

## CHAPTER I

### 1.1 Introduction

Nowadays, the tourism industry is growing rapidly; Tourism has become one of the most important sectors of the global economy (Srikram, 2015; Lopes, 2011). According to World Travel and Tourism Council (2011), Travel and Tourism is one of the world's largest industries, contributing trillions of dollars annually to the global economy. Development of the tourism industry brings a lot of positive impacts to the economic development of the country. The tourism industry has also played a significant role in the growth of economy in Thailand (Zhang, 2012). Accordance with Srikram (2015) although Thailand is a small country, it is one of the world's leading tourist destinations. Tourism is becoming the pillar industry in Thailand and plays an important role in the Thai economic structure even in the whole society, and it has a profound effect on Thai economy. In the last 20 years, tourism in Thailand developed rapidly. According to tourism in Thailand (2012) domestic tourism was able to contribute 29695 million baht to GDP, which in 1983, was 3.7 % of total GDP. Tourism was contributing 14.7 % to Thai GDP in 2009. Accordance with the government's data, in 2010, Thailand attracted 15.8 million tourists, and it generated about 19 billion dollars of revenue. According to englishnews.thaipbs (2015) The World Tourism Organization listed Thailand in the top 10 of global tourism destinations by arrivals in 2012 and in 2013, with international arrivals of 22.4 million and 26.5 million, respectively. The country ranked seventh in tourism destinations by revenue, hitting US\$33.8 billion and \$42 billion in 2012 and 2013, respectively. The industry generates hundreds of billion baht in revenue. Clearly we can see that tourism is becoming a leading industry of Thai economy.

Since development of the tourism industry brings a lot of positive impacts to the economic development of the country (N.H.M, et al, 2014), planning and developing tourism attractions in highly competitive global environment today is only half the battle confronted by destination managers considering the fact that so many destinations globally offer similar attractions, services and experiences. A lack of understanding of customer preference leads to problems in both product and service design so that destination managers have to plan and strategize the marketing aspect of destination management. A well planned and developed tourism product or destination will be useless unless it attracts and retains its target market (Qin, 2012). Therefore, it is important for managers to understand what makes customers loyal to a destination and what their expectations are so

that destinations can modify their offerings, service delivery and communication strategies to meet and exceed customers' expectations.

Consumer loyalty has been pointed out in the marketing literature as one of the major driving forces in business success because every aspect of a business system is importantly influenced by the level of customer loyalty (Valle & Silva, 2010). Loyalty is one of the most frequently studied concepts in business and hospitality fields. Several researchers studied loyalty to identify and understand its antecedents and its influence on customers repeat purchase and positive word of mouth (WOM) behaviors (Chang, 2013; Prayag & Ryan, 2012). Further they mentioned that the emphasis on destination loyalty can be explained by the fact that success depends not on the first purchase but on repurchase. According to them, unlikely any brand can survive over time without some degree of loyalty. Loyalty is also considered as a critical antecedent of customer recruitment and retention, and a factor that improves customers' willingness to pay more and reduces servicing costs (Valle & Silva, 2010). Therefore, understanding how consumers form their destination and brand loyalty, and the factors could affect their loyalty formation is important for the success and survival of any business.

Revisit intention or tourist loyalty in tourism and leisure has been studied by many researchers in many settings of countries; such as Australia (Sani, 2014). According to him, these quantitative studies involved various predictor variables, such as service quality, perceived value, satisfaction, tourism image, consumption experience, recreational benefits, distance, specific novelty, attraction, promotion, service, and transportation, to predict intention to revisit. However, in this research, only four factors such as destination image, perceived value, service quality and satisfaction are taken as tourist loyalty or revisit intention.

Destination image is an essential factor for tourist places and better image of the destination bring more tourist towards destination ( Haque & Khan, 2013). Destination image has influenced tourists' behaviors because Tourists make their choices of where to travel based on the destination images. Banyai (2010) defines destination image as; the sum of beliefs and impressions people holds about place. Images represent a simplification of a larger number of associations and pieces of information connected to a place. They are a product of the mind trying to process and pick out essential information from huge amounts of data about a place.

