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# How travel agency reputation creates recommendation behavior

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## Abstract

**Purpose** – The purpose of this study is to explore the effect of travel agency's reputation on customer recommendation behavior by examining the mediating effects of customer-perceived functional and emotional value as well as the moderating effects of tour leader performance and customer flow experience in the travel agency sector.

**Design/methodology/approach** – A statistical analysis of the collected questionnaires was computed based on the 463 usable responses from Taiwan tourists who joining the group package tours traveling to China. Structural equation modeling is the essential analysis methodology used to examine the hypothesized relationships among the variables.

**Findings** – The analysis results confirm that reputation has positive effects on customers recommendation behaviors in which perceived functional and emotional value work as necessary mediating roles. Nevertheless, the effect of reputation through emotional value on customer recommendation behavior provides a much better explanation than through functional value in the model. In addition, regarding the variables of tour leader performance and customer flow experience in the model, only the tour leader performance is confirmed that moderates the relationships among reputation, perceived value, and customer recommendation behavior. According to the findings, managerial implications are discussed as well.

**Originality/value** – This study develops a conceptual stimulus-organism-response (S-O-R) model that, reflecting the mediating role of perceived value and the moderating role of tour leader performance, indicates the effect of reputation on customer recommendation behavior.

**Keywords** Perceived value, Reputation, Flow experience, Recommendation behavior, Tour leader performance

**Paper type** Research paper

## Introduction

Due to tense and stressful jobs, people today may seek to release their work pressure through vacation travel (UCDAVIS Health System, 2012). Thus, along with growing demand for travel, various travel activities involving higher quality products and services are being sought by consumers in the travel agency markets. The travel agency industry is similar to that of most other service industries in that its products possess the features of intangibility, heterogeneity, inseparability, and perishability (Chen, 2010) and that customers have a strong sense of risk and uncertainty during the purchase decision-making process because they usually cannot experience the travel products in advance. Thus, in terms of the unique characteristics of travel products, establishing an excellent reputation is very important for a travel agency to encourage customer purchases (Chen, 2010). As suggested by Huang (2013), travel agencies need to build reputation advantages to earn market competition. Therefore, as implied by

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Keh and Xie (2009), leveraging a good reputation to generate trust among customers about travel products (e.g. group package tour, GPT) is a very important strategic concern for a travel agency. Thus, it is important for travel agency managers to understand how a good reputation could serve as a proxy for the quality of the services and products their customers receive (Hansen *et al.*, 2008) when searching for a travel product. Therefore, the main concern of this study is to understand the relationships between the reputation of a travel agency and the related influential variables that affect customers' recommendation behaviors.

To achieve this goal, from an academic point-of-view, the current study contributes to the travel agency sector by developing an S-O-R (stimulus-organism-response) conceptual model (Jacoby, 2002) to analyze the hypothesized relationships between corporate reputation (stimulus), perceived value (organism), and customer recommendation behavior (response) for which the strength of the relations between variables were moderated by employee performance (i.e. tour leader performance) and customer feeling (i.e. tourist flow experience) (Bitner, 1992). Although other studies have adopted the S-O-R model to explore consumer behaviors in various service industries, few studies have incorporated the variables mentioned above into an investigation of the travel agency sector. Thus, existing studies that investigate potential mediators and moderators in S-O-R relationships might help explain the customer and service provider co-production process in service provision (Goi *et al.*, 2014).

In recent years, perceived value has received the attention of tourism researchers (Sánchez *et al.*, 2006). Clarifying the perceived value concept is crucial because it reflects the perspective of the customer; "it is only the customer, not the seller or the service provider, who can determine whether a product or service offers value" (Roig *et al.*, 2006; cf. Cockrill *et al.*, 2009, p. 178). For example, even if customers perceive a travel agency to have a good reputation, the degree to which this reputation factor influences customer recommendation behaviors may be mediated by perceptions of functional (e.g. offers good value for money) and emotional (e.g. gives me pleasure) value (Sweeney and Soutar, 2001; Yuan and Wu, 2008; Chen and Hu, 2010a, b). Thus, this study takes the mediating role of perceived value (including functional and emotional value) into account to clarify its effect on the relationship between the reputation of a travel agency and customer recommendation behavior.

Besides, several research studies have suggested that tour leader performance during the itinerary (e.g. Chang and Tang, 2011; Wong and Lee, 2012a) is one of the most important factors that would influence customer behavioral intentions. The moderating role of customer-perceived tour leader performance is of concern because a tour leader manages a GPT over the entire journey and serves as a coordinator at the destination and a companion to the tour participants (Heung, 2008). Thus, the ability of tour leaders to provide high-quality service to participants of package tours is strongly beneficial to the business development of their travel agencies. Therefore, the performance of the tour leader allows customers to actually experience whether, in the case of the reputation of the travel agency, "the name matches the reality". Therefore, the better perceived the performance of the tour leader is, the stronger the relationship among reputation, perceived value, and recommendation behaviors.

In addition, the proposition that experience is the foundation of travel (Fesenmaier and Gretzel, 2004) suggests that customer experience (e.g. Naseri-moadeli *et al.*, 2013; Loureiro, 2014) also influences customer behavioral intentions. Thus, it is necessary to consider the experience of flow as another moderating role because flow represents "the optimal experience" of an individual (Jackson and Eklund, 2004, p. 5).

