

## The Role of Green Equity to Support Customer Equity in Hotel Industry

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### ABSTRACT

Green marketing is a current phenomenon, with many academics and environmental supporters relates it with financial benefits. In a highly competitive market, businesses must design new strategies that will create competitive advantages for winning customers. With increasing market awareness for environmental issues, government forces companies to practice environmentally friendly operations while market also appreciates companies with environment initiatives with better image. However, past research found unclear financial gains in green marketing practices. Hotel guests tend to see green marketing program as an integral part of overall hotels' strategy and do not see it independently as a main reason for their making decision to stay in the hotel. Green marketing program or "green equity" provides more contribution on hotel's image and reputation which is important hotel's intangible asset. This study examines the overall hotel's marketing programs called as customer equity and its impact on hotel guests' loyalty. Green equity is added with other strategic marketing programs which consist of value equity, brand equity and relationship equity. This study analyzes the structural model using Structural Equation Modeling with Partial Least Square. By analyzing 226 valid questionnaires distributed among hotel guests in five big cities in Indonesia (Jakarta, Yogyakarta, Bandung, Denpasar, and Surabaya), it is concluded that value, brand, relationship and green equity are sub dimensions of marketing programs. In addition, there are significant impacts of customer equity to hotel guests' loyalty. Regardless of financial gain, green equity remains important strategy for current hospitality and hotel industry. Green equity may influence customer loyalty through better image perceived by hotel's guests.

Keywords: Customer equity, marketing programs, green equity, and guest's loyalty.

### 1. INTRODUCTION

Service industries have currently grown very fast and have contributed more significantly to the global economy. The World Development Indicators, United Nations Conference on Trade and Development (UNCTAD) reported that services sector contributed to almost 71% global GDP in 2010. Despite its positive contributions to the global economy, similar to manufacturing industries, service sectors have contributed to significant damage to the natural environment. As the time runs, the future market seems to demands and appreciates more on products and services that are produced with environmentally friendly manners. Future competition is no longer about quality products and services but also how market perceived that the companies care to the environment and take important decisions on keeping the world green.

The current customers' service market is more educated, technology connected and active social media participants. The issue of going green is always a very attractive issue in all business sectors. According to Ginsberg and Bloom (2004), sporadic sentiment in green consumers will be growing, following the growing number of baby boomers who are concerning to living longer and healthier lives. This eventually leads them to place a high priority on an environmentally friendly products and services. The research conducted in America revealed that 8 out of 10 American consumers concern to the environment. Further, it is represented in the U.S that the consumers are receptive to green products, proven by Roper survey which noticed that account for 58% consumers try to save electricity at home, 46% recycle newspaper, 45% return bottles and cans, and 46% buy product made from or packaged in recycles materials. This fact provides challenges and opportunities to the business, especially in service such as hospitality industries, to perform greener in order to sustain the environment and eventually sustain their business.

Tourism and hospitality industry is one of the fastest growing sectors in the service industry. The proliferation of hotel industries, increasing pollutions and the trend on green service by the market create challenges and opportunities for hotel managers to adopt not only common hotel strategies but also green marketing initiatives. Tourism and hospitality industry cannot be separated from environmental issues since they are closely related to the nature (Djuminah, et al., 2017). Although green marketing practices have been identified several years ago as competitive strategy, the implementation is still unable to meet managers' expectation for financial return (Peattie and Crane, 2005). The impact of practicing green marketing programs on companies' profit according to Haanes, et al, (2011) is still imprecise. Green marketing strategy has been seen to have more effect on intangible asset such as company's image, reputation and employee happiness (Haanes, et al. 2011; Rosenbaum and Wong 2015). Many hotel managers also apply green operations due to pressures from the government to fulfill environment regulations. Due to unclear financial return, many managers do not seriously place green strategy as part of important hotel's strategic initiatives.

