

## 5.1 How market share develop: the importance of destination loyalty

**S. Fatemeh Mostafavi Shirazi**

*Jasmin Tours Cultural & Eco Tour Operator; Antonio de Nebrija University*

**Esrafil Shafiezadeh**

*Jasmin Tours Cultural & Eco Tour Operator; Antonio de Nebrija University*

### Abstract

*A number of studies have provided a range of guidelines to cope in the competitive market of tourism destinations as well as market changing. This paper reviews the conceptual issues related relationship marketing as a crucial viewpoint forms the foundation to achieve competitive advantages in competitive global market. It examines the effect of destination loyalty on market share in terms of repeat visitation and recommendation to other people. It concludes that market share can increase in competitive market with concentrating on destination loyalty.*

### Keywords

*Relationship marketing, Destination loyalty, Market share.*

### 1. Introduction

“Change as a general concept represents a major challenge to tourism research and practice at a number of levels” (Moscardo, Saltzer, Norris and McCoy, 2004; p. 34). International changes in all aspects particularly on the subject of technological, political as well as socio - economic changes have had a critical impact on the competitive market of tourism destinations. It is a fact that in this modern and competitive environment, tourist has a variety of options to choose. Accordingly, “to strongly cope in the competitive market of tourism destinations, it is imperative to consider competitive advantages.” (Mostafavi Shirazi and Puad Mat Som , 2011, p. 76).

Several scholars highlight that relationship marketing (RM) is a competitive strategy (e.g. Casielles, Alvarez, and Martan, 2005) for achieving a definite and significant competitive advantage (Roberts, Varki, and Brodie , 2003) in tourism destinations. In this respect, Fyall, Callod, and Edwards (2003, p. 645) highlighted that

“With increasing global competition owing to newly-emerging destinations and tourists becoming more exacting in their choice and desire for a variety of options, relationship marketing arguably offers considerable potential to achieve competitive advantage.”

Importantly, recent studies on marketing literature have emphasized that creating loyalty is the most important goal of relationship marketing (e.g. Bonnajseevee, 2005). The purpose of this article is to review relationship marketing as a competitive strategy in brief, and to address issues that are relevant on the subject of destination

loyalty. The particular emphasis of this paper is upon the importance of destination loyalty in terms of repeat visitation and recommendation in developing market share.

## 2. An overview of RM as a competitive strategy

Over the past two decades, the concept of relationship marketing as a competitive strategy has received a great deal of attention from academics and marketing practitioner. Gummesson in his book (1999, p. 1) asserts that “relationship marketing is marketing seen as relationships, networks and interaction”. He believes that “RM encourages customer retention and discourages customer defection; it encourages *retention marketing* first and *attraction marketing* – getting new customers – second” (p. 9). In this regard, Flambard-Ruaud (2005, p. 53) argued that

“at the centre of the relationship marketing paradigm is the notion that making the most out of existing clients is essential for long-term profitability. Retaining clients by developing relationships with them is crucial to establishing and maintaining a competitive advantage in the market.”

In addressing the significant points associated with RM and competitive advantages, the work by Flambard-Ruaud (2005, p. 55) emphasized that

“globalization of markets, competitive pressure, brand multiplication and, above all, the ever changing life styles and consumer behavior have forced companies to develop strategies to keep their clients, create consumer loyalty programs, and thus carry out relationship marketing.”

From Management perspective, Casielles et al. (2005, p. 83) state that

“relationship marketing as a competitive strategy aimed at the creation, maintenance and development of successful relationship with customers is currently considered a management approach to cover all marketing activities and generate important advantages in its implementation, both in firms and for customers.”

Recent studies have supported the view that the focal point of relationship marketing is elaborating on long-term relationships and improving corporate performance through customer loyalty and customer retention (e.g. CRM Today, 2007). Regarding these notions, creating loyalty is the crucial point in RM for achieving competitive advantages. A number of studies have investigated the implications of loyalty in tourism destinations (e.g. Kozak, 2001; Fyall et al., 2003). In this sense, it is important to note that destination loyalty depends on various and crucial factors since tourism destination consists of different basic elements such as accessibility, amenities etc.

In words of Flavian, Martinez, and Polo (2001), loyalty is an important indicator used to assess the success of marketing strategy as well as one of the main driving forces in the competitive market of tourism destinations (Dimanche and Havitz, 1994). According to Yoon and Uysal (2005, p. 48), “repeat purchases or recommendations to other people are most usually referred to as consumer loyalty in the marketing literature”.