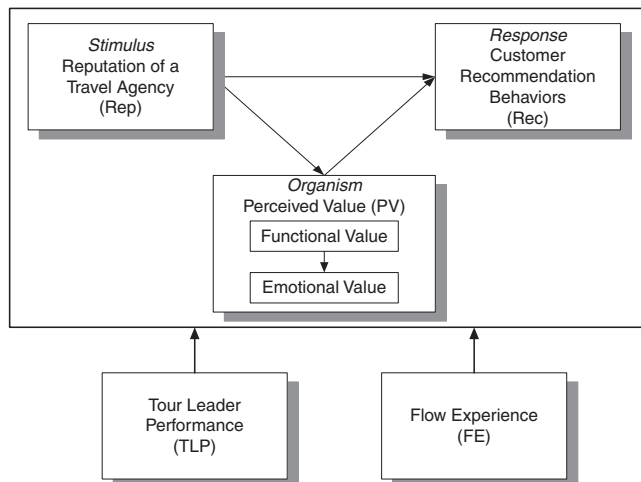
Tourists' experiences are subjective and are constructions within people's minds (Zakrisson and Zillinger, 2012). Thus, in the tourism context, when customers strongly experience flow on their trips, their optimal feelings are incorporated into the reputation of the travel agency, which leads them to perform related positive behaviors. Therefore, the better the customer experiences the feeling of flow with the travel itinerary, the stronger the relationship among reputation, perceived value, and recommendation behaviors.

In terms of the S-O-R model, understanding the relationships between the constructs of reputation, perceived value, tour leader performance, and flow experience and the effects of those constructs on customer recommendation behaviors in the travel agency context are key concerns that require further investigation.

### Theoretical background and hypothesis

#### Conceptual framework

The research framework (see Figure 1) is constructed based on consumer behavior, applying the S-O-R model proposed by previous studies (e.g. Bitner, 1992; Jacoby, 2002; Chang, 2013, Goi *et al.*, 2014; Jani and Han, 2015). In the S-O-R framework, a stimulus (e.g. reputation) (Thang and Tan, 2003) is described as an impact that affects the internal, organismic state of an individual (e.g. perceived value) (Chang, 2013) and that can further influence the customer's approach behavior (Jani and Han, 2015) (e.g. recommendation). Thus, reputation refers to customer perceptions of the ability to deliver quality products and is treated as information stimuli of a firm (Pfarrer *et al.*, 2010). In other words, reputation works as a stimulus if it is conceptualized as inspiring confidence in the firm and customers then assess the firm's absolute reputation and its relative reputation compared to the competition (Loureiro and Kastenholtz, 2011). It incorporates customer-perceived value as another organism variable that can be affected by corporate reputation, which works a mediator and in turn influences customer recommendation behavior, the final response variable in the model. Furthermore, Goi *et al.* (2014) reviewed literature from 1998 to 2013 relating to the adaptation of the S-O-R model in service industries and suggested investigating some important moderators to explain consumer behaviors in a specific service industry (e.g. travel agencies in the current



**Figure 1.**  
The research  
framework

study). Therefore, within the S-O-R model as proposed by Bitner (1992), the responses of employee performance (e.g. tour leader performance) and customer feeling (e.g. tourist flow experience) would be the moderators influencing the S-O-R relationships. The current study investigates how both moderate the relationships of the S-O-R model.

*Relationship between reputation and customer recommendation behaviors*

A good reputation can indicate the superior quality and reliability of products or services and improve the efficiency of marketing efforts (Raithel *et al.*, 2010). Therefore, if a company has a good reputation, then it can be assumed that its services or products will also be perceived positively by its customers (Walsh *et al.*, 2006). Moreover, because a reputation informs customers' expectations before they visit a business (Loureiro and Kastenholz, 2011), an excellent reputation can increase customer trust in making purchasing decisions (Raithel *et al.*, 2010) and serves as a direct antecedent to customer recommendation behavior (Bontis *et al.*, 2007). Accordingly, a strong reputation of a firm indicates that customers can expect to receive high-quality products or services during the acquisition and consumption process (Hess, 2008). These expectations tend to dominate customer recommendation behaviors in terms of whether they will actually recommend a brand, product, or service to others (Keiningham *et al.*, 2007).

In the travel agency context, because travel products are highly intangible and demand higher involvement to search (Beldona *et al.*, 2004), the good reputation of a firm can reduce customer uncertainty in making purchasing decisions (Walsh *et al.*, 2006) and add value to companies by increasing the likelihood that customers will choose their products (Roberts, 2003) and subsequently recommend their products or services to others. Thus, many firms develop their reputations without direct customer contact with their products and services because a firm's reputation for high-quality products and services could be achieved through comments from friends, family members, and colleagues (Hess, 2008). Hence, the following hypothesis is proposed:

- H1. The better the reputation of a travel agency perceived by customers, the higher the level of customer recommendation behavior for the travel agency's products and services offerings.

*Mediating effect of perceived value on the relationship between reputation and customer recommendation behaviors*

Value is typically described from the customer's perspective and can generally be understood as perceived value (Jensen and Hansen, 2007), which is a key driver of choice (Tanford *et al.*, 2012). Although customer-perceived value is composed of multi-dimensional constructs (Roig *et al.*, 2009), most empirical tests of tourism value models adopt a utilitarian perspective in which value is the quality relative to the price paid, or the very simple "value for money" view (Gallarza and Saura, 2006). Thus, functional value is specifically composed of two types of perspectives: the performance or quality aspect and the value for money aspect. The former concerns "the utility derived from the perceived quality and expected performance of the product", whereas the latter concerns "the utility derived from the product due to the reduction of its perceived short term and longer term costs" (Sweeney and Soutar, 2001, p. 211). Thus, as discussed by Chen and Hu (2010a, b), many studies have treated functional value as an overall assessment of value that incorporates quality and traditional value for money characteristics. Generally, the utilitarian evaluation is expressed by the quality of the product or service, whereas the hedonic evaluation usually captures the feelings or emotions generated by the product or service (Sánchez *et al.*, 2006). Therefore, along