From reviews on green marketing literature, Rosenbaum and Wong (2015) reveal that there has been confusion on the effect of green marketing initiatives on companies' profitability. Groove, (1996) suggests that in order to fully verify whether green initiatives really pay off, the practice should show a positive relationship between the improvement of environmental and financial gain. Some hospitality consumers do appreciate green practices by willingness to pay higher but many hotel guests don't. Hotel guests do not pay a premium price only because of mere hotel's green initiatives. They pay premium because of overall success from marketing programs. The specific green marketing programs (green equity) on monetary advantage is still unclear. Even though many services managers still regarded that applying green marketing initiatives would incur more cost, Davis (1991) however has different view. Davis (1991) believes that there is possibility that going green may give financial benefits in term of cost control, increase profitability, and consumer evoking interest. Green marketing according to Peattie (2001) is described as marketing activities which focus on offering environmentally friendly products and production systems and promote products and services that are having minimum damage to the environment. The American Marketing Association (AMA) sees green marketing from three different perspectives covering 1) retail perspective, 2)

marketing perspective and 3) environmental perspective (Rosenbaum and Wong, 2015).

The results of green marketing practices (green equity) in the hotel industry is still varies whether more beneficial or costly. Several previous studies contend that implementing green equity decrease operational expenses, while some others allege that implementing green equity never serves financial benefit. The hospitality including hotel industry is unique that as a service sectors emotional aspect plays significant role. Hotel managers should not only factors that directly relates to financial performance. Customer loyalty in the hotel industry can be built by many marketing programs which effect emotionally such as by building image, reputation, brand, and closer relationships. Green initiative as marketing programs in the service sector may also touch the emotional aspects of the customers since modern industries have performed many damages to the environment. Companies with green practices should be seen as having better image and value which may lead to loyalty. The advantages of applying green marketing is derived from an increase in intangibles, such as reputation and brand image. Marketing can develop emotional bond and strong loyalty from environmental initiatives. Even though green equity is not particularly a strong variable for hotel guest decision to choose a hotel, but green equity together with other hotel's marketing programs may lead to better hotel guest's loyalty. Rosenbaum and Wong (2015) argue that research on green equity in the hotel industry should not be explored in isolation from other marketing programs. They further posit that hotel guests view hotel's marketing programs as a whole (e.g. price, location, hotel design, relationship program and hotel reputation). All the marketing programs together will determine the decision to stay and further to be loyal.

Considering the higher demand on green marketing practices in the hotel industry, this study will analyze the contribution of green marketing (green equity) as part of hotel's marketing programs (customer equity). The research problem is "How customer equity which derived from green equity, value equity, brand equity, and relationship equity influence hotel guest's loyalty". The objective of this research is thus to analyze the practice of green equity to fit with other customer equities (value, brand and relationship) in influencing Hotel guest's loyalty. Contributions of this study are as follow: 1) This research helps the hotels to understand the inclusion of green initiatives program along with other hotel's marketing programs (value, brand and relationship equities) to increase guest's loyalty. 2) This study is pivotal in today's world because both business and environment need to be sustained. Moreover, the study regarding green equity in service industry is still limited. This study will enrich the literature in the study of green marketing strategy. 3) Service organization similarly has a humanitarian obligation to implement green marketing programs to support sustainable environment. This initiative should be well appreciated by the society.

## **2. LITERATURE REVIEW**

### **Customer Loyalty**

Tabaku and Zerellari (2015) divide two approaches on customer loyalty. They are behavioral and attitudinal approaches. Behavioral approach refers to the commitment of customers in consistency and continuity of buying products or services from the same provider. The second approach is attitudinal loyalty. This approach ensued from a psychological and connection with the products or services, including a preference and constituent such as commitment and positive attitude.

