

## 專題研究計畫題目與中英文摘要

瞭解旅行社之聲譽與服務設計如何創造顧客推薦行為：聲譽因果模式之檢驗及應用感性工學來設計旅行社服務

摘要：本研究探討旅行社聲譽對於顧客推薦行為之影響，其中包含檢驗功能價值與情感價值之中介角色及領隊表現與流暢體驗之干擾角色。分析結果發現，雖然旅行社聲譽皆會經由功能價值與情感價值之中介效果影響顧客推薦行為，但情感價值比起功能價值產生更強烈之效果。此外，干擾變數中，只有領隊表現對於旅行社聲譽與顧客推薦行為間的關係產生干擾效果，而流暢體驗則沒有對旅行社聲譽與顧客推薦行為間之關係產生干擾影響。本研究亦根據研究發現討論相關管理意涵。

關鍵詞：旅行社、聲譽、知覺價值、領隊表現、流暢體驗

### **How Reputation Links Perceived Value, Tour Leader Performance, and Flow Experience to Create Customer Recommendation Behaviors in the Travel Agency Sector**

Abstract: This study explores the effect of travel agency's reputation on customer recommendation behavior by examining the mediating effects of functional and emotional value as well as the moderating effects of tour leader performance and flow experience. The analysis results confirm that reputation has positive effects on recommendation behaviors in which functional and emotional value work as necessary mediating roles. Nevertheless, the effect of reputation through emotional value on recommendation behavior provides a better explanation than through functional value in the model. In addition, only the moderating effect of tour leader performance is confirmed in the reputation and recommendation behavior relationship. In light of our findings, managerial implications are discussed as well.

KEY WORDS: travel agency; reputation; perceived value; tour leader performance; flow experience

## INTRODUCTION

The characteristics of the travel agency industry are similar to those of most other typical service industries in that the offered travel products possess the features of intangibility, heterogeneity, inseparability, and perishability (Chen, 2010), and customers usually cannot experience the travel products in advance, which causes a strong sense of risk and uncertainty to be generated during the purchase decision making process. Thus, in terms of the unique characteristics of travel products, establishing an excellent reputation is a very important task for a travel agency to encourage customers to purchase its travel products (Chen, 2010). Particularly, customers who are willing to purchase unfamiliar or new travel products also depend heavily on the travel agency's reputation to guarantee the success of their travels. After purchasing the travel products, if customers have a positive travel experience, they will provide positive recommendations to others, thereby resulting in the circulation of positive information about the travel agency and leading it to sell more travel products to more other customers. Accordingly, although travel products (e.g., group package tours) are popular in certain market segments and represent a significant tourism market (Chang, 2009), their intangible nature forces travel agents to depend largely on the company's image and word of mouth to generate repeat sales and recommendations (Bowie & Chang, 2005).

Therefore, leveraging a good reputation to generate trust among customers about travel products (e.g., group package tour) is a very important strategic concern for a company (e.g., a travel agency) (Keh & Xie, 2009). As suggested by Huang (2013), travel agencies need to make efforts to build reputation advantages to earn market competition. Thus, a firm's good reputation provides the market with a validated message for customers (Hansen, Samuelsen, & Silseth, 2008) that serves as a signal for the underlying quality of its products or services prior to purchase (Rose & Thomsen, 2004). Accordingly, 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. Thus, this study posits that the relationship between reputation and customer recommendation behaviors is mediated by customer perceived value (divided into functional value and emotional value) and moderated by tour leader performance and customer flow experience.

In recent years, perceived value has received the attention of tourism researchers (Sánchez, Callarisa, Rodríguez, & Moliner, 2006). Clarifying the perceived value concept is crucial because it reflects the perspective of the customer; therefore, "it is only the customer, not the seller or the service provider, who can determine whether a product or service offers value" (Roig, García, Tena, & Monzonis, 2006; cf. Cockrill, Goode, & Beetles, 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 worth in terms of functional (e.g., offers good value for money) and emotional (e.g., gives me pleasure) value (Chen & Hu, 2010ab; Sweeney & Soutar, 2001; Yuan & Wu, 2008). 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 reputation of a travel agency and customer recommendation behavior.