with the functional perception of value, researchers (Sweeney and Soutar, 2001; Chen and Hu, 2010a, b; Yuan and Wu, 2008) have identified emotional perception as one of the important dimensions underlying the value construct associated with the psychological components that are manifested by feelings and attitudes toward an organization (Tang, 2007). Thus, as defined by Sweeney and Soutar (2001, p. 211), emotional value is “the utility derived from the feeling or affective states that a product generates”. Consequently, perceived value can be better understood in terms of the functional and emotional perceptions of the product or service offerings of a firm (Chen and Hu, 2010a, b). The functional value is determined by the rational and economic value that consumers place on the service/product and the emotional value consists of the feeling or affective states generated from the experience of consumption (Giovanis, 2013). Although perceived value can be a second-order multi-dimensional construct comprising functional and emotional dimensions (e.g. Chen and Chen, 2010; Fiol *et al.*, 2011), some research treats functional value and emotional value as separate concepts and investigates their different effects on behavioral intentions (Lee *et al.*, 2011; Giovanis, 2013). This study explores and clarifies their different effects in the reputation-recommendation links.

Much previous literature recognizes that the affective aspect of image is based on the cognitive part (Li *et al.*, 2009) and emotions occur “as a result of the cognitive appraisal of a person-environment situation” (Lazarus, 1991, cf. del Bosque and Martín, 2008, p. 556). Thus, as pointed by Johnson and Grayson (2005), when reputation effects are strong, customers’ cognitive perceptions toward a service provider are definitive in the initial contacts and then influence their affective perceptions toward the service provider. Hence, the following hypothesis is proposed:

*H2.* The customer-perceived functional value has a direct positive effect on the customer-perceived emotional value of a travel agency.

Regarding the relationship between reputation and perceived value, Gray and Balmer (1998) noted that a firm’s reputation represents a value judgment about the company’s attributes; a sound reputation is critical because of its potential for value creation (Roberts and Dowling, 1997). A sound reputation signals to the public how a firm’s products, services, employment characteristics, strategies, and prospects compare to those of competing firms (Halpern and Devine, 2001). In other words, reputation represents a value judgment about the organization’s qualities (Dolphin, 2004) and shapes a customer’s expectations before patronizing a business (Loureiro and Kastenholz, 2011). A good reputation suggests that the customer will expect a firm’s products and services to be of high quality (Herbig and Milewicz, 1995) and that the customer will perceive value for money when the benefits of the product or service exceed its cost (Sweeney and Soutar, 2001). Thus, a firm’s reputation could generate functional value for customers in terms of quality and price perceptions. On the other hand, reputable stores promote not only their products and their service quality but also their “pride of ownership of the products and a sense of premium, thereby augmenting the pleasure domain of consumer perception” (Thang and Tan, 2003, p. 195). In other words, as stated by Money and Hillenbrand (2006, p. 7), “the beliefs of individuals regarding an organization’s reputation impact on their attitudes in terms of the emotional appeal that they feel towards a business”. Accordingly, in the context of the travel product purchasing process, the customer-perceived functional, and emotional values are further strengthened or weakened after their experience with the travel product.

Furthermore, because the reputation of a firm has a strong effect on customer-perceived value, it can serve as an antecedent of value (Hansen *et al.*, 2008), and perceived value can serve as a key contributor to high levels of customer recommendation behavior (Olaru *et al.*, 2008). Thus, the mediating role of perceived value in the relationship between reputation of a firm and customer recommendation behavior is considered in the current study. Tourists' perceived value serves as an important antecedent of tourist satisfaction and loyalty (Back and Lee, 2009), therefore customers recommend travel agencies and their products when they perceive functional and emotional value, which are appropriate variables by which to evaluate customer recommendation behaviors (Olaru *et al.*, 2008). When customers feel that they receive functional and emotional value in accordance with the level of reputation associated with a travel agency, their positive perceptions of the travel products' value drive positive recommendation behaviors. Based on the above discussion, the following hypothesis is proposed:

- H3. The tourist-perceived functional and emotional value of a travel agency mediates the relationship between reputation and customer recommendation behaviors.

*Moderating effect of tour leader performance on the relationship among reputation, perceived value, and customer recommendation behavior*

The GPT is one of the main models of outbound travel in many Asian countries (e.g. China, Japan, Korea, and Taiwan) (Lin *et al.*, 2008). In the Taiwanese GPT model, the tour leader is the person who leads the tour group abroad and is responsible for taking care of tour participants and managing everything during the tour. A tour leader is a front-line travel agency employee who implements an outbound GPT and has the opportunity for long-term contact with tourists (Lin *et al.*, 2008). As suggested by Wang *et al.* (2007), it is extremely important for travel managers to find tour leaders who have the abilities (e.g. coordinating and friendliness) required to lead GPTs.

Because a tour leader manages the important relations in a GPT, he or she is important to the tourist's perception of the whole tour (Mossberg, 1995) and is a critical service feature of a GPT (Wang *et al.*, 2000). As mentioned above, employee performance usually influences consumer behavior and can be seen as a moderator in consumers' S-O-R model process (Bitner, 1992). Thus, the tour leader is one of an agency's key front-line employees, very much responsible for the overall impression and satisfaction retained by travelers after they return from their destination (Wong and Lee, 2012a). Tour leader performance would be assessed during the tour's itinerary, which in turn has effects on the S (reputation)-O (perceived value)-R (recommendation) links.

