The Influence of Service Innovation, Price, and Destination Image on Tourist Loyalty in Bukit Tinggi Indonesia Tourism

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ABSTRACT : This study aims to examine the influence of service innovation, price fairness, and destination image on tourist loyalty in Bukit Tinggi, Padang. The study employed a quantitative method with an associative design and Structural Equation Modeling Partial Least Squares (SEM PLS) analysis. The sample consisted of 120 tourists visiting Bukit Tinggi. Results indicated that service innovation, price fairness perception, and destination image significantly and positively influence tourist loyalty. The practical implications underscore the need for destination managers to enhance service innovation, price transparency, and positive destination image to foster tourist loyalty. The study contributes theoretically by strengthening the understanding of factors influencing tourist behavior in tourist destinations, particularly in the context of Bukit Tinggi.

Keywords: Service Innovation, Price Fairness, Destination Image, Tourist Loyalty, Bukit Tinggi

INTRODUCTION

Bukit Tinggi, a charming city in West Sumatra, Indonesia, is known for its stunning natural beauty, rich cultural heritage, and various historical landmarks, S Riyanto, S Afifatun (2023). Situated on a plateau, Bukit Tinggi offers stunning natural scenery, cool air, and iconic tourist destinations such as Jam Gadang, Ngarai Sianok, and Lobang Jepang (Azman, 2019). In addition, Bukit Tinggi is also famous as a center for traditional trade and crafts, making it one of the leading tourist destinations in Indonesia, Fatimah, et al, (2021). According to the theory of cultural tourism, tourist destinations that have a strong cultural heritage can attract tourists seeking authentic experiences (Richards, 2018). In recent years, tourism in Bukit Tinggi has experienced significant growth, but with increasing competition from other tourist destinations, it is imperative for Bukit Tinggi to continue to innovate and improve the quality of its services in order to maintain and increase tourist loyalty (Chiu, Zeng, & Cheng, 2016).

Tourist loyalty is a key factor that contributes to the sustainability of a destination's tourism, as loyal tourists are more likely to return and recommend the destination to others (Oliver, 1999). Tourism service innovation is one of the important aspects that need to be considered in maintaining tourist loyalty. According to Hjalager (2015), innovation in tourism services covers

various dimensions, including the development of new products, increasing interaction between service providers and tourists, and the application of new technologies D Buhalis, et al (2019). This theory is relevant in the context of Bukit Tinggi which needs to adapt to the latest trends and technologies to meet the expectations of modern tourists DP.Sari (2018). In addition, the perception of price fairness is an important factor in tourists' decisions to return to a destination. Wirtz and Kimes (2015) explained that price fairness is one of the main determinants in consumer evaluation of the value received from a product or service. In the context of tourism, a positive perception of price fairness can increase tourist satisfaction and loyalty, Gumussoy and Koseoglu (2016). In addition, a strong destination image is also a factor that influences tourist loyalty, Chiu, et al (2016). According to destination image theory, tourists' perceptions of a destination can influence their intention to return (Echtner & Ritchie, 1991). A study conducted by Stylidis, Biran, Sit, and Szivas (2017) showed that a positive destination image contributed significantly to the formation of tourist loyalty Jebbouri (2022). In the context of Bukit Tinggi, destination image that includes natural beauty, cultural heritage, and community friendliness can be an important factor in attracting and retaining tourists, Jaafar and Ismail (2020).

Previous studies have identified various factors that influence tourist loyalty Wang L, Li X (2023). For example, Kim, Ritchie, and McCormick (2018) found that effective service innovation can increase tourist loyalty by increasing tourist satisfaction. Another study by Chen and Hu (2017) showed that price fairness perceptions have a direct impact on tourist loyalty, especially in the context of cultural tourism. In addition, research by Agapito, Valle, and Mendes (2019) revealed that a strong destination image can strengthen the relationship between tourist satisfaction and loyalty. Based on this study, it can be seen that tourist loyalty is influenced by various interrelated factors, which in this study focused on service innovation, price fairness perceptions, and destination image, Jin, et al (2016).