Ludin and Cheng (2004) state that customer loyalty can be described as the continuous relationship between the customers and the brand. It can be assessed through the customer's reluctance to switch brands even in any situations or problems experienced during the business process. We can identify customer loyalty through customer loyalty behavior such as an increase number of purchasing, an increase number of customers as well as the sensitivity response towards price elasticity, in this case is when the price is lower (Mascarenhas, et.al., 2006).

### **Green Equity**

AMA (American Marketing Association) defines green marketing by dividing it into three different perspectives namely a retail perspective, a social marketing perspective, and an environmental perspective (Rosenbaum and Wong, 2015). In a retail perspective, AMA views green marketing as the marketing of environmentally friendly product. Second, from a social marketing perspective, AMA views green marketing as the development and marketing of products that diminish the environment detrimental. Align with this definition is the work of Polonsky (1994), he conceptualizes green marketing as all activities devised to generate and facilitate marketplace exchanges with minimizing destructive impact on the natural environment. Finally, AMA views green marketing in an environmental perspective as an organizational action to produce, promote, package and reclaim product in an ecologically sensitive respond. It is supported by Peattie (2001), stating that green marketing is a marketing activities that endeavoring environment by minimizing negative social and environmental impacts of existing products and production system. He also views it as an action to advocate less detrimental products and services. Other researchers, Pride and Ferrel (1993) describe green marketing as the term that refers to the activity of designing, promoting, pricing, and distributing product that concerns on environment. In aligning themselves with green initiative, organization typically adopts the entire or several of 5Rs activities. Which are reduce, reuse, recycle, renew and remind (Sloan, *et al.* 2009 in Rosenbaum and Wong 2015).

Even though many firms often unsuccessful in identifying the financial gain when implementing green equity (Ginsberg and Bloom, 2004), it is possible that the growing number of service organizations will realize that going green may promise a bottom-line payoff in term of cost control, increase profitability, and consumer interest (Davis, 1991). Vogel et al. (2008) argue that marketing program is one of several actions contributing value to the value proposition, in its creation and continuation.

### **Customer Equity**

In successfully implementing marketing programs within a company, researcher contends that it is important for the managers to design and implement actions that drive profitability by carefully employs the customer equities elements. Customer equity is described as a single financial measure represents the total discounted customer's value lifetime of a firm Rust et al. (2000, 2004). However, according to Vogel et al. (2008) only few firms can successfully measure customer equity by acquiring accurate customer lifetime value measures. According to Vogel et al. (2008) study, customer equity "remain a pipe dream for most companies". Responding to the previous findings, Rosenbaum and Wong (2015) believe that in any case, this restriction does not devalue the impact of customer equity measured by value, brand and relationship equities as the integral concept for promoting relevant

managerial result. The results for instance are loyalty, sales, and profitability. Zeithaml et al. (2013) suggest that the principle of customer equity is in providing value as stated “the customer and more importantly, strategies that grow the value of the customer, at the heart of the organization”. Supporting previous statement, Lemon et al. (2001) state that marketing executives should understand among the three customer equity drivers, namely value, brand, and relationship, which one is the most pivotal to the firm’s customer and will be most effective in nurturing customer loyalty. Further, Vogel et al. (2008) investigate the direct effect of three customers equity drivers; value equity, brand equity, relationship equity, on customer’s loyalty intention and future customer’s planned spending. It suggests that those three customer equity drivers directly influence their loyalty. Nevertheless, most of them engage in the firm’s marketing program

Rust et al. (2004); Lemon et al., (2001) and Rust et al., (2000) developed the model of customer equity to help managers designing and implementing marketing actions that boost profitability. The marketing actions focus on executing marketing programs and such activities that construct an organization’s value proposition, brand image and relationship, inflate customer relationship programs, including loyalty and affinity marketing program.

### **Value Equity**

Value equity is the apparent proportion of what a customer gets in the middle of a marketplace trade to what he or she immolates (e.g. Rust et al., 2000). In the hotel context, there are three sub-dimensions or marketing initiatives drive the value equity. They are servicescape, average room rates and perceived benefits (Rust, 2004).