The quality of the tour leader's performance can define the overall judgment made by tourists regarding the degree of excellence of a travel service (Loureiro and González, 2008). A quality tour leader performance experienced by a tourist in a GPT is one of the important factors in building tourist recognition of the travel agency's reputation (Heung, 2008). Moreover, if tourists perceive that the tour leader's performance is of high quality, they are likely to perceive that the travel agency deserves its reputation – a perceived value which then leads to their recommendation behaviors. Thus, a tour leader's performance within the service encounter can not only affect the company's image, customer loyalty and word-of-mouth communication, it can also be the factor that differentiates the tour in question from the competitors' tours (Mossberg, 1995). In fact, tour leaders are important to the tourist's perception of the whole tour; their value judgment of tour quality will generally determine their loyalty and future re-purchase (Chang, 2006). The tour leader is the predominant influence on GPT quality

and can influence the tourists to purchase again, stimulate new business through word-of-mouth for the company, (Wong and Lee, 2012b) or recommend the company to friends (Curtin, 2010). If tourists perceive the tour leader's performance to be superior, there is an increase in satisfaction that has a positive influence on revisit intention (Wang and Wu, 2011). Thus, the above results suggest that causation between reputation, perceived value, and recommendation would be moderated by tour leader performance in the consumption process. Hence, the following hypothesis is proposed:

- H4. Customer-perceived tour leader performance moderates the relationships among reputation, perceived value, and recommendation behaviors.

*Moderating effect of flow experience on the relationship among reputation, perceived value, and customer recommendation behavior*

Among various discussions of flow experience (e.g. Huang, 2006), the most common description of this phenomenon is that of Csikszentmihalyi (1975), who described flow as a very positive experience and regarded it as "a special psychological state, one that brings the recipient much enjoyment" (Jackson and Eklund, 2004, p. 4). As mentioned above, customer experience is another important factor that would influence consumer behavior and can be seen as a moderator in the consumer S-O-R model process (Bitner, 1992). Thus, as implied by Wu and Liang (2011), flow refers to optimal experience; tourists enjoy the flow experience and wish to participate in the trip for a longer time span because they enjoy the wonderful feeling they had experienced (Weiermair and Mathies, 2004). Hence, tourists would be concerned with the flow experience during their tourist itinerary, which in turn has effects on the S (reputation)-O (perceived value)-R (recommendation) links. Although customer-perceived reputation of a firm is presumed to affect customer recommendation behavior, another important factor that should be considered is how customers enjoy the travel experience itself. When customers do not feel that the itinerary is enjoyable, they are reluctant to recommend it to others. Because experiences are considered to be important contributors to the success of the tourist industry (Zakrisson and Zillinger, 2012) and influence tourists' perceived value of a tour (Chen and Chen, 2010), the positive experience of flow might produce much more highly satisfactory outcomes for tourists than service quality does (Filep, 2008).

When customers experience flow, they shift into a common mode of experience and become absorbed in the activity (Nusair and Parsa, 2011). In other words, when in the flow, a person could be described as losing his or her sense of time within an enjoyable experience while engaged in an activity (Skadberg and Kimmel, 2004). Kao *et al.* (2008) showed that when customers go to theme parks and become immersed in the enjoyment of their experience, they do not notice the passing of time; this immersion is positively related to positive loyalty intentions, such as word-of-mouth and recommendations to others. Hosany and Gilbert (2010) concluded that emotional experience (e.g. enjoyment) is positively related to tourists' intentions to recommend the purchase of tourism and leisure services. Therefore, this study argues that those tourists who experience a high level of flow, in combination with their perception that the travel agency has a good reputation and value, will be more motivated to exhibit recommendation behavior after the trip. In contrast, tourists who perceive a travel agency to have a good reputation and value but experience a low level of flow during the trip will exhibit decreased recommendation behaviors after the trip. The above results suggest that causation between reputation, perceived value, and



recommendation would be moderated by flow experience in the consumption process. Hence, the following hypothesis is proposed:

- H5.* The experience of flow perceived by customers moderates the relationships among reputation, perceived value, and recommendation behaviors.

In terms of S-O-R model, the reputation of a travel agency is proposed to be related to customer recommendation behavior, with perceived value (including functional and emotional value) serving as mediating variables and tour leader performance and flow experience serving as moderating variables. Accordingly, a reputation causation model is outlined in Figure 1 to present the aforementioned assumptions.

## Methodology

### *Sample*

In a series of service quality comparisons held by Global Views Monthly Magazine of Taiwan in 2011 and 2012, three travel agencies (i.e. Phoenix travel agency, Cola travel agency, and South East travel agency) were declared the winners. The tourists who joined the GPTs traveling to China provided by the three travel agencies were invited to participate in the questionnaire survey.

Initially, to gauge the reputations of the three selected travel agencies, 100 questionnaires regarding each travel agency were distributed to respondents via convenient sampling in a shopping mall. The results showed that the respondents consistently rate the reputations of the chosen travel agencies very positively. Thus, the travel agencies selected provide the confidence to be used to further investigate the research questions established in the current study.

### *Measurement*

The study variables are measured on a seven-point Likert scale, ranging from 1 = strongly disagree to 7 = strongly agree. As showed in the Appendix, the travel agency reputation variable was modified from previous research (Loureiro and Kastenholz, 2011) and included three items to measure the reputation effect. The tour leader performance variable was modified from past research (Wang *et al.*, 2007) and included six items. The perceived value variable was modified from past research and included five items for functional value and five items for emotional value (Sweeney and Soutar, 2001). The tourist experience of flow during the trip variable was modified from past research (Skadberg and Kimmel, 2004) and included two items. The customer recommendation behaviors variable was designed using past research (Jones *et al.*, 2006; Molinari *et al.*, 2008) and included three items. Finally, the demographic characteristics of the respondents (gender, age, education level, occupation, and the frequency of joining GPTs traveling to China) were measured as categorical variables.