In tourism context, several studies have pointed to repeat visitation and recommendation as indicators of destination loyalty (e.g. Yoon and Uysal, 2005; Chi and Qu, 2008). In this regards, many researchers have examined customer retention

(e.g. Yoon and Uysal, 2005; Valle; Silva; Mendes and Guerreiro, 2006; Hui, Wan, and Ho, 2007) as well as ‘word – of-mouth’ (WOM) recommendation (e.g Baloglu and McCleary, 1999) on the subject of key factors for success in competitive market. Although, Chen and Gursoy (2001) assert that “ ... a repeat visitation to particular destination not warrant tourist loyalty to that destination” (p. 80). There is a consensus among a considerable researchers (e.g. Yoon and Uysal, 2005; Alegre and Cladera, 2006) that “it is meaningful to look at tourists’ revisit from loyalty perspective” (Jang and Feng, 2007, p. 581).

### 3. Destination loyalty

Researches on destination loyalty have received considerable attention during recent years. There is now growing literature on subjects such as *antecedents of revisit intention* (Ross, 1993; Baloglu and McCleary, 1999; Baker and Crompton, 2000; Chen and Gursoy, 2001; Petrick, 2004; Jang and Feng, 2007) as well as *WOM recommendation* (e.g. Young, Corsun, and Seyhmus, 2007).

Relatively little focused research has been conducted on the importance of destination loyalty on market share. This paper argues the significance of loyalty on tourism destination market on the subjects of a) repeat visitation and, b) positive WOM recommendation.

#### 3.1 Repeat visitation

“Repeat visiting is an important phenomenon in tourism, at the level of both the economy as a whole and individual attraction” (Darnell and Johnson, 2001. P. 119). In recent years, repeat visitation has been investigated from different perspective such as *essential factor in loyalty* (e.g. Oppermann, 1999; Niininen, Szivas and Riely, 2004), *repeat visitor’s behavior and motivation* (e.g. Lau and Mc Kercher, 2004; Yoon and Uysal, 2005), *future decisions* (e.g. Alegre and Cladera, 2006) and the like. As mentioned earlier, a review of the literature on repeat visitation reveals that several studies have attempted to identify major antecedents of revisit intention that is not the purpose of this paper to mention.

From economic view, findings of recent investigations have supported the view that customer retention activities were a more effectual way to develop firm profitability compared to customer gaining activities (e.g. Reinartz, Krafft, and Hoyer, 2004; Thomas, Reinartz, and Kumar, 2004). Recent study highlights that “a 2% increase in customer retention has the same effect on profits as cutting costs by 10%” (Customer retention, 2010). From other perspective, in a competitive market, capturing new customers’ attention from competitors is costly because a superior degree of service improvement is needed (Anderson and Sullivan, 1993).

Concerning the importance of repeat visitation in tourism market, a number of researchers present strong arguments that many tourism destinations depends on repeat visitors to a great degree (Darnell and Johnson, 2001). They cite other studies that “in 1996, 48 per cent of overseas visitors to London were repeat visitors” (P. 119). Recently, Mostafavi shirazi (2011) found that Penang as a tourist destination

is currently characterized by a high percentage of repeat visitors (% 43.1). Notably, she reported that 41.7% of repeat visitors had visited Penang more than 5 times. In words of Wetprasit (2008, p.66), “when tourists start to identify themselves with the destination, they will surely return to the same destination over and over again.” A critical point of interest in the subject matter of repeat visitors includes future decisions to revisit the destination. In point of fact, as Fabricius and Carter (2007, p. 19) rightly mention, “the customer will recall their journey and will assess whether it was good or bad. The experience at every step of the journey will inform this decision. If the experience was good, then customer may recommend to others, or return themselves.”

Darnell and Johnson (2001) pointed to the importance of repeat visiting in terms of both international tourism flows and of demand for individual visitor attractions. The main insight to be drawn from prior discussions is that repeat visitors have a noteworthy place in tourism destination market. Repeat visitors could be regarded as a suitable target market for developing market share with respect to competitors. Most importantly, they could provide the ground for acquiring new target market via positive WOM recommendation. Accordingly, in order to meet the challenges of the competitive market, to maintain its competitive advantage, and to develop market share, tourism destination managers will need a comprehensive understanding of loyalty program that influence repeat visitors.

### 3.2 *WOM recommendation*

Anderson (1998, p. 6) cites research that “word of mouth refers to informal communications between private parties concerning evaluations of goods and services rather than formal complaints to firm and/or personal.” Moreover, he states that “the valence of word of mouth may be positive, neutral or negative. Examples of positive word of mouth, broadly defined, include relating pleasant, vivid, or novel experiences, recommendation to others; and even conspicuous display” (ibid). In simple words, Arndt (1967) and Wangenheim (2005) state that WOM is often defined as product-or service related spoken, person- to-person communication.

