MANAGING RELATIONSHIP EFFORTS TO INFLUENCE LOYALTY: AN EMPIRICAL STUDY ON THE SUN LINK SEA FOREST AND RECREATIONAL PARK, TAIWAN

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Abstract

Customer loyalty has become an essential concern and a strategic obsession for many managers and there is a growing interest in the business forums and in the academic community. Fewer studies, however, discuss the effects of relationship efforts on it. This study is aimed at investigating the potential role of a forest park’s relationship efforts in influencing visitors’ attitudes and is the first study that demonstrates the effects of relationship investment on behavioral loyalty mediated by relationship satisfaction, trust and commitment in a tourism setting. Structural equation modeling was adopted to analyze the proposed model. The findings show that relationship investment impacts behavioral loyalty by two ways and finally some more applications to practical managers and future researchers are drawn based on results of this study.

Keywords: Relationship Investment, Relationship Satisfaction, Trust, Commitment and Loyalty
Introduction

Customer loyalty, a major theme in marketing research, has become an essential concern and a strategic obsession for many managers (Bodet 2008). Due to the importance of loyalty in the service industry, there is a growing interest in the business forums and in the academic community. Researchers, for example, have found that customer loyalty is an important source of competitive advantage of a business. These kinds of studies, however, discuss how satisfaction, trust, commitment, service quality, involvement and other factors impact loyalty (Bove and Johnson 2006; Russell-Bennett, McColl-Kennedy and Coote 2007; Rauyran and Miller 2007; Hsu 2008; Kim, Yen, and Kim 2009), they seldom discuss the antecedents of these variables and what kinds of efforts for a service provider will impact loyalty.

De Wulf, Odekerken-Schröder, and Iacobucci (2001) developed and tested a model investigating the role of four different relationship marketing tactics in strengthening retailer-consumer relationships: direct mail, preferential treatment, interpersonal communication, and tangible rewards. Their results indicated that these relationship marketing tactics play a differential, yet consistently positive role in affecting perceived relationship investment, ultimately influencing relationship quality and behavioral loyalty. However, multidimensional concept of relationship quality including satisfaction, trust, and commitment was used as a mediator. The results were partially limited for managers and later researchers to apply because they couldn’t understand relationship investment impact behavioral loyalty mediated by which part of relationship quality while the economic scale of a firm was still small and the resources were limited.

Besides, prior studies found that relationship quality could be measured with satisfaction, trust, and commitment (Morgan and Hunt 1994; Kumar; Scheer, and Steenkamp 1995; Garbarino
and Johnson 1999; Moliner, Sanchez, Rodriguez and Callarisa 2006). Some studies had pointed out that relationship investment could impact satisfaction (Chen and Chen 2004) and trust directly (De Wulf and Odekerken-Schröder 2003). Is relationship investment an antecedent of satisfaction, trust, or commitment? Does relationship investment impact behavioral loyalty mediated by satisfaction, trust, commitment or all of them? Keeping on clarifying the relationship investment-relationship quality-behavioral loyalty relations might have contributions on relationship marketing in a consumer environment and will be helpful for managers. This study has therefore attempted to test the relationship investment-relationship quality-behavioral loyalty relations based on five constructs including relationship investment, satisfaction, trust, commitment and behavioral loyalty, and it would like to draw some implications for managers and future researchers.

Furthermore, the Sun Link Sea Forest and Recreation Park is selected as a research object because 1) it is operated by private sector since 1976 and now is a well-known forest park in center Taiwan; 2) its business scale is big enough and has the ability and resources to implement the loyalty programs; 3) its manager has the need to know how to attract tourists continually while the inbound tourists are keeping growing.

Materials and Methods

The questionnaire is adopted as a material in this study. By integrating both theoretical frameworks, this study has proposed the conceptual model depicted in Figure 1 based on De Wulf et al. (2001), Chen and Chen (2004), De Wulf and Odekerken-Schröder (2003) and Yen (2008). Nine hypotheses are drawn based on prior studies (e.g., De Wulf et al. 2001; Chen and Chen 2004; De Wulf and Odekerken-Schröder 2003; Yen 2008) and are list as below:
H1: Within relationships between a forest park and its visitors, the higher level of visitors’ perceived relationship investment leads to the higher level of relationship satisfaction.