### *Sampling procedure*

The survey instrument was first revised and finalized based on feedback from three senior tour agency managers and tour leaders to verify the content validity of the questionnaire. Then, a pre-test was conducted to ensure the appropriateness of the wording of the items, the ease of filling out the questionnaire, and the applicability of the questions. The professionals suggested adding the phrase “this travel agency” to the questionnaire items to ensure that respondents correctly answer the questions about the travel agency when they participated in the package tour. The following

distribution methods were also suggested to collect more valid responses from the respondents.

Accordingly, for the formal investigation, similar itineraries for travel to mainland China (e.g. China Henan Luoyang Peony Festival 7-8 day trip) provided by the three travel agencies are used to explore the research questions. Because three travel agencies were selected in this study, tour leaders belonging to each of the selected travel agencies were invited to participate in the questionnaire survey when leading GPTs to China. Then, the tour leaders distributed questionnaires to the tourists in the hotel on the last night of the tour. Data collection was conducted over a five-month period and, to make the sample as representative of the target population as possible, the chosen respondents were tour participants 18 years of age and older. Up to ten participants were selected from each tour group. Finally, 200 questionnaires were distributed to each of the three selected travel agencies and a total of 600 respondents participated in this study.

## Data analysis and results

### *Descriptive analysis*

A statistical analysis of the collected questionnaires was conducted based on the 463 usable responses from the tourists of the three travel agencies. SPSS 18.0 and AMOS 18.0 statistical software programs were used to conduct the following empirical analyses.

Of these 463 questionnaires, 34.8 percent were from male respondents and 65.2 percent were from females. A substantial majority of the respondents were between 25 and 44 years of age (49.7 percent). The largest number of respondents (55.3 percent) had at least a bachelor's degree, and business was the most highly represented occupation (37.4 percent). Most respondents (92.2 percent) were joining a GPT to China for the first time. The detailed demographic profile is shown in Table I.

### *Estimation of measurement model*

Before testing the measurement model and the proposed structural model, the results show that the absolute values of skew and kurtosis for all the items met the assumption for normality (Tong, 2009) and the value of Mardia statistic also indicates acceptable multivariate normality distribution (Tu *et al.*, 2012).

By employing the confirmatory factor analysis with a six-factor measurement model, the results showed all factor loadings over 0.5. The statistics, such as the RMR (0.014), RMSEA (0.062), CFI (0.967), and CMIN/DF (2.778), match the suggested requirements regarding the model's goodness-of-fit. Therefore, there was a reasonable overall fit between the model and the observed data.

Besides, the values of Cronbach's  $\alpha$  and composite reliability for each measure were calculated and exceeded 0.7 (Hair *et al.*, 2010), indicating that they were satisfactory. In addition, as showed in Table II, the values of the average variance extracted (AVE) were  $> 50$  percent, supporting convergent validity; the square root of the AVE of each construct is higher than the correlation between it and any other construct in the model, supporting discriminant validity (Hair *et al.*, 2010).

### *Estimation of proposal structural model*

Structural model testing with path analysis was performed. All the constructs (i.e. Rep, FV, EV, and Rec) were included in the model, and the results are shown in Figure 2.

Variables		Frequency(s)	Percentage of total (%)
Gender	Male	161	34.8
	Female	302	65.2
Age	18-24	13	2.8
	25-34	89	19.2
	35-44	141	30.5
	45-54	106	22.9
	55 and over	114	24.6
Education level	Primary	34	7.3
	High school	157	33.9
	University	256	55.3
	Postgraduate	16	3.5
Occupation	Civil servant	1	2
	Service worker	40	8.6
	Self-employed	14	3.0
	Business worker	173	37.4
	Agriculture worker	52	11.2
	Skilled worker	31	6.7
	House worker	39	8.4
	Student	12	2.6
	Other (e.g. retired)	101	21.8
	The frequency of joining group package tours traveling to China	One time	427
	Two times	14	3.0
	Three times	3	6
	Four times and over	19	4.1

**Table I.**  
Profile of  
respondents  
( $n = 463$ )

Regarding the model fit, the results show that the  $\chi^2$  statistic is not significant ( $\chi^2 = 124.555$ ,  $df = 98$ ,  $p < 0.05$ ) and that the SEM statistics ( $GFI = 0.966 > 0.9$ ,  $AGFI = 0.953 > 0.9$ ,  $CFI = 0.996 > 0.9$ ,  $RMR = 0.014 < 0.025$ ,  $RMSEA = 0.024 > 0.08$ , and  $CMIN/DF = 1.271 < 3.0$ ) match the suggested requirements for the model's goodness-of-fit.

#### *Individual hypothesis testing*

According to the results of the path model (Figure 2), the path diagram indicates that reputation is a significant predictor of functional value ( $\beta = 0.752$ ,  $p < 0.001$ ), emotional value ( $\beta = 0.551$ ,  $p < 0.001$ ), and customer recommendation behavior ( $H1$  is supported;  $\beta = 0.612$ ,  $p < 0.001$ ). A classification methodology known as the  $K$ -mean clustering technique is used to select the necessary seed points randomly from the observations (Hair *et al.*, 2010). This permits a set of data to be classified into differentiated groups. Therefore, reputation is divided into high reputation (average = 6.47,  $n = 355$ ) and low reputation (average = 5.36,  $n = 108$ ) perception groups, in which any observed difference is significant at the 0.05 level. Reputation and the variables regarding reputation were analyzed by a regression technique where the high reputation group positively and significantly influenced the customer recommendation ( $\beta = 0.333$ ,  $p < 0.05$ ), whereas the low reputation group did not significantly influence the customer recommendation ( $\beta = 0.067$ ,  $p > 0.05$ ). Thus, the results indicated that customer perceptions that the travel agency has a good reputation would engender a significantly stronger effect on their recommendation behavior.