### **Brand Equity**

Brand equity is defined as the subjective examination of a customer's brand choice and alludes to brand meaning, image and mindfulness, and corporate reputation (Rust et al., 2000, 2004; Vogel et al., 2008). Company’s brand is a very important resource since it can be used as a sustainable competitive advantage (Wijaya, 2015). In the hotel context, all marketing initiatives influence the hotel’s brand equity. Those kinds of activities for instance are a hotel’s rating, testimony in social media, corporate communications, website, and other printed advertisements.

### **Relationship Equity**

Relationship equity constitutes of the collective elements connecting a customer with a brand (Rust et al., 2000; Vogel et al., 2008). In the hotel context, all programs designed for customer and firm relationship all affect relationship equity. Those kind of activities for instance are a hotel’s loyalty and affinity programs, online communities and not-for-profit or charitable commitments.

From above mentioned theories, this study proposes the following hypotheses:

H1: Customer equity is a construct which are built from green equity, value equity, brand equity and relationship equity.

H1a: Green equity is the driver of customer equity.

H1b: Brand equity is the driver of customer equity.

H1c: Value equity is the driver of customer equity.

H1d: Relationship is the driver of customer equity.

H2: Customer equity has a significant influence on Hotel guest's loyalty.

### 3. RESEARCH METHODOLOGY

#### Research Location

This research is conducted in five big cities in Java. They are Jakarta, Yogyakarta, Bandung, Surabaya and Denpasar city. The data can be gathered from all people in Indonesia so long as they concern to the environment and they have previously stayed in a hotel organization in one of five big cities in Indonesia. Jakarta is the capital city of Indonesia where the centre of economics and politics in Indonesia are located hence the researchers consider that Jakarta can be one of the cities being observed. Other cities used in this study are Bandung, Yogyakarta and Denpasar in which these cities are well known for tourism destination in Indonesia. Finally, Surabaya is one of the significant financial hubs of Indonesia, possibly second only to Jakarta. Those five big cities are therefore amongst the most visited cities in Indonesia that worth to be chosen in this study since the hotels' guests must be in a high number.

#### Populations and Sample Research

A population is a scope or magnitude characteristic of the whole object under study. The sample is the number of certain characteristics of the part of the population that has the same characteristics of the population. This study utilizes structural equation modelling. As previously discussed, this study focuses on the hotel's guests. *Purposive Sampling* is chosen as the method for sampling method in this study. *Purposive sampling* is used due to the researchers require specific purposes in respondents' characteristics. The populations in this study are the individuals who have been staying in the hotel located in the five target cities. In addition, as this research employs *Purposive Sampling*, the respondents required in this study should be the individuals who concern with the environment and have experienced staying at one of the hotel in five big cities in Indonesia namely Jakarta, Bandung, Yogyakarta, Denpasar, and Surabaya. According to Kline (1994), a figure of least 200 should be displayed as the base figure, albeit 100 might be adequate in cases of factor structure (Kline, 1994). Another source recommends that 300 cases give more prominent conviction unless there are a few high-loading marker variables ( $> 0.80$ ) (Tabachnick and Fidell, 2001). It is arranged that at least, 200 respondents could be appealed.

#### Types Data Collection Techniques

The data that used in this study are primary data. Primary data is data obtained directly from the object of research by using a measurement or data retrieval tool directly on the subject as the source of the information sought. In this study, the data was obtained using a questionnaire distributed to 250 respondents. This technique is a form of data collection instruments that very flexible and relatively easy to use. This study is a quantitative study where the questionnaire will be distributed through two processes which are a pilot test for assuring the validity and reliability and thus finally is the final test. The types of questions that will be used in this research are closed questions. This aims to gather personal opinions from respondents. By conducting the survey, it is expected that researchers will be able to gather as many and reliable as respondents that the researchers can get by answering the same structured questions.