H2: Within relationships between a forest park and its visitors, the higher level of visitors’ perceived relationship investment leads to the higher level of trust.

H3: Within relationships between a forest park and its visitors, the higher level of visitors’ perceived relationship investment leads to the higher level of relationship commitment.

H4: within relationships between a forest park and its visitors, the higher level of visitors’ relationship satisfaction leads to the higher level of trust.

H5: within relationships between forest park and its visitors, the higher level of visitors’ relationship satisfaction leads to the higher level of relationship commitment.

H6: within relationships between forest park and its visitors, the higher level of visitors’ trust leads to the higher level of relationship commitment.

H7: within relationships between a forest park and its visitors, the higher level of visitors’ satisfaction leads to the higher level of behavioral loyalty.

H8: within relationships between a forest park and its visitors, the higher level of visitors’ trust leads to the higher level of behavioral loyalty.
H9: within relationships between a forest park and its visitors, the higher level of visitors’ commitment leads to the higher level of behavioral loyalty.

To ensure the content validity of the scales, the items selected the constructs were mainly adopted from prior studies. The study used exiting scales for measuring the relationship investment, satisfaction, trust, commitment, and behavioral loyalty. Twelve items for relationship investment were drawn as developed by De Wulf et al. (2001). Three items for satisfaction were drawn based on the studies of De Wulf et al. (2001). Three items for trust were drawn by Morgan and Hunt (1994) and De Wulf et al. (2001). Three items for commitment were drawn by Morgan and Hunt (1994) and De Wulf et al. (2001). Three items for behavioral loyalty were drawn by De Wulf et al. (2001). Likert scales (1-7) with anchors ranging from “strongly disagree” to “strongly agree” were used for all questions. All of the scales showed they had a good reliability and validity in the prior research.

Visitors who have visited Sun Link Sea Forest and Recreation Park located in Nantou center Taiwan during the survey period were selected as the population in this study. Quota sampling was adopted with a personal interview method for the survey. To ensure that respondents were distributed across age and gender, 6 surveyors were trained before the survey and assigned to particular combinations of quota criteria, allowed selecting respondents who matched these criteria (e.g., friends, family, and neighbors) and maximum five visitors could be drawn in a bus after visitors finished visiting the park. Finally, a total of 195 valid questionnaires were completed after a survey in May of 2008. An overview of the demographic profile of the respondents show female (56 %), ages (17.9 % below 20; 23.2% ranged 21-30; 19% ranged 31-40; 22% ranged 41-50; 17.9% above 50), education background (16% junior high school or
below; 27% senior high school; 27% college; 30% university or above) and occupation (21.5% student; 13.8% manufacturing; 21% service sector; 18.5% public sector; 25.1% retired or other).

Two ways are adapted to treat the common method variance (CMV) problem. First, the study mixed the questions during the stage of questionnaire design. This will help the respondents reduce the probability of halo effects. Second, an exploratory factor analysis (EFA) was adapted to confirm that there is no CMV during the process of sampling (Podskoff and Organ 1986). The results show that all of the model indices did not have a good model fit (GFI) in multiple factors. Confirmatory factor analysis (CFA), and then, were adapted to exam the validity and reliability of research model. The results of CFA (130 for chi-squares; 81 for df; 0.924 for GFI; 0.984 for CFI; 0.056 for RMSEA) show that all of the model indices have a good model fit than EFA (2161 for chi-squares; 90 for df; 0.441 for GFI; 0.350 for CFI; 0.344 for RMSEA). Generally speaking, CMV problem in this study should be controlled.

Results

This study tested the assumptions underlying the use of structural equation modeling. Because larger sample sizes are required in case of model misspecification, model complexity, non-normality of data, or the use of alternative estimation procedures (Hair, Anderson, Tatham and Black 1998), this study used sample sizes (n=195) given the risk of moderate normality violations. Normality was tested by means of SPSS 12.0 based on the skewness and kurtosis of the observed variables (Bollen 1989). Both samples revealed acceptable kurtosis (-1.21 ~ -0.2) and skewness (-0.905 ~ -0.125) for most observed variables. This enables the study to proceed in evaluating the model fits.

