Schemes for enhancing Taiwanese cruise PAK relationships using the hybrid MADM model

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ABSTRACT

Because of the emerging cruise travel market, major Taiwanese travel agencies have promptly formed PAK to distribute cruise sales nationwide. However, few studies have discussed this issue or proposed empirical schemes to help enhance relations inter-alliances. The purpose of this study is to address this problem within the theoretical framework of trust-commitment theory. The method of hybrid MADM (multiple attribute decision-making) is used to manage multi-variant problem and produce optimal enhancing models. The result shows that Trust and Commitment mediate the relation, as found in previous studies, but unveils that Antecedents can also directly influence Relational outcomes, such as from Opportunistic behavior to Propensity to leave. Notably, Trust and Commitment play the leading roles to reach the aspired relation. The findings are integrated into a useful scheme index for decision-makers to enforce the on-going relational exchange to reach the common goal of PAK.

1. Introduction

Selling cruise products has become a growing trend in the travel industry (CLIA, 2015; Liu, Tzeng, & Lee, 2013). This trend is particularly true in Taiwan. As the cruise industry is extended into the Pacific Asia, many of the world's largest cruise companies (e.g., Royal Caribbean, Princess, Costa, and Celebrities) have started deploying larger ships in the Asian market (Sun, Feng, & Gauri, 2014; CLIA, 2015; Global Tourism Vision, 2017, pp. 18–33). The number of cruise passengers in Taiwan is growing at an unprecedented rate of 30%, ranking the second place in the Asian cruise market in 2016 (CLIA, 2017). There are about 600 international cruise voyages scheduled to embark or debark from Taiwan in 2018 (TIPC, 2017).

The rapidly increasing demand for cruise travel has led to the rise of the cruise PAK sales network facilitated by Taiwanese travel agencies. In contrast to cruise sales through individual agents or companies in North America, Taiwan has a unique method of selling cruises, which is called "PAK", "the alliance of selling package tours". In the PAK, member agencies collaborate to sell voyages in Taiwan using shared resources (Liu, Lee, Tsai, & Chou, 2015; TTN, 2015; Tsaur, Lee, & Wong, 2011). However, in the past, most Taiwanese PAKs had witnessed breakups in a short time period because of the lack of mutual trust (Shen, Wu, Wang, & Dai, 2006; Tsaur et al., 2011). This problem challenge decision makers of PAKs.

Previous academic literature contains research on cruise emerging markets such as in Asia mainly regarding tourist behaviour (e.g. Fan,

Hsu, Liu, & Zhaoping, 2015; Han & Hyun, 2018; Sun, Kwortnik, & Gauri, 2018; Wu, Ai, & Cheng, 2018). Fewer address the issue of cruise sales within the travel agency context (e.g. Liu et al., 2013). In addition, significant literature discusses the relationships between travel agencies and suppliers (e.g., hotels, resorts, attractions, and airlines). Few studies have explored the relationship between the intermediaries in the travel industry (Tsaur, Yung, & Lin, 2006).

Morgan and Hunt (1994) stated that trust and commitment are the fundamental tenets of long-term relationships. The Key Mediating Variables (KMV) model is posited to detect and enforce on-going relational exchanges. Incorporating the relational exchange-based PAK, this theory seems appropriate to deal the inter-travel agency relation problem. The interrelation between travel agents involves multi-variant (Liu et al., 2015). In this regard, the technique of multiple attribute decision-making (MADM) is reported efficient in dealing several dimensions/criteria simultaneously (Liu, Lin, Hsieh, & Tzeng, 2018; Liua, Chen, & Tzeng, 2017; Wei, 2011) and assumed robust to solve such a problem (Wei, Wang & Chen, 2013).

Thus, this research uses a hybrid MADM method to clarify the interrelationships between the cruise PAK members within a framework of the trust-commitment theory. To the best of our knowledge, this report is the first to suggest a combined MADM and KMV model to analyze cruise PAKs. This combined method with methodological and theoretical advantages is assumed to (1) examine the inter-relation between travel agencies of cruise PAKs, (2) present an effective managerial tool, relation enforcement scheme, to more effectively facilitate
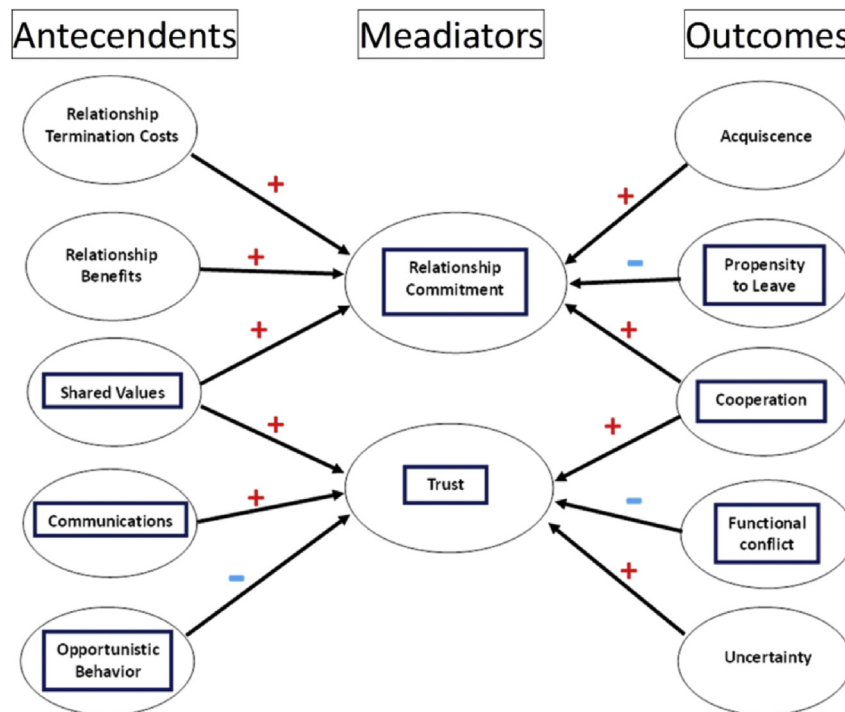
Fig. 1. Variables of KMV used by Morgan and Hunt (1994) and Norton et al. (2004). Note: Norton et al.'s (2004) variables are highlighted in the rectangles.

