Relationships among Service Environment, Perceived Value, Tourism Image Satisfaction and Loyalty of Consumers on Leisure Farms

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ABSTRACT

In the recent years, the living standards of Taiwanese for leisure and recreation are improving. Demands on leisure activities and expectation on service quality of people are also getting higher. Leisure farming is the service industry with entry barrier. The keen competition in this industry can’t be avoided. Providing a high quality service environment is the key to have an advantage against other competitors. Only by providing customers a more satisfying service environment, the customer’s loyalty will be ensured. This study used the leisure farming consumers as research subjects. It obtained 191 valid questionnaires through internet and postal survey. Partial Least Squares (PLS) was used for data analysis. The results found that service environment of leisure farming, perceived value and tourism image has positive effect on customer satisfaction. It was also found that higher customer satisfaction will enhance customer loyalty.

Keyword : Leisure Farm, Perceived Value, Tourism Image, Satisfaction, Loyalty

1. INTRODUCTION

Ever since the Taiwan government started implementing the weekend off in 1998, the Taiwanese started to give importance to leisure activities due to the increase in their free time. From just enjoying quick glances on scenic views or just limiting to leisure trips within the city, people transform their leisure activities to a more fixed or more refined types of leisure activities such as experiencing nature, contacting with the suburbs, pursuing mind-soul developments or enjoying local cultures and music. Thus, in a condition where everyone gives importance to leisure activities and nature, leisure farms gradually become one of the target locations. At present, leisure farms in Taiwan have their own individual characteristics. Aside from the basic facilities and services, the leisure farms also provide more resources for customers to obtain a more knowledgeable, perceptual, interesting and fruitful experience. Leisure agriculture is the service industry with the lowest entering point. The strength and weakness of the service quality is the key to the success in the operation of the leisure farms. Only by providing the most satisfying service that a leisure farm can attract more customers.

Following the modern developments, the living standard of people increases and they gradually enjoy a more comfortable and happy lifestyle. Similarly, it is also because of the economic development that made the Taiwanese to change their lifestyle and it is because of the pressure from work that the Taiwanese aspire more for leisure activities of the mind and body. The characteristic of leisure agriculture lies in meeting people’s aspiration for a natural farm life, need for educational information on the natural environment and conservation awareness and recreation from the dynamic activities of wildlife to the static activities of the countryside. The purpose of this industry is to provide economical, social, leisure, ecological, educational, cultural transmission and artistic functions which are beneficial to the lifestyle quality of the citizens, helps increase the income of the farmers and assists in the conservation of the natural landscape. Thus, to improve the competitive advantage of a leisure farm on oneself is unavoidable. Neal (1999) directly indicate that the loyalty of the customers is the main source of a company’s competitive advantage. This shows that protecting customer loyalty is a very important task. This study also explores whether the perceived values and tourism image in the service environment provided by the farms can promote customer satisfaction and loyalty. It further investigates on the connection of the variables to each other expecting to provide suggestions to serve as references for the leisure farm owners to promote the whole service standard of the leisure farm and to satisfy the expectation of the consumers on the leisure and recreational activities.

The main purpose of this study is to analyze the service environment of the leisure farms and the satisfaction of the tourists on these farms to understand the satisfaction level of the tourists on the facilities and scenic places provided by the leisure farms. This study investigates the main cause of customer satisfaction to serve as a reference for leisure farm owners in improving their facilities and management. This study adopted the survey method to understand the main factors that affects the loyalty behaviors of the leisure farm visitors. Similarly, this study also analyzed whether the environment and service of the leisure farms will make the customers felt the values of their efforts. The perceived values and tourism image were further investigated to find out whether these constructs will affect the satisfaction and the loyalty of the customer in the end.