Moreover, the moderating role of customer-perceived tour leader performance is of concern because a tour leader manages a group package tour over the entire journey and serves as a coordinator at the destination and a companion to the tour participants (Heung, 2008). Therefore, although the reputation of a firm is an intangible asset (Keh & Xie, 2009), the performance of the tour leader further allows customers to actually experience whether, in the case of the reputation of the travel agency, “the name matches the reality”. Thus, the better perceived the performance of the tour leader is, the stronger the relationship between reputation and recommendation behaviors.

In addition, since actual holiday experiences are considered as more reliable than information sought from media or friends (Chi, 2012), it is necessary to consider the experience of flow as another moderating role because “flow represents the optimal experience” of an individual (Jackson & Eklund, 2004, p. 5). Tourists’ experiences are subjective and that they are constructions within people’s minds (Zakrisson & 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 and lead them to recommend its travel products to others. Therefore, the better the feeling of experienced flow of the travel itinerary, the more it promotes the relationship between reputation and customer recommendation behaviors.

Accordingly, in light of the complement the extant literature, understanding the relationships that exist between the constructs of reputation, perceived value, tour leader performance, and flow experience and their effects on customer recommendation behaviors in the travel agency context is a key concern in this study that requires further investigation.

## **THEORETICAL BACKGROUND AND HYPOTHESIS**

### ***Relationship between reputation and customer recommendation behaviors***

A good reputation can serve as a signal of the superior quality and reliability of products or services and improve the efficiency of marketing efforts (Raithel, Wilczynski, Schloderer, & Schwaiger, 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, Dinnie, & Wiedmann, 2006). Moreover, because a reputation informs customers’ expectations before they visit a business (Loureiro & 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, Booker, & Serenko, 2007). Nevertheless, Ettenson and Knowles (2008, p. 19) have argued that reputation is a “company-centric” concept with respect to a wide range of stakeholder groups, including but not limited to customers, whereas brand is a “customer-centric” concept that focuses on what a product, service, or company has promised to its customers and what that commitment means to them. Usually, a brand is a company name that distinguishes one seller’s goods or services from those of other sellers (American Marketing Association, 2012). Thus, brand reputation (i.e., reputation of a firm) has been defined as a perception of quality that is associated with a name and facilitates choices when it is difficult or impossible to employ intrinsic cues or attributes (Selles, 1993). 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 Jr & Ronald, 2008) and these expectations tend to dominate customer recommendation behaviors in terms of whether they will actually recommend a brand, product, or service to others (Keiningham, Cooil, Aksoy, Andreassen, & Weiner, 2007).

In the travel agency context, because travel products are highly intangible and demand higher involvement in search (Beldona, Kline, & Morrison, 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 Jr & Ronald, 2008). Hence, based on the above discussions, the following hypothesis is proposed.

*H1. The better the reputation of a travel agency perceived by customers, the higher the level of customer recommendation behaviors 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 (Ryu, Han, & Kim, 2008) and can generally be understood as perceived value (Jensen & Hansen, 2007), which is a key driver of choice (Tanford, Baloglu, & Erdem, 2012). Although customer perceived value is composed of multi-dimensional constructs (Anuwichanont & Mechinda, 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 & Saura, 2006). Nevertheless, 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 & Soutar, 2001, p. 211). Thus, as discussed by Chen and Hu (2010ab), functional value in many studies has been treated as an overall assessment of value incorporating quality and traditional value for money characteristics. Generally, the utilitarian evaluation is usually 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 the functional perception of value, researchers (Chen & Hu, 2010ab; Petric, 2002; Sweeney & Soutar, 2001; Yuan & Wu, 2008) have identified emotional perception as one of the important dimensions underlying the value construct that is 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 & Hu, 2010ab).

