GREEN MARKETING AS STRAGETIC INITIATIVES IN A HOTEL INDUSTRY

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ABSTRACT

Green marketing is a current phenomenon, with many academics and environmental supporters. However, past research found operational efficiencies but not financial gains in green marketing practices due to increase customers spending for those green initiatives. In the hospitality and hotel industry, where customers are also more environmentally aware, is green practices profitable? This study examines the customer equity model and its impact on loyalty when green initiatives are practiced as part of marketing programs. More specifically, this study extend the customer equity model into a structural model that considers marketing programs as a second-order construct comprises of four dimensions (value, brand, relationship and green equity). By analyzing 226 valid questionnaires distributed among hotel quests in five big cities in Indonesia (Jakarta, Yogyakarta, Bandung, Denpasar, and Surabaya), we found that value, brand, relationship and green equity are sub dimensions of marketing program. In addition, there are significant impacts of marketing program to hotel guests' loyalty. Regardless of financial gain, green equity remains important strategy for current hospitality and hotel industry due to market awareness for friendly environmental practiced.

Keywords: Customer equity, marketing program, green marketing, and loyalty

ABSTRAK

Pemasaran hijau adalah fenomena yang sedang menjadi trend saat ini, yang didukung oleh banyak akademisi dan pendukung lingkungan. Meskipun penelitian sebelumnya menemukan efisiensi operasional dalam praktik pemasaran hijau, namun bukan dalam keuntungan finansial karena pada praktiknya pemasaran hijau meningkatkan pengeluaran pelanggan untuk inisiatif hijau tersebut. Di industri perhotelan, di mana pelanggan juga lebih sadar akan lingkungan, apakah praktik hijau menguntungkan? Penelitian ini menguji model ekuitas para tamu hotel dan dampaknya terhadap loyalitas ketika inisiatif hijau dipraktekkan sebagai bagian dari program pemasaran. Lebih khusus lagi, penelitian ini memperluas model ekuitas pelanggan menjadi model struktural yang mempertimbangkan program pemasaran sebagai rangkaian pesanan kedua terdiri dari empat dimensi (nilai, merek, hubungan dan ekuitas hijau). Dengan menganalisa 226 kuesioner yang valid yang didistribusikan di antara pencarian hotel di lima kota besar di Indonesia (Jakarta, Yogyakarta, Bandung, Denpasar, dan Surabaya), kami menemukan bahwa nilai, merek, hubungan dan ekuitas hijau adalah sub dimensi program pemasaran. Selain itu, ada dampak signifikan dari program pemasaran terhadap loyalitas para tamu hotel. Terlepas dari keuntungan finansial, ekuitas hijau tetap menjadi strategi penting bagi industri perhotelan dan perhotelan saat ini karena kesadaran pasar akan praktik ramah lingkungan.

Kata kunci: Ekuitas Pelanggan, hotel hijau, pemasaran hijau, manajemen perhotelan, preferensi tamu hotel

INTRODUCTION

Service industries have currently grown very fast and played important roles in the global economy. From the 2011 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 contribution to the economy, the fast-growing industry in many sectors, including service, has contributed to significant damage to the natural environment. As the time runs, the future customers and business seems to shift their demands on the sustain concept or environmentally friendly products and services. Future competition is no longer about quality products and services but also how customers see that the business take parts and concerns on running environmentally friendly practices.

Tourism and hospitality industry is one of the fastest growing sectors in the service industry. The proliferation of hotel industries and the trend on green service among customers create challenges and opportunities for hotel managers to adopt not only common hotel strategies but also green marketing initiatives. Although green marketing practices have been identified several years ago as competitive strategy, the implementation is still imprecise and not being seriously managed. Management often fails to identify the return on investment in green marketing. Many managers and researchers still underestimate the green marketing concept. Groove, (1996) suggests that to fully signify whether it pays to be green or not there should be a positive relationship between the improvement of both environmental and financial respectively. Some consumers do appreciate green practices by willingness to pay higher but many don't. Many consumers appreciate the green initiative of hotel firms, but they do not want to pay a premium price. Therefore, this relation is still unclear. Peattie (2001) describes green marketing as marketing activities with an environmental endeavor to the products and production systems and promoting less damaging products and services. Even though many services managers still regarded that applying green marketing initiatives would incur more cost, Davis (1991) however believes that there is possibility that going green may give bottom-line payoffs in term of cost control, increase profitability, and consumer evoking interest.

