Exploring travel agency relationship quality and relationship outcomes in China

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EXPLORING TRAVEL AGENCY RELATIONSHIP QUALITY AND RELATIONSHIP OUTCOMES IN CHINA

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ABSTRACT

This study investigates the determinants and outcomes of relationship quality in the context of the China travel industry. A conceptual model was developed and tested to identify the determinants of relationship quality and the relationships between relationship quality and key relationship outcomes. Stepwise regression analyses on the survey data show that five of six proposed predictors have significant influences on relationship quality. Further investigation of structural equation modeling demonstrates that higher relationship quality resulted in higher reputation and customer loyalty. The findings will provide travel agency managers with a guideline to develop and implement effective marketing strategies in Chinese tourism market.

INTRODUCTION

Intense competition for market share in today’s travel industry urges managers to attend to cultivate loyal customers. Relationship marketing as an emerging strategy has received considerable attention, so as to insure that customers return to the same travel agency for new purchases, and that they recommend it to their social circles. Although the importance of relationship quality (RM) as a mediating role between predictors and relationship outcomes is well established in the literature, some central questions concerning the relationship between these constructs have not been fully explored (Kim et al. 2007). In the field of tourism literature, only limited empirical studies have investigated the determinants and outcomes of relationship quality (Kim and Cha 2002; Jones et al. 2007; Moliner et al. 2007), of which most focus on the hospitality sector. Rare studies have been conducted in the travel agency sector to examine the cause-effect relationships of relationship quality.

So far, most empirical studies on the topic have mainly been conducted within a western context (Roberts et al. 2003; Crosby et al. 1990). It warrants further examination that whether existing conclusions derived from western settings would be universally applicable regardless of cultural differences and various industrial characteristics. Specifically, being a high context culture, China needs to be understood within its own context (Wong and Cha 1999). The concept of “relationship” in Chinese society is evolved under a specific term—Guanxi, which plays a significant role in shaping and influencing the social behaviors of the Chinese (Leung et al. 1996), and is perceived to be one of most controversial research topics (Wong and Cha 1999). This study attempts to investigate the determinants and outcomes of relationship quality in the context of China travel industry. Based on literature review in relationship quality, this study posits six variables (mutual disclosure, employee’s expertise, customer orientation, core service delivery, effective communication and likability) as predictors of relationship quality, while it regards customer loyalty and the travel agency’s reputation as key relationship outcomes.
Specifically, the following two research questions are examined: (1) the ways in which the six proposed predictors may affect relationship quality, (2) and the relationships between relationship quality, customer loyalty and the travel agency’s reputation. This study also seeks to provide insights to better understand the relationship quality construct in China, helping travel agency managers to develop and implement effective marketing strategies in the Chinese tourism market.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

The conceptual framework guiding this study is presented in Figure 1. Based on the literature review, the authors have generated nine hypotheses associated with the model. These hypotheses focus on the interrelationships among six predictors of relationship quality, the travel agency’s reputation, customer loyalty and relationship quality.

Figure 1. Conceptual model.
Relationship Quality: Definitions and Dimensions

Relationship quality has been defined as the “degree of appropriateness of a relationship to fulfill the needs of the customer associated with [it]” (Hennig-Thurau and Klee 1997). The concept can be regarded as a metconstruct composed of several key components reflecting the overall nature of relationships between companies and consumers. Although there is not a common consensus regarding the conceptualization of relationship quality (Hennig-Thurau 2000), discussions often emphasize the importance of customer satisfaction with the service provider’s performance, trust in the service provider and commitment to the relationship with the service firm (Baker et al. 1999; Garbarino and Johnson 1999), which are proposed as key dimensions of relationship quality in this paper. Three primary terms used in this study are discussed below.

Satisfaction - Satisfaction with delivered products and services has been suggested and empirically tested to be an influential element in a customer buying decision to continue a relationship (Anderson and Weitz 1989; Fornell 1992), and conversely reduce the likelihood of exit from the relationship (Singh 1988). When a buyer is satisfied with a supplier, he/she expects that that supplier is able to deliver what has been promised. Yau (1994) found that there is a positive relationship between satisfaction and intention to re-purchase a product in a Chinese consumer survey.