Furthermore, since the affective aspect of image is based on the cognitive part (Li, Pan, hang, & Smith, 2009), the cognitive-affective nature is recognized in much previous literature and emotions occur 'as a result of the cognitive appraisal of a person-environment situation' (Lazarus, 1991, cf. del Bosque & 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, based on the above discussions, the following hypothesis is proposed.

*H2. A customer's perceived functional value is positively related to a customer's perceived emotional value in 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 & Dowling, 1997). In other words, reputation represents a value judgment about the organization's qualities (Dolphin, 2004). Reputation shapes customer expectations before patronizing a business (Loureiro & Kastenholz, 2011) and a good reputation suggests that the customer will expect a firm's products and services to be of high quality (Herbig & Milewicz, 1995) and that value for money would be perceived when the benefits of the product or service exceed its cost (Nasution & Mavondo, 2008). 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 & 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". That is, emotional value is driven by emotional benefits such as reputation concerns (Zellweger, 2011) which is also found when customers perceive a firm as having a good reputation. In the travel product purchasing process context, on the one hand, the reputation of a firm (e.g., the travel agency) influences the customer perceived value of its products (e.g., travel products) (Yoon, Guffey, & Kijewski, 1993) in the pre-experience phase (Tang, 2007). On the other hand, as implied by Thang and Tan (2003), the customer's experience with the travel product also influences his or her value judgment about it. In other words, the customer perceived functional and emotional value is affected by the different levels of a travel agency's perceived reputation when customers are willing to purchase a travel product (especially if the travel product is new to the market or has not been experienced by the customers) in the pre-experience phase. Then, the customer perceived functional and emotional values are also further strengthened or weakened after their experience with the travel product. Thus, the formation of the perceived value of the travel product takes place during the customer's prior- and post-experience phases, which combine to shape the customer perceived value toward the travel product. In conclusion, during the purchasing and experiencing processes, reputation of a firm is transformed into customer perceived value in terms of the functional and emotional value perspectives.

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; Selnes, 1993), and perceived value can serve as a key contributor to high levels of customer recommendation behavior (Olaru, Purchase, & Peterson, 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. In conclusion, as well as tourist perceived value also serves as an important antecedent of tourist satisfaction and loyalty (Lee, Yoon, & Lee, 2007), customers recommend travel agency with their products when they perceive functional and emotional value, which are appropriate variables according to which to evaluate customer recommendation behaviors (Olaru et al., 2008). Thus, how customers perceive a firm's reputation and its association with customer perceived value in terms of functional or emotional concerns in the travel agency context could be further clarified in the current study. Based on the above discussion, this study assumes that customer perceived value has a significant mediating effect on the relationship between the reputation of a travel agency and customer recommendation behaviors. Hence, 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 between reputation and customer recommendation behaviors***

The group package tour (GPT) is one of the main models of outbound travel in many Asian countries (e.g., China, Japan, Korea, and Taiwan) (Lin, Wang, & Chen, 2008). A package tour is arranged by a travel agency, which charges a price that is inclusive of transportation, food, and lodging services (Xu & Chan, 2010). For example, in a GPT from Taiwan to China, there is a person who is responsible for arranging airline tickets and hotel accommodations, etc., whereas a local person is responsible for introducing local scenic sights and historical information to tour members. Thus, a good and successful tour leader can make the tour run smoothly and perfectly and make the tour participants can feel at ease when traveling abroad. As suggested by Wang, Hsieh, Chou, and Lin (2007), it is extremely important for travel managers to find tour leaders who have the abilities (e.g., coordination 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 PGT (Wang, Hsieh, & Hua, 2000). Thus, the quality of the tour leader's performance can be considered to define the overall judgment made by tourists regarding the degree of excellence of a travel service (Loureiro & González, 2008). A quality tour leader performance experienced by a tourist in GPT is one of the important factors in building tourist recognition of the travel agency's reputation. Therefore, 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, i.e., the effect of intangible corporation reputation combined with tangible tour leader performance can strengthen tourist confidence in recommending tours to others after the trip. Thus, based on the assumption that reputation of a firm is positively related to customer preference behavior (Thang & Tan, 2003), this study further suggests

