Antecedents of Tourism Destination Image and Customer Satisfaction in Tourism Industry

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Abstract:

Marketing mix has largely adapted as antecedents for analyzing the marketing performance in many sectors. However, it applicability in tourism sector has not been explored well. This research aims to analyze customers’ satisfaction on tourism destination in order to increase the number of tourists visiting in Indonesia.

This novelty is reviewed in depth with relevant theoretical studies and tested in empirical research conducted on how managing marketing mix in tourism sector to boost the number of tourists to visit a destination.

Model testing conducted using Structural Equation Modelling (SEM). By taking 350 respondents with purposive sampling technique, the results showed that tourism actors capable of improving marketing mix is able to improve customer satisfaction in tourism industry.

Keywords: marketing mix, customer satisfaction, image creation, destination design, consumer loyalty.

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1. Introduction

The role of tourism in boosting state revenues is the most important aspect to analyze. This paper attempts to analyze the antecedents of tourism marketing. Experts have given various definitions of tourism marketing. According to Krippendorf (1987), tourism marketing is a systematic and coordinated execution of business policy by tourist undertaking whether private or state owned by local, regional, national and international level to achieve the optimal of satisfaction. Wahab, et al. (2001) state that the term tourism marketing is a management process execute by national tourism organizations or companies.

Tourist desire to travel and tourists is a potential from the side of tourism organization by communicating with them, affecting their wants, needs, and motivation, and by providing tourist objects and attractions for tourists to obtain optimal satisfaction. The tourism sector in North Sumatra, Indonesia has the opportunity to grow with the enactment of the ASEAN Economic Community. This is in line with international organizations including the UN, the World Bank and the World Tourism Organization (WTO), which recognizes that tourism is an integral part of human life, especially with regard to social and economic activities. The problem raised in this research is how to build new theoretical approach to analyze the influence of marketing mix on destination image and customer loyalty in tourism industry. This research proposes a new concept that is customized network capability based on the basic theory in the field of management that is Resources Based View (RBV) theory.

2. Services Marketing Mix

Service is an activity or benefit that offers by one party to another and does not result in ownership transfer. Services are intangible, inseparable, fluctuating and not durable. Each characteristic has a problem and requires a strategy (Cotirlea, 2011; Keisidou et al., 2013; Giannakopoulou et al., 2016; Faizova et al., 2015; Ryzhkova and Prosvirkin, 2015; Srimuk and Choibamroong, 2014). In service marketing, the strategic approach directed at the ability of marketers to find ways to realize the intangible increase the productivity of inseparable providers of the product, create quality standards with respect to variability, and influence the movement of demand and supplier capacity. In general, service-marketing strategies applied in the overall corporate context, requiring not only external marketing, but also internal marketing to motivate employees and interactive marketing to create service provider expertise.

Zeithaml, Bitner and Gremler (2006) describe the marketing mix as elements that can controlled by the organization capable of being able to satisfy and communicate with customers. These elements will be the key decision variables in each marketing plan. Marketing mix strategy consists of product strategy, pricing strategy, distribution strategy and promotion strategy (Kotler and Armstrong, 2012). Marketing mix is the elements of marketing that are interrelated, mixed, organized
and used properly, so that companies can achieve marketing objectives effectively, as well as satisfying the needs and desires of consumers. Marketing mix is a tool for marketers by exploring various elements of marketing program to implement the marketing and positioning strategy (Lupiyoadi, 2009). Perreau and McCarthy (2002) classify the marketing mix, particularly goods, consisting of four variables in terms of product, price, place and promotion. Particularly in the context of ecotourism services, the four variable factors considered inadequate. Thus, marketing experts add three more factors in terms of people, process, and physical evidence (Lupiyoadi, 2009; Payne, 2005; Liapis et al., 2013; Thalassinos and Dafnos, 2015; Akopova et al., 2017; Frank et al., 2016).

3. Destination Image

Essentially, tourist attraction comprises all elements possessed of a place that attracts visitors. These elements include landscapes for viewing, activities to follow, and experiences to remember. However, it is sometimes difficult to distinguish between attraction and not attractiveness. Transportation, accommodation, and other services can be integral part of attraction attributes. McIntosh et al. (1995) state that every tourist destination has a certain image to a destination that contains beliefs, impressions and perceptions. According to Lawson and Band Bovy (1977) (as cited in Mathison and Wall, 1982), the image is an expression of all the knowledge, impression, prejudice, imagination and emotional outlook that a person or group has toward a particular object or place. The image of a destination is an important part for tourists and stakeholders. According to Fakeye and Crompton (as cited in Chen and Tsai, 2007), the image of the destination is a picture of thoughts, beliefs, feelings and perceptions of a destination. Calantone, et al. (2003) state that the image of the destination is the perception of potential tourists to a destination.

