“Better infrastructure, amazing climate, unique price and marketing: have travelers on your side”

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Abstract

The customer loyalty plays a vital role within the Tourism and Hospitality industry. It is very important to make sure the customers are satisfied and remain as loyal as possible, because the loyal customers work as a good promotion tool as they spread the WoM (word of mouth) within their friends, family, relatives and others. On the contrary, not being satisfied to the service or product may translate into a negative feedback, which can lead to a bad image for the business of a certain destination. The main purpose of this study is to identify the variables that are significant to explain loyalty to Portugal, as a touristic destination. Moreover, this study also aims to quantify the impacts of those variables to the probability of different types of costumers being loyal to this destination. Based on an online survey which included significant number of travelers from six continents and travelers to Portugal were asked about their appreciation in different aspects. Then, all the data received through the survey was introduced in SPSS and analyzed using a binary logistic regression. Using the right modelling strategy, the authors have been able to find the appropriate model for the current study and that is overall high-quality infrastructure (transportations, gastronomy, information centers), appealing climate (humidity, temperature, sunny days) and satisfaction with price & marketing (travel packages, value for money, variety in travel products) can improve travelers' loyalty to Portugal.

Keywords

loyalty, infrastructure, climate, price and marketing, tourism industry

JEL Classification

L91, Z32

INTRODUCTION

To be precise, tourism could easily be referred as a key industry to the Portuguese economy and the country are receiving more than ten million tourists in the most recent years which is helping the country earning over 10% of the entire GDP. Beside earning the heavy economic growth, the tourism industry is also helping the Portuguese employment market to grow at a good positive vibe. Portugal has all which is needed to make the destination so favorable to the tourists including better infrastructure, climate, offering good price and marketing, safety and good local hospitality. But having said that some region of the country experienced some difficulty in maintaining its position as a preferred travel destination. Compared to 2004, the number of tourists entering Algarve decreased by 0.8% with lodging demand decreasing by 4.8% (AHETA, 2005). A number of studies identify that knowing which factors increase tourist loyalty is valuable information for tourism marketers and managers to deal with the upcoming tourists (Flavian et al., 2001).

The customer loyalty plays a vital role within the Hospitality and Tourism industry. It is very important to make sure the customers are satisfied and remain as loyal as possible (Bowen & Shoemaker, 1998).
On one hand, it helps the business to have the same customers once and once again, in the future; on the other hand, loyal customers work as a good promotion tool as they spread the WoM (Word of Mouth) within their friends, family, relatives and others (Liu & Auyong, 2008). Up to 60% of sales to new customers could be attributed to WOM referrals (Reichheld & Sasser, 1990). Furthermore, it has been argued that it was five to seven times more expensive to attract new customers than to retain old ones (Rosenberg & Czepiel, 1984), and a 5% increase in customer retention rate would yield a 25-95% profit growth over 14 industries (Reichheld, 1996). Therefore, loyalty has been considered as one of the major driving forces in the competitive market (Dimanche & Havitz, 1994). On the contrary, not being satisfied may translate into a negative feedback, which can lead to a bad image for the business of a certain destination (Bambauer-Sachse & Mangold, 2011). The customer-centric applications of a tourism destination are generally based on the feedback or opinion of a traveler which assumes that travelers who are satisfied by a destination products or services, are expected to be loyal to the mentioned company. Thus, in many cases a destination may get the advantage of focusing on the existing travelers rather the new one as the second one is five times expensive compared to the first one. On the other hand, it is said that, some research findings show that customer satisfaction does not always assure customer loyalty to a company. Hence, the interaction between customer satisfaction and loyalty is needed to be justified properly for all industries. Especially in-service industry, for example international tourism and travel sector, where customer services, human relations and loyalty play a vital role, the need of research is much more important in this particular industry.

1. LITERATURE REVIEW

1.1. Customer satisfaction-loyalty interaction

Consumer loyalty has usually been defined in behavioral terms as repeat purchasing frequency or relative volume of same-brand purchasing (e.g., Tellis, 1988). Newman and Werbel (1973) defined loyal customers as those who re-buy a brand, consider only that brand, and do no brand-related information seeking. Hawkins, Best, and Coney (1995) defined loyalty as consumers’ intentions or actual behavior to repeatedly purchase certain products or services.