that the relationship between reputation and customer recommendation behavior will be strengthened/weakened when tour leader performance is most positively/negatively perceived by customers. Based on the above discussions, the following hypothesis is proposed.

*H4. Customer-perceived tour leader performance has a significant moderating effect on the relationship between reputation and customer recommendation behaviors.*

***Moderating effect of flow experience on the relationship between reputation and customer recommendation behaviors***

As previously discussed, 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. Since experiences are considered to be important contributors to the success of the tourist industry (Zakrisson & Zillinger, 2012), the positive experience of flow might produce highly satisfactory outcomes for tourists much more than service quality does (Filep, 2008).

Although researchers have identified flow in their own ways, the most common description of this phenomenon is that of Csikszentmihalyi (1975, p. 4), who defines flow as ‘the holistic sensation that people feel when they act with total involvement’; thus, when customers experience flow, they shift into a common mode of experience and become absorbed in the activity (Nusair & 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 & Kimmel, 2004). As concluded by Joseph-Mathews, Bonn, and Snepenger (2009), people can lose themselves in an experience and become a part of an enacted fantasy when participating in a hedonic activity, which also has a positive effect on their word-of-mouth intentions. Kao, Huang, and Wu (2008) showed that when customers go to theme parks and become immersed in the enjoyment of their experience, they forget the passing of time; this immersion is positively related to positive loyalty intentions, such as word-of-mouth and recommendations to others. Accordingly, this study argues that those tourists who experience a high level of flow in combination with the perception of a good reputation will be more motivated to exhibit recommendation behavior after the trip. In contrast, tourists who perceive a travel agency to have a good reputation but experience a low level of flow during the trip, will exhibit decreased recommendation behaviors after the experience. Based on the above discussions, the following hypothesis is proposed.

*H5. The experience of flow perceived by customers has a significant moderating effect on the relationship between reputation and customer recommendation behaviors.*

In summary, the reputation of a travel agency is proposed to be related to customer recommendation behavior, with perceived 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.

## **RESEARCH METHOD**

### ***Sample***

The Tourism Bureau of Taiwan (2013) announced a report entitled 2012 Travel Survey of Taiwanese Citizens, which demonstrated that 88% of Taiwanese travel was to Asia. The most popular destinations were mainland China (40%), followed by Japan (19%). Among those travelling abroad, group package tours are one of the main modes of outbound travel for Taiwan residents (Min & Peng, 2012).

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

Furthermore, following the procedure proposed by Wirtz, Kum, and Lee (2000), to gauge the level of reputation among the three selected travel agencies, 100 questionnaires regarding each travel agency were distributed respectively to respondents via convenient sampling in a shopping mall. The results showed that the respondents' evaluations toward the chosen travel agencies have more consistently rate their reputation perceptions in a high positive level. 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 7-point Likert scale, ranging from 1=strongly disagree to 7=strongly agree. The travel agency reputation variable was modified from previous research (Loureiro & 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 & Soutar, 2001). The tourist experience of flow during the trip variable was modified from past research (Skadberg & Kimmel, 2004) and included two items. The customer recommendation behaviors variable was designed using past research (Jones, Reynolds, & Arnold, 2006; Molinari, Abratt, & Dion, 2008) and included three items. Finally, the demographic characteristics of the respondents 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.