A confirmatory factor analysis using AMOS 5.0 is conducted to test the measurement model. The chi-squares ($\chi^2 = 130$) is significant ($p < 0.05$; Bollen 1989), a finding not unusual
with large sample sizes (Doney and Cannon 1997). The ratios of chi-square to degrees of freedom (df.) is 1.509 for measurement model and 1.49 for final structural model and are not exceed 2 (Marsh and Hovecar 1985). The value of goodness-of-fit is 0.924 and CFI is 0.984 for measurement model and structural model. The value of root mean square error of approximation (RMSEA) is 0.056 for measurement model and structural model. All of the model fit are higher or acceptably close to the standards suggested by Hu and Bentler (1999) 0.90 for GFI, 0.95 for CFI and 0.08 for RMSEA. Given that these batteries of overall goodness-of-fit indices were accurate and that the model was developed on theoretical bases, and given the high level of consistency samples, no respecifications of the model were made. This enables the study to proceed in evaluating the structural models.

In Table 1, this study reports the results of the measurement models. This study assessed the quality of the measurement efforts by investigating unidimensionality, convergent validity, reliability and discriminant validity. Evidence for the unidimensionality of each construct included appropriate items that loaded at least 0.831 on their respective hypothesized component and loaded larger than .30 on other components in a factor analysis. In addition, the overall goodness of fit supports unidimensionality (Steenkamp and van Trijp 1991). Convergent validity was supported by all loadings being significant (p < 0.01) and all SMC (square of multiple correlation) exceeding 0.691 (Hildebrandt 1987). This study assessed reliability jointly for all items of a construct by computing the composite reliability and average variance extracted (Steenkamp and van Trijp 1991).

For a construct to assess good reliability, composite reliability should be higher than 0.60, and the average variance extracted should at least be 0.50 (Bagozzi and Yi 1988). All scales demonstrate good reliabilities. To examine discriminant validity, this study compared the shared
variances between factors with average variance extracted of the individual factors (Fornell and Larcker 1981). The results showed (see Table 2) that the shared variances between factors were lower than the average variance extracted of the individual factors, thus confirming discriminant validity.

In summary, the measurement model demonstrated adequate unidimensionality, convergent validity, reliability, and discriminant validity. Figure 2 shows the results of structure model estimating that relationship investment has a significant and positive effect on satisfaction ($\beta = 0.5; t \text{ value} = 6.95$), satisfaction has a significant and positive effect on trust ($\beta = 0.67; t \text{ value} = 9.4$) and commitment ($\beta = 0.48; t \text{ value} = 4.94$), trust has a significant and positive effect on commitment ($\beta = 0.31; t \text{ value} = 3.94$) and behavioral loyalty ($\beta = 0.25; t \text{ value} = 2.66$).