From economic view, Simpson and Siguaw (2008, p. 169) clearly cite other research that

“tourist destinations would greatly benefit if tourists and residents served as goodwill ambassadors, advocating the destination to their friends and families, thereby saving the destination’s promotional dollars while enhancing perceived message credibility.”

In modern life, Silverman (2011, p. 10) rightly asserts that “email, electronic group collaboration, chat rooms, forums, Websites and teleconferences...will bring us the word of mouth that will actually save us time and make us money.” Most importantly, nowadays, social network services such as Face book provide the ground for numerous people to actively share their experiences, and information regarding tourism destination easily, and speedily. Notably, this critical point affects potential travelers’ decision-making. It is important to note that positive WOM recommendation via social network services can be presented immense opportunities for promoting tourism destination, with no cost.

From another viewpoint, Simpson and Siguaw (2008, p. 167) cite other studies that “WOM communications are far more credible than marketer-sourced promotions.” Concerning WOM effect, Chi and Qu (2008) state that recommendations by previous visits can be a trustworthy source for potential tourists who are interested in traveling. Kaplanidou and Vogt (2003) state that WOM is between the first three sources of information people use.

In tourism context, studies have shown that WOM is significantly affecting travelers’ destination choices (e.g. Giltson and Crompton, 1984). Baloglu and McCleary (1999, p. 892) declare that “word-of-mouth recommendations from friends and relatives was the most important source in forming touristic images.” Shanka; Ali-Kinght, and Pope (2002) found that a majority of Western Australia travel decisions were based on WOM recommendation. According to Simpson and Siguaw (2008, p. 171), “the positive messages expressed by friends and family about a product, service, or destination may be more powerful in affecting others’ feelings and behavior than any other type of marketing communication.”

Recent study by McDowall (2010) revealed that ‘friends and relatives’ was the most often used source of information for international tourists about Bangkok. Similarly, Mostafavi Shirazi (2011) found that ‘friends and relatives’ was one of the most important sources of information (42.9 %) that had been used in travel planning to Penang for international tourists. Wisconsin Department of Tourism (2001) has performed a field survey and identified that ‘friend, relative and colleague’ was an important source of information (47%) for travelers (Kaplanidou and Vogt, 2003). Considering the above studies, it is reasonable to believe that positive WOM recommendation can affect considerably on market share development.

#### 4. Conclusion

Destination loyalty in terms of repeat visitation and positive word-of-mouth recommendation is recognized as an important phenomenon that influence tourism destination market share. Nowadays, challenges for achieving competitive advantages through loyalty (focal point in RM), in tourism destinations, are getting more crucial. The importance of above notion draws attention to the fact that relationship marketing strategy through loyalty renders travel increasing. According to Fyall et al. (2003:657), “relationship marketing is not a short-term solution to heightened competitiveness in the market-place, it is a long-term ambition to engender loyalty ... , and to increase repeat visitation to the destination”. As mentioned earlier repeat visitation and WOM recommendation are known as indicators of destination loyalty.

This study reveals that repeat visitors have significant proportion of all visitors in many tourism destinations. Additionally, in competitive market, repeat visitors using positive WOM recommendation can create a suitable environment to reach new target market. Importantly, positive WOM recommendation is highlighted as a trustworthy source for potential travelers that strongly affect their destination choices. In general terms, repeat visitors via positive word of mouth recommendation can make demand for tourism destination in turn affect market share. This paper attempted to consider the existence of the critical link between destination loyalty and market share.

In competitive market of tourism destinations, it is well known that one of the major objectives of destination marketing is to increase market share. Hence, those involved in destination management and tourism planning must be conscious of the critical theme that developing market share is arguably linked with repeat visitation and WOM recommendation. Concerning this relationship, it is very important to gain a better understanding of what drives tourist to become loyal. Clearly, there are several issues associated with antecedents of revisit intention should be considered by tourism providers.

This paper provides the grounds for a reasonable line of argument in the literature on destination loyalty. Further, empirical studies are needed to explore the importance of destination loyalty in development of market share from various viewpoints such as economic perspective. In sum, to sustain in competitive market, it is important to consider that destination loyalty renders travel increasing as well as helps to attract new market via WOM in turn development of market share.

