



## The Role of Room Selling Price in Mediation of The Influence of Service Quality on Oyo Rooms Brand Equity in Sleman Area, Indonesia

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### Abstract

The Special Region of Yogyakarta is relatively safe and comfortable, and the friendliness of its people makes this city much in demand by tourists. The large number of tourists visiting Yogyakarta is one of the reasons that the hospitality industry in Yogyakarta is experiencing rapid development. An increasing number makes business people make online hotel reservations called Virtual Hotel Operators (VHO). One of the VHOs in Indonesia is OYO Rooms, an acronym for On Your Own. This study aims to determine the role of room price in mediating the effect of service quality on the brand equity of OYO Rooms in the Sleman Region, Yogyakarta. The number of samples used in this study was 70, using purposive accidental sampling. Data was collected using the methods of observation, interviews, questionnaires, and documentation, while the analysis technique uses path analysis. The results showed that (1) service quality had a positive effect on room selling prices, (2) service quality had a positive effect on brand equity, (3) selling price had a positive effect on brand equity, and (4) room selling prices significantly mediated service quality and brand equity. Further research can consider other factors than those tested in this study and more varied analyses.

### Keywords

room selling price; service quality; brand equity

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## 1. INTRODUCTION

The Special Region of Yogyakarta has various types of tourism classifications according to the visiting Jogja website. With the launch of the new slogan of the Special Region of Yogyakarta, namely "Jogja Istimewa", it is hoped that it can further increase the enthusiasm of all DIY tourism stakeholders to realize DIY tourism that is truly special (Yogyakarta, 2015). The determination of the slogan is quite effective in accelerating the development of DIY tourism from year to year which can be seen in the increase in the number of tourist visits during 2016-2020. In 2017, the number of tourist arrivals increased by 4.57 percent then decreased in 2018 by 6.15 percent, and increased again by 6.33 percent.

The large number of tourists visiting Yogyakarta is one of the factors. The hotel industry in Yogyakarta is experiencing rapid development. Along with the increase in the number of tourists in DIY, the number of hotels in Yogyakarta in 2018 amounted to 685 hotels, increasing to 773 hotels in 2019, then again in 2020 to 790 hotels. The data is presented (Yogyakarta, 2015). This makes business people launch online hotel reservations called Virtual Hotel Operators (VHO). VHO can simply be interpreted as a third party or product of a service company that offers virtual hotel management.

One of the VHOs in Indonesia is OYO Rooms, which was originally an acronym for On Your Own. India-based OYO was founded in 2013 by Ritesh Agarwal, a website that offers an inventory of branded hotel rooms across India with standard amenities, such as free wi-fi, flat-screen televisions, quality linens, and branded toiletries. The main market share targeted is the demand for accommodation, especially in the small, independent, and unbranded hotel segment (Kusumawati, 2021).

The city of Yogyakarta as the provincial capital has a large number of OYO Rooms' partners. Sleman Regency is one of the districts with 100 OYO Rooms' partners. The performance of OYO Rooms in Sleman Regency shows a pretty good performance, with an average achievement of 70 percent of the target set. Although the performance results of OYO Rooms in terms of occupancy rates are considered quite well, this is contrary to the results of reviews from several OYO Rooms users. Some reviews state that the facilities provided by several OYO Rooms partners are considered to be minimal.

This is a contradiction that the reviews are not good, but the occupancy data shows a figure of 70 percent which means that there are still many tourists who continue to use the services of OYO Rooms in the Sleman Region. The research entitled "Analysis of the Perception of Price, Promotion and Service Quality on Purchase Decisions for OYO Lodging Services in the City of Yogyakarta" (Windyaningrum, 2019) shows that partially, price perceptions

affect the decision to purchase OYO lodging in Yogyakarta City. However, the quality of service does not affect the decision to purchase OYO lodging in the city of Yogyakarta.

On the other hand, the research entitled "Effect Of Dimensions Of Service Quality On The Brand Equity In The Fast Food Industry" which has been carried out by Esmailpour et al., (2016) cites Parasuraman et al. (1991) explained that all dimensions of service quality in the SERVQUAL model (real factors of service, reliability, responsiveness, assurance, and empathy) have a positive and significant effect on brand equity. The results of the study indicate that among the five dimensions of service quality, the service factor has the greatest impact on brand equity in the fast food industry.

Based on previous research that has been described above, that price perception affects purchasing decisions, and service quality does not have a positive effect on purchasing decisions. But on the other hand, service quality positively affects the brand equity of an industry. Therefore, it is deemed necessary to conduct a research entitled "Role of Room Selling Price in Mediating Service Quality on Brand Equity of OYO Rooms in Sleman, Yogyakarta" as an alternative effort to improve service quality.