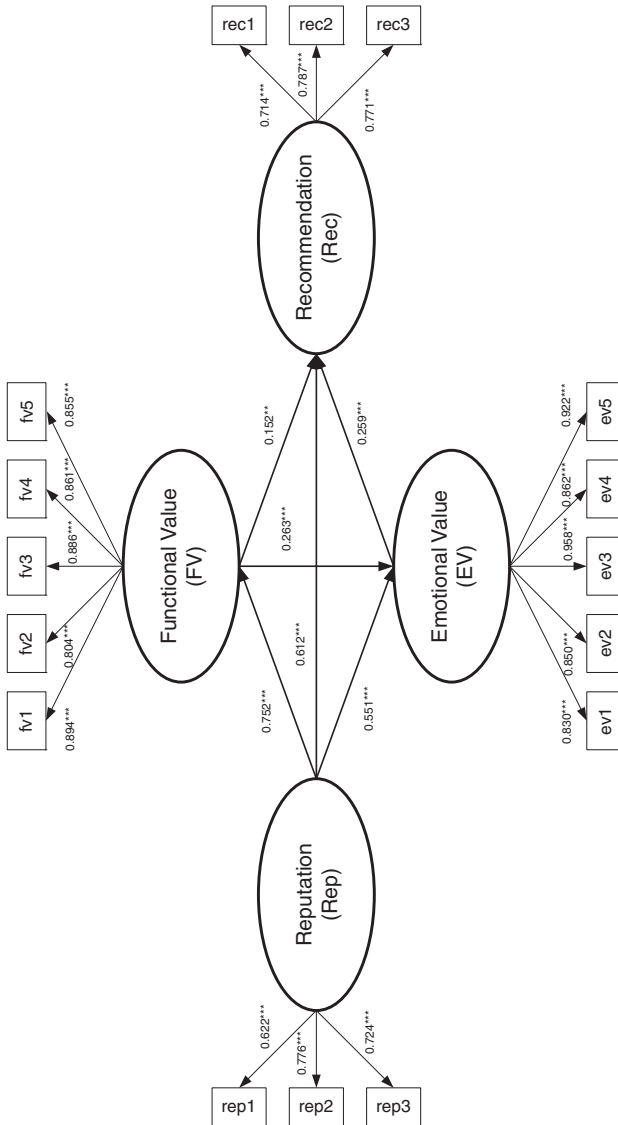
	Factor loadings (> 0.4)	Composite reliability (> 0.7)	Average variance extracted (%) (> 50%)
<i>Reputation (rep)</i>			
rep1	0.610		
rep2	0.773	0.751	0.504
rep3	0.736		
<i>Tour leader performance (tlp)</i>			
tlp1	0.970		
tlp2	0.967		
tlp3	0.734	0.973	0.858
tlp4	0.928		
tlp5	0.960		
tlp6	0.974		
<i>Functional value (fv)</i>			
fv1	0.903		
fv2	0.897		
fv3	0.880	0.945	0.774
fv4	0.857		
fv5	0.861		
<i>Emotional value (ev)</i>			
ev1	0.835		
ev2	0.849		
ev3	0.959	0.948	0.786
ev4	0.862		
ev5	0.921		
<i>Flow experience (fe)</i>			
fe1	0.705	0.812	0.688
fe2	0.937		
<i>Recommendation (rec)</i>			
rec1	0.709		
rec2	0.781	0.802	0.574
rec3	0.781		

**Table II.**  
Reliability and  
factor loadings of  
the measures

**Note:** All factor loadings are significant at:  $p < 0.001$

Furthermore, the research model suggests that functional value ( $\beta = 0.152$ ,  $p < 0.05$ ) and emotional value ( $\beta = 0.259$ ,  $p < 0.001$ ) both have direct and positive relationships with customer recommendation behavior. In addition, the path diagram indicates that functional value has a direct and positive relationship with emotional value ( $H2$  is supported;  $\beta = 0.263$ ,  $p < 0.001$ ).

Because functional value and emotional value predict recommendation behavior, functional value and emotional value both perform important mediating roles between reputation and recommendation. Thus, the results support  $H3$ . The results on the total effect, the direct effects, and the indirect effects were summarized as displayed in Table III. The total effect of reputation on recommendation can be broken down into three indirect routes through functional value and emotional value. The first indirect route through functional value to recommendation is 0.266 ( $0.752 \times 0.152 + 0.152 = 0.266$ ). The second indirect route through emotional value to recommendation is 0.402 ( $0.551 \times 0.259 + 0.259 = 0.402$ ). The third indirect route through functional value and emotional value to recommendation is 0.310 ( $0.752 \times 0.263 \times 0.259 + 0.259 = 0.310$ ). Accordingly, the results indicated that the variables of emotional value perform better than functional value in the model.



Notes: \*\*\* $p < 0.001$ ; \*\* $p < 0.05$

**Figure 2.**  
Results of path modeling analysis

*The moderating effects of tour leader performance and flow experience testing*

To identify the moderating effect of tour leader performance and flow experience on the relationship between reputation and recommendation, the multiple group analysis was employed. Following Ha and Jang (2013), the data were split into two groups, low and high, using the mean of tour leader performance and flow experience. On the one hand, the respondents with a tour leader performance mean > 6.00 belong to the high group and those with means < 6.00 belong to the low group. On the other hand, the respondents with a flow experience mean > 6.50 belong to the high group and those with means < 6.50 belong to the low group.