The state of the art of this study lies in the analysis of the relationship between service innovation, price fairness perceptions, and destination image with tourist loyalty in Bukit Tinggi Imran, S., & Puspita, N. (2024). Although many studies have examined these factors separately, research that combines these three aspects in the context of tourism in Bukit Tinggi is still limited (Butler, 1980). According to the destination development theory (Butler, 1980), tourist destinations that are able to innovate and maintain a positive image tend to have a longer appeal and are able to compete in the long term. Thus, this study seeks to fill the existing knowledge gap by providing a comprehensive analysis of the influence of these three factors on tourist loyalty R Carranza, E Díaz(2018). The purpose of this study is to analyze the extent to which service innovation, price fairness perceptions, and destination image affect tourist loyalty in Bukit Tinggi, S Imran, N Puspita (2024). This study is expected to provide in-depth insight into the dynamics of the relationship between these three factors, as well as provide guidance for tourism practitioners in developing strategies and policies that can improve the tourist experience and strengthen Bukit Tinggi's position as a destination of choice (Kotler & Keller, 2016).

Service Innovation

Service innovation in the tourism industry includes various creative and strategic efforts to improve the tourist experience through improving service quality, introducing new products, and utilizing technology. Hjalager (2015) identified that service innovation involves five main

dimensions: product innovation, process innovation, market innovation, organizational innovation, and human resource innovation. Schumpeter's innovation theory states that innovation is a major driver of economic growth and change in an industry (Schumpeter, 1934). In the context of tourism, service innovation plays an important role in creating competitive advantage and increasing customer satisfaction (Hjalager, 2015).

Furthermore, Schumpeter (1934) describes innovation as a new combination of resources and technology that creates change in the market. The application of Schumpeter's theory in the tourism industry shows that service innovation is not only about technical or operational improvements, but also about how tourist destinations are able to create new value for tourists through different and unique experiences (Campos et al., 2018). Therefore, appropriate service innovation can improve the competitiveness of tourist destinations such as Bukit Tinggi, which in turn can increase tourist loyalty (Hjalager, 2015).

Hypothesis:

H1: Service innovation has a positive and significant effect on tourist loyalty in Bukit Tinggi.

Price Fairness Perception

Price is a key element in marketing that influences consumer value perception and purchasing decisions (Monroe, 1973). Perception of price fairness refers to consumers' assessment of whether the price charged is fair and proportional to the value received (Xia et al., 2004). Distributive and procedural justice theories highlight the importance of fairness in pricing. Wirtz and Kimes (2015) emphasize that perceptions of price fairness can affect customer satisfaction and intention to return. This study shows that perceptions of fair prices can increase customer loyalty and reduce the likelihood of dissatisfaction (Wirtz & Kimes, 2015).

In addition, the price perception theory proposed by Monroe (1973) states that consumers not only consider price as a cost that must be incurred, but also as an indicator of product or service quality. In the context of tourism, the perception of fair price is not only related to the amount of price paid, but also to tourists' perception of the value they receive compared to their expectations (Bolton et al., 2010). Therefore, positive perception of price fairness can increase tourist satisfaction and loyalty in Bukit Tinggi (Xia et al., 2004).

Hypothesis:

H2: Perception of price fairness has a positive and significant effect on tourist loyalty in Bukit Tinggi.

Destination Image Formation

Destination image is the perception or picture that tourists have of a destination based on the experience, information, and promotion received (Gartner, 1994). A positive destination image can attract more tourists and increase their loyalty (Tasci & Gartner, 2007). The theory of destination image formation by Stylidis et al. (2017) states that destination image is formed through a combination of direct experience, media information, and marketing promotion. This study

shows that a positive image can influence tourists' decisions to return and recommend the destination to others (Stylidis et al., 2017).

Furthermore, Echtner and Ritchie (1993) introduced the concept of three dimensions of destination image: functional attributes (such as facilities and infrastructure), psychological attributes (such as ambiance and friendliness), and symbolic meaning (such as reputation and history). The combination of these dimensions forms the overall image of a destination, which in turn can influence tourist loyalty (Echtner & Ritchie, 1993). In the case of Bukit Tinggi, the image that includes natural beauty, cultural heritage, and community friendliness can be key factors in attracting and retaining tourists (Stylidis et al., 2017).

Hypothesis:

H3: Destination image has a positive and significant influence on tourist loyalty in Bukit Tinggi.

Tourist Loyalty

Tourist loyalty refers to the tendency of tourists to revisit the same destination and recommend it to others (Oliver, 1999). This loyalty can be influenced by various factors including service quality, price, and destination image (Chiu et al., 2016). Chiu, Zeng, and Cheng (2016) proposed that tourist loyalty can be analyzed through two main dimensions: behavioral loyalty and attitudinal loyalty. This study shows that tourists who are satisfied with their experiences are more likely to show higher loyalty (Chiu et al., 2016).

