

The Effect of Customer Value on Behavioral Intentions in Tourism Industry

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ABSTRACT

Customer value is a recent line of research that is attracting the attention of the marketers. The objective of this study is to investigate tourists' perceived value and its effect on future behavioral intentions of tourists to revisit. Data have been collected through questionnaires which were supported by in-depth interviews with tourists visiting Togeian Islands, one of the most popular tourism destinations in Indonesia. The proposed research model of has been tested using Stuctural Equation Modeling. Results of this study that tourists who perceive higher levels of value will have stronger intentions to revisit the tourism destination and will recommend it to other people. Three main aspects which are needed to be improved to increase the number of tourists to visit Togeian Islands are communications, transportations, and cleanliness. This study also provides managerial implications, conclusion, and future research directions.

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Tourism has been seen as the driving force for regional development (Chen and Tsai, 2007). In an increasingly competitive international tourism market with emerging new destinations, mature tourist destinations can gain a competitive edge through repeat visitation (Alegre and Cladera, 2009). Tourism which is managed professionally might increase society income, reduce unemployment, and increase government's revenues. How to attract tourists to visit, revisit and recommend the

destination to other people is crucial for the success of destination tourism development.

Recent years, perceived value has been emphasized as the object of attention by researchers in tourism (Meng, Liang and Yang, 2011; Pechlaner, Smeral and Matzier, 2002; Oh et. al, 2004; Petrick, 2004; Petrick, Morais, and Norman, 2001; Sanchez et. al, 2006). The creation and transmission of value to tourists has become a competitive advantage of

the first order, in environments characterized by globalized competition and by tourists who are more and more demanding (Flagestad and Hope, 2001).

Furthermore, empirical research also reveals that there is positive impact of perceived value on both future behavioral intentions and behaviors (Bolton and Drew, 1991; Chang and Wildt, 1994; Grisaffe and Kumar, 1998). Hence, perceived value has been shown to be good predictors of future behavioral intentions.

Customer Value

Marketing involves exchanges; exchanges depend on customer value, therefore, customer value plays a crucial role at the heart of marketing activity (Holbrook, 1999). This is inline with Gale's argument that value has been considered as an essential element of an organization's competitive strategy (Gale, 1994). Organizations who have a strong focus upon customer value will form a sustainable competitive advantage (Woodruff, 1997). The rationale behind this is that, delivering better value to customers might result in a likelihood of purchase, repeat purchase, and positive word-of-mouth communication (Bolton and Drew, 1991; Grisaffe and Kumar, 1998; Sweeney, Soutar and Mazzarol, 2011). In other words, if the organizations know what drives value for its customers and provides superior customer value, they have a greater probability of obtaining and retaining customers (Gabbott, 2004). Therefore, it can be noticed that in-depth understanding of customer value is very important for companies to succeed.

In this study, customer value is defined as "a difference between total benefits and total sacrifices perceived by consumers in purchasing a product or service". Total benefits are a combination of physical attributes, service attributes, and technical support available in relation to a particular use situation (Monroe, 1990). Meanwhile, sacrifices are what the consumers

have to give up in obtaining the purchased products. These are defined from the customer's perspective (Monroe, 1990) and include monetary terms (Anderson, Jain, and Chintagunta, 1993) and non-monetary terms such as energy, time and effort (Cronin *et al.*, 1997). Within the identification of benefits and sacrifices, consumers not only consider the performance or functional matters but also social and emotional factors (Sheth *et al.*, 1991; Sheth *et al.*, 1999; Sweeney and Soutar, 2001). Therefore, the investigation of customer value covers functional value, social value, and emotional value.

Functional value is defined as the perceived utility acquired from an alternative's capacity for functional, utilitarian, or physical performance (Sheth *et al.*, 1991). In other words, it is the quality of physical outcome of using the product or service, which refers to how well a product or service serves its principal physical function consistently (Sheth *et al.*, 1999). Functional value is related to economic utility, the benefits associated with possessing the product or service, and underlies the performance of the object on a series of salient attributes such as price, reliability, and durability.