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 business. 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, eventually leads them to place a high priority on an environmentally friendly product. 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.

Research on green practices in hotel industry is still varies in results whether more beneficial or costly. Managers should not only emphasize on short term effects. A long term sustainable green marketing effects could possibly be a future competitive

advantage. Several previous studies contend that implementing green equity decrease operational expenses, while some others allege that implementing green equity never serves financial benefit. Maybe the profit that the company can reap from implementing green marketing is the decrease in operational expense. The source of advantages often attributed to green marketing mainly derives from an increase in intangibles, such as reputation and brand image of the hotel firms. The higher competition and more demanding customers in hospitality sector need to be managed by marketing approaches. Marketing can develop emotional bond and strong loyalty. While green initiatives should be seriously taken, marketing program should be properly adjusted to increase the emotional connection between the consumers and the hotel firms. Hopefully being perceived as environmentally friendly hotel, better image and reputation can be gained among hotels' stakeholders.

Considering the higher demand on green marketing across customers in the hotel industry, the research problem is "Does marketing programs which derived from green equity, value equity, brand equity, and relationship equity influence customer loyalty". The objective of this research is thus to analyze the practice of green equity together with other equities (value, brand and relationship) in influencing Hotel customers' loyalty. Contributions of this study are as follow: 1) This research helps hotel organizations to understand how hotel's green marketing program along with value, brand and relationship equities influence guest 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 marketing strategy. 3) Since service organization have a humanitarian obligation to implement green marketing programs to support sustainable environment and long-term improvement in production, this initiative should be well appreciated by the society.

LITERATURE REVIEW

Customer Loyalty

Tabaku and Zerellari (2015) divide two approaches on customer loyalty. They are behavioral and attitudinal approaches. Behavioral approach denotes to the commitment of customers in consistency and continuity of buying products or services from the same provider. The second approach is attitudinal loyalty 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 describes 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. 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 in a social marketing perspective 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. The organizations, to align themselves with green initiative, typically they will adopt the entire or several of 5Rs activities. Which are reduce, reuse, recycle, renew and remind (Sloan, *et al.* 2009 in Rosenbaum and Wong 2015).

It is distinctly possible that the growing number of service organizations will realize that going green promises may have a bottom-line payoff in term of cost control, increase profitability, and consumer evoking interest (Davis, 1991). Yet, firms often unsuccessful to identify the financial gain when implementing green equity (Ginsberg and Bloom, 2004). Vogel et al. (2008) argue, 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: Rust et al. (2000, 2004) a single financial measure represents the total discounted customer's value lifetime of a firm. However, according to Vogel et al. (2008) only few firms can successfully correct in measuring customer equity by acquiring accurate customer lifetime value measures; thus, according to him, 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 value, brand and relationship equities as the integral concept for promoting relevant managerial result. The results for instance are loyalty, sales, and profitability.

The basic principle of customer equity model finally put "the customer and more importantly, strategies that grow the value of the customer, at the heart of the organization" (Zeithaml et al. 2013). Supporting previous statement, Lemon et al. (2001) marketing executives should understand which of the three customer equity drivers, namely value, brand, and relationship, is the most pivotal to the firm's customer and will be most effective in nurturing customer loyalty that eventually increasing customer spending. 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 action 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 Brand equity is 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). 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, websit, 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, the researcher proposes the following hypotheses: Hypotheses Model 1

H1: green equity influences customer loyalty independent of the effect of customer equity on loyalty

H2: value equity positively relates to marketing programs

H3: brand equity positively relates to marketing programs

H4: relationship equity positively relates to marketing programs

H5: marketing programs positively influence loyalty intentions

Hypotheses Model 2

H6: value equity positively relates to marketing programs

H7: brand equity positively relates to marketing programs

H8: relationship equity positively relates to marketing programs

H9: green equity positively relates to marketing programs

H10: marketing programs positively influence customer equity

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 investigation will utilize factor analysis and 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 samplin*g 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. However, 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 and opened 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 ≥ 0.30. The realiability 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 60 responses to test the validity and reliability with respect to the limitation described above.