## **2. RESEARCH METHOD**

Path analysis is used to discuss the relationship between variables consisting of service quality, room selling price, and OYO Rooms brand equity in the Sleman Region, Yogyakarta. (Fadli, 2017) said that the path analysis model was used to analyze the pattern of relationships between variables to determine the direct or indirect effect of an independent variable on the dependent variable. The research concepts and hypotheses developed in this study are as follows:

H1: The effect of service quality on brand equity.

H2: The effect of service quality on the selling price of the room.

H3: Effect of the room selling price on brand equity.

H4: The relationship between service quality and brand equity through the selling price of the room.

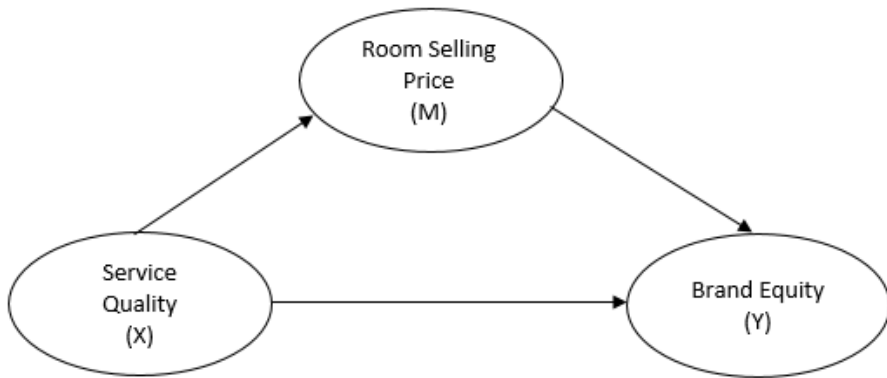


Figure 1. Research Concept  
(Source: Data processed)

This is quantitative research with data collection through participatory observation, interviews, questionnaires, and documentation studies. The data was collected by a questionnaire distributed to guests who've stayed at OYO Rooms in Sleman Regency, Yogyakarta. The questionnaire is graded on a 1-5 score rating based off of the Likert Scale. An in-depth interview with the Key Account Manager was also done with the goal of open discussion. Additional data is also provided by personal documentation and observation in several OYO Rooms such as: OYO 3986 Just 11 Boutique Residence, OYO 1855 Elise Exclusive Residence, OYO 3985 Adenium Homestay, OYO 2268 Tim-tim Homestay, and OYO 3496 Griya Gayatri Syariah.

The population in this study are guests who have stayed at OYO Rooms for the period of November 2021 – June 2022 in the Sleman Regency area. Considering the number of OYO Rooms partners in the Sleman area and the unknown number of tourists, the sampling technique used is to use the number of variables. The sample size was obtained by calculating the number of indicators (manifest) from the latent variable as many as 14 indicators multiplied by a constant 5 so that the results obtained were 70 respondents as the research sample. The 70 respondents were selected according to several characteristics and have been tested their reliability and validity using SPSS version 23. The questions in the interview are based on the Operational Definition of Variables as follows:

Table 1. Variable Operational Definition

No	Variable	Source	Indicators
1	Service Quality (X)	Zeithaml A. Valerie, Bitner, Mary Jo (2018)	Reliability Responsiveness Assurance Empathy Tangible
2	Room Selling Price (M)	Annishia & Prastiyo (2019)	Price is a statement of the value of a product Price is an aspect that is obvious to buyers Price is the main determinant of demand Price is flexible
3	Brand Equity (Y)	Name & Aaker (1991)	Brand Awareness Brand Association Perceived Quality Brand Loyalty Assets

Source: Data processed.

### 3. RESULT AND DISCUSSION

#### 3.1 Data Descriptions

Based on the data collected, 70 people participated as respondents in this study, the characteristics of the respondents are as follows:

Table 2. Characteristics of Respondents

Characteristics	Number of Respondents (Percentage)
19 - 24 Years	34,28%
25 - 29 Years	41,43%
Male	48,57%
Women	51,43%
Student	35,71%
Employee	64,29%

Source: Data processed.

Table 2 above describes the characteristics of respondents who have stayed at OYO Rooms, Sleman Regency, are tourists with an age range of 25 – 29 years, and as many as 29 people (41.43%). Respondents who stay at OYO Rooms in Sleman Regency are dominated by women with a percentage of 51.43% and the type of work of employees (64.29%).

This study uses path analysis techniques in testing the data. The calculation of the path analysis coefficient is done by regression analysis using the SPSS 24.0 application. Based on the results of the analysis of the influence of Service Quality on Brand Equity, a significance value of 0.000 was obtained with a positive beta coefficient of 0.277. The significance value  $0.000 < 0.05$  indicates that Ha2 is accepted. These results mean that service quality has a positive and significant effect on the brand equity of OYO Rooms in the Regency, Sleman.