Perceived value is common and very essential issue of marketing area and is an important element in relationship marketing. Perceived value is defined with comparison of the benefits or output with the prices of products or services and is related with customer satisfaction (Haque & Khan, 2013). In tourism context, the traveler evaluates both monetary and nonmonetary factors such as the time, energy and effort that have been spent for the trip (Alizadeh, 2014). Mechinda (2010) one of the most cited definitions of perceived value is presented by Zeithaml that he has defined perceived value as the consumers overall assessment of the utility of a product based on perceptions of what is received and what is given.

Service quality is a way to manage business processes in order to ensure total satisfaction to the customer on all levels (internal and external) (Grzanic, 2010). Siddiqi (2011) define service quality as “a global judgment or attitude relating to a particular service; the customer’s overall impression of the relative inferiority or superiority of the organization and its services. Ebrahimpour (2010) defined Service quality as a gap between the customer’s expectations of a service and the customer’s perceptions of the service received.

Tourists’ satisfaction is significant to achieve high visitors’ intention in revisiting the same destination. Satisfying customers can encourage customer’s loyalty and foster word-of-mouth advertising (Xiaoli & Chirapanda, 2013). According to puh (2014) defined satisfaction as pleasurable fulfillment. That means that the consumer senses that consumption fulfils some need or desire and that this fulfillment is pleasurable. In the case of tourism destination, tourists value the degree of pleasurable fulfillment of their needs and wishes on a full range of services, products, image etc offered in a destination so satisfaction depends on the experience they have with using those services.

By understanding the causal relationships between destination image, perceived value, service quality, satisfaction and tourist loyalty, destination tourism managers would better know how to build an attractive image and improve their marketing efforts to maximize the effective use of their resources. Therefore, it is time for practitioners and academics to conduct more studies of loyalty in order to have greater knowledge, to understand the role of customer loyalty and their interrelationships. This research, therefore, proposed a model which investigated the relationships between destination image, perceived value, and service quality and satisfaction tourist loyalty in Pattaya destination.

Pattaya is one of the hottest destinations in Thailand and it may not be idyllic but it certainly makes up for it with a wide variety of activities, accommodation and nightlife destinations. According to discover Thainess (2015) for sun lovers and water-sports fans, Pattaya's sunny climate provides ideal conditions for swimming and all other imaginable water activities, including fishing, boat sailing, speed-boating, water-scooter riding, water skiing, parasailing, scuba diving and windsurfing. Pattaya also provides gyms and health clubs for those who do not want to get drenched for exercise and many kinds of land sports and games to choose from, such as shooting, car racing, horse riding, archery, golf, bowling, tennis, go-kart, paintball, etc. For shoppers, fashionable boutiques and shops of ready-made garments, silk, paintings, handicrafts, gemstones, jewelry and trinkets are centered in the main street of Central and South Pattaya and also in the luxurious hotels with the fair prices.

Pattaya is the most developed of all Thailand's beach destinations. It combines almost every preference, from pulsating discos, to deserted beaches and courses in silent meditation. In many ways, it is unique, and in terms of variety and value. It is as suitable for families with children as it is for old folks and young swingers. In addition, it features almost every water and land-based sporting activity you can think of, boasts excellent restaurants, good entertainment, and countless leisure pursuits. The bottom line is that nobody can possibly be bored in Pattaya(mosaic-collection.com, 2015).

As mentioned above, clearly Pattaya offers a dynamic mix of sporting and entertainment opportunities both on water and land. Pattaya has everything and is a perfect destination holidays for tourists as well as it is convenient trip just over one hour to drive by bus from Bangkok's Suvarnabhumi Airport. Thus the researcher selected this topic research in Pattaya. The benefits of this study will enhance tourist attractiveness and satisfaction on destination that encourage tourists to revisit Pattaya again and again.

## **1.2 Research Background**

Pattaya was just a small fishing village in Thailand in 1960. It changes to the village as American servicemen started coming during the time of the Vietnam War. The small fishing village rapidly grew a reputation as a City in which you could find anything you were looking for in the way of "Rest and Relaxation" and one might say in the way of 'Rock and Roll' as well (paradise-pattaya, 2015).