This study compared the relationships among reputation, perceived value, and recommendation across two tour leader performance groups. As a result, the  $\chi^2$  difference was significant ( $p < 0.05$ ). This result indicated that the influence of reputation on the relationships among reputation, perceived value, and recommendation significantly differed across the two tour leader performance groups. Thus, the results support *H4*.

Furthermore, this study compared the relationships among reputation, perceived value, and recommendation across two flow experience groups. As a result, the  $\chi^2$  difference was only significant ( $p < 0.05$ ) between two relationships (i.e. reputation on perceived value and perceived value on recommendation). This result indicated that the influence of reputation on recommendation was not significantly different across the two flow experience groups. Thus, *H5* is partially supported.

The results for the moderating effects of tour leader performance and flow experience were summarized as displayed in Table IV.

**Table III.**  
Results of the standardized total effect, direct effect, and indirect effect

Dimension	Reputation	Functional value	Emotional value
Functional value	0.752 <sup>a**</sup> (0.752 <sup>b**</sup> , 0.000 <sup>c</sup> )	–	–
Emotional value	0.749 <sup>**</sup> (0.551 <sup>**</sup> , 0.198)	0.263 <sup>**</sup> (0.263 <sup>**</sup> , 0.000)	–
Recommendation	0.920 <sup>**</sup> (0.612, 0.308 <sup>**</sup> )	0.220 <sup>**</sup> (0.152 <sup>**</sup> , 0.068 <sup>**</sup> )	0.259 <sup>**</sup> (0.259 <sup>**</sup> , 0.000)

**Notes:** <sup>a</sup>Total effect; <sup>b</sup>direct effect; <sup>c</sup>indirect effect. \*\* $p < 0.05$

**Table IV.**  
Comparison of parameter estimates between two TLP and FE groups

Hypothesized paths	Standardized path coefficients				$\Delta\chi^2$ (df = 1)
	Low TLP (n = 243)	Low FE (n = 238)	High TLP (n = 220)	High FE (n = 225)	
Rep→Rec	0.278 <sup>***</sup>	–	0.365 <sup>***</sup>	–	3.8 <sup>**</sup>
	–	0.278 <sup>***</sup>	–	0.367 <sup>***</sup>	0.4
Rep→PV	0.575 <sup>***</sup>	–	0.775 <sup>***</sup>	–	13.5 <sup>***</sup>
	–	0.584 <sup>***</sup>	–	0.773 <sup>***</sup>	12.7 <sup>***</sup>
PV→Rec	0.454 <sup>***</sup>	–	0.625 <sup>***</sup>	–	6.7 <sup>**</sup>
	–	0.458 <sup>***</sup>	–	0.626 <sup>***</sup>	6.1 <sup>**</sup>

**Notes:** Rep, reputation; PV, perceived value; Rec, recommendation; TLP, tour leader performance; FE, flow experience. \*\*\* $p < 0.001$ ; \*\* $p < 0.05$

### Conclusions and managerial implications

The study contributes to an S-O-R model that, reflecting the mediating role of functional value and emotional value and the moderating role of tour leader performance, indicates the effect of reputation on customers' recommendation behaviors.

First, regarding the relationship between reputation and recommendation behaviors, the results show that customers' perceived reputation of the travel agency has a strong positive effect on their recommendation behaviors. As concluded by Bontis *et al.* (2007), reputation is one of customer loyalty's strongest drivers. In other words, customers who trust a firm because of its reputation (Caruana and Ewing, 2010) would also be more likely to engage in positive word-of-mouth. The results also indicated that travel agencies that have higher reputation perceptions among customers earn higher recommendations than those with lower reputation perceptions. Thus, a good reputation is a recognizable tool of differentiation in the market (Dolphin, 2004), and a positive corporate reputation has a significantly negative influence on customer switching intention (Walsh *et al.*, 2006). In terms of managerial insights, it would seem that travel agency managers should ensure that their travel agency's reputation can be easily understood by their customers, but agency managers should also be concerned about the reputation from the media because some stakeholders may only read certain sections or types of stories, which affect their evaluations of companies (Deephouse, 1997). Reputation is built layer by layer over time in different perspectives, whereas reputation contact could be any element of a stakeholder's perceptions, which would in turn influence customers' perceptions of the reputation of a travel agency.

Second, regarding the role of perceived value in the model, the empirical results clarified that perceived functional value and emotional value work as the mediating variables in the relationship between reputation and recommendation behavior. This shows that reputation is at the heart of value creation (Money and Hillenbrand, 2006). The results also showed that reputation has a stronger effect on functional value ( $\beta = 0.752, p < 0.001$ ) than on emotional value ( $\beta = 0.551, p < 0.001$ ). This phenomenon indicated that initially customer-perceived functional value derived from reputation in terms of knowledge-driven elements is more important than emotional value derived from reputation in terms of emotion-driven elements (Johnson and Grayson, 2005). Nevertheless, emotional value has a stronger effect on recommendation ( $\beta = 0.250, p < 0.001$ ) than functional value does ( $\beta = 0.152, p < 0.05$ ). The results indicated that the effect of reputation through emotional value on recommendation provides a much better explanation than other routes in the model. In other words, as proposed by To *et al.* (2007), the utilitarian and hedonic motivations have different levels of impact on the decision-making behavior of customers. That is, customers who are willing to purchase the hedonic products or brands (e.g. travel products) would consider the hedonic motivations rather than utilitarian motivations. Thus, the respondents in this study have shown that their perceived emotional value toward a tour generates greater effect on their recommendation behaviors than the perceived functional value does. Therefore, for the travel agency managers, the creation of utilitarian value for their customers during the itinerary is important to enhance customer recommendations to others. Furthermore, the results showed that functional value is a positive predictor of emotional value. The route from reputation through functional value and emotional value to recommendation performs better than the route only from reputation through functional value to recommendation. Thus, for travel agency managers, although the emotional value is crucial in influencing customer behaviors, the functional value is the premise to obtain customer trust first. In other words, the perception of reputation will be fulfilled from the perceived functional value initially and then the emotional

value will then be perceived during the trip. They are complementary to obtain customers' commitments and further generate positive recommendation behaviors.