Trust - One party’s trust on the other party means taking the other party’s words as fact and reducing the likelihood that the other party acts opportunistically (Bradach and Eccles 1989). In relating to that, one party has confidence and a general expectancy in the other party’s reliability and integrity (Moorman et al. 1993; Morgan and Hunt 1994). A trusting relationship is a pre-requisite generating a relational bonding that may likely have lower transaction costs because a simple contract is sufficient to run an exchange relationship (Ganesan 1994).

Commitment - In the service marketing context, Berry and Parasuraman (1991) state that “relationships are built on the foundation of mutual commitment.” Commitment has been defined “as an enduring desire to maintain a valued relationship”(Moorman et al. 1993). It is based on the belief that a relationship is worth the effort to be maintained. Committed relationship partners are unlikely to switch even if a competing supplier outperforms the incumbent’s value offer (Uлага and Eggert 2006).

Antecedents of Relationship Quality

Core Service Delivery - The core service refers to the essence of a service (Sureshchandar et al. 2002). Schneider and Bowen (1995) note that in a service business a lot of emphasis has been placed on the procedures, processes and contexts for service to the extent the service firm tends to overlook, and there is also something called the “core service”. As a matter of fact, this core service is regarded as a “given” promise that any service provider must deliver with consistency if the customer wishes to stay in business (Gronroos 1983), and whatever service features are offered is as important as how it is delivered (Rust and Oliver 1994). Therefore, the following hypothesis is proposed:
H1: There is a positive relationship between core service delivery and relationship quality in a travel agency’s service.

Customer Orientation - Customer orientation is generally viewed as the practice of marketing concept at the level between individual salesperson and customers. In general, behaviors associated with customer orientation involve the diagnosis of need satisfaction and problem solution (O’Hara et al. 1991), putting customers’ interests ahead of one’s own (Swan et al. 1985) and implementing a low-pressure selling approach (Saxe and Weitz 1982). Brown et al. (1991) echo that a salesperson should actively avoid actions that sacrifice customers’ interests to increase the probability of making an immediate sale. In particular, applying to the tour guide situation, his/her primary responsibilities are to provide good service, solve problems and assure customer satisfaction during the journey, but not to be focused on short-term self-interest (e.g., tips) by adopting a ‘hard’ selling approach to tourists. Therefore, it is hypothesized that:

H2: There is a positive relationship between customer orientation and relationship quality in a travel agency’s service.

Employee’s Expertise - Expertise is the extent to which a person possesses knowledge, experience or skills relevant to a particular topic (Lagace et al. 1991). In service settings involved with uncertainties and risks, customers may strongly emphasize controls to ensure that every detail comes well together (Nakata and Sivakumar 1996). Demonstrating expertise can eliminate customer’s uncertainties, consequent feelings of vulnerability (Andaleeb and Anwar 1996), hence leading to higher level of trust within the relationship (Anderson and Weitz 1989). In addition, product or market knowledge, an indicator of competence and expertise, is also noted among the most important criteria in determining customer satisfaction with the salesperson. In the context of the travel industry, for example, tourists have to rely on the expertise and professional knowledge of the travel agency staff that is expected to introduce destination-related information such as historic and cultural spots, attractions, food, climate and customs, etc. Hence, it is hypothesized that:

H3: There is a positive relationship between expertise and relationship quality in a travel agency’s service.

Mutual Disclosure - Mutual disclosure is a process by which two parties let themselves be known by each other (Derlega et al. 1987). It is important to note that mutual disclosure should be a two-way interaction (Kim and Cha, 2002), which is a reciprocal behavior in a healthy relationship in the sense that disclosure from one party will be reciprocated from another one. In the sales context, a salesperson has to disclose him/herself in order to let customers know well that s/he wants to develop a relationship. By disclosing him/herself to the customer over time, the customer will get to know more about this salesperson and bestow trust. Accordingly, salesperson’s disclosure also acts as an incentive of reciprocity of information exchange to his/her customer. This information exchange is important as the customer’s disclosure facilitates the salesperson’s understanding of the complex and ill-structured problems (Crosby et al. 1990). Such customer’s disclosure is an expression of trust in the salesperson too. In the travel industry, it is likely that mutual disclosure is an effective way to maintain the harmony and relationship among the tour group members. The following hypothesis is posited:
H4: There is a positive relationship between mutual disclosure and relationship quality in a travel agency’s service.