Social value is the perceived utility acquired through the consumption of an alternative as a result of its association with one or more specific social groups (Sheth *et al.*, 1991). Alternatives acquire social value through association with positively or negatively stereotyped demographic, socioeconomic, and cultural-ethnic groups (Sheth *et al.*, 1991). In other words, social value is the utility derived from the product's ability to enhance social self-concept (Sweeney and Soutar, 2001; Wang *et al.*, 2004). Consumers choose the products that convey an image congruent with the norms of their friends and associates, or that convey the social image they wish to project (Sheth *et al.*, 1999).

Emotional value is the economic value or monetary worth of feelings when customers experience

an organisation's products and/or services (Barlow and Maul, 2000). It further refers to the feelings that customers experience or anticipates experiencing when they deal with organisations and their representatives (Barlow and Maul, 2000). Likewise, Sheth *et al.* (1991) in agreement with Wang *et al.* (2004) define emotional value as the perceived utility acquired by consuming an alternative as a result of its ability to arouse feelings or affective states. They maintain that many products are associated with or facilitate the arousal of specific emotions or feelings; for example, comfort, security, excitement, romance, passion, anger, fear, and guilt. Therefore, to analyze how customers value a product, it is important to take these emotions into account.

Behavioral Intentions

Two behavioral intentions investigated in this study include repurchase intentions and word-of-mouth communication. The discussion concerning the two concepts is presented as follows:

Repurchase Intentions

Since behavioral intentions are easier to measure than actual behavior, there are numerous studies of repurchase intentions (Bolton, Kannan, Bramlett, 2000). However, these studies must be interpreted with caution because behavioral intentions are subject to criticism since intentions do not always lead to actual behavior (e.g. Gabler and Jones, 2000; Morwitz and Schmittlein, 1992).

Repurchase intentions are defined as "*the individual's judgment about buying again a designated service from the same company, taking into account his or her current situation and likely circumstances*" (Hellier, 2003, p.1764). From this definition, it is clear that repurchase behavior occurs when customers purchase other products or services for the second or more times with the same company; and the reason for purchasing again is mainly triggered by customer experience towards the products or services.

Theory suggests that increasing customer retention is a key act of the ability of a company to generate profits (Zeithaml, Berry, Parasuraman, 1996). This is because the longer consumers stay with a company, the more products or services they buy from the company and no excess marketing outlay to win new customers. To retain customers, a company needs to improve its service quality, which in turn leads to high service value (Cronin, Brady, Hult, 2000). Thus, it is noticed that consumers are more likely to purchase again from the same company if they think that what they have received was worth what they have given up.

Factors Influencing Consumer's Repurchase Intentions

Hellier *et al.* (2003) argue that customer repurchase intentions are influenced by seven important factors. Namely, service quality, equity, value, customer satisfaction, past loyalty, expected switching cost, and brand preference. The study by Petrick, Morais, and Norman (2001) suggests that consumers' intention to repurchase is influenced by three factors: past behavior, satisfaction, and perceived value. More specifically, Jones and Suh (2000) state the repurchase intention is determined by overall satisfaction. They suggest that when overall satisfaction is high, transaction-specific satisfaction (the consumer's dis/satisfaction with a discrete service encounter) has little impact on repurchase intentions, but when overall satisfaction is low, transaction-specific satisfaction has a positive influence on repurchase intentions. This is supported by Diaz and Ruiz (2002) who assert that customer satisfaction is a primary precursor of repeat purchase behavior. From these arguments, it can be noticed that customer value has a positive influence on repurchase intentions

Word-of-Mouth Communication (WoM)

WoM communication is defined as "*informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers*" (Westbrook, 1987, p.261). The more

general definition of WoM as giving or receiving comments about product or service (Sweeney et al., 2011). The reasons for customers doing WoM communications are because they want to ease a tension that the positive or negative experience produced, to reassure themselves in front of others, to gain support from others who share their opinions, to gain attention or to share the benefits of things enjoyed (Wirtz and Chew, 2002).