As for the formal investigation, because the three travel agencies were selected in this study, the tour leaders belongs to each of selected travel agencies were invited to participate in the questionnaire survey



when leading group package tours to China. Then, the tour leaders are responsible for distributing questionnaires to the tourists on the last night of the tour in the hotel. 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, and up to 10 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 accumulated based on the 463 usable responses from the tourists of the three travel agencies. Of these 463 questionnaires, 34.8% of the responses were from male respondents, and 65.2% were from females. A substantial majority of the respondents were between 35 to 44 years of age (30.5%). The largest number of respondents (55.3%) had at least a bachelor degree, and business worker jobs were the most highly represented occupation (37.4%). The first time of joining group package tours to China occupied the most (92.2%). The detailed demographic profile is shown in Table 1.

-----Insert Table 1 about here -----

### ***Estimation of measurement model***

Before testing the measurement model and the proposed correlational model, all of the items were evaluated at a univariate level for normality by examining whether their absolute skewness values were less than three and their kurtosis values were less than eight (Tong, 2009). The results show that the absolute values of skew and kurtosis for all the items met the assumption for normality. Besides, the value of Mardia statistic is 489.571, which is smaller than 24 ( $24+2$ ), indicating acceptable multivariate normality distribution (Chen & Wang, 2010).

Confirmatory factor analysis (CFA) was used to assess the overall measurement quality. AMOS 18.0 analysis software was used to employ the CFA with a six-factor measurement model. The results of measurement model 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. Accordingly, there was a reasonable overall fit between the model and the observed data.

Subsequently, the Cronbach's alpha values for each measure were calculated (reputation=0.748, tour leader performance=0.971, functional value=0.943, emotional value=0.947, flow experience=0.795, and recommendation behaviors=0.802) and exceeded 0.7 (Nunnally, 1978), indicating that the measures had high reliability. In addition, the composite reliability estimates exceeded the critical value of 0.7, which was recommended by Hair, Black, Babin, and Anderson (2010), indicating that they were satisfactory (see Table 2).

Furthermore, Table 2 demonstrates that both the convergent and discriminant validities were supported. The values of the average variance extracted (AVE) were greater than 50%, supporting convergent validity

(Hair et al., 2010). In addition, the discriminant validity was considered to be reliable, thus demonstrating that the square root of the AVE of each construct is higher than the correlation between it and any other construct in the model (Hair et al., 2010).

----- Insert Table 2 about here -----

### ***Estimation of proposal structural model***

The structural model testing with path analysis using AMOS 18.0 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.

Regarding the model fit, the results show that the chi-square 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.

----- Insert Figure 2 about here -----

### ***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;  $\beta=0.612$ ,  $p<0.001$ ). Besides, 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 also indicates that functional value has a direct and positive relationship with emotional value (**H2** is supported;  $\beta=0.263$ ,  $p<0.001$ ).

Accordingly, because functional value and emotional value predict recommendation, thus, 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 3.

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 effect of reputation through emotional value on recommendation provides a much better explanation than other routes.

As a whole, the total effect of reputation on customer recommendation behavior is 0.920, which is contributed by the paths working through functional value and emotional value in the model. Accordingly, the importance of the two mediators (i.e., functional value and emotional value) on the total effect in the model could be estimated. The first route (Rep→FV→Rec) demonstrated that the functional value explains 12.4% of the total effect in the model ( $0.752 \times 0.152 / 0.920 = 0.124$ ). The second route (Rep→EV→Rec) demonstrated

that emotional value explains 15.5% of the total effect in the model ( $0.551 \times 0.259 / 0.920 = 0.155$ ). The third route (Rep→FV→EV→Rec) showed that functional value and emotional value explain 5% of the total effect in the model ( $0.752 \times 0.263 \times 0.259 / 0.920 = 0.056$ ). The results indicated that the variables of emotional value perform better than functional value in the model.