2. LITERATURE REVIEW

2.1 The Service Environment of Leisure Farms

Leisure farms refer to the farms that utilize all the resources of the farm to maintain the production and marketing activities of the agriculture and combine local cultures and lifestyle through service activities such as farm experience, farm education, food and beverages or lodging (B&B) to provide customers opportunities to have recreations and at the
same time, increase the income of the farm and practice social responsibilities. The composition ranges of the leisure farm resources based on landscape resources are the following:

1. Landscape resources of the natural environment: are the natural environment created from natural factors such as broken rocks, straits and weather variations and the factors can be subdivided into terrains and geology scenic resources, water resources, landscape resources and instant landscape resources. 2. Landscape resources of agriculture, forestry, fishery and animal husbandry: are the landscape resources and wildlife formed from crops, forest crops, fishes and animal husbandry directly or indirectly utilized by humans. 3. Humanity resources: are the humanistic environment created from human related factors or resources with cultural values including artificial scenery with historic values (ex. archeology), folk performances with special values and land utilization and facilities of neighboring areas.

The service environment of leisure farms was categorized into four main factors, business hours of the farm, cleanliness and orderliness of the environment and safety maintenance measure inside and outside the farm to measure customer satisfaction. Based from the details above, this study defined the service environment of leisure farms as the safety, facilities, sceneries and activity designs of the farm. Similarly, this study believes that the service environment is one of the main factors of customer satisfaction and revisits.

2.2 Tourism Image

Tourism image is the image, a person has toward perceived environment that is produced and combined from different parts of the interaction between the tourist and the environment. Fakeye and Crompton (1991) believed that the expression of a visitor on tourism image can actually reflect on the evaluation of the society toward a scenic spot and it will influence the intention of the tourists to visit the place. Similarly, they also believed that tourism image can also express the expectation of the tourist toward the place. Alnemoud and Armstrong (1996) pointed out that the image of a recreation area is the key factor in the marketing success of a recreation area. Tourists select the recreation area that they believe leaves the strongest impression and positive image as a great tour destination. The tourism image of a scenic spot is considered to be an important influencing factor when choosing a place to visit (Baloglu & McCleary, 1999). Chen and Tsai (2007) investigated the effect of tourist destination image of Kenting in Taiwan on the behavioral intention of the tourists and separated cognitive image into destination brand, entertainment, nature and culture and, sun and sand. The definition of this study for tourism image is the image of the consumers on the farm scenery, facilities and culture, etc. Similarly, this study used the external factors to explore the relationship of customer satisfaction and loyalty.

2.3 Perceived Value

Perceived values are considered to be the evaluation of the consumers based from the effectiveness of the products or service. It is the balance between “give” and “receive” (Zeithaml, 1988). Neal (1999) pointed out that, regardless of the past or the future, using customer satisfaction to measure customer loyalty is not an effective method but value is the main factor that influences customer loyalty. He also believed that price, service/product delivery and company/brand benefits are the three elements in measuring value. Zeithaml (1988) defined value as the whole assessment of the consumers on the product effectiveness after obtaining the product and paying the price. In the researches in e-commerce, So and Scull pointed out that risk and uncertainty are the main factors that influence online shopping and increase the level of trust. Furthermore, added values of the service/product can effectively lower customer’s shopping risks and promote customer loyalty. Petrick and Backman (2002) use the revisit intentions of the golf-playing guests to explore the relationships among customer satisfaction, perceived values and customer loyalty. They found that customer satisfaction, perceived value and customer loyalty each can explain the guests’ intentions to revisit. They also found that customer loyalty is an antecedent to customer satisfaction and customer satisfaction is an antecedent to perceived value. Kotler (2000) believed that the whole customer value includes: product value, service value, personal value and image value. This study used customer values to explore the effect of perceived value on customer satisfaction and customer loyalty.

