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Tourist Loyalty to Tour Operator: Effects of Price Promotions and Tourist Effort

SARA CAMPO AND MARÍA J. YAGÜE

This article analyzes the formation of the tourist loyalty to tour operator and the effects of price promotions and the consumer's search for price promotions in the scheme of perceived price perceived quality satisfaction loyalty to tour operator. The main results indicate that perceived quality is the primary antecedent of tourist loyalty to tour operator. This variable affects loyalty to tour operator directly and positively, as well as indirectly by means of satisfaction. Second, price promotions do not directly erode the tourist loyalty to tour operator. The relationship that exists is indirect and low in quantity. Third, the effort invested by the tourist to find price promotions acts as a mediating variable of price promotions, such that the more intensive the consumer's search for advantageous prices, the lower the negative and indirect effect of price promotions on consumer loyalty.

Keywords: *price searches; price promotions; perceived quality; satisfaction; tour operator loyalty*

In the tourist market, price promotions are common practices used to attract consumers and increase sales in the short term. Today, attracting clients, known as transactional marketing, is not enough. Tourist firms need to apply a relationship marketing strategy directed at retaining clients (Shoemaker and Lewis 1999) or, as Berry (1983) argues, directed at attracting, maintaining, and enhancing customer relationships (Morais, Kerstetter, and Yarnal 2006). The academic literature on the tourist market affirms that the key to retaining consumers lies in obtaining high levels of satisfaction (Alegre and Cladera 2006; Petrick 2004a). If consumers are satisfied, their intention to repurchase will increase, as will the economic benefits to the firm (Anderson and Sullivan 1993). However, policies based on consumer satisfaction seem in many cases to oppose the reality of the tourist market, which is characterized by seasonal demand and intensive use of price promotions in low season to attempt to deseasonalize demand and translate sales from high to low season.

In spite of the importance of the tourist market in analyzing the effect of promotions on the postpromotional period and the capacity of promotions to retain clients, few empirical studies analyze this effect (for example, Seong-Seop and Crompton [2002] analyze the tourist consumer's perception of prices and the variables that influence it but do not analyze how the perception of prices influences consumer loyalty). Further, it is foreseeable that the effect of price promotions varies in function of the importance of the search for prices in consumers' purchasing behaviour.

Therefore, the main objectives of this article are: (1) to analyze the formation of tourist loyalty to tour operator in order to determine the influence of its main antecedents, satisfaction, perceived quality, and perceived price; (2) to analyse the effects of price promotions on tourist loyalty to tour operator; and (3) to explore the influence of the consumer's effort in seeking promotions and the use of price promotions on the formation of loyalty to tour operator.

This study is applied to a specific tourist product: package tours sold by Spanish tour operators to "sun and sand" destinations in Central America, South America, and the Caribbean. The reasons for choosing this product are several. First, these package tours are standard products with similar characteristics directed to consumers with a similar profile. Second, tour operators usually perform price promotions as incentives for the sale of package tours. However, consumer loyalty is crucial to those responsible for designing the trips (tour operators). A tour operator sells different tourist destinations. If a tour operator obtains loyal consumers, it increases the probability that this consumer will buy package tours to other destinations from the same tour operator. Yet few studies have focused on analyzing the effect of these promotions on quality perceived by the consumer, satisfaction, and loyalty to the tour operator. Because package tours are the main vehicle used by tourists to travel to the destinations described, the results of analysing the strategies applied are very important for both tour operator at the point of departure and the destination promoted.

To achieve our goals, we first draw on the academic literature to construct a theoretical model of the formation of tourist loyalty and formulate the study hypotheses. We then

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describe the methodology used to contrast the theoretical model by means of empirical research. Third, we describe the main results obtained. Finally, we present the main conclusions of the study as well as limitations useful for future lines of research.