METHOD

This study uses a quantitative research design with an associative approach, aiming to examine the relationship between independent variables (service innovation, price fairness perception, and destination image) and the dependent variable (tourist loyalty) in Bukit Tinggi. The sampling method used follows Hair et al. (2010), who suggest that the adequate sample size for structural equation modeling (SEM) analysis is at least 5 to 10 times the number of indicators in the study. Based on the research variables, namely:

1. Service Innovation (X1): 3 indicators
2. Price (X2): 3 indicators
3. Destination Image (X3): 3 indicators
4. Tourist Loyalty (Y): 3 indicators

The total number of indicators is 12. Therefore, the required sample size ranges from 60 to 120 respondents (12 indicators x 5 = 60, 12 indicators x 10 = 120). To ensure the validity and reliability of the analysis, the recommended sample size is 120 respondents. Data was collected through a survey using a questionnaire distributed to tourists visiting Bukit Tinggi. The questionnaire was designed based on relevant indicators for each research variable. Below is a table of the research's operational variables, which includes both independent and dependent variables along with their indicators.

Table 1. Operational Variables

Variable	Indicator
X1 Service Innovation	**Hjalager (2015)**
	New product development
	Improvement in quality of interaction
	Use of technology in service
X2 Price	**Wirtz & Kimes (2015)**
	Price fairness perception
	Price and service quality equivalence
	Price transparency
X3 Destination Image	**Stylidis et al. (2017)**
	Overall positive image
	Destination reputation
	Physical and cultural attributes
Y Tourist Loyalty	**Chiu, Zeng, & Cheng (2016)**
Intention to return	
Recommendation to others	
Satisfaction with the tourist experience	

The collected data will be analyzed using SmartPLS software (Partial Least Squares Structural Equation Modeling). The data analysis method with SmartPLS involves validation and reliability tests to examine the validity and reliability of the variable indicators using confirmatory factor analysis (CFA). In testing the structural model, the analysis examines the relationships between independent variables (X1, X2, X3) and the dependent variable (Y) through a structural model to test the research hypotheses. Goodness-of-fit evaluation is used to assess the model using goodness-of-fit criteria such as R^2, AVE (Average Variance Extracted), and CR (Composite Reliability).

Hypotheses are tested in the Inner Model, which is a structural model that shows the relationships between constructs (latent variables).

- H1 (Path X1 → Y): Service innovation (X1) has a positive and significant effect on tourist loyalty (Y).
- H2 (Path X2 → Y): Price fairness perception (X2) has a positive and significant effect on tourist loyalty (Y).
- H3 (Path X3 → Y): Destination image (X3) has a positive and significant effect on tourist loyalty (Y).

In SmartPLS, the analysis will test whether the path coefficients for these relationships are significant and positive, which supports or rejects the formulated hypotheses.

RESULTS AND DISCUSSION

Introduction

This study aims to answer several key questions related to the influence of service innovation, price fairness perception, and destination image on tourist loyalty. The results of this study are expected to provide deeper insight into the factors that influence tourist loyalty in Bukit Tinggi.

1. Main Findings

Research Question 1: How does service innovation affect tourist loyalty?

Based on data analysis, it was found that service innovation has a significant influence on tourist loyalty. This result is supported by the path coefficient value of 0.035 with a t-statistic of 5.24 (see Table 4). This shows that the higher the level of service innovation implemented by the destination, the higher the tourist loyalty.

Analysis and Synthesis: This finding is in line with the theory of service innovation proposed by Hjalager (2015), where innovation in new product development, improving the quality of interactions, and using technology in services can increase customer satisfaction and loyalty. In the context of tourists, service innovation is an important factor that can encourage them to return and recommend the destination to others.

Table 1: Relationship between Service Innovation and Tourist Loyalty

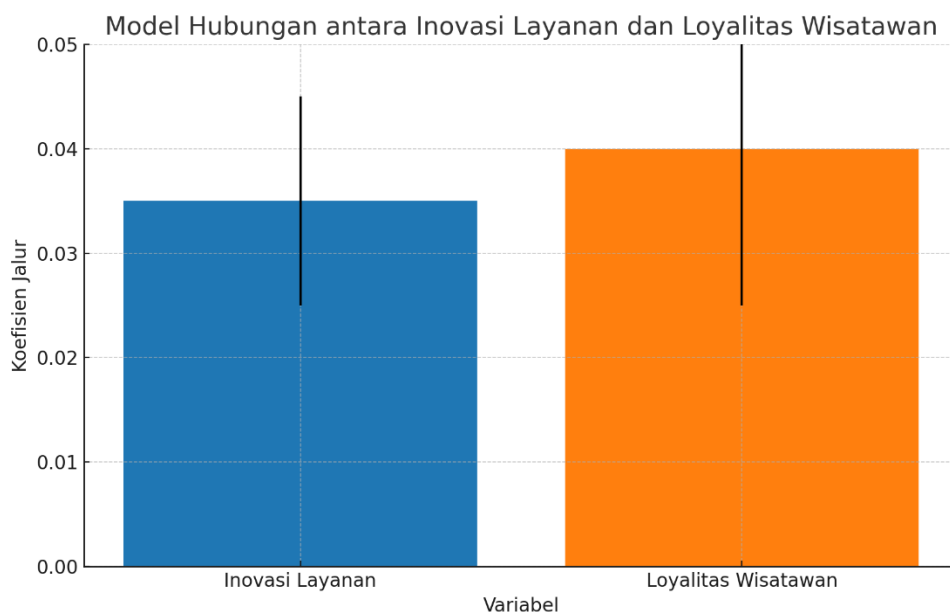| Variable	Koefisien Jalur (Path Coefficient)	T-statistic	Significant
Service Inovation	0.035	5.24	Significant