2.4 Customer Satisfaction

If the feeling of the customer on the actual performance of the product or service surpasses his/her expectation after using the product or service, he/she will be satisfied but if the performance did not reach his/her expectations, the customer won’t be satisfied. Oliver (1993) defined customer satisfaction as “making customers felt that purchasing a product or a service can satisfy his/her needs and goals or make him/her felt happy”, i.e. the comparison between the consistency of the actual performance of the product after the consumer buys or uses the product and the expectation before buying the product. Woodruff et al. (1983) believed that the satisfaction of a visitor is the value he/she obtained from using a product in a specific usage situation. It is an immediate emotional reaction. Oliver (2010) pointed out that in the viewpoint of customers, one satisfied buying experience leads to continuous interest or repurchase intention on a specific product. In the cognitive perspective, many researchers emphasize on examining the process of satisfaction and less likely pay attention on its intention. The cognitive perspective uses “Expectancy Disconfirmation Theory” as the main research connotation. This study believed that customer satisfaction is evaluated through the attitude of product purchasing and usage. The evaluation of satisfaction indicates the comparison between the actual performance and expectation of the product or service.

2.5 Customer Loyalty

Oliver (2010) pointed out that scholars have different definitions on customer loyalty. Generally speaking, the definition of customer loyalty is mostly measured through the frequency of repurchase or the number of purchase made on the same brand. Thus, customer loyalty is defined as “a phenomenon where customers will be affected by many factors from the external environment which would lead them to like a specific brand more and would affect their purchasing behaviors and thus, their commitment to repurchase a favorite product or service won’t change (purchasing products with similar brands).” Parasuraman, Zeithaml and Berry (1994) defined loyalty as the behavior that not only has the intention of repurchasing a product but also includes the willingness to recommend the products to others and provide
positive evaluation. Gremler and Brown (1996) divide customer loyalty into three elements: behavioral loyalty, cognitive loyalty and affective loyalty. Behavioral loyalty refers to the actual purchasing behaviors expressed by the customers. Cognitive loyalty refers to the future repurchasing intention behaviors expressed by the customers. Affective loyalty refers to the attitude expressed by the customers toward the suppliers. Customer loyalty refers to the frequency of one customer in selecting a specific brand when he/she is buying a specific type of product and occupying a portion of his/her total purchase. Customer loyalty is actually a type of behavior while customer satisfaction is only a type of attitude (Neal, 1999). Many scholars directly indicate that having loyal customers is the main source of a company’s competitive advantage. This proved that protecting loyal customers is an important task for the company’s management.

Generally speaking, customer loyalty emphasizes on long-term consumption relationships and includes customer retention and favorable attitude (Forell, 1992). This study defined customer loyalty as “the willingness of the customers to revisit the farm and recommend it to their relatives and friends”.

3. RESEARCH METHODOLOGY

3.1 Research Model

This study uses the case of Cingjing Veterans Farm located at the Jen-Ai Town of Nan-Tou County in Taiwan to explore the relationship among the farm’s service environment, perceived value and customer loyalty. Tourism image and customer satisfaction is added to further explore whether the farm’s service environment will affect customer loyalty in the long run.

![Research Model Diagram]

Figure 1. Research Model

3.2 Research Hypotheses

The top four items that affect Taiwanese’ customer satisfaction on leisure farms are “design of ecological activity”, “cleanliness of the environment”, “views of natural terrains” and “the service attitudes of the personnel”, respectively, where the first three items are categorized under farm’s service environment. Kotler et al. (2006) pointed out that tourism image is the direct antecedent of service quality, satisfaction, revisit intention and recommendation intention. In addition, service quality also has a positive effect on satisfaction. Petrick and Backman (2002) explored the relationships among customer satisfaction, perceived value and customer loyalty. The study found that customer satisfaction, perceived value and customer loyalty each can explain the guests’ intentions to revisit. They also found that customer loyalty is an antecedent to customer satisfaction and customer satisfaction is an antecedent to perceived value. Thus, as the perceived value of the customer gets higher, the loyalty of the customer increases. The difference between customer satisfaction and customer loyalty is that customer satisfaction evaluates the level of expectations the customers obtained from being satisfied in past transactions and customer loyalty evaluates the repurchase and re-participation intentions of the customers. Many scholars proved that customer satisfaction has a positive effect on repurchasing intentions (Fornell, 1992; Oliver, 1993).