FRAMEWORK

Consumer Loyalty, Satisfaction, and Perceived Quality

The concept of consumer loyalty has evolved. In the specialized literature, one finds different definitions and typologies to classify the consumer's conduct as a function of his or her degree of loyalty. The pioneering studies of brand loyalty refer to *conative or behavioural loyalty*, defined as the consumer's repeated purchase of a specific alternative (Jacoby and Chestnut 1978; Oliver 1997). A second approach incorporates the *affective or attitudinal* component in the concept of loyalty. We see this component when the consumer has a positive attitude to the brand (Agrawal 1996). Finally, some authors including Amine (1998), Day (1969), and Dick and Basu (1994) propose considering both dimensions simultaneously, creating *composite loyalty*.

Currently, there is general acceptance that the consumer is strongly loyal to a brand when he or she buys this brand repeatedly and shows a positive attitude toward it. This *repeated behavior* and *positive attitude* are the result of the consumer's satisfaction with the brand and contribute to the firm obtaining better levels of profitability (Berné, Múgica, and Yagüe 1996).

In the literature, the most common definitions of consumer satisfaction and perceived quality affirm that satisfaction can be defined as "an evaluation of an emotion" (Hunt 1977, pp. 459-60) and perceived quality as "the consumer's judgment about a product's overall excellence or superiority" (Zeithaml 1988, p. 3). The fundamental difference between the two concepts is that the consumer's perception of quality is based on the evaluation of the performance provided by the product acquired, whereas the formation of satisfaction is based on the consumer's perception of the quality of the experience (Baker and Crompton 2000). Therefore, satisfaction has a more affective or emotional component than perceived quality, which is more cognitive (Bowen 2001).

The Relationship of Perceived Quality, Satisfaction and Loyalty

The academic literature that studies the mass-market of goods (Bearden and Teel 1983; Szymanski and Henard 2001), the market of services (Cronin and Taylor 1992; Woodside, Frey, and Daly 1989), and the tourist market (Choi and Chu 2001; Jeong, Oh, and Gregoire 2003) shows positive relationships between perceived quality and consumer satisfaction, and between satisfaction and brand loyalty.

First, the relationship between the quality perceived by the consumer and his or her satisfaction has been widely debated in the literature since the pioneering studies of Parasuraman, Zeithaml, and Berry (1985, 1988). Cronin and Taylor (1992) present a profound revision of the concepts

and conclude that (a) perceived quality is an antecedent of satisfaction, (b) satisfaction moderates the relationship between perceived quality and the intent to purchase and repurchase, and (c) the effect of perceived quality and satisfaction on the intent to purchase and repurchase varies as a function of the service analyzed.

Second, the positive and direct relationship between consumer satisfaction and the consumer's level of loyalty has been contrasted and supported by many authors in the area of services (Colgate and Stewart 1998; Hocutt 1998; Patterson and Spreng 1997; Yu and Dean 2001) and in the tourist market (Alegre and Cladera 2006; Petrick 2004a; Petrick, Morais, and Norman 2001).

Third, studies from the consumer satisfaction literature that analyze the relationship between perceived satisfaction and consumer loyalty find that the effect of quality on loyalty is indirect by means of satisfaction (Cronin and Taylor 1992; Patterson and Spreng 1997; Petrick 2004a) and that the direct antecedents of satisfaction are the quality perceived by the consumer and the sacrifice made to acquire the product, which includes monetary and nonmonetary costs (Cronin, Brandy, and Hult 2000; Pedraja and Yagüe 2004; Rust, Danaher, and Varki 2000). However, subsequent studies based on the service quality literature have found direct and indirect effects of perceived quality of the service on consumer loyalty (Anderson and Sullivan 1993; Baker and Crompton 2000; Petrick 2004a, 2004b; Wong, Dean, and White 1999; Wong and Sohal 2003). Both lines of research lead to the conclusion that the more positively the consumer evaluates the product, the greater the satisfaction obtained from the purchase made and the greater the probability that he or she will become a loyal consumer.