the PAK decision-making process, and (3) ultimately, enforce the on-going relational exchange to reach the common goal of PAK.

The remainder of this paper is organized as follows. In the next section, the literature on travel agencies' PAKs and the connection to relational exchanges and the trust-commitment theory (KMV model) are reviewed. Then, a novel hybrid MADM evaluation model for cruise PAKs is developed, and an empirical case analysis of the cruise PAK relationship illustrates the proposed model. Finally, in addition to the findings, both the practical and academic implications are discussed.

2. Literature review

In this section, the conceptualization of the research foundation on both theoretical and methodological frameworks is reviewed. Attention is focused on identifying the influencing relational criteria of Taiwanese cruise PAKs as the basis for hybrid MADM examination.

2.1. Taiwanese cruise PAK's relational exchanges

Traditionally, travel agencies rely on the commission from each deal, and cruise operators use travel agents as a primary distribution channel (Gibson, 2006; CLIA, 2015). This typical commission-sensitive relationship between the cruise supplier and travel agent distributor has been changed as the more international cruises have been recently introduced into the Taiwanese market. To obtain the more profitability from cruise sales, Taiwanese travel agencies have transformed the distribution channel into an alliance entity, PAK (Liu et al., 2015; TTN, 2015).

Compared to traditional PAKs, a cruise PAK is formed in a parsimonious process: (1) initially having potential members create a memorandum; (2) settling pricing policy; (3) profitability and finance: commission counts by head (passenger), and each firm maintains financial independence but pays the common operational costs; and (4) sales network: PAK members are wholesalers leveraging products to master travel agencies or other retailers (Liu et al., 2015). PAK is thus established and considered as a robot in linking distribution channels to push sales and create profitability (TTN, 2015). When the international

cruise lines deployed voyages via Taiwan, a number of PAKs eventually developed and contracted with each cruise company. More aggressively, cruise PAKs buy out the voyages departing from Taiwan directly from cruise companies and distribute related products themselves.

From a relational exchange perspective, such an alliance should have produced the following cooperative benefits: gaining economies of scale, decreasing investment risk, sharing resources and generating a more efficient distribution and transactional process (Dale, 2003; Lin & Chen, 2002; Yaman & Shaw, 2001). These advantages encourage Taiwanese travel agencies, most being small-to medium-sized enterprises (SMEs) (Huang, 2006), to push market access and speed sales goals cooperatively (Shen et al., 2006; Tsaur et al., 2011). Through the central operation, the PAK's allied agencies would be able to build a distribution channel to thousands of travel agencies nationwide in a relatively short time (Liu et al., 2015).

In this context, Taiwanese cruise PAK can be considered as a form of relational exchange entity in a cooperative sales network with certain relational norms that influencing inter-agencies' relationships and performance. Hence, a relational exchange-based theory would be appropriate for explaining this alliance as it focuses on inter-firm (inter-travel agency) exchanges whereby relation constructs are vital for successful function.

2.2. Taiwanese cruise PAK and trust-commitment theory

To ensure on-going relational exchange, Morgan and Hunt (1994) proposed trust-commitment theory. It refers to trust and commitment mediates a relational exchange by developing cooperative environment between parties involved in a relationship. As firms often compete through their network of interfirm relationships and between firm-to-firm (interfirm) (Rindfleisch & Moorman, 2003; Sivadas & Dwyer, 2000), to establish or maintain a relationship with lateral firms, commitment and trust are required for interfirms' successful cooperation (Morgan & Hunt, 1994; Ramayah, Lee, & In, 2011; Zillifro & Morais, 2004). Trust and commitment helps to resist attractive short term alternatives and potentially high risk actions (Hashim & Tan, 2015).

To theorize such relational exchanges, Morgan and Hunt (1994)