**Effective Communication** - Communication involves exchange of information that is regarded as an important element of relationship marketing (Anderson and Narus 1990). Moorman et al. (1993) emphasize that timely communication can align perceptions and expectations and foster trust by helping to resolve disputes. Morgan and Hunt (1994) suggest that a partner’s perception that past communication from another party is frequent and is of high quality (relevant, timely and reliable) will result in greater trust. In Kim et al.’s (2001) study of relationship quality in the hotel sector, effective communication plays a significant influence in maintaining relationship quality. Therefore, it is hypothesized that:

H5: There is a positive relationship between communication and relationship quality in a travel agency’s service.

**Likability** - Likability is defined as the extent to which one person is friendly, nice and has a sense of humor (Doney and Cannon 1997). Studies of likability have predominantly focused on the trust aspect of relationship quality (Swan and Nolan 1985; Hawes et al. 1989). Likability of a service provider is important to a customer’s trust in the sense that unpleasant treatment by a service provider can lead to a negative psychological consequence beyond expectation and thus attenuate trust (Andaleeb and Anwar 1996). This is particularly true in the travel industry. Once the tourists pick up a group tour package, it is believed that a likable tour guide may help maintain the harmony within the group members and manage the tourists’ expectations. Therefore, it is postulated that:

H6: There is a positive relationship between likability and relationship quality in a travel agency’s service.

**Key Outcomes of Relationship Quality**

**Reputation** - A service firm’s reputation is defined as the extent to which a service organization is believed to be honest and concerned about its customers (Doney and Cannon 1997). Reputation is a valued asset (Chiles and McMackin 1996) and is generally associated with the name of the company (Aaker 1990). Service firms try to avoid a bad reputation. A key function of reputation is that it influences the buyers’ purchasing decision, for example, a good reputation stimulates purchasing by simplifying decision rules (Andreassen 1994). In this context, reputation becomes an issue of attitudes and beliefs with regard to customer satisfaction (Fornell 1992). These attitudes and beliefs are influenced by previous experience, and consumers with little or no experience on the supplier may base their attitudes and beliefs on reputation (Andreassen 1994). As service is essentially intangible in nature and based on performance, reputation is believed to be an important factor to be influenced by relationship quality. Thus, the following hypothesis is posited:

H7: There is a positive relationship between relationship quality and reputation of a travel agency.
Customer Loyalty - Customer loyalty expresses an intended behavior related to the service or the company. This includes the likelihood of future renewal of service contracts, how likely it is that the customer changes patronage, how likely the customer is to provide positive word-of-mouth. The current study focuses on two constructs of customer loyalty: repeat purchase and word-of-mouth recommendation. Repeat purchase is an important consequence measure, and is viewed as an indicator that signals whether a customer will remain with or defect from the company (Zeithaml et al. 1996). Word-of-mouth, another consequence measure, is the extent to which a customer will inform friends, relatives and colleagues about an event that has created a certain level of satisfaction or dissatisfaction in terms of word-of-mouth publicity (Soderlund 1998). Based on the above discussion, the following three hypotheses were developed:

H8: There is a positive relationship between relationship quality and customer loyalty.
H9: There is a positive relationship between a travel agency’s reputation and customer loyalty.

METHOD

Survey Instrument Development

Measurement items were mostly adapted from existing relationship quality studies and were modified in the light of a pilot test in a number of 30 respondents and interviews with experienced tour guides and managers of travel agencies, so as to capture the unique features of the China travel industry being studied. A total of 55 items (i.e. 34 items for six predictors of RM, 12 items for three RM dimensions, and 9 items for two key outcomes of RM) were generated by the researchers and can be found in the Appendix. For each item, five-point Likert scales anchored by 5=strongly agree and 1=strong disagree with 3=neutral (neither agree nor disagree) as the midpoint were utilized. Additional questions about respondents’ demographic profile were also employed.

Sampling

A survey was conducted at Xiamen in China from March to April, 2007. Questionnaires were sent to Chinese tourists who had bought a package from a travel agency in the last two years. A random sampling procedure was conducted. Respondents were selected at random in the tourists’ attractions (e.g. Gulangyu Island, Nanputuo temples, etc.) or from tour groups, and asked to fill out questionnaires according to the latest travel package they purchased from a travel agency. Out of 300 questionnaires distributed, 164 useable questionnaires were returned, yielding an effective response rate of 54.67%.