According to the literatures above, the service environment of the farm, perceived value, tourism image, customer satisfaction and customer loyalty has cause-and-effect relationships. Thus, the following hypotheses are established:

H1: The farm’s service environment has a positive effect on tourism image.
H2: The farm’s service environment has a positive effect on customer satisfaction.
H3: The farm’s service environment has a positive effect on perceived value.
H4: Tourism image has a positive effect on perceived value.
H5: Tourism image has a positive effect on customer satisfaction.
H6: Perceived value has a positive effect on customer satisfaction.
H7: Customer satisfaction has a positive effect on customer loyalty.

3.3 Questionnaire and Sampling

The main population of this study is the tourists of Cingjing Veterans Farm and convenience sampling method is used to distribute the questionnaire. 71 copies (returned rate of 47.3%) of the mail questionnaires were returned and 120 copies of online questionnaires were returned with a total of 191 copies. The subjects of this study are the customers who have visited Cingjing Veterans Farm. To improve the representation of the sample, this study distributed the questionnaires online and through mail. The sample obtained from both of the sampling method underwent Chi-Square test of homogeneity to avoid having difference between the samples. The results showed that the two types of samples have no significant difference and thus, can be combined together. Based from the past literatures, the measuring variables of this study include the service environment of the leisure farm, tourism image, perceived value, customer satisfaction and customer loyalty. 5-point Likert scale was used to measure the variables. The measurement is from 1 to 5 where 1 represents “strongly disagree” and 5 represents “strongly agree”.
4. RESULT ANALYSIS

4.1 Factor Analysis

This study adopted factor analysis to determine the main factors. Principle component factor analysis is adopted to conduct a factor analysis on environments and tourism image and every factor. The reliability of the questions toward the constructs was tested and the questions that have no contribution to the reliability of the constructs were deleted. Thus, the simplified constructs were obtained and the result is shown in Appendix 1. The standard in accepting or deleting the constructs is based from the suggestion of Hair et al. (2006). The three requirements are (1) the eigenvalue of each factor should be greater than 1. (2) The absolute value of the factor loading after rotating the Varimax should be greater than 0.5. (3) The difference between two factor loading should be greater than 0.3. If any of the requirements of the factor selection principle shows significance or insignificance in two factors at the same time, the factors are deleted. Similarly, the viewpoint of Kaiser (1974) is also considered. If the value of the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is less than 0.5, the constructs are not suitable for factor analysis (Appendix 1).

In the construct “service environment of leisure farms”, two factors are selected based on the factor selection principle and are named “performance and facilities” and “landscape environment”. As for the construct “tourism image”, two factors are also selected and are named “performance and facilities” and “actual feelings”. The KMO value of the two constructs are greater than 0.5 and thus, suitable to undergo factor analysis.

4.2 Data Analysis

This study used Partial Least Squares (PLS) method for analyses. PLS method was developed by Wold in 1960 and has been widely used for management studies (Wixom & Watson, 2001). PLS is considered to be a mature estimation method, especially in estimating the path coefficient in causal models. During PLS analysis, the relationship between the structural model and the hypotheses of the constructs are first established. Every indicator or construct comprises a group of measures or items. The forecasting ability of the structural model is examined using composite reliability, discriminate validity, and explanatory power of the model ($R^2$).

As PLS does not have a default data distribution, there is no need for data to conform to a normal distribution. Similarly, PLS does not provide an estimation of the path coefficient of trust intervals and statistical significance. To estimate the significance of the path coefficient, Bollen and Stine (2001) recommend using the BootStrap method to estimate the significance of the path coefficient. Thus, this study applied this method to test the significance of the model coefficients.