Gartner (2003) states that the image of the destination is the perception of the complex combination of the various products and related attributes. The formation of the image of tourist destinations according to Tocquer and Zins in Lopes (2011) examines the influence of perceptions on tourists related to a particular purpose, and the grouping of images into four stages of formation, that are vague and realistic image, distortion of image, improved image, and resulting image. The image of tourist destinations is a reflection of the tourist attraction that consumers perceived.

4. Customer Loyalty

Griffin (2007) provides an understanding of loyalty by stating that when a customer is loyal, he or she exhibits purchase behavior as a non-random purchase expressed over time by some decision-making. Hence, marketers must be able to increase awareness from first-time customers into lifetime’s customers with the occurrence of purchase. This also will increase as consumers will buy more from the company, and strengthen the company’s position in the market. Marketing costs will go down because companies do not have to use more money to attract consumers. Similarly,
satisfied consumers will likely tell their friends that in turn will reduce the cost of advertising. Companies can isolate from price competencies because loyal customers did not affected by discounts from competitors.

Eventually, satisfied customers will be happy to try other company products, thus helping the company to gain a wider market share. Kotler and Keller (2013) reveal the indicators of customer loyalty, in terms of repeat purchase or loyalty to product purchases; retention or resilience to negative influence of company; referral behavior (totally references the company's essence). Fournier and Mick (2003) suggest that satisfaction, dissatisfaction, and complaints are the result of the consumer buying decision process. Satisfaction and dissatisfaction represent positive, neutral, or negative feelings that arise after purchase. Consumer complaints are a clear expression of dissatisfaction. Consumer satisfaction is the focus of marketing concepts and the dominant cause of consumer loyalty. The characteristics of loyal customers are making regular repeat purchase, purchasing across product and service, referring other products, and demonstrating in immunity to the pull of the competition.

4.1 Relationship between Marketing Mix and Destination Image

A good tourist destination should be able to provide tourist facilities in accordance with the needs of visitors to provide convenience and fulfill their needs during the visit. Kotler and Keller (2009) states that the facility is everything that deliberately provide by service providers to use and enjoy by consumers providing the maximum level of satisfaction. When tourist facilities can provide maximum satisfaction to the visitors, it will be a good base for them to re-visit in the future and their willingness to tell positive things to others. Dahmiri (2010) states that marketing mix variables affect the image in a positive way. Thus, this following hypothesis is proposed:

Hypothesis 1: There is positive effect of marketing mix's capability on destination image.

4.2 Relationship between Marketing Mix and Customer Satisfaction

The satisfaction of tourists encourages them to be loyal to a destination by making re-visit and willing to recommend tourist destinations to others. According to Oliver (1997) loyalty is an in-depth customer commitment to re-subscribe or re-purchase products or services consistently in the future, even though the influence of the marketing situation and efforts has the potential to cause behavioral change. All elements of marketing mix, product and promotion have a very strong effect on the satisfaction of tourists. Furthermore, Owomoyela et al. (2013) reveal that all elements of the marketing mix have a significant effect on customer satisfaction.

Hypothesis 2: Marketing mix's capability positively affects consumer satisfaction.
4.3 Relationship between Marketing Mix and Consumer Loyalty

A successful marketing program can be seen from its ability to satisfy the wants and needs of consumers. The combination of marketing mix elements is created to jointly meet customer satisfaction. Previous research shows a variety of findings in which not all elements of the marketing mix affect satisfaction. How the marketing mix affects consumer satisfaction greatly influence by other factors including the type of product or service offered and the characteristics of the respondents. Widyawati (2006) indicates that service marketing mix variables significantly influence consumer loyalty. Setiawardi et al. (2013) reveal that partially that product, price, place, promotion variables, and physical facility and employee variables have no significant effect on customer loyalty, while the significant influence on customer loyalty is the process variable. Al Muala et al. (2012) show that the product has a significant effect on destination loyalty, while prices, people and processes have no significant effect on destination loyalty.

Hypothesis 3: There is a positive relationship between marketing mix capability and consumer loyalty.

4.4 The Impact of the Destination Image on Destination Loyalty

Consumer’s point of view of the relationship between the destination image and the consumer behavior of the destination plays a role in the buying and satisfaction behavior. The image of the destination is the impression of tourists in general to a tourist destination. The image of the destination plays an important role in understanding the behavior of tourists in traveling. Gunn and Mercer (2009) state that image formation before the trip is the most important phase in the process of choosing a tourist destination. Moreover, the image perceived after the visit will also affect consumer satisfaction and intensity to make visits in the future, depending on the ability of tourist destination’s area managers in providing an experience that suits the needs of tourists. Park and Nunkoo (2013) suggest that the overall image has a positive effect on destination loyalty. Furthermore, the image of the destination has a significant effect on destination loyalty. Similarly, Mohamad et al. (2014) reveal that the image of the destination has a significant effect on destination loyalty.