Today, Pattaya is one of famous places located within the area of Chonburi province and is 147 km. southeast of Bangkok and adjoins the Gulf of Thailand. Pattaya is a lively beach town that draws visitors from around the world and is the perfect destination for a spontaneous weekend getaway. Pattaya has many attraction activities like sporting and entertainment opportunities both on water and land, ensuring that tourists with any interest will find something to keep them entertained for their Pattaya holiday and also nightlife is perceived as another main tourism attraction in Pattaya (Discover Thainess 2015). Pattaya is a popular tourist area for both domestic and international visits. Each year there are approximately two million tourists or 45% of tourists who visit Pattaya in accordance with OSIR (2014). Supitchayangkool (2012) states that numerous foreign tourists visiting Pattaya, in 2010, were 5,359,669 while for the year 2009 there were 2,716,938 tourists. Hence, there was a 97.27% increase from the year 2009 to 2010. According to nationmultimedia.com, however, the number of tourists, both local and foreign, visiting Pattaya is now dropped to 7.5 million this year from 9 million in 2014 because of the prolonged political turmoil. It says that Tourism revenue in the city is forecast to decline to Bt70 billion this year from Bt85 billion in 2013. According to pattayatoday (2015) the country's status on the world chart slipped from 10th in 2013 to 14th in 2014. In 2014, tourism earnings chart also saw Thailand drop from seventh to ninth in the figures from the UN World Tourism Organization.

However, Thailand is one the world's largest tourists who come to visit, the Thai government is working on a number of policies and strategies to attract international visitors to visit the kingdom and again Thailand reached, in January 2015, a total of 2.65 million foreign tourists and generated about 120 billion Baht in revenue, representing a year-on-year increase of 15.9 % and 12.7 %, respectively (thailand-business-news.com, 2015).

### **1.3 Problem statement**

The issue problem of this research is declination of visiting tourists in Pattaya due to association with dissatisfaction or negative image on destination. According to Kozak & Decrop (2010) in tourist industry, as in all industries, tourist destinations face the problem of customer dissatisfaction and complaints about products services or destination image. Kumar (2015) mentioned that Tourists would not like to visit any destination that poses threat to their safety. For instance, the effects of wars, criminal activities, terrorist

attacks and violent acts aimed specifically against tourists have been devastating to tourist destination.

According to Srikrum (2015) there are many entertainments related to sex services which created an image of a sexual sin city even though the image of sex tourism may bring a negative image to Pattaya. Due to Pattaya's image of sex it may not be good for the policy planner of Pattaya city, meanwhile, with beaches, and other attractions could provide Pattaya city with a better image. Therefore, it is crucial to investigate dissatisfaction of the current tourist after visiting Pattaya.

Based on the above consideration, in order to solve this problem, the influence of destination image, perceived value and service quality is the key on tourist loyalty and it has been trend for this research topic. It is very important to determine those above while taking decisions for strategic marketing of tourism destinations. According to Supitchayangkool (2012) the overall satisfaction and attribute satisfaction had direct and positive impact on destination loyalty. When a tourist is satisfied with his/her visit to a destination, then he/she will make repeated visits. According to Rajesh (2013) the destination image also influences tourist satisfaction and loyalty to a destination visited, for example, beautiful and good quality destination image will attract the tourist in revisiting on that destination again and again.

In summary Tourist satisfaction on destination plays an important role because it will affect travelers' decision in choosing destinations and products or services that will be consumed accordance with Rajesh (2013). The purpose of this study is to explore the key factors of the satisfaction of tourists traveling on destination in Pattaya, Thailand. Therefore, the focus of this study is to explain destination image, perceived value, service quality and satisfaction on tourist loyalty and how those affects on revisit intention or tourist loyalty.

#### **1.4 Significance of the study**

This study will be as practical guide for tourist destination manager. Every tourist destination is significant to make tourist loyal in order to sustainability of Business Company. Loyalty is the way to build and develop relationship between the customer and the company. Customer loyalty is another way to gain the best possible customer, repeat customers. Importantly, loyal customers are less likely to switch to a competitor solely because of price, and they even make more purchases than non-loyal customers. Also they

are often the people who tend to provide the best word of mouth advertising possible. Loyal customers are considered to be the most important assets of a company. In this sense, it is essential for vendors to keep loyal customers who will contribute long-term profit to the business organizations (Qin, 2012). Taylor & Francis (2015) state that the products and services offered in tourism industry are closely related to creating unique and memorable experiences for tourist. These experiences would become tourists' attractions and become reasons for tourists to choose a destination among other places under considerations. With satisfaction of those experiences that tourist have during their visits would create opportunities of repeat to revisit and would lead to building tourist loyalty on the destination. Thus, it is important that Pattaya needs to create different factors of influence that make tourist loyal.