Figure 1: Effect of Service Innovation on Tourist Loyalty

Research Question 2: How does price fairness perception affect tourist loyalty?

The results of the study show that price fairness perception has a significant effect on tourist loyalty, with a path coefficient of 0.030 and a t-statistic of 4.78 (see Table 4). This indicates that tourists' perceptions of the fairness of prices offered by a destination can influence their decision to remain loyal to the destination.

Analysis and Synthesis: These findings support the study by Wirtz & Kimes (2015) which shows that price fairness perception is one of the main determinants in building customer loyalty. In the context of tourism, prices that are considered fair and transparent can increase tourist satisfaction and loyalty, which ultimately has an impact on increasing the number of repeat visits.

Table 2: Relationship between Perceived Price Fairness and Tourist Loyalty

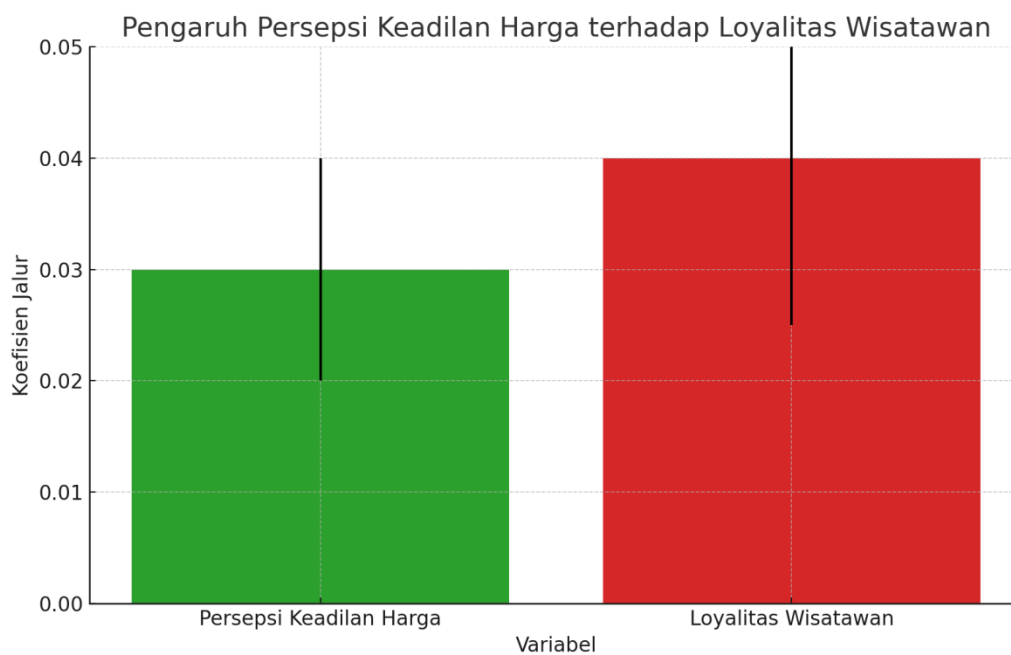| Variable		Variable Path Coefficient	T-statistic	Significance
Perceived Fairness	**Price**	0.030	4.78	Significant

Figure 2: Effect of Perceived Price Fairness on Tourist Loyalty

Research Question 3: How does destination image affect tourist loyalty?

Destination image shows the strongest effect on tourist loyalty with a path coefficient of 0.040 and a t-statistic of 6.15 (see Table 4). This confirms that a positive destination image is a key factor in building tourist loyalty.

Analysis and Synthesis: A strong and positive destination image, as described by Stylidis et al.