WoM has been identified in previous research as an important behavior after consuming a product or service (e.g. Gremler, Gwinner, and Brown, 2001; Wirtz and Chew, 2002). This is primarily because WoM communication provides face-to-face, often vivid information that is highly credible (Spreng et al., 1995). In addition, consumers frequently rely on informal and/or personal communications sources in making purchase decisions as opposed to more formal and/or organizational sources such as advertising campaigns (Bansal and Voyer, 2000). Furthermore, WoM has been widely acknowledged as an informal communication source between consumers that has great economic impact (Murray, 1991). Customers who show up on the strength of a personal recommendation tend to be more profitable and stay with the company longer than customers who respond to conquest advertising, sales pitches, or price promotions (Reichheld, 1996). From the previous studies, it is perceived that WoM plays a key role in shaping consumers attitudes and behaviors (Harrison-Walker, 2001). Thus, WoM serves as enforcement to consumers to remain loyal to a service provider.

WoM is more important and influential within a service context than strictly just product marketing scenarios, given their intangibility and higher associated risk. Compared to purchasers of goods, Murray (1991) found that service buyers have greater confidence in personal sources of information as well as a greater pre-purchase preference for personal information sources. In addition, Ennew et al. (2000) suggest that WoM

may also be one of the most powerful form of communication within financial services, given they tend to be characterized by a predominance of experience and credence qualities. A consumer may not understand a service fully before its consumption; he or she might seek WoM information from an experienced source (Bansal and Voyer, 2000). Therefore, WoM becomes especially important within the services purchase decision context.

The Relationship between Customer Value and Behavioral Intentions

Most conceptual and empirical contributions to value literature conceive a direct impact of customer value on behavioral outcomes neglecting the role of satisfaction (Eggert and Ulaga, 2002). For example, Grisaffe and Kumar (1998) point out two behavioral intentions as direct consequences of customer value. These are customer likelihood to recommend and likelihood to continue doing business with the company. This is in agreement with the Petrick's (2002) argument that customer value has a direct impact on repurchase intentions and word-of-mouth communication. In addition, Bolton and Drew (1991) found that value is related to customers' subscription intentions and intentions to recommend. This is in line with the study by Hartline and Jones (1996) who suggest that value leads to the increase of word-of-mouth intentions. Moreover, Chang and Wildt (1994) found that perceived value mediates the relationship between perceived quality, perceived price, and purchase intention. The model of these relationships can be seen in Figure 1.

Further to the above discussion, Cronin et al. (1997) propose the value added model which examines service quality and sacrifice as a direct measure of value that has a direct link to purchase intentions. They found that the addition of a direct measure of service value to the model which is defined solely by service quality and sacrifice increases the ability of the model to explain variance in consumers' purchase intentions.

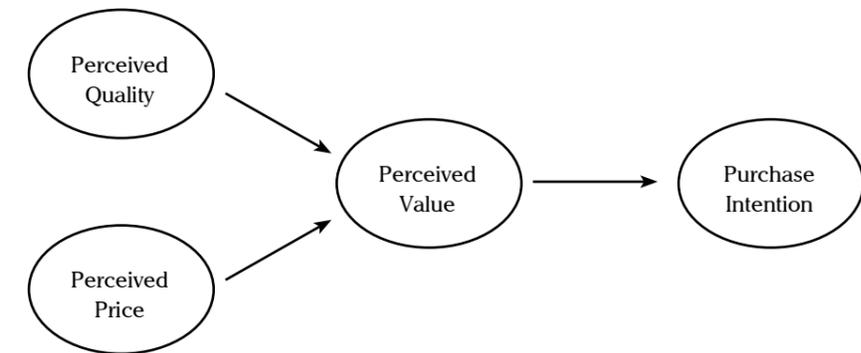


Figure 1. A Direct Link between Value and Purchase Intentions
(Adapted from Chang and Wildt (1994))

Basically, a rationale for neglecting satisfaction is provided by Gross (1997) who argues that in business markets, purchasing managers' decision making is mainly guided by cognitive factors and not by affective ones. Therefore, a direct link between value and outcome variables has been developed taking into consideration solely the cognitive input and cognitive output which consist of repurchase intentions, search for alternatives, and word-of-mouth communication (Eggert and Ulaga, 2002). In consumer markets, buying decision-making is determined by both cognitive and affective factors (Sheth et al., 1991). Hence, it is reasonable to argue that there is a direct relationship between value and behavioral intentions in consumer markets since value involves emotional aspects which, according to most of the literature, can only be captured in the study of customer satisfaction. In this context, customer value is supposed to have a direct impact on behavioral intentions.