RESULTS

Reliability Test and Exploratory Factor Analysis
Aiming to assess the unidimensionality of each scale, a reliability test was used to purify the measurement scale for each construct. Using SPSS 13.0, the coefficient alphas of 9 constructs are above .6, which was acceptable for the study, ranging from .63 to .93 (see Appendix). Exploratory factor analysis with varimax rotation of relationship quality, its predictors and outcomes supported the unidimensionality of each scale in that the items of each scale loaded highly on a single factor. The most factors with eigenvalues greater than 1 were retained. In addition, all items with a factor loading above .4 were retained.

To test the appropriateness of exploratory factor analysis, three steps were evolved via SPSS 13.0. First, for predictors of relationship quality, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO-MSA) was .92, which fell within the acceptable range. In addition, the Bartlett’s test of sphericity was significant at p=.000, which showed a significant correlation among the variables. Likewise, for relationship quality and its outcomes, the KMO-MSA were .92 and .89, which both fell within the acceptable level. In addition, the Bartlett’s test of sphericity were both significant at p=0.000, which showed a significant correlation among the variables.

**Determinants of Relationship Quality**

Hypotheses 1 through 6 address the relationships among relationship quality and six proposed predictors. A stepwise regression procedure was applied to test hypotheses. First, in specifying the regression model, each variable was measured through a single index by averaging the item scores. Second, six new proxies of proposed predictors were entered in a stepwise fashion to determine statistically which of them were significant in predicting relationship quality. The ability for each of these predictors to enter the equation (or not to enter the equation) will provide answers to the hypotheses. Third, a significant regression equation was obtained from a stepwise regression analysis (F=55.74, p<.001) accounting for an adjusted variance of 62.7%. The regression equation was estimated as “Relationship quality = -0.237 + 0.185*CSD + 0.186*CO + 0.289*MD + 0.214* EE + 0.148*EC + e”.

Based on the regression results shown in Table 1, except for likability, the other five proposed predictors have significant influence on relationship quality in the context of the China travel industry. Therefore, the results show that hypotheses 1 to 5 can be accepted, while hypothesis 6 must be rejected. Five accepted determinants of relationship quality have a positive impact on relationship quality.

**Table 1**

*Result of Stepwise Regression*

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>S.E.</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-0.237</td>
<td>0.288</td>
<td>-0.823</td>
<td>0.411</td>
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<td>Core Service Delivery</td>
<td>0.185</td>
<td>0.075</td>
<td>2.452</td>
<td>0.015</td>
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<tr>
<td>Customer Orientation</td>
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<td>0.062</td>
<td>2.996</td>
<td>0.003</td>
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<td>Mutual Disclosure</td>
<td>0.289</td>
<td>0.100</td>
<td>2.884</td>
<td>0.004</td>
</tr>
<tr>
<td>Employee’s Expertise</td>
<td>0.214</td>
<td>0.071</td>
<td>3.001</td>
<td>0.003</td>
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<tr>
<td>Effective Communication</td>
<td>0.148</td>
<td>0.070</td>
<td>2.102</td>
<td>0.037</td>
</tr>
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</table>
Relationship Quality and Its Key Outcomes

Hypotheses 7 though 9 pertain to the relationships among relationship quality, the travel agency's reputation, and customer loyalty. Using AMOS 5.0, structural equation methodology was used to test the hypothesized relationships. In specifying the model, each component of relationship quality (notably, satisfaction, trust and commitment) was measured through a single index by averaging the item scores. Maximum likelihood (ML) estimation was used to estimate model parameters. The approach to model fit assessment involved using several diagnostics to judge the simultaneous fit of the measurement and structural models to the data collected for the study (Kim and Cha 2002). The structural model results in Figure 2 show that the overall structural model fit is within an acceptable level in general.

Hypothesis 7 suggests that relationship quality affects a travel agency's reputation. The result is consistent with this prediction as demonstrated by a positive path estimate ($\beta = .759$, $p < .01$). Hypothesis 8 predicts a positive relationship between relationship quality and customer loyalty. As hypothesized, the path estimate is positive and significant ($\beta = .82$, $p < .01$), thus supporting hypothesis 8. Hypothesis 9 predicts that a travel agency's reputation will display a positive relationship with customer loyalty. Path estimate is consistent with this prediction as evidenced by a positive path estimate ($\beta = .25$, $p < .01$).