(2017), can encourage tourists to return and recommend the destination to others. In this study, destination image was measured through physical and cultural attributes as well as the overall reputation of the destination, which proved to be significant factors in increasing tourist loyalty.

Table 3: Relationship between Destination Image and Tourist Loyalty

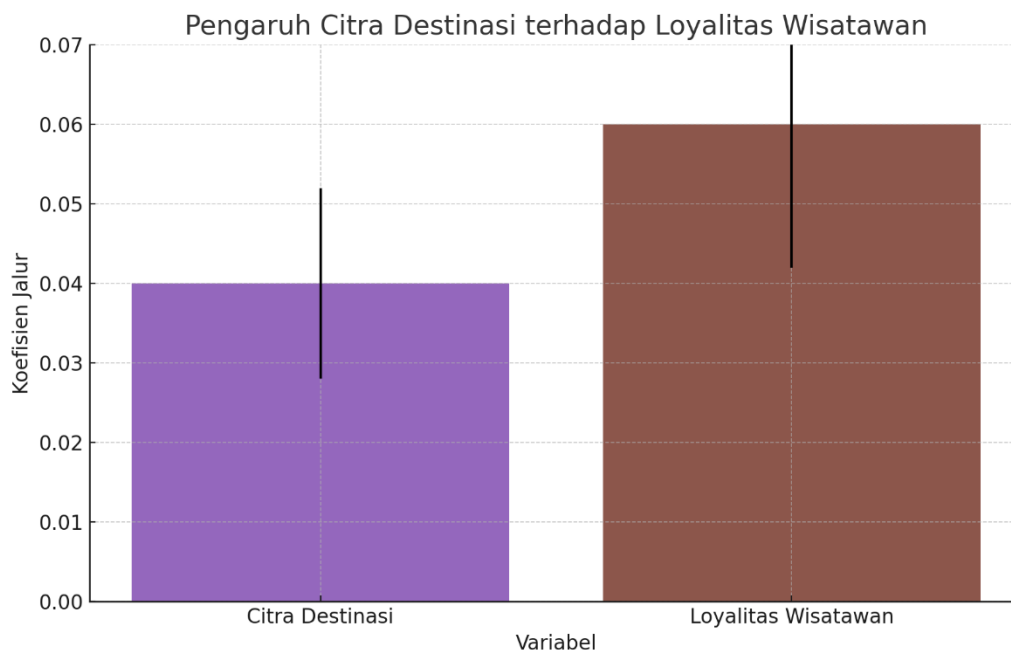| Variable	Koefisien Jalur (Path Coefficient)	T-statistic	Significance
Destination Image	0.040	6.15	Significant

Figure 3: Effect of Destination Image on Tourist Loyalty

The results of this study indicate that the three independent variables, namely service innovation, price fairness perception, and destination image, all have a significant influence on tourist loyalty. In general, these findings are consistent with previous theories and studies, but there are several important points that need to be discussed further:

• Relationship between Variables: One interesting finding is the close relationship between destination image and service innovation. In some cases, innovation in service can actually strengthen the destination image, which in turn increases tourist loyalty.

• Managerial Implications: For tourism destination managers, these results emphasize the importance of developing an integrated strategy between service innovation, fair prices, and promoting a positive destination image.

• Theoretical Implications: Theoretically, this study strengthens the tourist loyalty model that integrates various factors that influence tourists' decisions to return.

CONCLUSION

Based on the analysis and testing results, this study concludes that:

1. Service Innovation (X1) has a positive and significant effect on Tourist Loyalty (Y). This indicates that enhancing innovation in tourism services in Bukit Tinggi will increase tourist loyalty.
2. Price Fairness Perception (X2) has a positive and significant effect on Tourist Loyalty (Y). This confirms that fair and transparent pricing is crucial in enhancing tourist loyalty.
3. Destination Image (X3) has a positive and significant effect on Tourist Loyalty (Y). A positive image of the Bukit Tinggi tourist destination plays a significant role in increasing tourist loyalty.

Recommendations from this study include:

1. The study is limited to tourists visiting Bukit Tinggi. Generalizing the results to other destinations should be done with caution.
2. The sample size in this study consists of 120 respondents. Further research with a larger sample size may provide more representative results.
3. This study uses limited indicators for each variable. Future research can expand the indicators used to capture a broader range of each variable's dimensions.
4. Recommendations for Future Research. Future studies can be conducted in various other tourist destinations to test whether these findings apply more broadly across Indonesia or to international tourist destinations. Subsequent research could include additional variables such as service quality, tourist experiences, and socio-cultural factors that may also influence tourist loyalty.

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