Hypothesis 4: There is positive effect of destination image on customer loyalty.

4.5 The Effect of Consumer Satisfaction on Customer Loyalty

Customer’s satisfaction and dissatisfaction on service will affect the pattern of subsequent behavior. If the customers are satisfied, then they will show the magnitude of the possibility to re-visit a tourist area. Satisfied customers also tend to provide good references to others over the tourist area. Bowen and Chen (2001) state that customer satisfaction related to customer loyalty, and will become loyal customers. Then, the loyal customer will become a powerful marketing force for the
company by providing recommendations and positive reference to other prospective customers. Fornell et al. (1996) and Oliver (1997) suggest that there is a strong relationship between satisfaction and loyalty. Other studies show that consumer satisfaction can influence consumer loyalty in more complex forms (Oliver, 1999). Cronin and Taylor (1992), Dick and Basu (1994), Oliver (1997) argue that consumer satisfaction is one of several causes of consumer loyalty. Cronin, Brady and Hult (2000) describe that consumer satisfaction can have a direct potential impact on a consumer's loyalty. Mohamad et al. (2014) reveal that the satisfaction of tourists has a positive and significant impact on destination loyalty. Yuningsih et al. (2014) show that consumers’ satisfaction gives influence to the loyalty of consumers’ tourism area.

Hypothesis 5: There is positive effect of customer’s satisfaction on customer loyalty.

5. Methodology

The sample size in this study is based on various considerations. First, the population is dynamic; Secondly, since this study uses the Maximum Likelihood (ML) estimation model, this estimation requires large sample size of at least 100 to 200. However, if the sample size is larger, between 400 and 500, then the sensitivity of this model in detecting the difference between data will be higher (Ghozali, 2008). Although the number of population members in this study is incalculable, deciding whether the amount will decrease or increase within a certain time is no certainty, in addition to the reason that this study was designed using the Maximum Likelihood estimation model. Therefore, the sample size in this study refers to Hair, et al. (2010), Ferdinand (2006) and Ghozali (2008) stating that the number of samples can be calculated from indicator magnitudes multiplied by 5 to 10. Because this study uses 4 construct variables that the total indicator number of 34, then the sample in this study can be numbered between 170 up to 340 respondents. In this case the study took a sample of 286 people.

In this study, the method used to collect data is the distribution of questionnaires directly to the respondent or personally administrated questionnaire, because the respondent or the specified sample is easily contacted personally and is in the area of North Sumatera.

6. Results

The results of the analysis generally support the hypothesis that the research model is in accordance with the data or fit to the data. The chi-square statistical index is used to compare the predicted covariance matrix with the observed covariance matrix. An insignificant chi-square value indicates a good fit. The results of the model feasibility study showed relatively small chi-square values (138.760 with DF=127). The probability value of 0.224 is above the recommended significance level of 0.05 and the CMIN / df value of 1.093 is less than 2.0. The statistical index
for the feasibility of the Root Mean Square Error Approximation (RMSEA) model, which relates to the predicted random value error is 0.021, generated by the model is smaller than the 0.08 limit number. This indicates that the model's prediction error is small. The next model feasibility index is the incremental fit index which includes normed fit index (NFI), Tucker Lewis Index (TLI), and Comparative Index (CFI). All three are index numbers that do not depend much on the size of the sample size. The results of the analysis show that the index values for all three sizes are above 0.90. Finally, the feasibility index for measuring model simplicity is indicated by the value of parsimony ratio (PRATIO). Small PRATIO values, such as 0.255 for this model, indicate that the proposed model is simple and good. Moreover, the value of coefficient of determination (R square) of destination image variable of 0.536, means that variable ability to explain the loyalty is equal to 53.6%.

<table>
<thead>
<tr>
<th>Table 1. Goodness of Fit Testing</th>
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<tbody>
<tr>
<td>Chi-square</td>
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<tr>
<td>152.405 (α=0.05; DF= 142)</td>
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<tr>
<td>138.769 df=127</td>
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<tr>
<td>Fit</td>
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The test results show that hypothesis 1 which states the higher the capability of image creation, the higher customer satisfaction capability is accepted with the value of C.R = 3.182 and p = 0.001. Thus, by creating image, companies can increase depth, breadth, efficiency and the level of trust and satisfaction of customers which ultimately is able to increase customer loyalty.

The result shows that hypothesis 2 stating that the higher the marketing mix capability, the higher the customer satisfaction capability is accepted, indicated by the value of C.R = 2.442 and p = 0.015. The results of this test provide support to the previous findings revealing that marketing mix capability can increase customer satisfaction in accordance with consumer expectations.