Perceived Price and Price Promotions in Models of Loyalty

The price perceived by the consumer is an indicator of both the monetary sacrifice made (Oh 1999, 2000; Teas and Agarwal 2000) and the product quality (Dodds, Monroe, and Grewal 1991; Rao and Monroe 1989). In product categories with high price and high risk in purchasing, as is the case for a package tour, price is the best indicator of the sacrifice made by the consumer (Pedraja and Yagüe 2004). This variable affects consumer satisfaction negatively; higher prices influence the consumer's satisfaction negatively and directly (Oh 1999; Petrick 2004a, 2004b). On the other hand, consumers have a mental schema that identifies high product price with high quality, indicating a positive relation between both variables such that high product prices are perceived by the consumer as high quality (Dodds, Monroe, and Grewal 1991; Petrick 2004b). Further, when the consumer has few intrinsic signs of quality, as is the case with tourist services, he or she uses extrinsic signs of quality, especially price, to a greater extent.

The effect of price promotions on the relationship between perceived price, perceived quality, satisfaction, and loyalty has sparked ongoing debates and contradictory results in the literature. Some authors argue that price promotions have a negative effect in the long term. These authors find that the ratio of repeat purchase after purchasing at a promotional price is less than the ratio after nonpromotional purchase (Dodson, Tybout, and Sternthal 1978) and thus advise against using this marketing tactic (Hardie

1996). Such authors argue that if the consumer's repeat purchase is a result of an advantageous price and not of preference for the brand, the effect of promotions on consumer loyalty is negative. Likewise, Morais et al. (2006) affirm that consumer loyalty to tourist products cannot be achieved with price discounts. For these programs to be effective in the long term, they must make the consumer feel special.

In contrast, authors including Bawa and Shoemaker (1987), Cotton and Babb (1978), Kuehn and Rohloff (1967), Lattin and Bucklin (1989), and Rothschild and Gaidis (1981) postulate that promotions contribute to improving levels of brand loyalty. For these authors, if the consumer has a high preference for the brand and sees the promotion as a reward for loyalty and not as a discount, the image of quality and satisfaction with the brand will be reinforced, leading to increased probability that the consumer will acquire the brand again.

Finally, a third group of studies developed since the 1980s (Davis, Inman, and McAlister 1992; Ehrenberg, Hammond, and Goodhardt 1994; Neslin and Shoemaker 1989) argues that there is no relationship between price promotions of a brand and repeat purchase. These studies maintain that the results obtained in other research are due to methodological problems of measurement or to the omission of variables that influence the promotional results in the long term.

THEORETICAL MODEL PROPOSED

Most of the studies applied to the tourist market that analyze the antecedents of consumer loyalty focus on the relationships between perceived quality, satisfaction, and loyalty (Alegre and Cladera 2006; Kashyap and Bojanic 2000; Petrick 2004a, 2004b). This article increases the understanding of the formation of consumer loyalty by incorporating the effects of perceived price, price promotions, and consumer sensitivity to the search for promotions (Figure 1).

The relationships proposed in the model are the following: First, based on studies by Colgate and Stewart (1998), Hocutt (1998), Oh (1999), Patterson and Spreng (1997), Petrick (2004a), and Yu and Dean (2001), we expect a positive relationship between satisfaction and tourist loyalty to tour operator.

Second, research by Butcher, Sparks, and O'Callaghan (2001) and Oh (1999) found that the effect of perceived quality on loyalty is indirect, moderated by the level of consumer satisfaction. However, some authors, including Bitner

(1995), Cronin and Taylor (1992), and Henning-Thurau and Klee (1997), argue that the relationship depends on the category of products analyzed and suggest the existence of a direct relationship between perceived quality and loyalty. This article proposes to contrast the indirect, positive relationship between perceived quality and loyalty and the direct, positive relationship between perceived quality and loyalty in the tourist market (Petrick 2004a).