The results of the analysis show the effect of Service Quality on Room Selling Prices, a significance value of 0.000 is obtained with a positive beta coefficient of 0.640. The significance value  $0.000 < 0.05$  indicates that Ha1 is accepted. This result means that service quality has a positive and significant effect on the selling price of OYO Rooms in Sleman Regency.

Based on the results of the analysis of the influence of Room Selling Price on Brand Equity, a significance value of 0.000 was obtained with a positive beta coefficient of 0.581. The significance value  $0.000 < 0.05$  indicates that Ha3 is accepted. This result means that the selling price of the room has a positive and significant effect on the equity of the OYO Rooms brand in the Regency, Sleman.

The results of testing the data obtained the results of the path coefficient analysis partially showing that the effect of Service Quality on Room Selling Prices obtained a value of 0.640. The influence of Service Quality on Brand Equity obtained a value of 0.277. The effect of Room Selling Price on Brand Equity obtained a value of 0.581.

This proves that the selling price of the room is more influenced by the quality of service. While the indirect effect of Service Quality on Brand Equity through the Room Selling Price variable is 0.372 and the total influence of Service Quality on Brand Equity is 0.649. Based on the test results of data analysis, all variables directly have a positive and significant effect, then the mediator of the selling price of the room has a partially mediating role between service quality and brand equity. The path analysis diagram is described as follows:

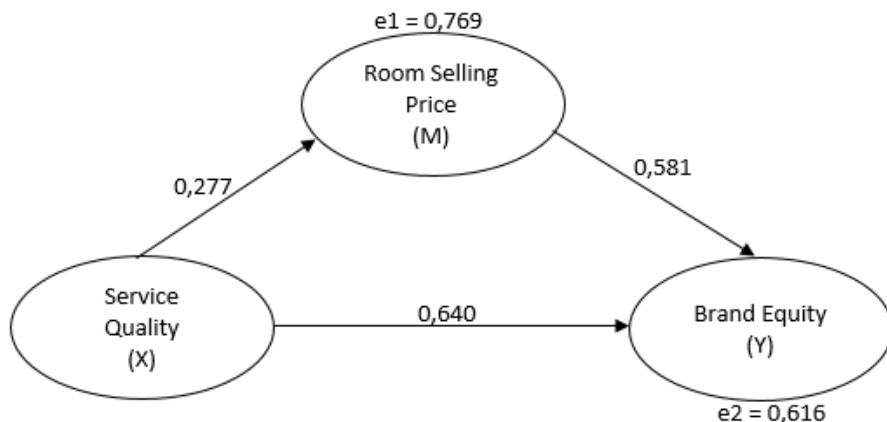


Figure 2. Path Analysis Diagram  
(Source: Data processed)

The role of the mediator can also be seen from the significance of the indirect effect. To see the magnitude of the indirect effect and test its significance, it can be done with the Sobel test. The Sobel test is carried out using the Sobel calculator which will be explained as follows:

Input:		Test statistic:	Std. Error:	p-value:
a	0.085	Sobel test: 4.54811119	0.0296035	0.00000541
b	1.584	Aroian test: 4.52170504	0.02977638	0.00000613
s <sub>a</sub>	0.012	Goodman test: 4.57498542	0.0294296	0.00000476
s <sub>b</sub>	0.267	Reset all	Calculate	

Figure 3. Sobel Test Calculator  
(Source: Data processed)

Based on Figure 3 above, the Sobel test results conclude that the relationship between Service Quality has a positive and significant effect on Brand Equity through Room Selling Prices because the Sobel test statistic value is 4.548 or greater than t table = 1.996 and also p-value is 0.000 or smaller than 0.05.

### 3.2 Discussion

Based on research using the T-test which produces a number of 0.277, it indicates that partially service quality has a positive and significant effect on OYO Rooms’ brand equity in the Regency, Sleman. According to the interview with the Key Account Manager, the occupancy can reach more than 70%. This proves that the more in demand by consumers, the brand equity of OYO

Rooms will increase. Research conducted by (Jahanzeb et al., 2013) states that service quality has a strong influence on the credibility of the company and can influence customer perceptions of the value of a brand (brand equity). Therefore, it is recommended for restaurant managers and employees to provide services easily and quickly so that the brand appears in the minds of customers. Although the results obtained are smaller than other variables, it can be concluded that service quality positively affects the brand equity of OYO Rooms in the Sleman Region, Yogyakarta.