Grewal, Monroe, and Krishnan (1998) and Sweeney, Soutar, and Johnson (1999) suggest that in a pre-purchase situation, perception of value might directly influence willingness to buy. Chen and Hu (2010) argue that perceived value drives customer loyalty. This is because the most satisfied customer may not necessarily be the most loyal; thus, value is a better predictor for loyalty. The key foundation underlying all these studies is that value is the key linkage between the cognitive elements

of perceived quality or performance, perceived sacrifice, and behavioral intentions (Patterson and Spreng, 1997). Based on these previous studies, it is noticed that value may well directly impact on behavioral intentions. Based on this discussion, it is hypothesized that "customer value has a positive impact on behavioral intentions".

METHODS

This study investigates the impact of value perceived by tourists on their behavioral intentions to revisit. In other words, what are the tourists going to do in the future after they perceive high or low level of value. The unit of analysis of this study is individuals, specifically, tourists who visit Togean Islands in Central Sulawesi, Indonesia. To collect data, closed-ended questions in a structured questionnaire were used to capture the perceived value. To complete the information from collected questionnaires, in-depth interviews with selected tourist have been conducted.

A convenience sample of 200 questionnaires was distributed directly to respondents. Out of 200 questionnaires, 135 questionnaires were received and completed. Thus, the response rate in this survey was 68%.

The data analysis technique used in this study is Structural Equation Modeling (SEM). SEM was employed to build and test the measurement

model, which enables a comprehensive, confirmatory assessment of construct validity, and provides a confirmatory assessment of convergent validity and discriminant validity (Anderson and Gerbing, 1988), as well as to test the conceptual study of relationship between customer value and behavioral intentions.

RESULTS AND DISCUSSION

Results from testing the model using structural equation modeling indicates that there is positive significant relationship between customer value and behavioral intentions as shown in Figure 2 and Table 1.

The result shows that the model X^2 is 4.960 with degree of freedom 3. Thus the likelihood-ratio chi-square (X^2/df) is 1.653. X^2/df ratios of less than 3 have been interpreted as indicating a good fit to the data. Hence, the X^2/df ratio of 1.653 from the model indicates a good fit.

The Goodness-of-Fit Index (GFI) is a measure of the relative amount of variance and covariance between variables that are predicted by sample size (Bollen, 1989). The AGFI differs from the GFI only in the fact that it adjusts for the number of degrees of freedom in the specified model (Byrne, 1998). Although both indexes range from zero to

1.00, with values close to 1.00 being indicative of good fit, and 1.00 indicating a perfect fit (Arbuckle, 1999). Based on the GFI and AGFI reported in Table 1 (.981 and .937, respectively), it confirms that the hypothesised model fits the sample data fairly well.

Root Mean-Square Error of Approximation (RMSEA) takes into account the error of approximation in the population and asks the question, "How well would the model, with unknown but optimally chosen parameter values, fit the population covariance matrix if it were available (Byrne, 1998, p.84). A value about 0.08 or less for the RMSEA would indicate a reasonable error of approximation (Browne and Cudeck, 1993). Thus, a value of .070 for the RMSEA shows that the model performs well.

Based on the result of Structural Equation Modeling, this study found that the higher the level of perceived value, the stronger their intentions to revisit Togeian Islands as well as their willingness to recommend to others. The perceived value is dependent upon the perceived benefits and sacrifices. As mentioned before, benefits are a combination of physical attributes, service attributes, and technical support available in relation to a particular use situation

Table 1. Summary of Model Fit

Model Fit Assessment	Result
X^2	4.960
Degree of freedom	3
P-value	.175
X^2/df	1.653
GFI	.981
AGFI	.937
NFI	.923
TLI	.933
RMSEA	.070

(Monroe, 1990). Meanwhile, sacrifices are what the consumers have to give up in obtaining the purchased products. Hence, this study agrees with previous studies (Bolton and Drew, 1991; Chang and Wildt, 1994; Grisaffe and Kumar, 1998; Hartline and Jones, 1996; Chen and Hu, 2010; Meng et. al, 2011) which argue that customer value has a direct impact on repurchase intentions and word-of-mouth communication. Specifically, this result is in agreement with Petrick's study (2004) who points out those customers who perceive high levels of value, they have high level of intentions to revisit the tourism destination.