----- Insert Table 3 about here -----

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

In order 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. Followed by Ha and Jang (2013), the data was split into two groups, low and high, using the mean of tour leader performance and flow experience. On one hand, the respondents with a tour leader performance mean greater than 6.00 belong to the high group and those with means less than 6.00 belong to the low group. On the other hand, the respondents with a flow experience mean greater than 6.50 belong to the high group and those with means less than 6.50 belong to the low group.

This study compared the influences of reputation on recommendation across two tour leader performance groups. As a result, the chi-square difference was significant at an alpha level of 0.05 (chi-square difference=3.8, df=1). This result indicated that the influence of reputation on recommendation significantly differed across the two tour leader performance groups. Thus, the results support **H4**.

Furthermore, this study compared the influences of reputation on recommendation across two flow experience groups. As a result, the chi-square difference was not significant at an alpha level of 0.05 (chi-square difference=0.3, df=1). This result indicated that the influence of reputation on recommendation was not significantly differed across the two flow experience groups. Thus, **H5** was not supported.

The results for the moderating effects of tour leader performance and flow experience were summarized as displayed in Table 4.

----- Insert Table 4 about here -----

## **CONCLUSIONS AND MANAGERIAL IMPLICATIONS**

The study contributes to a conceptual 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. Therefore, the reputation-related constructs combine to offer travel agency managers important information about managing reputation and improving tour leader service quality during the itinerary.

First, regarding the relationship between reputation and recommendation behaviors, the results show that customer 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 the customer loyalty's strongest drivers. In other words, customers who trust a firm derived from its reputation (Caruana & Ewing, 2010) would also be more likely to engage in positive word-of-mouth with others. Thus, a good reputation is a recognizable

tool of differentiation in the market (Dolphin, 2004) and further a positive corporate reputation has a significantly negative influence on customer switching intention (Walsh et al., 2006). Accordingly, in terms of managerial insights, although it would seem that travel agency managers should ensure that their travel agency reputation can be easily acquired and understood by their customers, the reputation from media should concern some stakeholders may only read certain sections or types of stories, which affect their evaluations of companies (Deephouse, 1997). Thus, reputation is built layer by layer over time in different perspectives, whereas reputation contact could be any element of stakeholder's perceptions which would in turn influence customers' perceptions of the reputation of a travel agency.

Secondly, 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, which reflect that reputation at the heart of value creation (Money & 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 has placed more important than emotional value derived from reputation in terms of emotion-driven elements (Johnson & 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, Liao, and Lin (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 than utilitarian motivations. Thus, the respondents in this study have showed 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 customer during the itinerary is important to enhance their recommendation behaviors to others. Furthermore, the results also 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 at first phase. In other words, the perception of reputation will be fulfilled from the perceived functional value initially and then the emotional value will then perceived during the trip, they are complementary to obtain customers' commitments and further generate positive recommendation behaviors.

Thirdly, the findings show that customer-perceived tour leader performance has a significant moderating effect on the reputation-recommendation relationship. That is, the results indicate that when tourists recognized the travel agency have high reputation and perceived high tour leader performance during the itinerary, they will demonstrate higher recommendation behaviors. The findings also yield managerial insights that travel agencies instead of to have sound reputation in the market, the tour leaders they were assigned to

the tour play important roles to enhance customers' identification toward the travel agency. Particularly, 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 also the important sources of providing services and information to the tourists. In particular, when guiding a tour, tour leaders can perform the role in changing attitudes and behaviors of the visitors (e.g., promoted consumption of local produce and awareness of local codes of conduct, etc.) to achieve the goals of sustainable tourism (Poudel & Nyaupane, 2013). Therefore, the travel agency should pay more attention on the service quality of the tour leader which can combine the good reputation with good tour leader service quality to exert better recommendation behaviors by tourists and then obtain better competitive advantage and benefits in the market.