### Table 1: Convergent Validity and Reliability

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>$\lambda$</th>
<th>$t$-value</th>
<th>SMC</th>
<th>C.R.</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Investment</td>
<td>Ri1</td>
<td>0.967</td>
<td></td>
<td>0.936</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ri2</td>
<td>0.954</td>
<td>32.362</td>
<td>0.910</td>
<td>0.96</td>
<td>0.89</td>
</tr>
<tr>
<td></td>
<td>Ri3</td>
<td>0.951</td>
<td>31.777</td>
<td>0.904</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship Satisfaction</td>
<td>Sat1</td>
<td>0.863</td>
<td></td>
<td>0.745</td>
<td></td>
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<tr>
<td></td>
<td>Sat2</td>
<td>0.882</td>
<td>15.718</td>
<td>0.779</td>
<td>0.80</td>
<td>0.63</td>
</tr>
<tr>
<td></td>
<td>Sat3</td>
<td>0.863</td>
<td>15.233</td>
<td>0.745</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>Tru1</td>
<td>0.831</td>
<td></td>
<td>0.691</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tru2</td>
<td>0.935</td>
<td>17.357</td>
<td>0.875</td>
<td>0.86</td>
<td>0.75</td>
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<tr>
<td></td>
<td>Tru3</td>
<td>0.953</td>
<td>17.774</td>
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<tr>
<td>Relationship Commitment</td>
<td>Com1</td>
<td>0.921</td>
<td></td>
<td>0.849</td>
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<td></td>
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<tr>
<td></td>
<td>Com2</td>
<td>0.989</td>
<td>27.625</td>
<td>0.978</td>
<td>0.88</td>
<td>0.76</td>
</tr>
<tr>
<td></td>
<td>Com3</td>
<td>0.866</td>
<td>19.257</td>
<td>0.750</td>
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<td></td>
</tr>
<tr>
<td>Behavioral Loyalty</td>
<td>Loy1</td>
<td>0.944</td>
<td></td>
<td>0.891</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loy2</td>
<td>0.965</td>
<td>29.392</td>
<td>0.931</td>
<td>0.92</td>
<td>0.80</td>
</tr>
<tr>
<td></td>
<td>Loy3</td>
<td>0.933</td>
<td>25.842</td>
<td>0.870</td>
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</tr>
</tbody>
</table>

$\lambda$: factor loading; SMC: Square multiple correlation; C.R.: composite reliability; AVE: average variance extracted
commitment has a significant and positive effect on behavioral loyalty ($\beta = 0.67$; $t$ value = 8.115).

As except, H1, H4, H5, H6, H8 and H9 are supported while H2, H3 and H7 are not supported in the proposed model. The $R^2$ is 0.14 for satisfaction, 0.41 for trust, 0.35 for commitment, 0.19 for behavioral loyalty.
Conclusions

This study was aimed at investigating the potential role of a forest park’s relationship efforts in influencing visitors’ attitudes. To this knowledge, it is the first study that demonstrates the effect of relationship investment on behavioral loyalty mediated by satisfaction, trust and commitment in a tourism setting. Before discussion, some limitations might be related to theoretical selection and data collection. For example, additional tangible elements in the tourism mix such as pricing and promotion, product quality and assortment, and service quality could be added as additional antecedents of satisfaction, trust, commitment and loyalty. Future study can keep developing the new model. Another potential shortcoming in this study is data collection. The current study only collected the data from one forest park so that the explanations and applications of the results should be limited. Future study may try to compare different types of forest park or different characteristics of visitors. Furthermore, the study only surveyed in a period, future research needs to adopt a longitudinal design to trace the relationship between the paths from relationship investment to behavioral loyalty.

The results of this study has highly clarified the gap of De Wulf et al.’s (2001) and De Wulf and Odekerken-Schröder’s (2003) researchers and offered an initial conclusion that (1) relationship investment significantly have a direct effect on satisfaction, not on trust or commitment; (2) trust and commitment significantly have a direct effect on behavioral loyalty, but satisfaction does not; (3) relations among mediators are clarified that satisfaction significantly impacts trust and commitment, trust significantly impacts commitment.

In summary, relationship investment impacts behavioral loyalty with three ways including relationship investment to satisfaction to trust to behavioral loyalty, relationship investment to satisfaction to commitment to behavioral loyalty and relationship investment to satisfaction to
trust to commitment to behavioral loyalty. Three contributions of this study are discussed as below.