Based on the results of the partial study, the effect of service quality on the selling price of OYO Rooms in the Sleman Region, Yogyakarta produces a result of 0.640. These results indicate that service quality has a positive and significant effect on the selling price of OYO Rooms in Sleman Regency. In line with research conducted by (Adhitya, 2015) which states that low rates accompanied by quality service, will create customer loyalty in using these services. Based on the results of observations made by researchers in 2022, the selling price of rooms offered by OYO Rooms in the Sleman Region, Yogyakarta starts from Rp. 80,000 – Rp. 300,000 with very minimal facilities and service quality and occupancy reaches 70%. This can be an evaluation material so that OYO Rooms can improve the quality of service so that the selling price of the rooms can be adjusted and have an impact on increasing occupancy from 70% to 100% and will increase the equity of the OYO Rooms brand itself.

Based on the results of the study of 0.581 that partially the room selling price variable has a positive and significant effect on the brand equity of OYO Rooms. Similar to the research conducted by (Setyaningsih, 2008), n.d.) The results show that the price variable is the second variable that affects brand equity after the product quality variable. It is stated that the price variable can be used as a benchmark. Based on the results of interviews and observations, the prices offered by OYO Rooms in the Sleman Yogyakarta area start from Rp. 80,000 is a very affordable price. With the location of the Sleman area which is close to several universities and hangout places or typical Jogja restaurants, OYO Rooms are in great demand because they can choose from singles to suites. Consumers are also free to choose rooms that suit their budgets, mostly backpackers or students.

Based on the results of the study, the selling price of the room mediating the relationship between service quality and brand equity in the Sobel test was 4.548 or greater than  $t_{table} = 1.996$  and also the p-value was 0.000 or less than 0.05. This indicates that the mediator variable is assessed to significantly mediate the relationship between the dependent variable and the independent variable. Similar to research conducted by (Syukri, 2018) which states that simultaneously, the influence of price, product quality, and brand equity



variables is positive, meaning that the better the price, product quality, and brand equity, the higher the consumer satisfaction.

Based on the research conducted, consumers know that the facilities and service quality offered by OYO Rooms are minimal, but this is following the room prices which are relatively cheap (starting from Rp. 80,000). The cheaper the room price offered, the more impact it has on consumers to stay at OYO Rooms. The higher the purchase due to the affordable price, the higher the brand equity or the value of a brand for OYO Rooms in Sleman Regency, Yogyakarta. Based on the results found, the selling price of the room acts as a mediating relationship between service quality and brand equity. So it can be concluded that the quality of service has a positive and significant effect on Brand Equity through Room Selling Prices. This study is limited by its variables: service quality, room selling price, and brand equity. As this study concerns only OYO Rooms in Sleman Regency, Yogyakarta, there could be other factors and variables in other hotels in Sleman Regency and other OYO Rooms facilities in places other than Sleman Regency.

#### 4. CONCLUSION

Based on the results of the study, it can be concluded that the role of the room selling price as a mediator in the influence of service quality on OYO Rooms brand equity in the Sleman Region, Yogyakarta is as follows: service quality has a positive and significant effect on the brand equity of OYO Rooms in the Regency, Sleman. Based on the results of the t-test analysis test which produces a number of 0.277, it indicates that partially, service quality has a positive and significant effect on brand equity. It has a positive and significant effect on the selling price of OYO Rooms in the Sleman Region, Yogyakarta. These results can be proven by the results of the t-test analysis test of 0.640. This means that the prices offered by OYO Rooms in the Sleman Region, Yogyakarta is following the quality of services offered.

Room selling price has a positive and significant effect on OYO Rooms brand equity partially with the results of the t-test analysis of 0.581. OYO Rooms are in great demand because they can choose from room types ranging from singles to suites. Based on the research conducted, it can be concluded that the higher the selling price of the room, the higher the brand equity. It mediates the relationship between service quality and brand equity in the Sobel test of 4.548 or greater than  $t_{table} = 1.996$  and also p-value of 0.000 or less than 0.05 which means that the mediator variable is assessed significantly mediate the relationship between the dependent variable and the independent variable.

In this study, room selling prices partially mediate the relationship between service quality and OYO Rooms brand equity. This means that the selling price of the room does not fully influence a mediation between service quality and brand equity because the direct influence between variables is said to be positive and significant. Based on the research above, consumers know that the facilities and service quality offered by OYO Rooms are minimal, but this is following the room prices which are relatively cheap (starting from Rp. 80,000). The cheaper the room price offered, the more impact it has on consumers to stay at OYO Rooms. The higher the purchase due to the affordable price, the higher the brand equity or the value of a brand for OYO Rooms in Sleman Regency, Yogyakarta. Based on the results found, the selling price of the room acts as a mediating relationship between service quality and brand equity. So it can be concluded that the quality of service has a positive and significant effect on Brand Equity through Room Selling Prices.

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