However, the findings indicate that customer-perceived flow experience did not have a significant moderating effect on the reputation-recommendation relationship. 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 perceived flow experience by the respondents is high enough (average mean score below 6.0 occupied 13.2%, average mean score over 6.0 occupied 86.8%, average mean score over 6.5 occupied 48.68%) which may not effectively compare the difference between the group of high score of flow experience and the group of low score of flow experience. Nevertheless, if dividing the high group ( $n=427$ ) and low group ( $n=36$ ) by using the average mean score of 5, it still did not show any significant difference between the two groups (chi-square difference=0,  $df=1$ ). This finding might be explained by the fact that tourist 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 also yield managerial insights that the travel agency still should consider customer's flow experience during the trip because flow is a key foundational concept in our understanding of the tourist experience (Ritchie & Hudson, 2009). Furthermore, in terms of shopping behavior, flow experience has a positive influence on the relationship between tourists' perceived benevolence trust and shopping behavior (Chang, 2014) which is another perspective by the travel agency when operating the 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 different countries of tourists (e.g., Chinese tourists) related to their belonging travel agencies to compare and validate the results of this research. Secondly, as suggested by Walsh et al. (2006), a test for cross-sectional impacts of corporate reputation on the related variables should be done to understand how the reputation would be changed in the customers' mind which then further influence other related variables in the model. Finally, the use of some other variables (e.g., customer trust and customer identification) should also 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 (e.g., customer loyalty and customer commitment).