In the marketing literature, the concept of loyalty has been recognized as one of the most important indicators of corporate success (La Barbara & Mazursky, 1983; Turnbull & Wilson, 1989; Pine et. al., 1995; Bauer et. al., 2002). Hallowell (1996) provides evidence on the connection between satisfaction, loyalty and profitability. The author refers to their arguments that occupying with the similar and loyal customers decreases customer recruitment costs, customer price sensitivity and servicing costs. In terms of traditional marketing of products and services, loyalty can be measured by repeated sales or by recommendation to other consumers (Pine et al., 1995). Yoon and Uysal (2005) said that tourism and hospitality destinations can also be observed as a product which can be sold to the similar customer more than once (revisited) and recommended to others (friends and family).

Customer loyalty and customer satisfaction are the two main important issues which companies are concentrating and aiming to be successful. Loyalty is concerned with the likelihood of a customer returning, making referrals to fellow people, and providing strong word-of-mouth to the friends, family, as well as providing references and publicity (Bowen & Shoemaker, 1998). Dick and Basu (1994) identifies four loyalty categories: loyalty (positive relative attitude, high repeat patronage), latent loyalty (positive relative attitude, but low repeat patronage), spurious loyalty (high repeat patronage, low relative attitude) and no loyalty (low on both dimensions). Without any doubt the first type of “Real Loyalty” is the most significant and preferable for any destination as because “real loyal” customers provide a great competitive advantage over other company and destinations (Salegna & Goodwin, 2005). In the meantime, customer satisfaction is another essential concept to be measured for companies. Conducting customer satisfaction research is imperative not only because it provides critical managerial information, but also it enables communication with customers (Pizam & Ellis, 1999).
Now a day's tourism has become a growing industry for many countries and it plays very significant role for the development of the economy of a country. Hobson and Uysal, (2013) clarified that the tourism industry has nearly 43% contribution to the GDP of many countries. One of the recent studies shows that the significance of destination image, it discovered destination image has 45% impact for increasing the popularity of a tourist destination (Carneiro, 2013).

Auyong (2008) explored that there are several factors which determine the popularity of tourists' destination. From those factors the recommendation of the referrals has 38% impact on choosing tourism destinations. From the research of Smith and Puczko (2009) the tourism marketing and its significance for increasing the attractiveness of the destination was explored. They also found out that tourism marketing increases the attractiveness of the tourism destination because marketing includes different types of promotional tools to advertise the destination and make it unique to the market.

Hobson and Uysal (2013) identified some factors which can increase the success of the tourism destination. They found out that using different effective promoting tools in tourist attractive places should also be considered as success factor of the tourist destination. The professionalism of the people working in the industry and their behavior can also have considered as an added value to the destination. Transportation facilities, infra-structural strengths and attractive pricing policies are also considered as the critical success factor of consumer behavior in different tourist destination.

The current study aims to find out how loyal are the travelers travelling in Portugal and their overall opinions regarding:

1. How appealing is the infrastructure (transportations, gastronomy, information centers)?
2. How appealing is the overall climate in Portugal (humidity, temperature, sunny days)?
3. How safe Portugal is in terms of security?
4. What is the level of satisfaction with the price and marketing offered by the destination (travel packages, value of money, variety in travel products)?
5. On a scale from 1 (poor) to 5 (excellent), how could the overall Portuguese hospitality (professionalism, culture, hospitable reception) be rated?

2. METHODS

In order to make the result and reach to the opinion, the authors conducted the analysis based on an online survey, which includes 72 travelers from six different continents. Those travelers to Portugal were asked about their appreciation in different aspects, including infrastructure, climate, safety and security, price and marketing, value of money, professionalism, hospitality etc. Then, all the data received through the survey was introduced in SPSS and analyzed using a binary logistic regression. Using the right modeling strategy, the authors have been able to find the appropriate model, that is, to identify those variables that are indeed significant to explain loyalty to the destination and to quantify their positive impacts on loyalty.

Using this binary logistic regression, the authors were able to find out different variable at the first and second stage of the data analysis which can be classified as step 1 and step 2. In step one, the authors examined which variable could be significant to enter in the model. In order to do it, the authors tested the variables regressing Y on a particular variable one by one. The data needed to run the model, were collected to use in SPSS. Once of that, from the first step the only significant variables having wald more than 4 were considered for the restricted version to find out which variables were possibly explaining the positive impacts on loyalty and all these variables at the restricted version had to have wald greater than 4 in average.