The perceived value is the trade-off relationship between perceived benefits on the other hand and monetary and non-monetary sacrifices on the other, with highly personalized involvement

and abstract level activities (Meng, et. al, 2011). As applied to tourism industry, evaluating perceived value is not limited to the monetary aspects, and it might be more important to take the non-monetary aspects. In this regard, this study presents the levels of value perceived by tourists. The result is depicted in Figure 3.

The figure 3 indicates that most of tourists who were visiting Togeian Islands perceived fair value (57%), while others perceived high levels and very high levels of value, 28% and 11% respectively. Fair value means that these tourists perceived benefits equal to the sacrifices (monetary and non-monetary i.e. price, time, and effort) that they gave up. High value and very high value means that the benefits perceived by these tourists were greater compared to the sacrifices that they had to give up.

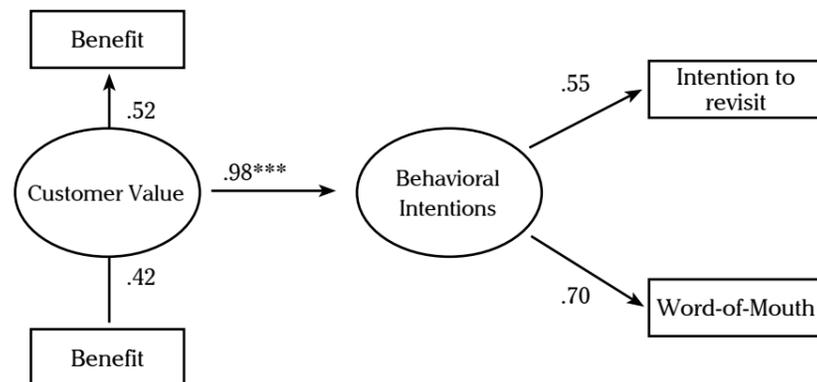


Figure 2. The Relationship between Customer Value and Behavioral Intentions

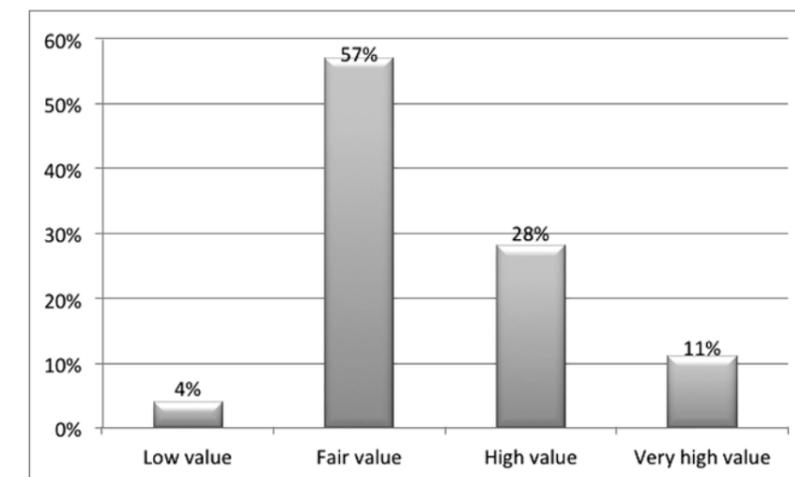


Figure 3. Levels of Value Perceived by Tourists

Three indicators of benefits which were perceived very good by tourists are society acceptance (MEAN 4.19), enjoyment (MEAN 4.18), and view (MEAN 4.03). Society acceptance, as one item of social value, is the way of community who live in tourism area to welcome these visitors. Enjoyment, as one item of emotional value, means that tourists feel very enjoy when they are visiting Togean Islands. View, as one item of functional value, is great and beautiful view and scenery in Togean Islands.

MANAGERIAL IMPLICATIONS

This study found 4% of tourists who perceived low levels of value. Hence, service providers who play role in supplying tourism products, need to increase the level of perceived value by providing better benefits for tourists. This is crucial as it has been confirmed by the results of this study that the levels of perceived value will have a positive significant effect on tourists' future behavioral intentions in terms of repurchase intentions (revisit) and recommend to other people (positive word-of-mouth communication).