Data Analysis Procedures

The survey data was entered in SPSS for analysis for descriptive analysis. To test research hypotheses and model fitness, researcher used SEM (Structural Equation Modelling) analysis in AMOS application. Goodness of Fit Criteria will be used to analysed which of those two proposed model is the best fit.

Measurement Model

The validity and reliability in this research is conducted by using two tools. The SPSS is used to test the validity and reliability of the pilot test, and AMOS is also used to test validity and reliability of the final test.

Table 1. Validity and Reliability (Pilot Test)

Variable/Indicator	Correlation	Cronbach's Alpha	Cut Off	Label
Value Equity		0.880	0.600	Reliable
VE1	0.697		0.300	Valid
VE2	0.729		0.300	Valid
VE3	0.703		0.300	Valid
VE4	0.627		0.300	Valid
VE5	0.645		0.300	Valid
VE6	0.726		0.300	Valid
VE7	0.553		0.300	Valid
Brand Equity		0.913	0.600	Reliable
BE1	0.803		0.300	Valid
BE2	0.860		0.300	Valid
BE3	0.775		0.300	Valid
BE4	0.773		0.300	Valid
Relationship Equity		0.837	0.600	Reliable
RE1	0.465		0.300	Valid
RE2	0.546		0.300	Valid
RE3	0.636		0.300	Valid
RE4	0.566		0.300	Valid
RE5	0.650		0.300	Valid

RE6	0.699		0.300	Valid	
RE7	0.701		0.300	Valid	
Green Equity		0.900	0.600	Reliable	
GE1	0.683		0.300	Valid	
GE2	0.774		0.300	Valid	
GE3	0.707		0.300	Valid	
GE4	0.643		0.300	Valid	
GE5	0.714		0.300	Valid	
GE6	0.698		0.300	Valid	
GE7	0.547		0.300	Valid	
GE8	0.678		0.300	Valid	
GE9	0.603		0.300	Valid	
Loyalty Intentions			0.600	Reliable	
LI1	0.826	0.923	0.300	Valid	
LI2	0.880		0.300	Valid	
LI3	0.899		0.300	Valid	
LI4	0.837		0.300	Valid	
LI56	0.615		0.300	Valid	

From the Table 1. It can be concluded that all the indicators of the five variables are valid and reliable. The final validity and reliability can be shown in the Table 2. There are two indicators from the relationship equity that are invalid.

Table 2. Final Validity and Reliability (AMOS)

Variable	Indicator	Loading Factor (λ)	Standart Error (ε)	∑(λ)	∑(ε)	Construct Reliability	Label
Value Equity						0.989	Reliable
	VE1	0.774	0.032	5.003	0.309		Valid
	VE2	0.806	0.030				Valid
	VE3	0.739	0.045				Valid
	VE4	0.675	0.041				Valid
	VE5	0.690	0.059				Valid
	VE6	0.761	0.044				Valid
	VE7	0.588	0.058				Valid
Brand Equity						0.988	Reliable
	BE1	0.875	0.032	3.403	0.14		Valid
	BE2	0.933	0.024				Valid
	BE3	0.799	0.039				Valid
	BE4	0.796	0.045				Valid
Relationship Equity						0.975	Reliable
	RE1	0.371	0.114	4.508	0.506		Invalid
	RE2	0.412	0.155				Invalid
	RE3	0.516	0.092				Valid
	RE4	0.517	0.083				Valid
	RE5	0.876	0.023				Valid