This particular study was based on an online survey and all the participants were the travelers who traveled Portugal in the past. Travelers without experiencing a trip to Portugal weren't considered for the survey. The researchers have used Logit Model method for this study.
2.1. Variables definition

The dependent variable was defined as dummy:

- Loyal = 1 If the traveler was extremely satisfied or satisfied.
- Otherwise = 0 If the traveler was neutral or dissatisfied or even extremely dissatisfied.

Independent Variable:

- How appealing are the infrastructures (transportations, gastronomy, information centers) as Infrastructure.
- How appealing is the overall climate (humidity, temperature, sunny days) in Portugal as Climate.
- How safe Portugal is in terms of security as Safety.
- How satisfied or dissatisfied are you with the price and marketing offered by the destination (travel packages, value for money, variety in travel products) as Price and Marketing.
- How would you rate the overall Portuguese hospitality (professionalism, culture, hospitable reception) as Portuguese Hospitality.

All independent variables were defined as dummies:

- Infrastructure = 1 if the overall infrastructure (transportations, gastronomy, information centers) is very high quality or high quality, otherwise = 0.
- Climate = 1 if the overall climate in Portugal (humidity, temperature, sunny days) is excellent, otherwise = 0.
- Safety = 1 if Portugal is very safe or safe in terms of Security, otherwise = 0.
- Price and Marketing = 1 if travelers were very satisfied or satisfied with the price and marketing (travel packages, value for money, variety in travel products) offered by the destination, otherwise = 0.
- Portuguese Hospitality = 1 if the overall Portuguese hospitality (professionalism, culture, hospitable reception) is excellent, otherwise = 0.

2.2. Research questions (to test)

H1: Overall high-quality infrastructures (transportations, gastronomy, information centers) can improve traveler’s loyalty to Portugal.

H2: Overall appealing climate (humidity, temperature, sunny days) can improve traveler’s loyalty to Portugal.

H3: Satisfaction with the Safety can improve traveler’s loyalty to Portugal.

H4: Satisfaction with the price and marketing offered by the destination (travel packages, value for money, variety in travel products) can improve traveler’s loyalty to Portugal.

H5: Excellent overall hospitality (professionalism, culture, hospitable reception) can improve traveler’s loyalty to Portugal.

3. DATA ANALYSIS

Step 1

First of all, the authors would like to examine which variable could be significant to enter the model. To do so, the authors can test the variables regressing Y on a particular variable one by one as follows:

The data needed to run the above model were gathered to use SPSS. Using Binary Logistic (logit), the following results came up: variables in the equation (Table 1).

It can be seen that all variables can potentially be significant. So, we enter all of them in the model.

A logistic model can be a proper design. So, the model to be estimated has been designed as follows:
The data needed to run the above model, were gathered to use SPSS. Using Binary Logistic (logit), the following results came up:

**Step 2**

Although the 5 variables in the individual models (step 1) had Wald greater than 4, when logged them together (step 2), some variables appeared to have Wald smaller than 4. Therefore, to find the appropriate model, the author has considered only the three most significant Wald from step 2 (see step 3 below).

This is the restricted version, as all the remaining variables are significant (all Wald are greater than 4).

**Step 3**

It is time to compute a G^2 test

To confirm the restricted version of the model that is one must test $H_0: B_4 = B_6 = 0$

G^2 test:

$$38.035 - 32.269 = 5.766 (df = 6 - 4 = 2)$$

The critical value for a Chi-square with 2 degree of freedom is 5.99, if we consider a level of signifi-