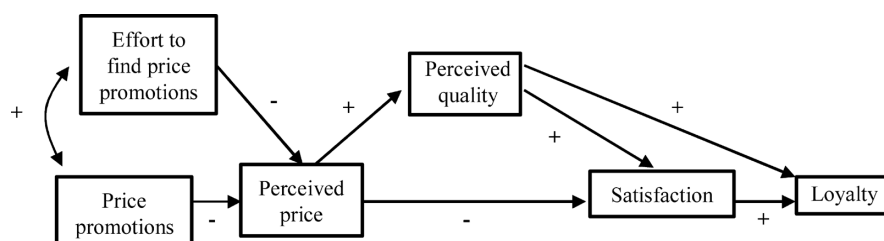
Third, we incorporate the hypothesis from classical economic theory that the effect of perceived price on satisfaction is direct and negative through the price-value relationship (Oh 1999; Petrick 2004a, 2004b) and indirect and positive through the relationship that the consumer perceives between the variables of price, quality, and satisfaction (Dodds et al. 1991; Petrick 2004b).

Fourth, the contradictory results obtained in the general literature analyzing the relationship between price promotions and consumer loyalty justify studying whether such a relationship exists and, if it exists, determining whether it is direct or, as seems more likely, indirect (Davis, Inman, and McAlister 1992; Ehrenberg, Hammond, and Goodhardt 1994; Neslin and Shoemaker 1989). We thus expect price promotions to affect loyalty if they influence the antecedents of loyalty (price, perceived quality, and satisfaction). If price promotions affect satisfaction positively through the price-value relationship (Davis, Inman, and McAlister 1992), the indirect effect on loyalty has a positive sign. If price promotions affect satisfaction negatively by means of relationship price quality satisfaction (Dodson, Tybout, and Sternthal 1978; Guadagni and Little 1983; Jones and Zufryden 1980; Kopalle, Mela, and Marsh 1999; Shoemaker and Shoaf 1977), the sign of the indirect effect of the price promotions on brand loyalty is negative.

When promotions affect satisfaction in both ways (via relationships of price-value and price-quality), the net effect will depend on the balance between the magnitudes of both impacts. However, the prior literature does not allow us to incorporate a specific hypothesis on the sign of the indirect effect expected of promotion on loyalty in the theoretical model.

Finally, the main effects of price promotion on loyalty can be intensified or weakened by the characteristics of the target segments. The results of Jacobson and Obermiller (1990) show that the effect of promotions on perception of prices depends on the consumer's knowledge of prices of the product category. It thus seems reasonable to think that the effect of promotions on the formation of tourist loyalty to tour operator is mediated by the effort the consumer is willing to make in seeking bargains. Specifically, we expect that

FIGURE 1
THEORETICAL MODEL PROPOSED



when tourists make greater efforts to find good prices, the indirect effect of price promotions on loyalty to tour operator is stronger.

STUDY METHODOLOGY

Description of the Information Gathering Process

In order to contrast the hypotheses proposed in the theoretical model proposed, we perform an empirical analysis applied to the study of the behavior of purchasing a package tour acquired in Spain to destinations in Central America, South America, or the Caribbean.

The information comes from a personal survey performed with tourists who traveled with a package tour from Spain to the destinations listed above in the last 2 years (Table 1). The surveys were carried out in public places that provided access to a large number of individuals who fulfil the requirements of this study (being over 18 years of age and having traveled with a package tour to one of the destinations described in 2002–2003). The data were gathered in Barajas Airport (Madrid, Spain) and different representative shopping centers in the city of Madrid. The fieldwork was performed in November and December 2003.

The destinations analyzed were chosen because the tours designed by the Spanish tour operators present similar characteristics. They are standard tours, destinations visited by the tourist with a vacation objective (mainly sun and sand) and sold through a package tour with similar conditions. The largest percentage of the tours analyzed is for tourist complexes with hotels of five stars or better (63.6%), and the number of tours designed for hotels of four stars or better is 93.3% of the sample obtained. The average number of nights at the destination is nine. These tours are designed mainly under the formula of “everything included” (55%), and promotional strategies are used intensively in selling them. Specifically, 63.4% of the tours were acquired on promotion, of which 47.9% were direct price discounts.

The data were collected in the city of Madrid, primarily in Barajas Airport, to ensure that the data are representative of the Spanish market. The data are representative because there are only two Spanish airports that travel to the destinations analyzed—the airports in Madrid and Barcelona. Gathering data in Madrid gave us access to a high percentage of Spaniards who had traveled to these destinations. Further, Madrid residents are the Spaniards who travel most to international destinations. According to the official data of the Institute for the Tourist Studies, 21.4% of the trips to foreign countries were made by Madrid residents (Familitur 2005).

