



A comprehensive relationship marketing model between airlines and travel agencies: The case of Taiwan



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ABSTRACT

This study aims to examine how airlines' relationship selling, relational benefits, and relationship quality affect voluntary performance of travel agencies. Hypotheses on the relationship among these constructs were created based on relevant literature and validation using structural equation modeling was carried out. A questionnaire survey was conducted using stratified sampling on comprehensive travel agencies and Class A travel agencies in Taiwan. Among the 1000 copies of the questionnaire, 169 valid copies were collected and used to perform data analysis. Empirical results show that relational benefits and relationship selling can influence voluntary performance of travel agencies through the mediation of relationship quality, although neither has a direct effect on the latter, whereas, relationship quality has a significant and positive impact on voluntary performance of travel agencies towards airlines. It is evident that relationship quality plays an indispensable role in the connection between relationship marketing constructs (relationship selling and relational benefits) and voluntary performance. Results of this study may provide some insights for airlines in developing relationship management strategies towards travel agencies.

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1. Introduction

Boeing has predicted that Asia-Pacific air travel traffic will grow from a 32% global market share in 2009 to 41% in 2028 (Boeing, 2009). Statistics from Taiwan's Tourism Bureau showed that the number of Taiwanese and foreigners traveling to Taiwan has grown from 12.31 million in 2008 to 17.55 million in 2012, an average increase of about 11% per year (Tourism Bureau, 2013). Despite the enormous demands and significant growth in the airline ticketing market, limited seating capacity still causes supply–demand imbalances in peak and off-peak seasons. To deal with this problem, airlines often cooperate with travel agencies by asking them to sell certain passenger seat quotas in the off-peak season, consequently

giving them more seats in the peak season. This close relationship, called a 'strategic alliance,' often exists between airlines and travel agencies. Porter and Fuller (1986) deemed strategic alliances to be the most effective solution for enterprises when faced with an uncertain environment. Through inter-corporate connections, airlines can reduce operational costs and risks and obtain complementary resources while contributing to their entry into target markets. Therefore, travel agencies serve as a bridge between airlines and travelers, and their mediating role is an important position in the tourism marketing systems. How airlines drive positive interactions with travel agencies through effective relationship strategies that enhance trust, commitment, and loyalty is a vital issue for airlines.

Past studies have shown that acquiring new customers is five times more expensive than keeping existing customers (Heskett et al., 1989). Reichheld and Sasser (1990) emphasized that, in order to improve customer loyalty and reduce customer defection, it is necessary to build, develop, and maintain good relationships with customers. This method of actively developing

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long-term relationships with specific customers helps maintain competitive advantages, especially when companies rely more on information provided by each other and seek to improve customer satisfaction through effective communication. The relationships between companies and customers will be long-lasting if such relationships satisfy both parties (Berry, 1995; Sheth and Parvatiyar, 1995). For travel agencies, the relationship management strategies adopted by airlines may provide different benefits. Such positive interactions may enhance travel agencies' trust in and commitment to airlines, and ultimately improve their loyalty.

A main purpose of relationship marketing theory is to identify the key drivers that influence vital business results and provide further insights into the causality between the drivers and the outcome variables (Hennig-Thurau et al., 2002). Most of the previous assessment methods have focused on single drivers, such as relational benefits (referred to as RB) (e.g. Gwinner et al., 1998), relationship selling (referred to as RS) (e.g. Crosby et al., 1990), and relationship quality (referred to as RQ) (e.g. Dorsch et al., 1998) instead of developing multivariable models and theories. Hennig-Thurau et al. (2002) claimed that outcome variables (e.g. loyalty, word of mouth) may be the outcomes of interactions among several relationship marketing structures (e.g. RB, RQ) and require a more comprehensive approach to assessment. Towards that end, they created a more comprehensive relationship marketing model that combines two drivers (RB and RQ) to assess and predict two outcome variables (loyalty and word of mouth). Some researchers have identified that either RB or RS may improve RQ (e.g. Crosby et al., 1990), but few have investigated whether RB and RS simultaneously affect RQ.