**Table 1.** One by one variables in the equation

<table>
<thead>
<tr>
<th>Step 1</th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>DF</th>
<th>Sig.</th>
<th>Exp (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructures</td>
<td>2.228</td>
<td>.821</td>
<td>7.376</td>
<td>1</td>
<td>.007</td>
<td>9.286</td>
</tr>
<tr>
<td>Constant</td>
<td>.742</td>
<td>.384</td>
<td>3.729</td>
<td>1</td>
<td>.053</td>
<td>2.100</td>
</tr>
<tr>
<td>Climate</td>
<td>2.944</td>
<td>.827</td>
<td>12.671</td>
<td>1</td>
<td>.000</td>
<td>19.000</td>
</tr>
<tr>
<td>Constant</td>
<td>-.693</td>
<td>.707</td>
<td>.961</td>
<td>1</td>
<td>.327</td>
<td>.500</td>
</tr>
<tr>
<td>Safety</td>
<td>2.061</td>
<td>.749</td>
<td>7.574</td>
<td>1</td>
<td>.006</td>
<td>7.857</td>
</tr>
<tr>
<td>Constant</td>
<td>.000</td>
<td>.632</td>
<td>.000</td>
<td>1</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Price and Marketing</td>
<td>2.208</td>
<td>.698</td>
<td>10.011</td>
<td>1</td>
<td>.002</td>
<td>9.100</td>
</tr>
<tr>
<td>Constant</td>
<td>.134</td>
<td>.518</td>
<td>.067</td>
<td>1</td>
<td>.796</td>
<td>1.143</td>
</tr>
<tr>
<td>Portuguese Hospitality</td>
<td>2.361</td>
<td>.710</td>
<td>11.046</td>
<td>1</td>
<td>.001</td>
<td>10.600</td>
</tr>
<tr>
<td>Constant</td>
<td>.000</td>
<td>.535</td>
<td>.000</td>
<td>1</td>
<td>1.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: a – Variable(s) entered on step 1: Infrastructure, Climate, Safety, Price & Marketing, and Portuguese Hospitality.

$$\ln \left( \frac{P}{1-P} \right) = \beta_0 + \beta_1 \cdot \text{Infrastructures} + \beta_2 \cdot \text{Climate} + \beta_3 \cdot \text{Safety} + \beta_4 \cdot \text{Price and Marketing} + \beta_5 \cdot \text{Portuguese Hospitality} + u_i.$$  

**Table 2.** Unrestricted model estimation

<table>
<thead>
<tr>
<th>Step 2</th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>DF</th>
<th>Sig.</th>
<th>Exp (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>2.137</td>
<td>1.239</td>
<td>2.976</td>
<td>1</td>
<td>.084</td>
<td>8.473</td>
</tr>
<tr>
<td>Climate</td>
<td>2.302</td>
<td>1.049</td>
<td>4.815</td>
<td>1</td>
<td>.028</td>
<td>9.994</td>
</tr>
<tr>
<td>Safety</td>
<td>1.401</td>
<td>1.226</td>
<td>1.307</td>
<td>1</td>
<td>.253</td>
<td>4.060</td>
</tr>
<tr>
<td>Portuguese Hospitality</td>
<td>1.435</td>
<td>1.110</td>
<td>1.671</td>
<td>1</td>
<td>.196</td>
<td>4.200</td>
</tr>
<tr>
<td>Constant</td>
<td>-.579</td>
<td>1.672</td>
<td>7.505</td>
<td>1</td>
<td>.006</td>
<td>.010</td>
</tr>
</tbody>
</table>

Note: a – Variable(s) entered on step 2: Infrastructure, Climate, Safety, Price and Marketing, Portuguese Hospitality.

**Table 3.** Model summary

<table>
<thead>
<tr>
<th>Step 2</th>
<th>-2 Log likelihood</th>
<th>Cox &amp; Snell R Square</th>
<th>Nagelkerke R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>32.269a</td>
<td>.364</td>
<td>.613</td>
</tr>
</tbody>
</table>

Note: a – Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.
Therefore, $H_0$ is not rejected. So, the restricted model is the proper model. Based on results of the estimation of the restricted table, the model can be rewritten as follows:

$$\ln \left( \frac{P_i}{1-P_i} \right) = Y_i = \beta_0 + \beta_1 \cdot \text{Infrastructure} + \beta_2 \cdot \text{Climate} + \beta_3 \cdot \text{Price and Marketing},$$

$$\ln \left( \frac{P_i}{1-P_i} \right) = -2.611 + 2.218(\text{Infrastructure}) + 2.587(\text{Climate}) + 2.253(\text{Price and Marketing})$$

From the estimated results one can conclude that the greater positive impact on loyalty is climate, than, Price and Marketing and finally Infrastructure.

Finally, one can complete some probabilities:

**Scenario 1**

Infrastructure = 1, Climate = 1, Price and Marketing = 1.

$$\ln \left( \frac{P_i}{1-P_i} \right) = -2.611 + 2.218 + 2.587 + 2.253 = 4.447,$$

$$P_i = \frac{e^{4.447}}{1+e^{4.447}} = \frac{85.37044811}{86.37044811} = 0.988.$$  \hspace{1cm} (6)

This is the probability of a traveler in those conditions being loyal.