4.2.1 Reliability Analysis

Under the individual item reliability, this study mainly measures the factor loading of the latent variable towards the specific item and at the same time examines whether the factor loading is statistically significant. According to the suggestion of Chin (1998) towards PLS method, factor loading should be 0.7 and above but 0.5 or 0.6 are also acceptable. All the variables in this study are statistically significant. Aside from the variables “the service attitude of the personnel”, “relationship with others is based on trust” and “the admission fee increases the revisit intentions of customers” which obtained a factor loading of 0.638 and 0.566 respectively, all other factor loading are greater than 0.7 (as seen in Figure 2). Under the composite reliability (CR) of the latent variables, all the values are between 0.81 and 0.88. All values are higher than the suggested value of 0.7 of Hair et al. (1995) which means that the indicators of the constructs have high internal consistency. The higher the value of CR, the more the measuring variable can measure out the latent variables.

4.2.2 Validity Analysis

Validity analysis is used to guarantee that the measurement tools can accurately measure the needed items. Content validity is used to test whether the content and the items are significant. Construct validity is used to measure the concept of the theory and characteristics. It includes convergent validity and discriminative validity. Convergent validity uses two different methods to measure a similar construct. Higher level means stronger the convergent validity. Average variance extracted (AVE) computes each measured variables of the latent variables toward the explanatory power of the latent variables. Fornell and Larcker (1981) suggested that the value should be greater than 0.5 which means that the index can explain 50% or more variances. Table 1 shows that the AVE is between 0.57-0.79. Thus, the model exhibits good convergent validity. Furthermore, the AVE square roots of every construct are greater than the correlation coefficient of the constructs. This shows that the constructs have sufficient discriminative validity (Anderson & Gerbomg, 1998). If the absolute values of the correlation coefficient of two constructs are greater than 0.6, the possibility of collinarity in the regression model during data analysis can be suspected. However, this study adopted the PLS method which can solve the problem of collinarity. This study includes related predicted variables and explanatory variables in the model and avoids the traditional principle component analysis from mistakenly deleting the component. Furthermore, the principle component analysis and path analysis can find the most appropriate regression coefficient combination of a group of predicted variables and explanatory variables.

<table>
<thead>
<tr>
<th>Table 1 Correlations between constructs</th>
<th>X1</th>
<th>Y1</th>
<th>Y2</th>
<th>Y3</th>
<th>Y4</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1: Leisure Farm Service Environment</td>
<td>0.83</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y1: Tourism Image</td>
<td>0.79</td>
<td>0.89</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y2: Satisfaction</td>
<td>0.74</td>
<td>0.71</td>
<td>0.75</td>
<td></td>
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</tr>
<tr>
<td>Y3: Value</td>
<td>0.72</td>
<td>0.68</td>
<td>0.70</td>
<td>0.78</td>
<td></td>
</tr>
<tr>
<td>Y4: Loyalty</td>
<td>0.46</td>
<td>0.47</td>
<td>0.64</td>
<td>0.50</td>
<td>0.79</td>
</tr>
<tr>
<td>Average Variance Extracted (AVE)</td>
<td>0.69</td>
<td>0.79</td>
<td>0.57</td>
<td>0.61</td>
<td>0.63</td>
</tr>
</tbody>
</table>

Note: Diagonal elements are square roots of the average variance extracted.
4.3. Structural Model Result