As suggested by Berry (1995), customer behavioral intentions, such as loyalty and positive word of mouth, are often directly linked to corporate profitability. Past studies have typically regarded these behavioral intentions as the outcome variables in relationship marketing, and few have examined voluntary performance (referred to as VP) as an outcome variable. Customer VP, introduced by Bettencourt (1997), is conceptually different from traditional behavioral intentions and has greater scope than single constructs, such as loyalty or word of mouth. It represents a rich concept that covers both loyalty and word of mouth and can provide more comprehensive explanations of the outcomes of relationship marketing (Bettencourt, 1997). For the purpose of analyzing a relationship marketing process in which VP occurs, it is necessary to have a correct understanding of the process and mechanisms by which relationship marketing structures interact. Thus, the present study examines the variable interactions and their effects on VP by using improved relationship marketing structures (i.e., RS, RB, and RQ) as antecedents.

Also, relationship marketing was typically applied to business-to-customer (B2C) (e.g., Gwinner et al., 1998; Hennig-Thurau et al., 2002; Liu et al., 2011). A few of studies have applied the theory of relationship marketing on business-to-business (B2B) (e.g., Cater and Cater, 2010; Chang et al., 2012), especially on supply chain management (e.g., Morgan and Hunt, 1994; Morris and Carter, 2005; Theodorakioglou et al., 2006; Roberts-Lombard, 2009). For instance, Morgan and Hunt (1994) regarded commitment and trust as key mediating variables to verify partner relationships between tire retailers and suppliers. Roberts-Lombard (2009) examined the supplier relationship marketing between travel agency industry and its various suppliers (airline, hotel and car rental industry). Those that examined the relationship marketing model between airlines and travel agencies proposed in this paper are rarer. Based on the arguments stated above, the present study aims to examine whether the relationship strategies adopted by airlines for driving the RS and RB for travel agencies can improve

the RQ between airlines and travel agencies and enhance the VP of travel agencies towards airlines. The paper also focuses on how RB plays a mediating role between RS and RQ, and RQ plays a mediating role between RB and VP. To delve into the relationships among these variables, hypotheses are developed and tested for validation.

2. Theoretical background

A buyer–seller relationship can either be business-to-business, business-to-customer, or customer-to-customer. A buyer may be an enterprise or a customer (or client). Therefore, a travel agency is called a buyer or a customer, and an airline is called a seller or a supplier in the current study. The buyer–seller relationship marketing constructs are presented as follows.

2.1. The outcome of the relationship marketing constructs: Voluntary Performance (VP)

Zeithaml et al. (1996) suggested that VP can be measured by the presence or absence of customer recommendations. Bettencourt (1997) proposed the theory of customer VP, which is regarded as voluntary customer behavior that assists an organization, such as customers acting as partial employees, promoting the organization through word of mouth, and cooperating with employees. Rosenbaum and Messiah (2007) claimed customer VP means that customer behavior can help to improve an organization's service quality and performance. The VP was typically divided into three constructs: loyalty, cooperation, and participation (Bettencourt, 1997) (see Appendix A for details).

Some studies have measured loyalty through repeat purchases or repurchase intention (e.g. Parasuraman et al., 1991), while some consider word of mouth or customer recommendation as the criteria for measuring loyalty (e.g. Hennig-Thurau et al., 2002; Zeithaml et al., 1996). Loyal customers or partners can increase enterprise profits, thereby driving competitive advantage (Rauyruen and Miller, 2007). In the current study, loyalty is defined as 'travel agencies maintain good relationships with airlines when they have frequent dealings, spread positive word of mouth and recommend these airlines to their counterparts.'

Cooperation means that customers are regarded as human resources by companies (Kelley et al., 1992) and also that customers have good levels of interaction with companies or other customers (Martin and Pranter, 1989). Anderson and Narus (1990) indicated cooperation means that stakeholders work together towards common goals. Morgan and Hunt (1994) suggested that cooperation is proactive and drives successful relationship marketing. In the current study, cooperation is defined as 'travel agencies recognize airlines' operational rules and procedures, and such recognition facilitates smooth service delivery'.

Participation is viewed as customers serving as consultants for companies and giving advice that helps improve companies' services (Schneider and Bowen, 1995). Participation is regarded as cooperation between partners on planning and goal setting (Jeon and Choi, 2012). Since customers directly participate in services, their complaints and suggestions provide the best opportunity for companies to resolve existing problems (Plymire, 1991). In the current study, participation is defined as 'travel agencies giving advice that helps airlines to improve their service rules or operations'.

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