![Figure 2. The result of structural relationship model](image-url)
DISCUSSION AND MANAGERIAL IMPLICATIONS

Relationship quality as an emerging concept in the literature on relationship marketing has been applied to the context of travel industry in this study. Based on the stepwise regression, the results show that five of six proposed antecedents (core service delivery, mutual disclosure, employee’s expertise, customer orientation, effective communication) have significant influence on relationship quality at the .05 level of significance, except for likability. In particular, it is demonstrated that mutual disclosure and employee’s expertise are two primary determinants of the relationship quality within the China travel industry. Furthermore, the findings of structural equation analysis demonstrate that higher relationship quality resulted in higher travel agency reputation and customer loyalty, while travel agency reputation plays a mediating role between relationship quality and loyalty.

Mutual disclosure shows the strongest influence on relationship quality based on the data collected in this study. The finding differs from the conclusion of Kim and Cha (2002), which discovered that mutual disclosure activities did not show a significant relationship with guest satisfaction and trust in the hospitality industry. Therefore, one major concern is that the nature of service delivery within travel industry is distinctive from hospitality service. In context of hospitality industry, hotel products and services sold to guests depend less on the salesperson in hotels than in travel agencies. In contrast, within the travel industry, since a tour guide escorts tourists in the whole journey, contacting tourists should be sensitized to the nature of the social process underlying interpersonal relationship development. Efforts to elicit information disclosure from tourists, which may be vital in appropriately diagnosing the fulfilling their needs, must be met with reciprocal disclosure by the tour guides. Being aware of this, human resource training programs should emphasize that tourists may use disclosure to “test” the tour guide’s motives and trustworthiness.

Employee’s expertise is found to be another important determinant of relationship quality. It is necessary for a travel agent to have the following expertise in the service encounter: (1) professional training and education; (2) adequate knowledge about the travel package and service; (3) be competent in providing service. Notably, employee’s expertise includes the basic professional experience and appearance, but in long-term exchange relationships takes on added meaning as the travel agent’s consultative role expands, and it becomes clear that solutions to the tourist’s problems must transcend traditional service boundaries.

Customer orientation influences relationship quality significantly. For travel agency managers, this indicates that employees’ customer orientation is important for developing and maintaining a good relationship with their customers. In order to improve the customer orientation, a travel agency should both understand tourist needs well and solve any conflicts expeditiously. For example, a travel agency needs to be knowledgeable about the tourists’ preferences and try to understand the change of tourists’ needs.

Higher core service delivery and effective communication also leads to higher relationship quality. A successful travel agency must maintain consistently high-quality service performance. It is important for a travel agency to provide excellent tour guide service, good travel packages and convenient travel facilities. Meanwhile, to build a cooperative relationship,
communicating relevant information to the customer in a timely manner is essential in building
guest trust and satisfaction (Kim and Cha 2002). Nowadays, China travel agencies could take
advantage of online and offline promotional opportunities, mass media advertising, and
telemarketing services.

This study may contribute to the body of relationship marketing knowledge in several
ways. First, existing western theories and practices may not be universally applicable because of
the existence of cultural differences. Previous empirical research (Jones, Mak and Sim 2007;
Molina 2007) is mostly based on western setting; however, this study explored and identified
five determinants of relationship quality in the China travel industry. Second, for practitioners,
this investigation identifies that relationship quality actually drives positive, quantifiable
relationship outcomes in terms of a travel agency's reputation and loyalty. Third, the mediating
effect of a travel agency's reputation in the relationship between travel agent employee service
and travel agent guests' loyalty has been explored in this study.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study was subject to several limitations that affected the interpretation of the result.
The first limitation derives from the sample size. Gorsuch (1983) and Hatcher (1994) proposed a
minimum subject to item ratio of at least 5:1 concerning exploratory factor analysis, and they
noted that higher ratios are generally better. This study only collected 164 useable
questionnaires, yielding a relative low item ratio. In addition, those variables examined in this
study, especially the most significant predictors affecting relationship quality, may vary pending
on travel agency type, whether domestic or international. Further studies should examine
whether determinants of relationship quality differ according to travel agency type or other
control variables.

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