	Item						Status
	RE6	0.926	0.019				Valid
	RE7	0.890	0.020				Valid
Green Equity						0.985	Reliable
	GE1	0.741	0.052	6.385	0.603		Valid
	GE2	0.850	0.035				Valid
	GE3	0.797	0.047				Valid
	GE4	0.691	0.089				Valid
	GE5	0.754	0.064				Valid
	GE6	0.715	0.076				Valid
	GE7	0.542	0.107				Valid
	GE8	0.673	0.065				Valid
	GE9	0.622	0.068				Valid
Loyalty Intentions						0.988	Reliable
	LI1	0.866	0.038	4.259	0.211		Valid
	LI2	0.948	0.018				Valid
	LI3	0.954	0.019				Valid
	LI4	0.867	0.030				Valid
	LI5	0.624	0.106				Valid

After the validity and reliability test is conducted, the Goodness of Fit for the first and second model can be seen in the Table 3. and 4. The Goodness of Fit of the first model showed that the one criterion is not fulfilled, which is probability with the result of 0.000. However, the Goodness of Fit of the second model showed that all the criteria are good fit.

Table 3. Goodness of Fit of Model 1

Goodness of Fit Index	Cut off Value	Result	Model Valuation
Degree of Freedom (DF)	Positive	104	Good Fit
X^2 (Chi-Square)	Small value	182.470	Good Fit
Probability	≥ 0.05	0.000	Not Fit
RMSEA (Root Mean Square Error of Approximation)	≤ 0.08	0.058	Good Fit
GFI (Goodness of Fit Index)	≥ 0.90	0.915	Good Fit
AGFI (Adjusted Goodness of Fit)	≥ 0.90	0.875	Marginal Fit
CMIN/DF	≤ 2.00	1.755	Good Fit
TLI (Tucker Lewis Index)	≥ 0.90	0.964	Good Fit
CFI (Comparative Fit Index)	≥ 0.90	0.973	Good Fit

Table 4. Goodness of Fit of Model 2

Goodness of Fit Index	Cut off Value	Result	Model Valuation
Degree of Freedom (DF)	Positive	21	Good Fit
X^2 (Chi-Square)	Small value	37.422	Good Fit
Probability	≥ 0.05	0.015	Good Fit
RMSEA (Root Mean Square Error of Approximation)	≤ 0.08	0.059	Good Fit
GFI (Goodness of Fit Index)	≥ 0.90	0.966	Good Fit
AGFI (Adjusted Goodness of Fit)	≥ 0.90	0.926	Good Fit
CMIN/DF	≤ 2.00	1.782	Good Fit
TLI (Tucker Lewis Index)	≥ 0.90	0.984	Good Fit

CFI (Comparative Fit Index)	≥ 0.90	0.990	Good Fit

Structural Model

After the validity and reliability test is conducted, the hypotheses testing for the first and second models can be interpreted by the figure 3. and figure 4.
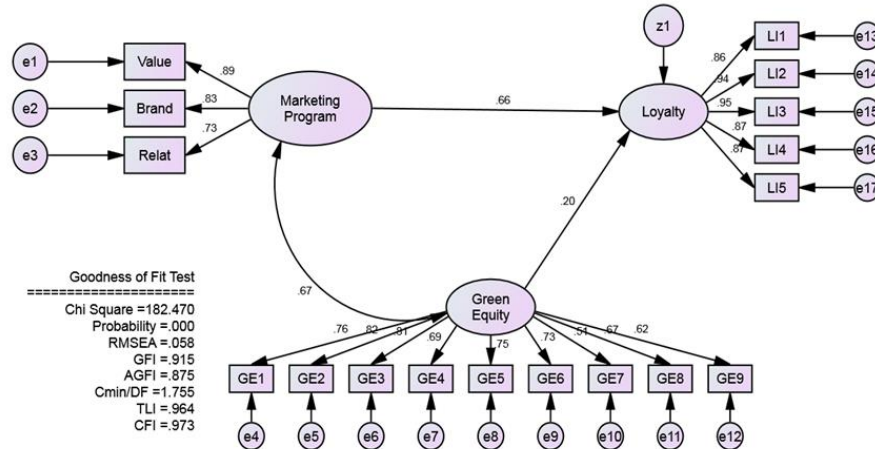