Questionnaires were distributed either directly (print out) or online (Google forms) to the respondents. Therefore, based on the collected data from the survey, the empirical analysis can eventually be undertaken, variables can be measured, and the proposed hypotheses can be tested.

### **Validity and Reliability Research Instruments**

Validity test is used to indicate to the extent “is our indicators of our research measure variables in our research”. Validity refers to indication where a measure can measure what we want to measure (Zikmund et al, 2006). A valid indicator is the one who has a value corrected item of a total correlation  $\geq 0.30$ . The reliability of the instrument was ensured through acceptable values of Cronbach’s alpha.

Therefore, before finally distributing questionnaires to the sample of this study, the questionnaires used as a data collection tool will be tested for its validity and reliability. To that end, as previously mentioned, this study will conduct pilot test before final questionnaire distribution. The pilot test gathered 35 responses to test the validity and reliability with respect to the limitation described above.

## **4. DATA ANALYSIS**

The survey data was entered in SPSS for analysis for descriptive analysis. SEM analysis using Partial Least Squares (PLS) methodology is used to analyze the structural model. When measuring loyalty and many variables in social studies where perceptions are used, PLS is considered to be an appropriate statistical method for this study. Majority of perceptions data were frequently negatively skewed (Anderson and Fornell, 2000; Fornell et al., 1996), in which PLS can accommodate this nature of data by ability to examine non-normally distributed data (Chin, 1998).

### **Measurement Model**

PLS is conducted in two stages: 1) to check the validity and reliability, PLS provides the measurement model analysis, and 2) the structural model concerns more on testing the path coefficients, model adequacy, and selecting the best final model (Hulland, 1999). The reason for the two-step approaches to be followed is because it is necessary to ensure that the measures have good psychometric properties. After the psychometric properties have been checked then conclusions can be drawn regarding the nature of the structural relationships.

As part of measurement model, a reliability test was done using internal composite reliability (ICR). ICR is used as a measure for convergent validity. ICR seeks to ensure that the indicators that measure the respective construct are highly correlated. The reliability (internal consistency) of the reflective construct measured by ICR should produce a value of 0.7 or higher (Chin, 1998; Fornell and Larcker, 1981). Having all ICR scores higher than 0.7 and ranging between 0.8394 (relationship equity) and 0.9477 (customer loyalty), overall the composite reliabilities estimated using ICR were satisfactory. AVE measures the average variance that is shared between a set of items and their respective construct (Hulland 1999). AVE is used to assess how well a latent construct explains the variance of a set of items that are supposed to measure that latent construct. Table 1 shows that all constructs have AVEs above 0.5.

Table 1. PLS results for ICR, AVE, Cronbach Alpha

Variables	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality
Brand Equity	0.7952	0.9395	0.7046	0.9139	0.7952
Green Equity	0.5647	0.9206	0.7229	0.9025	0.5647
Customer Loyalty	0.785	0.9477	0.6171	0.9294	0.785
Relationship Equity	0.6356	0.8394	0.4888	0.715	0.6356
Value Equity	0.5883	0.9087	0.7625	0.8822	0.5883

In order to ensure the discriminant validity, two analyses were performed: 1) correlation between item loadings and construct and 2) square root of the AVE. PLS facilitates the first analysis by producing the cross loading table (see Table 2.) to examine whether there are evidences of cross-loadings between the indicators and their constructs. Table 2 shows that all items explaining the related constructs always correlate higher than their correlation to other constructs. The second was examined by comparing the square root of AVE and the correlation among construct (Table 3.). The rule-of-thumb states that the square root of the AVE of each construct should be larger than the correlations of the specific construct with any other constructs (Chin, 1998). The results indicated that all the square roots of the AVE values were greater than the inter-construct correlations.

