer-focused. This consistency will encourage consumers to make a connection with the business engaged, and brand loyalty will begin to flourish.

6.2 Recommendation

From the results of the analysis and conclusions that have been presented, There is a need for more in-depth brand recognition to customers such as customer education through social media, explained by salesrespondents, delivered on every promotional media, delivered on occasions when being a speaker or during media

coverage (magazines or radio). So that customers have some information about the uniqueness of the hotel. In the other hand, to retain loyal customers, the company can create appropriate and aggressive promotional programs, in the form of programs that are positive and profitable for customers. While for further researchers, it is hoped that the scope of their research can be expanded and additional independent variables such as product quality, promotion, brand switching and variables can affect brand loyalty variables.



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