The test shows that hypothesis 3 stating that the higher the destination design capability, the higher the customers satisfaction is accepted with the value of C.R = 6.302 and p = 0.00. The testing result of this hypothesis give strong support to the results of the studies of previous findings stating that the design components of destination style, reliability, and aesthetic as the foundation for the company in developing image destinations, is likely able to create company's ability to understand customer's needs.
Table 2. Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC → CS</td>
<td>0.267</td>
<td>0.084</td>
<td>3.182</td>
<td>0.001</td>
<td>accepted</td>
</tr>
<tr>
<td>MM → CS</td>
<td>0.200</td>
<td>0.082</td>
<td>2.442</td>
<td>0.015</td>
<td>accepted</td>
</tr>
<tr>
<td>DI → CS</td>
<td>0.609</td>
<td>0.097</td>
<td>6.302</td>
<td></td>
<td>*** accepted</td>
</tr>
<tr>
<td>MM → CL</td>
<td>0.092</td>
<td>0.086</td>
<td>1.075</td>
<td>0.282</td>
<td>rejected</td>
</tr>
<tr>
<td>CS → CL</td>
<td>0.286</td>
<td>0.081</td>
<td>3.550</td>
<td></td>
<td>*** accepted</td>
</tr>
</tbody>
</table>


The result of hypothesis testing showed that hypothesis 4 stating the higher the marketing mix capability, the higher the customers loyalty is rejected, indicated by the value of C.R = 1.075 and p = 0.282 or above the significance level of 0.05. This result proves that marketing mix capability has no positive on consumer loyalty. This study argues that satisfaction is not influenced by the company's marketing strategy but influenced by the image destinations and services provided by the destination managers. Moreover, this finding is in line with the research of Muala and Qurneh (2012) which states that human resources and prices are insignificant to destination loyalty. Furthermore, Hoang et al. (2016) find that in order to make the tourist area become a tourist choice, the local people's need to care in preserving, restoring and promoting cultural heritage, values, traditions and cultural identity that will likely able to make it a unique tourist area to visit. Tourists will seek a good natural environment in which cleanliness and aesthetic value is maintained. Hence, the price paid will determine destination loyalty.

The result reveals that hypothesis 5 stating that the higher the customers satisfaction, the higher the customer loyalty is accepted, indicated by the value of C.R = 3.550 and p = 0.00. The result shows that the uniqueness of tourism destination will increasingly boost the level of customer loyalty.

Analysis of direct-indirect effect showed the results of the direct-indirect effect of path analysis provide three main findings. First, the indirect effect of marketing mix capability on customers loyalty through customer satisfaction (0.212) is greater than direct influence of marketing mix capability on customers loyalty (0.204). Thus based on the manual calculation of path analysis of direct and indirect influence, it can be concluded that customers satisfaction capacity strengthens the influence of marketing mix capability on customers loyalty. Second, the direct influence of image creation on customers satisfaction has value of 0.232. Third, the result of path analysis of direct-indirect effect of the variable of destination design capability on customers loyalty through customers satisfaction is 0.356. Thus, based on manual calculation from path analysis of direct and indirect influence, it can be concluded that customer satisfaction strengthens the influence of image creation competence on customers loyalty.
Analysis of mediating variabled by Sobel Test Calculation on the importance of customer satisfaction capacity showed that customers satisfaction capability significantly has an important role in increasing customer loyalty. It can be seen from the value of Sobel test statistic, that is 1.754 with p-value (two-tailed probability) is 0.795 and p-value (one-tailed probability) is 0.0397 at significant level 0.05. The results of this test prove that the new concept proposed in this research that is customers satisfaction capability play an important role to increase the influence of marketing mix capability on customers loyalty.

7. Summary

Customers’ satisfaction capability is a concept in this study that can be used by tourism agents and service providers to improve tourist visits and customer loyalty. Customers satisfaction capability is the ability to provide satisfaction to the customers by attracting more interesting and unique destination that suits the needs and desires of the customer through the marketing mix approach. Based on the hypothesis testing, it is known that not all hypotheses proposed in this study proved to have a positive and significant effect. This imply to tourism companies to produce a specific product that suits the needs of customer. Hospitality service providers in improving marketing performance should be able to build customer satisfaction and loyalty. The ability of the company to produce specific and unique services according to customer needs will increase customer loyalty.

Based on the empirical findings, customers will feel satisfied when the needs are met and when the company is able to provide more than what is expected (Ciptono, 2014). The ability of providers to produce a specific and unique services can not be separated from the company's ability to build good relationships with customers, because they can further help companies promote to other consumers. Moreover, customer loyalty is also able to improve partnership relationship with customers.

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