The structural model mainly tests the consistency of the research model result and the proposed model. Then, it verifies whether the causal relationship proposed by the theory obtain the support of the results. The explanatory power (R²) of latent dependent variables towards the overall model was divided among tourism image (0.622), perceived value (0.552), customer satisfaction (0.631) and customer loyalty (0.622). The R² of the latent dependent variables was greater than 0.55. As shown in Figure 2, the service environment of leisure farms significantly, directly and positively affects tourism image, perceived value and customer satisfaction; the path coefficients were 0.789, 0.295 and 0.255, respectively. The service environment of the leisure farms positively affects the tourism image, perceived value and satisfaction of the customers toward the farm and thus hypotheses H₁, H₂ and H₃ are supported. Tourism image significantly and positively affects perceived value and customer satisfaction; the path coefficients were 0.488 and 0.327. The study also found that the tourism image of customer toward the farm directly affects their evaluation and satisfaction on the farm. Thus, H₄ and H₅ are supported. Perceived value has a positive effect on customer satisfaction. The path coefficient was 0.294. This shows that the amount the customer obtains is greater than the amount they paid. Customer satisfaction also significantly, directly and positively affects customer loyalty; the path coefficients were 0.643. The actual feeling of satisfaction of the customer will directly affects the revisit intention of the customer.

5. CONCLUSION

Leisure farms extensively fit agricultural production, rural life, rural culture, pastoral landscape and natural ecology into the category of leisure agriculture and develop toward the direction of universal management. The fast development of the leisure farms brought new business opportunities to Taiwan’s leisure agriculture and the satisfaction and experience of the tourists on the farm activities will become important indices in the future development of the leisure agriculture. With local and foreign information and references on leisure agriculture as foundations, this study proposed a research framework and, explored and analyzed on the influence of the leisure farm on customer satisfaction. This study analyzed the thoughts of the customers on the environment provided by Cingjing Veterans Farm and the tourism image, perceived value, satisfaction and loyalty on their services. This study also use the farm’s service environment as the principal cause and adding the three variables namely tourism image, perceived value and satisfaction to explore whether the changes of these three variables will cause the service environment of the farm directly affect the final loyalty of the customers and promote the intention of customers to revisit.

In the reduction of factors, this study extracted two factors from the constructs “leisure farm’s service environment” and “tourism image” and named the factors as “performance and facilities”, “landscape environment”, “performance and facilities” and “actual feelings”, respectively. The study found that the service environment of the leisure farm and tourism image positively affects customer satisfaction. Customers care about the performance activities and the different facilities of the leisure farm and they have deep impressions on these activities and facilities (e.g., the sheep wool-shaving show of Cingjing Veterans Farm). Furthermore, the perceived value of the customers positively affects customer satisfaction and as the perceived value of the customers increase, their satisfaction on this farm will also increase along with it and thus, affects loyalty. Perceived value researches have already become one of the main topics of leisure agriculture (Petrick, 2004) Scholars Ravald and Gronroos (1996) believed that the perceived value of a customer already becomes one of the most important factors of differentiation and competitive advantage. The management of the leisure farms should pay attention to the importance of the perceived value to increase the quality of the leisure farm’s service environment and deepens the impression of the customers on the farm. By improving customer’s perceived value, it would affect customer satisfaction and thus, would promote loyalty.

The service environment of the leisure farm positively affects tourism image, perceived value and customer satisfaction. In other words, the assessment of the customers on the service environment and the value felt all affects satisfaction. The research on the effect of customer satisfaction on customer loyalty responds to the research of Yoon and Uysal (2005). They believed that the higher the satisfaction level of the customers, the higher the customer loyalty will be.

Based from the empirical results, it was found that customer satisfaction will positively and directly affect customer loyalty. Furthermore, it was found that the environment of the leisure farm and the tourism image and perceived value of the customers on the leisure farm will also affect satisfaction. Therefore, the management of leisure farms should improve the performances and facilities in the farm to promote the satisfaction and loyalty of the customers toward the
farm. Earning the loyalty of the customers can serve as an advantage against other competitors and can establish greater profits. This study suggests the management of the leisure farms to repair and maintain the facilities in the farm regularly. The farm should combine the special features of the local area to promote the beauty and maintain the cleanliness of the farm. The management should also demand and set a standard on the service attitude and clothing of their personnel. There are plenty of B&Bs around the peripherals of the leisure farms and the farms can form alliances with them. They can combine the local culture and organize themed festival celebrations in the farm. This will surely have great impacts on the guests.

REFERENCES