One can also say that 98.8% of the travelers in those conditions will be loyal.

**Scenario 2**

Infrastructure = 0, Climate = 0, Price and Marketing = 0.

$$\ln \left( \frac{P_i}{1-P_i} \right) = -2.611,$$

$$P_i = \frac{e^{-2.611}}{1+e^{-2.611}} = \frac{0.073461}{1.073461} = 0.068434.$$ \hspace{1cm} (8)

This is the probability of a traveler in those conditions being loyal.

One can also say that 6.84% of the travelers in those conditions will be loyal.

### 4. Findings and Results

1. The first independent variable Infrastructure has explanatory power. One can see that the parameter estimates associated to this variable is positive (2.218). $H_1$: Overall high-quality infrastructure (Transportations, gastronomy, information centers) can improve traveler's loyalty to Portugal has been confirmed.
2. The second independent variable Climate has explanatory power. One can see that the parameter estimates associated to this variable is positive (2.587). \(H_2\): Overall appealing climate (Humidity, temperature, sunny days) can improve traveler’s loyalty to Portugal has been confirmed.

3. The third independent variable safety has no explanatory power. \(H_3\): Satisfaction with the Safety can improve traveler’s loyalty to Portugal has been rejected.

4. The fourth independent variable Price and Marketing has explanatory power. One can see that the parameter estimates associated to this variable is positive (2.253). \(H_4\): Satisfaction with the price and marketing offered by the destination (Travel Packages, value for money, variety in travel products) can improve traveler’s loyalty to Portugal has been confirmed.

5. The fifth independent variable Portuguese Hospitality has no explanatory power. \(H_5\): Excellent overall hospitality (Professionalism, culture, hospitable reception) can improve traveler’s loyalty to Portugal has been rejected.

The data needed to run the model, were gathered to use in SPSS. Once of that, from the first step the only significant variables having wald more than 4 were considered for the restricted version to find out which variables were possibly explaining the positive impacts on loyalty and all these variables at the restricted version had to have wald greater than 4 in average.

Once all the needed data were gathered to run the model and have them on SPSS, the authors undergone the regression process to find which variable could be significant to enter in the model and which of the variables have significant wald to explain the loyalty to the destination. Once of all, having five variables greater than wald 4 individually, the authors came to know that the first independent variable Infrastructure has explanatory power and it has wald greater than 4 which explain the loyalty to the destination. Alongside second independent variable Climate and the fourth independent variable Price and Marketing. Where else third independent variable Safety and the fifth independent variable Portuguese Hospitality has no explanatory power. As so, the current study concludes with referencing Infrastructure (transportations, gastronomy, information centers), Climate (humidity, temperature, sunny days) and satisfaction with Price & Marketing (travel packages, value for money, variety in travel products) can improve travelers’ loyalty to Portugal. Besides, this study also rejected Safety and Portuguese Hospitality as significant variables.

CONCLUSION

Infrastructure, climate, safety, price and marketing, and Portuguese hospitality have been always the key for travelers being loyal to the Portugal as a destination. Although in accordance with the unrestricted model the authors have found that safety and Portuguese hospitality has got no explanatory power and doesn’t play a key role in relation to the travelers being loyal to Portugal as a destination, but as long as they had minimum significance in the wald with restricted model the current study can be concluded recommending safety and Portuguese hospitality as important variable in some sense. Although this study stresses the importance of infrastructure, climate but also price and marketing for tourism destination. Findings from the current study were sensible, but therefore expected.

It is necessary to mention about several limitations of this study. Firstly, the number of the participants was limited to only 72 and it is very ambitious to declare this would be the opinion of the majority. So, in the future a research with good number of population may give better results. Besides, the size of the population, another concern that the study’s reliance on survey methodology as its primary means of data collection may limit the results due to common method bias. Hence, studies using maximally dissimilar methods would lends support to the contention that the variables measured in this study indeed there and are stable. Finally, this study was conducted during the summer which is the peak season for
the tourist to visit Portugal. Hence, the findings of this study were certainly limited to summer travelers and tourists who would visit the destination in different time of the year may form slightly different opinions. To overcome this limitation, future researchers could conduct similar surveys in different seasons while comparative studies can take place identifying the similarities and differences in them.

REFERENCES