Firstly, apart from product and service efforts, the more relationship investment additionally contributes to visitors’ satisfaction. Sending more direct mail, giving them more preferential treatments, adopting good skill of interpersonal communication and rewarding visitors for their patronage to forest park might increase the probability of visitors gaining better affective state resulting from an overall appraisal of his or her relationship with a service provider. The relationship from relationship investment to trust and relationship investment to commitment is not significant. The more relationship investment might not significantly increase visitors’ confidence and to let visitors maintain the valuable relationship when they don’t perceive satisfied relationship with a service provider. Secondly, this study empirically validated the relationship from satisfaction to trust, satisfaction to commitment and trust to commitment in a business-to-consumer context. In line with previous empirical research on satisfaction, trust and commitment (Bansal, Irving and Taylor 2004; Garbarino and Johnson 1999; Kim, Kim, and Kim 2009; Moliner, Sanchez, Rodriguez, and Callarisa 2006), trust is driven by satisfaction indicating that visitors will have a conference to trust a service provider when they make a whole evaluation of affective state and perceived satisfaction with this service provider. Commitment is driven by satisfaction indicating that visitors will be committed to a relationship with a service provider when they satisfied with this service provider. Commitment is also driven by trust indicating that visitors will be committed to a relationship with a service provider when they have trust in this service provider. Finally, with regard to satisfaction, trust and commitment, behavioral loyalty is only driven by commitment indicating that visitors will revisit much often and spend more budgets with a service provider when they commit to a relationship with this
service provider. That behavioral loyalty is not significantly driven by satisfaction and trust might probably be caused by lower switching cost and more alternative attractions. As switching costs such as time, money, and effort (Fornel 1992) increased, visitors are more likely to perceive that they are “locked in” to their service providers, which in turn results in them being less likely to switch service providers. Visitors will not revisit much often when they perceived they spend the same time and money switching to other places is easier and visible. Furthermore, to the extent that alternative service providers are perceived to be attractive, visitors are less likely to feel “locked in” with their current service providers, which increases the likelihood of switching (Bansal, Irving and Taylor 2004).

Repeat visitors are an essential asset to any successful business and the most effective way to retain repeat visitors is to attain high visitors’ expectations or to provide a service that exceeds the visitors’ expectations (Kim, Kim, and Kim 2009). However, how to attain visitors’ expectations may be a practically unattainable goal. Fortunately, the results of this study provide useful insights into tourism industry and some more practical implications are suggested herewith.

Relationship investment impacts behavioral loyalty by three ways including relationship investment to satisfaction to trust to behavioral loyalty, relationship investment to satisfaction to commitment to behavioral loyalty and relationship investment to satisfaction to trust to commitment to behavioral loyalty where this relationship investment includes direct mail, preferential treatment, interpersonal communication, and tangible rewards. Firstly, managers could contact with current and potential visitors through direct mail after establishing or obtaining a visitors database. However, what kind of direct mail (e.g., postcard, e-mail, message on internet, phone message etc) to what kind of visitor (e.g., teens, adult, student, office staff,
housekeeper, outside worker etc) will be adapted by manager is another issue for future researchers. Secondly, as Sheth and Parvatiyar (1995) recognized that “implicit in the idea of relationship marketing is consumer focus and consumer selectivity- that is, all consumers do not need to be served in the same way.” Visitors should be served in the right way and preferential treatment should be managed effectively. Developing a regular system for those visitors who want to be served differently is probably needed for manager. What kind of service different groups needed might be an interesting issue. Investigating what does the group and individual visitor need or prefer is an urgent issue for future researchers. Thirdly, with respect to interpersonal communication, De Wulf et al. (2001) demonstrated the crucial role of retail employees who are in direct contact with customers and their employees should be trained and motivated to show warm and personal feelings toward customers. So managers should focus on the issue when hiring store personnel, store management needs to focus on candidates' social abilities that facilitate social interactions with target consumers (Steenkamp and van Trijp 1991).

However, which communicational skill is suitable for visitor and how to make regular customers receive a higher service level than nonregular customers are very important. Future researchers may try to clarify the different needs of interpersonal communication a visitor needed. Finally, Babin, Darden and Griffin (1994) stated that a basic duality of rewards exists for many human behaviors. Suitable tangible rewards can be adapted by manager. However, De Wulf et al. (2001) recognized that as tangible rewards become widespread, their absence may disappoint consume, whereas their presence would not necessarily boost customer retention. Competitors can easily imitate tangible rewards such as frequent flyer programs, customer loyal bonuses, and free gifts. Managers should be more careful when they decided to adapt tangible
rewards as a marketing tactic. Which tangible reward is effective for a certain group is another issue for future researchers.

References