Table 2. Cross Loadings

	Value Equity	Brand Equity	Relationship Equity	Green Equity	Loyalty
A1	<b>0.7901</b>	0.5336	0.3306	0.4479	0.5547
A2	<b>0.8172</b>	0.558	0.3703	0.4255	0.5949
A3	<b>0.7982</b>	0.6772	0.4265	0.446	0.6278
A4	<b>0.7356</b>	0.5904	0.3728	0.411	0.6279
A5	<b>0.7446</b>	0.474	0.4039	0.4708	0.549
A6	<b>0.8072</b>	0.5791	0.4354	0.4599	0.5792
A7	<b>0.6643</b>	0.5174	0.327	0.3972	0.4855
B1	0.6343	<b>0.8925</b>	0.4764	0.465	0.6125
B2	0.7072	<b>0.9265</b>	0.4724	0.4723	0.6407
B3	0.6242	<b>0.8746</b>	0.4683	0.5089	0.583
B4	0.6509	<b>0.8724</b>	0.4234	0.4807	0.5708
C1	0.5056	0.518	<b>0.7642</b>	0.419	0.3794



Table 2. cont'd

	Value Equity	Brand Equity	Relationship Equity	Green Equity	Loyalty
C2	0.2637	0.3005	<b>0.811</b>	0.4262	0.3422
C3	0.3896	0.3869	<b>0.8155</b>	0.5055	0.4319
D1	0.4341	0.4511	0.4597	<b>0.7663</b>	0.5174
D2	0.5098	0.4279	0.4618	<b>0.8477</b>	0.5479
D3	0.503	0.4629	0.5472	<b>0.799</b>	0.5471
D4	0.3617	0.3704	0.4984	<b>0.7274</b>	0.4017
D5	0.4347	0.4425	0.4956	<b>0.7881</b>	0.483
D6	0.338	0.3511	0.3917	<b>0.7609</b>	0.391
D7	0.3173	0.2811	0.3055	<b>0.6175</b>	0.2822
D8	0.3818	0.3444	0.306	<b>0.7393</b>	0.4017
D9	0.5273	0.4797	0.3258	<b>0.6934</b>	0.5542
E1	0.6509	0.613	0.3787	0.5084	<b>0.8941</b>
E2	0.6841	0.5866	0.3887	0.5476	<b>0.9319</b>
E3	0.6925	0.6108	0.4189	0.5425	<b>0.9425</b>
E4	0.71	0.6172	0.4334	0.5811	<b>0.9046</b>
E5	0.5736	0.5557	0.5339	0.5589	<b>0.7417</b>

Table 3. Average Square Root

Variables	Brand Equity	Green Equity	Loyalty	Relationship Equity	Value Equity
Brand Equity	<b>0.8917</b>	0	0	0	0
Green Equity	0.5401	<b>0.7515</b>	0	0	0
Loyalty	0.6752	0.6199	<b>0.886</b>	0	0
Relationship Equity	0.5161	0.5672	0.4866	<b>0.7972</b>	0
Value Equity	0.7341	0.5701	0.7503	0.4983	<b>0.767</b>

### Structural Model

After psychometric properties have been tested and performed satisfactory results, then the structural model can be further analyzed. Three analyses were assessed when testing structural model using PLS. The structural model (inner model) in PLS was assessed by examining the path coefficients, t-statistics, and r-squared value (Chin 1998). R-squared is used to indicate the strength of the predictive model. Figure 3 represents the results of the hypotheses (H1(a, b, c, d) and H2) and the corresponding beta coefficients.