Third, the findings show that customer perception of tour leader performance has a significant moderating effect on the reputation-perceived value-recommendation relationship. That is, the results indicate that statistically significant group differences were detected between the model's comparisons of the link between reputation and perceived value, or perceived value between recommendation, or reputation between recommendation. The findings also yield the managerial insight that, for travel agencies that have sound reputations in the market, the tour leaders assigned to the tour play important roles in enhancing customers' identification toward the travel agency. In particular, tourists traveling abroad rely on a tour leader a lot. The tour leader is not only playing the role of communication bridge with local tour guides but is also important in providing services and information to the tourists. Therefore, the travel agency should pay more attention to the service quality of the tour leader, which can combine good reputation with good tour leader service to exert better recommendation behaviors by tourists and obtain competitive advantage and benefits in the market.

However, the findings indicate that the only statistically significant group differences were the link between reputation and perceived value, or perceived value between recommendation. That is, the recommendation behavior of a tourist is not affected by the level of perceived flow experiences, which means that flow experiences do not significantly influence the effect of reputation on customer recommendation behaviors. The possible explanation is that, in terms of statistics, the average mean of the respondents' perceived flow experience is sufficiently high (average mean score below 6.0 occupied 13.2 percent, average mean score over 6.0 occupied 86.8 percent, average mean score over 6.5 occupied 48.68 percent) that the model may not effectively compare the difference between the group that scored flow experience as high and the group that scored flow experience as low. Dividing the high group ( $n = 427$ ) and low group ( $n = 36$ ) by using the average mean score of 5 did not show any significant difference between the two groups ( $\chi^2$  difference = 0,  $df = 1$ ). This finding might be explained by the fact that satisfaction is one of the results of a tourist experiencing flow (Chang, 2014) and reputation is highly related to customer satisfaction. The high correlation suggests a conceptual closeness of reputation to customer satisfaction (Walsh *et al.*, 2006). Nevertheless, the findings yield managerial insights that the travel agency still should consider a customer's flow experience during the trip because flow is a key foundational concept in our understanding of the tourist experience (Ritchie and Hudson, 2009). Furthermore, flow experience has a positive influence on the relationship between tourists' perceived benevolence trust and shopping behavior (Chang, 2014). This is another perspective to consider when operating a travel business to obtain more benefits from the customers' shopping behaviors in various destinations.

### Limitations and directions for further research

This study's limitations provide directions for future study. First, this study focused on Taiwanese package tourists. Therefore, future studies should investigate tourists from different countries (e.g. Chinese tourists) and their travel agencies to compare and validate the results of this research. Second, a travel agency that provides unique itinerary products may have a better chance of getting customer recommendations than its competitors. Thus, future research could make comparisons between the effects of reputation and travel product uniqueness to clarify how they influence



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tourists' behavioral intentions. Finally, the use of some other variables (e.g. customer trust and customer identification) should be taken into account for future research, which could shed further light on how these variables mediated the relationships between corporate reputation and customer post-purchase behaviors.

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(The appendix follows overleaf.)

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*Reputation (rep)*

rep1: This travel agency inspires me confidence

rep2: This travel agency has a good reputation among my friends and family

rep3: This travel agency has a reputation so good or even better than other travel agencies

*Tour leader performance (tip)*

tip1: The tour leader has a good presentation ability

tip2: The tour leader has a sense of responsibility

tip3: The tour leader shows friendly

tip4: The tour leader has an interpretive ability

tip5: The tour leader has a professional ability

tip6: The tour leader has an ability of coordination within group members

*Functional value (fv)*

fv1: The group package tour of this travel agency has consistent quality

fv2: The group package tour of this travel agency is well made

fv3: The group package tour of this travel agency has an acceptable standard of quality

fv4: The group package tour of this travel agency is reasonable priced

fv5: The group package tour of this travel agency offers value for money

*Emotional value (ev)*

ev1: The group package tour of this travel agency is one that I would enjoy

ev2: The group package tour of this travel agency would make me want to join it

ev3: The group package tour of this travel agency is one that I would feel relaxed about joining

ev4: The group package tour of this travel agency would make me feel good

ev5: The group package tour of this travel agency would give me pleasure

*Flow experience (fe)*

fe1: In this tour itinerary, I lost track of time

fe2: This tour itinerary is enjoyable

*Recommendation (rec)*

rec1: I will recommend this travel agency to my friends and relatives

rec2:1 will say positive things about this travel agency to others

rec3:1 will encourage others to purchase group package tours from this travel agency

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**Table A1.**  
The survey  
instrument

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1. Apostolos Giovanis Department of Business Administration, Technological Educational Institute of Athens, Athens, Greece Pinelopi Athanasopoulou Department of Sport Management, University of Peloponnese, Sparta, Greece Evangelos Tsoukatos Department of Accounting and Finance, Technological Educational Institute of Crete, Crete, Greece . 2016. The role of corporate image and switching barriers in the service evaluation process. *EuroMed Journal of Business* 11:1, 132-158. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
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