## References

- Alegre, J., & Cladera, M. Repeat Visitation in Mature Sun and sand Holiday Destination. *Journal of Travel Research*, Volume 44, 2006, pp. 288 -297.
- Anderson, E. W., & Sullivan, M. W. The antecedents and consequences of customer satisfaction for firms. *Marketing Science*, Volume 12, 1993, pp. 125-143.
- Anderson, E. W. Customer Satisfaction an Word of Mouth. *Journal of Service Research*, Volume 1, Issue 1, 1998, pp. 5 -17.
- Arndt, J. The Role of Product- Related Conversation in Diffusion of a New Product. *Journal of Marketing Research*, Volume 1, Issue 4, 1967, pp. 291-295.
- Baker, D. A., & Crompton, J. L. Quality, satisfaction, and behavior intentions. *Annals of Tourism Research*, Volume 27, Issue 3, 2000, pp. 758-804.
- Baloglu, S., & McCleary, K. W. A model of destination image formation. *Annals of Tourism Research*, Volume 26, Issue 4, 1999, pp. 868-897.
- Boonajseevee, B. Relationship Marketing: Loyalty Intention in New Era of Thia Bank Marketing, 2005, Nova Sothern University.
- Casielles, R. V., Alvarez, L.S., & Martan, M.D. Trust as a key factor in successful relationship between consumers and retail service providers. *Service Industries Journal*, Volume 25, Issue 1, 2005, pp. 83 -101.
- Chen, C., & Tsai, D. How do destination image and evaluative factors affect behavioral intentions? *Tourism Management*, Volume 28, 2007, pp. 1115-1122.
- Chen, J., & Goursoy, D. An investigation of tourists' destination loyalty and preferences. *International Journal of contemporary Hospitality Management*, Volume 13, Issue 2, 2001, pp. 79-85.
- Chi, C. G.-Q., & Qu, H. Examining the structural relationships of destination image, tourist satisfaction and destination loyalty: An integrated approach. *Tourism Management*, Volume 29, Issue 4, 2008, pp. 624-636.
- CRM Today (2007). Retrieved, 2007, [www.crm2day.com](http://www.crm2day.com)
- Customer retention: Driving Profits Through Giving Customers Lots of Reasons to Stay, Retrieved November 2010, [http://www.1000ventures.com/business\\_guide/crosscuttings/customer\\_retention.html](http://www.1000ventures.com/business_guide/crosscuttings/customer_retention.html)
- Darnell, A. C., & Johnson, P. S. Repeat visits to attractions: A preliminary economic analysis. *Tourism Management*, Volume 22, Issue 2, 2001, pp. 119-126.
- Dimanche, F., & Havitz, M. E. Consumer behavior and tourism: Review and extention of four study areas. *Journal of Travel and Tourism Marketing*, Volume 3, Issue 3, 1994, pp. 37-58.
- Fabricius, M., Carter, R., & Standford, D. A practical Guide to Tourism Destination Management. Madrid, 2007, World Tourism Organization.
- Flambard-Ruaud , S. Relationship Marketing in Emerging Economies: Some Lessons for Future. *vikalpa*, Volume 30, Issue 3, 2005, pp. 53-63.
- Flavian, C., Martinze, E., & Polo, Y. Loyalty to grocery stores in the Spanish market of the 1990s. *Journal of Retailing and Consumer Services*, Volume 8, Number, 2, 2001, pp. 85-93.
- Fyall, A., Callod, C., & Edwards, B. Relationship marketing: The challenge for destinations. *Annals of Tourism Research*, Volume 30, Issue 3, 2003, pp. 644-659.