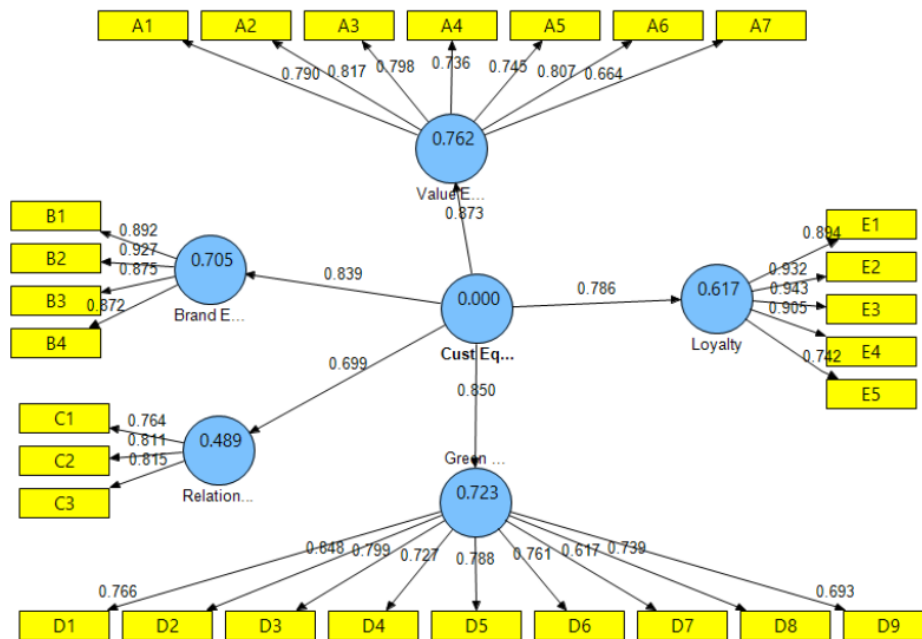


Figure 1. PLS green equity-customer equity model

The use of R-squared ( $R^2$ ) is to determine the predictive ability of the model. The bigger the  $R^2$ , the more predictive power the model implies. The proposed model shows 62% of the variance in customer loyalty was explained by customer equity. Relationship between customer equity and customer loyalty was positive and significant at 0.05 levels. Customer equity also is explained significantly by brand equity, value equity, relationships equity and green equity. The inner model showing relationship between customer equity and customer loyalty has been strong, with path coefficient 0.786. The second order construct (customer equity) also well explained by value equity (0.873), followed by green equity (0.850), brand equity (0.839), and relationships equity (0.699). All the items used to operate all the dimensions in customer equity have produced strong  $R^2$ . The  $R^2$  of value equity is 0.762, the  $R^2$  of green equity is 0.723, the  $R^2$  of brand equity is 0.705, and the  $R^2$  of relationships equity is 0.489. Based on the examination of structural model, this study supports the hypotheses proposed H1 (a, b, c, d) and H2.

## 5. DISCUSSIONS

Value equity refers to the apparent proportion of what the customer gets in the marketplace to what customers sacrifice (Rust et al., 2000). In the hotel context, there are three sub-dimensions or marketing initiatives driving the value equity. They are service scope, average room rates, and perceived benefits (Rust, 2004). With regards to the results from the PLS structural analysis where value equity and customer equity is significantly correlates, it can be explained that value equity is a dimensions of customer equity (marketing programs). In this regards, value equity can be explained by its proposed indicators such as price and quality offered, attractiveness of the hotel, experience with the hotel, price and quality of the food, beverages and other merchandise, etc. Hotel consumers will perceive high value equity of the hotel when price and quality is sensible, the hotel is attractive, experience with hotel is positive, and other services is valuable. The finding of this research thus supports the previous

finding by Rosenbaum and Wong (2015). Further, the higher the hotel offering value equity to the customers, the higher the loyalty of the hotel customers.

Green marketing according to environmental perspective is an organizational action to produce, promote, package and reclaim product in an ecologically sensitive respond. Organization usually adopts 5Rs activities (reduce, reuse, recycle, renew and remind) when running green initiatives. Previous research showed that conducting green initiatives may create payoff in term of cost control, increase profitability, and consumer evoking interest (Davis, 1991). This study shows positive correlations between green equity and customer equity (marketing programs). It can be explained that the activities of reusing the water for cleaning and watering the landscape, using solar panels, recycling paper and plastic and operating the hotel using energy saving equipments can represent activities that support green equity. The positive influence between customer equity as implemented in marketing programs to customer loyalty can be explained that the better the hotel in practicing green equity, the stronger customer loyalty. Customers appreciate the reuse of water, the use of solar panel, plastic recycling, less paper use and the use of other energy saving equipments. These practices may create emotional bond and further build loyalty.