### **1.5 Objectives of study**

This study attempts to find out the factors which may be importance as a guideline for tourist destination manager in pattaya towards tourist loyalty which related to destination image, perceived value, service quality and satisfaction. In this respect, the research objectives that emanated from the review of the literature are to:

1. Identify how destination Image influences Tourist Loyalty.
2. Identify how Perceived Value influence on Tourist Loyalty
3. Identify how Service Quality has a positive influence on Tourist Loyalty.
4. Identify how Satisfaction has a positive influence on loyalty.

### **1.6 The scope of study**

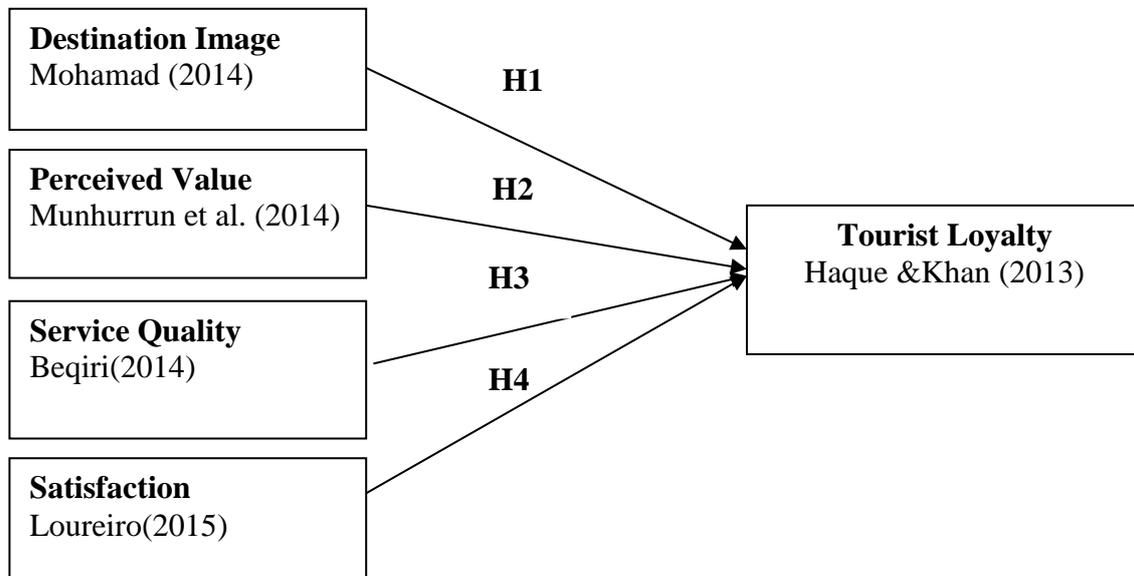
This study concerns about tourist loyalty in Pattaya destination because Pattaya is one of the most dominant tourist destination in Thailand. What are the influence factors of tourist loyalty that destination managers have to enhance in order to make tourist attractiveness and satisfaction on destination that encourage tourists to revisit Pattaya again and again? This study aim, therefore, is to find out the influence factors on tourist loyalty in pattaya destination.

### 1.7 Conceptual frameworks

**Independent variable (IV)**

**Dependent variable**

**(DV)**



### 1.8 Hypothesis

**H1:** Destination Image has a positive influence on Tourist Loyalty.

**H2:** Perceived Value has a positive influence on Tourist Loyalty

**H3:** Service Quality has a positive influence on Tourist Loyalty.

**H4:** Satisfaction has a positive influence on loyalty.

### 1.9 Definition of term

**Destination Image** is as an expression of knowledge, impressions, prejudices, imaginations and emotional thoughts an individual has of a specific place ( Aliman & Hashim, 2014).

**Perceived value** refers to “consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given (Chang, 2013).

**Service quality** is defined as “a global judgment or attitude relating to a particular service; the customer’s overall impression of the relative inferiority or superiority of the organization and its services ( Siddiqi, 2011).

**Satisfaction** is a psychological concept that involves the feeling of well being and a pleasure that results from obtaining what one hopes for and expects from an appealing product and or service ( Amissah, 2013).

**Tourist loyalty** is defined as their intentions to revisit the destination and in their willingness to recommending to visits as well as positive word-of-mouth effects to friends and/or relatives (Campon et al., 2013). Loyalty also means as the strength of the relationship between individual attitude and revisiting (Wu, 2015).