- Giltson, R. J. & Crompton, J.L. Insights into Repeat Vacation Phenomenon. *Annals of Tourism Research*, Volume 11, Issue 2, 1984, pp. 199-217.
- Gummesson, E. Total relationship marketing: Rethinking marketing management from 4Ps to 30Rs. Oxford, 1999, Butterworth Heinemann.
- Hui, T. K., Wan, D., & Ho, A. Tourists' satisfaction, recommendation and revisiting Singapore. *Tourism Management*, Volume 28, Issue 4, 2007, pp. 965-975.
- Jang, S. C. S., & Feng, R. Temporal destination revisit intention: The effects of novelty seeking and satisfaction. *Tourism Management*, Volume 28, Issue 2, 2007, pp. 580-590.
- Kaplanidou, K., & Vogt, C. The role of word-of-mouth and how it can be used to develop a competitive advantage for a destination. Travel Michigan, 2003, <[http://www.travelmichigannews.org/mtr/pdf/WOM\\_Research\\_Paper.pdf](http://www.travelmichigannews.org/mtr/pdf/WOM_Research_Paper.pdf)>
- Kozak, M. Repeaters' behavior at two distinct destinations. *Annals of Tourism Research*, Volume 28, Issue 3, 2001, pp. 784-807.
- Lau, A. L. S., & McKerecher, B. Exploration versus Acquisition: A Comparison of First-Time and Repeat Visitors. *Journal of Travel Research*, Volume 42, No. 3, 2004, pp. 279-285.
- McDowall, S. International Tourist Satisfaction and Destination Loyalty: Bangkok, Thailand. *Asia Pacific Journal of Tourism Research*, Volume 15, Issue 1, 2010, pp. 21-42.
- Moscardo, G., Saltzer, R., Norris, A., & McCoy, A. Changing patterns of Regional Tourism: Implications for tourism on the Great Barrier Reef. *The Journal of Tourism Studies*, Volume 15, Issue 1, 2004, pp. 34-50.
- Mostafavi Shirazi, S. F., & Puad Mat som, A. Destination Management and Relationship Marketing: Two Major Factors to Achieve Competitive Advantage. *Journal of Relationship Marketing*, Volume 10, Issue 2, 2011, pp. 76-87.
- Mostafavi Shirazi, S. F. Influence of Tourist Satisfaction on Destination Loyalty: A Case study of Penang. PhD thesis, Universiti Sains Malaysia.,
- Niininen, O., Szivas, E., & Riely, M. Destination loyalty and repeat behavior : An application of optimum stimulation measurement. *International Journal of Tourism Research*, Volume 6, Issue 6, 2004. pp. 439-447.
- Oppermann, M. Predicting destination choice: A discussion of destination loyalty. *Journal of Vacation Marketing*, Volume 5, No.1, 1999, 51-65.
- Petrick, J. F. Are Loyal visitors desired visitors. *Tourism Management*, Volume 25, Issue 4, 2004, pp. 463-470.
- Reinartz, W. j., Krafft, M. , & Hoyer, W. D. The customer relationship management process: its measurement and impact on performance. *Journal of Marketing Research*, Volume 41, No. 3. 2004, pp. 293-305.
- Roberts, K., Varki, S., & Brodie, R. Measuring the Quality of relationships in customer service: An empirical study. *European Journal of Marketing*, Volume 31, Issue (1/2), 2003, pp. 169-196.
- Ross, G. F. Ideal and actual images of backpacker visitors to northern Australia. *Journal of Travel Research*, Volume 32, Issue 2, 1993, pp. 54-57.
- Shanka, T., Ali-Kinght, J., & Pope, J. Intrastate travel experiences of international students and their perceptions of Western Australia as a tourist destination, *Tourism and Hospitality Research*, Volume 3, Issue 3, 2002, pp. 254- 256.
- Silverman, G. The Secrets of Word-of-mouth Marketing: How to Trigger Exponen-

tial Sales through Runaway Word of Mouth, New York, 2011, AMACOM Books, ISBN: 9780814416686

- Simpson, P. M., & Siguaw, J. A. Destination Word of Mouth: The Role of Traveler Type, Resident and Identity Salience. *Journal of Travel Research*, Volume 47, Issue 2, 2008, pp. 167-182.
- Thomas, J. S., Reinartz, W. J., & Kumar, V. Getting the most out of all your customers. *Harvard Business Review*, Volume 82(July-August), 2004, pp. 116-123.
- Valle, P. O., Silva, J., A., Mendes, J., & Guerreiro, M. Tourist satisfaction and Destination Loyalty intention: A Structural and Categorial Analysis. *International Journal of Business Science and Applied Management*, Volume 1, Issue 1, 2006, pp. 25-44.
- Wangenhim, F. V. Post switching Negative Word of Mouth. *Journal of Service Research*, Volume 8, Issue 1, 2005, pp. 67-78.
- Wetprasit, P. Tourism Destination Appraisal: A Case study of Khao lak, Phang-nga. *TEAM Journal of Hospitality & tourism*, Volume 5, Issue 1, 2008, pp. 61-67.
- Yoon, Y., & Uysal, M. An examination of the effects of motivation and satisfaction on destination loyalty: a structural model. *Tourism Management*, Volume 26, Issue 1, 2005, pp. 45-56.
- Young, C. A., Corsun, D. L. & Seyhmus B. A Taxonomy of Hosts Visiting Friends and Relatives. *Annals of Tourism Research*, Volume 34, Issue 2, 2007, pp. 497-516.