Figure 3. Green Marketing Model 1

The five hypotheses of the first model are all accepted, showed by the p-value of the H2, H3, H4, and H5 are all significant with the value of 0.000, except the H1 with which the value is 0.004. Standardized estimate of each hypothesis are; H1:0.199, H2:0.885, H3:0.828, H4:0.725, H5:0.660.
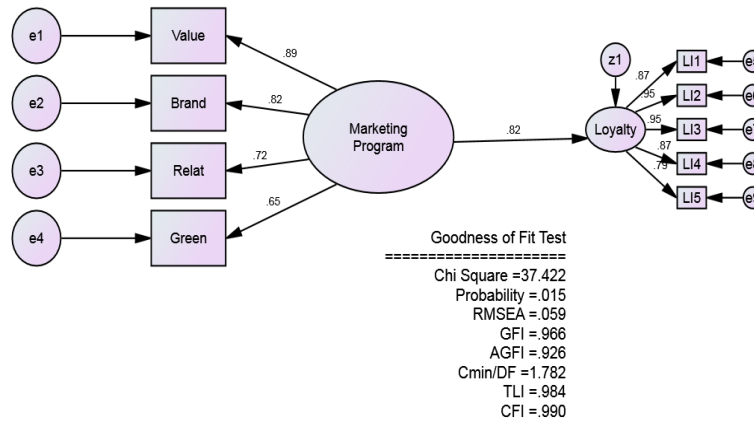

Figure 4. Green Marketing Model 2

The five hypotheses of the second model are all accepted, showed by the p-value of the H6, H7, H8, H9, and H10 are all 0.000. Standardized estimate of each hypothesis are; H6:0.887, H7:0.822, H8:0.722, H9:0.651, H10:0.821. Therefore, from each model, the strongest indicator is value equity, and the weakest indicator is green equity. The second model showed the better result compared to the first model.

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 servicescape, average room rates, and perceived benefits (Rust, 2004). With regards to the results from the PLS structural analysis where value equity and marketing programs 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 in an environmental perspective as 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 going green promises may have a bottom-line 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. Customer will appreciate the reuse of water, the use of solar panel, plastic recycling, less paper use and the use of other energy saving equipments.

Brand equity is 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). 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 marketing programs 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 marketing programs and hotel customer loyalty, it implies that the better the hotel run relationships program, it can be expected that customers will increase their loyalty. Overall, this research supports previous service researchers who has conclusion that a hotel's green marketing programs do appreciated by hotel guests (Millar and Baloglu, 2011). However, other findings show that the success of green initiatives does not guarantee guest decisions to be loyal (Robinot and Giannelloni, 2010).

CONCLUSION AND RECOMMENDATION

This study provides evidences in the hotel industry in Indonesia that green marketing program can be used to increase hotel customer loyalty. This study indicates that customer equity (as part of marketing programs) as tested by AMOS is built by value equity, green equity, brand equity, and relationships equity. Thus the second model is the best fit. 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 environmentally friendly hotel operations. Together with other dimensions which build customer equity (value equity, brand equity, and relationships equity), green equity also influences customer loyalty in hotel sector. This research shows that hospitality providers should take more concern on running green initiatives as long term competitive strategy as it may increase positive emotion to service business customers then it may lead better 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 marketing programs that promote hotel total customer equity such as value equity, brand equity, and relationships equity. The research framework can also be modified to find possible better models that explain green marketing contributions in the hotel industry. 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 loyalty. Even though this study shows significant influence between green marketing program and hotel customers' loyalty in five big cities in Java Indonesia, other research findings do not support the green initiatives and customer loyalty. The hotel management should equally offer and maintain value equity, brand equity and relationships equity together with green equity. Green practices may be seen as differentiating effects that may raise positive emotion to hotel customers.

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