Brand equity is the subjective examination by customers when choosing brand and associated to brand meaning, image and corporate reputation (Rust et al., 2000, 2004; Vogel et al., 2008). Included as brand equity are hotel's rating, testimony in the social media, corporate communications, website, and other printed advertisements. The results of this research indicate that brand equity does a variable that measure customer equity as shown in positive correlation between brand equity and customer equity (as part of marketing programs). This implies that when the hotel brand is likeable, is perceived unique, attractive, and strongly recognized, it can be inferred that the hotel has brand equity. This brand equity is also shown to explain the customer equity since it has significant positive correlation with customer equity (as part of marketing programs). It can be said that brand equity dimension is one of dimensions of customer equity. Further, considering the positive influence between customer equity and customer loyalty, it can also be explained that the higher the brand equity, the more loyal the customer.

Relationship equity constitutes the collective elements connecting a customer with a brand (Rust et al., 2000; Vogel et al., 2008). In the hotel context, those kind of activities include a hotel's loyalty and affinity programs, online communities, and not-for-profit or charitable commitments. The positive correlation between relationships equity and customer equity explains that relationships equity is one of dimensions that build total customer equity. Loyalty programs make customer being treated more customized and differently by the hotel. The relationships program will enhance familiarity of customers to the hotel, and the relationships program may encourage customers to develop communications with other hotel customers for sharing views, etc. Further, based on the positive significant influence between customer equity and hotel guests loyalty, it implies that the better the hotel run relationships program, it can be expected that hotel guests will increase their loyalty. Overall, this research supports previous service researchers who has conclusion that a hotel's green initiatives do appreciated by hotel guests (Millar and Baloglu, 2011). Together with other customer equities (value equity, brand equity and relationship equity), green equity should increase customers perceptions on hotel's image and reputation. These intangible assets are important for hotel industry particularly when competition is high and loyalty should be acquired.

## 6. CONCLUSION AND RECOMMENDATION

This study provides evidences in the hotel industry in Indonesia that green equity should be integral part with other customer equities (value equity, brand equity and relationship equity) that can be used as marketing strategic tool to increase hotel guests' loyalty. This study indicates that customer equity as tested by PLS (Partial Least Squares) is built by value equity, green equity, brand equity, and relationships equity. This study indicates that apart from many skepticism in conducting green equity, hotel customer in five big cities in Java (Jakarta, Surabaya, Bandung, Denpasar, and Yogyakarta) do appreciate the hotels' initiatives to run green practices. Together with other dimensions which build customer equity (value equity, brand equity, and relationships equity), green equity is significantly influences customer loyalty in hotel sector. This research shows that hospitality providers should take more concern in running green initiatives as long it may increase positive emotion to service business customers then it may lead to better image and gaining loyalty.

Implications of this research to the theory are that the green equity is important variable. Even though it shows strong correlation with customer equity, it should be used together with other customer equity dimensions such as value equity, brand equity, and relationships equity. The research framework can also be modified to find possible better models that explain green equity contributions in the hotel competitive advantage. For the Managerial implications, the hotel managers may currently face a dilemma when choosing to conduct green marketing initiatives. On one hand, customers agree with green practices, but on the other hand this green initiative does not always guarantee profit. Even though this study shows strong green equity relationship to customer equity, hotel guests do not see the green equity contribution in isolation from other customer equities. Hotel managers should practices green equity as integral part with other customer equities. In many occasions, managers should be able to identify which one is best among customer equities in contributing hotel's performance.

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