This study found three main indicators of functional value which need to be improved i.e. communication facilities, cleanliness, and transportation. The results can be seen in Table 2.

This is in line with the opinion of tourists from in depth-interviews stating that they hardly found communication devices such as internet and telephone, un-scheduled transportation, and un-clean environments (rubbish everywhere).

Tourists' comments on these issues can be summarized in the following citations:

"Getting from Java to Sulawesi is very easy.... but ... it was very difficult to find out information about the ferries to the Togean Islands. I think because the boats are privately owned. The schedules are not formal or known very well by tourist agencies or the harbor"

"... Timetable for the ferry and public boat must be clearer..."

"Waste disposal; a serious problem that must be tackled immediately & urgently - maybe partly with composting & recycling as much possible - use less plastic etc. if Togean want to be a proper tourist destination. It could be end before it starts if the environmental issues are not given great attention to"

"...no place to get an access to the internet...not all cards for cell-phone can be used..."

It is clear that tourism service providers including regional government need to pay greater attentions on communication and cleanliness of the environment in Togean Islands, transportation to Togean Islands and within Togean Islands. If these three aspects can be improved, it will increase the levels of value perceived by tourists who lead to their intention to revisit and recommend to other people.

Based on these results, this study suggests that to increase level of value perceived by tourists, service providers should improve all the dimensions of value i.e. functional value, social value, and emotional value. Functional value can be improved by providing better accommodation, cleanliness, transportation and facilities. Social value can be improved by providing society acceptance (friendliness) and better service quality. In addition, emotional value can be improved by increasing the level of enjoyment and security perceived by tourists. Therefore, tourists will perceive high value (functional, sosial and emotional value), likely to revisit and recommend to other people.

CONCLUSION

The empirical result of this study confirms the previous studies which agree that there is positive significant impact of perceived value on behavioral intentions. Hence, this study points out that the higher the customer perceived value, the stronger their future behavioral intentions to revisit and recommend to other people.

Destinations are strategic marketing units which consist of territorially delimited, consolidated areas

of co-operation (Pechlaner et. al, 2002). Options to improve a destination's competitive edge depend on the determinants of perceived value. It has been indicated in the results of this study that three main areas need to be improved i.e. communication, transportation, and cleanliness in order to increase customer perceived value which might lead to intentions to revisit the destination. More precisely, service providers including regional government and private businesses need to provide communication facilities (mobile phone providers, access to the internet), easy, convenient, and clear timetable of transportation, as well as increase the awareness of community to maintain the cleanliness of the area.

This study is subject to some limitations. First, this investigation refers only to a specific geographical area i.e. Togean Islands, Central Sulawesi Indonesia. Consequently, future research would be useful for generalizing the results to other geographical areas. Second, this research only investigates two constructs, hence further research is suggested to include other constructs such as destination image and satisfaction to perform and test a comprehensive framework. ■

Table 2 MEAN of Indicators

Rank	Indicators	MEAN scale 1-5 (Very bad to Very Good)
1 st	Society acceptance	4.19
2 nd	Enjoyment	4.18
3 rd	View	4.03
4 th	Food and beverages	3.89
5 th	Security	3.79
6 th	Accommodations	3.59
7 th	Cleanliness	2.81
8 th	Transportation	2.63
9 th	Communication	2.14

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Appendix

Profile of Respondents

Description	Frequency (N=135)	Percentage
Type of tourist		
- Domestic	61	45.2%
- Overseas	74	54.8%
Country of origin		
- Asia	66	48.9%
- America and Canada	8	5.8%
- European countries	61	45.2%
- Australia	0	0%
Gender		
- Female	73	54.1%
- Male	62	45.9%
Age		
- Less than 19	4	3%
- 20-29	48	35.6%
- 30-39	42	31.1%
- More than 40	41	30.4%
Occupation		
- Work for government	41	30.4%
- Businessman/Entrepreneur/Work for a company	44	32.6%
- Work for university	19	14.1%
- Others	31	23%
Income		
- less than US\$1000	26	19.3%
- US\$1000-2500	61	45.2%
- US\$2501-5000	34	25.2%
- more than US\$5000	14	10.4%