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## Figure Checklist

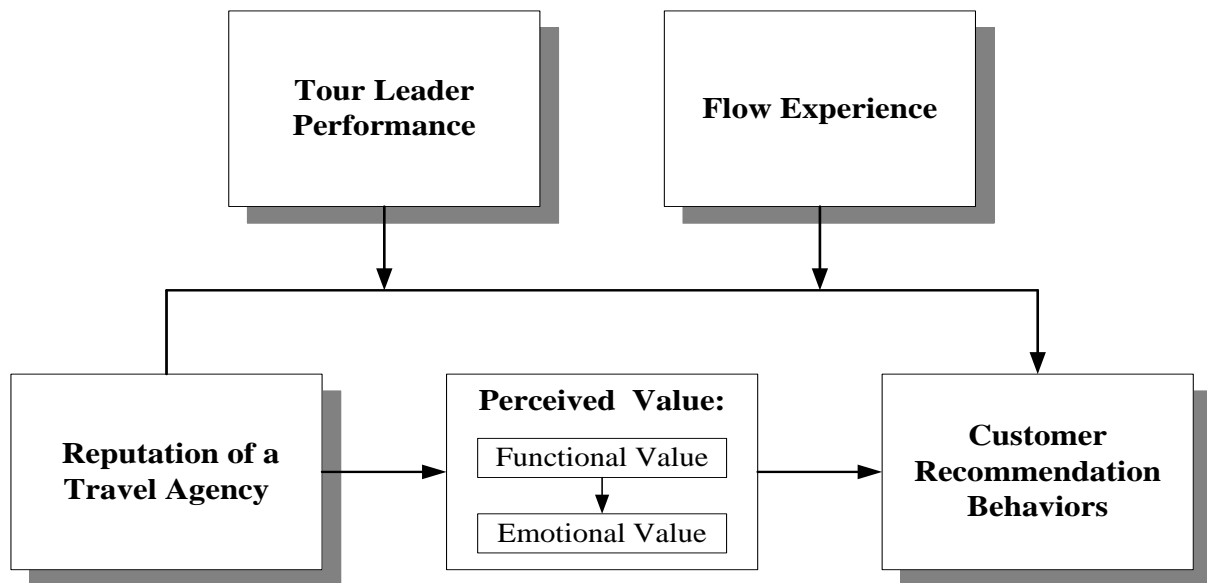
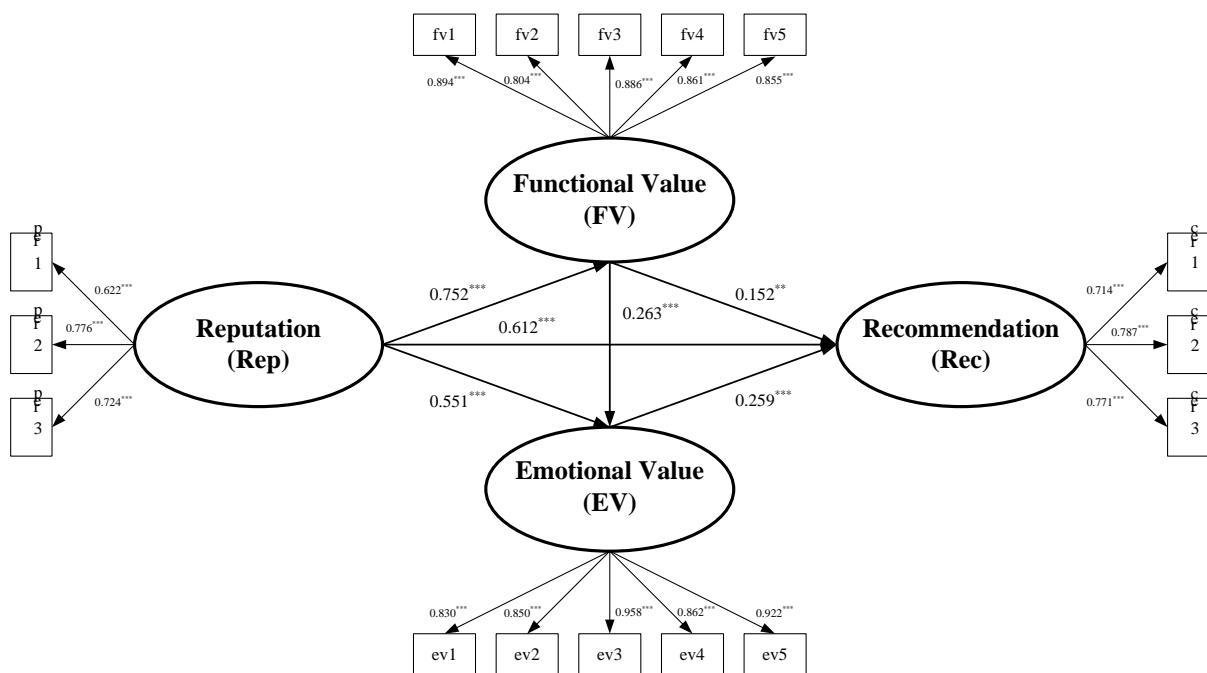


Figure 1 The Research Model



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

Figure 2 Results of Path Modelling Analysis

## Table Checklist

**Table 1 Profile of Respondents (n = 463)**

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
	Agriculture worker	52	11.2
	Skilled worker	31	6.7
	House worker	39	8.4
	Business worker	173	37.4
	Student	12	2.6
	Other (e.g. Retired)	101	21.8
The frequency of joining group package tours traveling to China	One time	427	92.2
	Two times	14	3.0
	Three times	3	6
	Four times and over	19	4.1

**Table 2 Reliability and Factor Loadings of the Measures**

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

Recommendation (rec)			
rec1	0.709		
rec2	0.781	0.802	0.574
rec3	0.781		

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

**Table 3 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:** a: total effect; b: direct effect; c: indirect effect; <sup>\*\*</sup>( $p < 0.05$ ).

**Table 4 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	0.391 <sup>***</sup> ---	--- 0.564 <sup>***</sup>	0.903 <sup>**</sup> ---	--- 0.664 <sup>***</sup>	3.8 <sup>**</sup> 0.3

**Notes:** <sup>\*\*\*</sup>( $p < 0.001$ ); <sup>\*\*</sup>( $p < 0.05$ ). Rep: reputation; Rec: recommendation; TLP: tour leader performance; FE: flow experience.