Once we obtained the data, the information in each survey was contrasted and completed with the information available in the travel brochures of tour operators in order to purify the questionnaires. Questionnaires whose information did not agree with the characteristics of the tour operator’s trip used by the tourist were eliminated. The size of the sample was 358 questionnaires.

Variable Measurement

The empirical validation of the theoretical model was performed by applying structural equations methodology using the program EQS.

The model includes a total of six variables. Three of these (satisfaction, perceived monetary price, and use of promotions) are measured using a unidimensional scale: satisfaction follows the methodology of Oh (1999) and Soderlund (1998), measured as the level of the tourist’s overall satisfaction with the most recent package tour acquired (scale of 10 points from completely dissatisfied to completely satisfied). Perceived monetary price is measured as the amount in euros that the tourist remembers having paid for the most recent package tour acquired (Pedraja and Yagüe 2000). The use of promotions is measured as the frequency with which the tourist buys package tours at promotion price (scale of 10 points from never to always buy on price promotion). The measurement of this variable as the frequency of purchase at promotion price does not allow us to determine whether a consumer is widely experienced in this kind of purchase. However, by including in the question, “If some of your friends tell you that they would like to purchase a tour similar to yours, would you feel confident in advising them about how to decide on the best one? [Absolutely no (1) to absolutely yes (10)],” in the questionnaire provides us with a control indicator for the consumer’s experience in the product category. When consumers feel that they can advise others on a purchase choice, it is because they have ample experience in purchasing in the category or because they have made an extensive and thorough search for information before deciding to buy. We obtained high values (8.11) for the average of experience used and a low standard deviation (1.79). These figures suggest that the purchase experience of the sample is high and that there is not sufficient heterogeneity in the degree of experience to distort the results of the analysis.

The three remaining variables (loyalty to tour operator, perceived quality and effort to find promotions) were measured by means of multidimensional scales.

To measure loyalty to tour operator, we first introduced five variables in the questionnaire. However, three of these were eliminated after a confirmatory factor analysis (see appendix). Finally, loyalty to tour operator was measured using the

TABLE 1
DATA COLLECTION PROCESS

| Data Collection | Survey Research (Personal Survey by a Questionnaire) |
|----------------------|---|
| Universe | Tourists who traveled to the destinations of Central America, South America, or Caribbean in 2002 and/or 2003 through the acquisition of a package tour |
| Sampling | Population 77,487 (Familitur, 2005) Size of sample 358 Sample method Convenience |
| Period | November–December 2003 |
| Information analysis | Descriptive statistics and correlation matrix (SPSS) Structural equations methodology (EQS) |

components of loyalty recommended by Jacoby and Chestnut (1978) and Oliver (1997): (a) behavioral loyalty (TOL_1) (scale of 10 points from completely disagree to completely agree with the statement "I would feel completely secure travelling again with this tour operator"); and (b) attitudinal loyalty (TOL_2) (scale of 10 points from completely disagree to completely agree with the statement "If asked for advice, I would recommend travelling with this tour operator").

To measure the quality perceived by the tourist, the questionnaire included 10 items. Eight of these referred to the different components of the trip. The other two were indicators of the tour operator's brand awareness and of the tour operator's reputation on the market. After the purifying process, the scale of perceived quality was measured by six items. This scale includes an indicator of the perceived quality of each component for the most recent package tour acquired [(scale of 10 points from very bad to very good in the evaluation of airline quality (AQ), hotel service (HSQ), organization (ORQ), guarantees (GQ), tour operator (TOQ), and travel agency (TAQ)] (Andreassen and Lindestad 1998; Baker and Crompton 2000; Kashyap and Bojanic 2000).

Measuring the perceived quality by means of these six items was sufficient, given the characteristics of the product analyzed and the Spanish channel of tourist distribution. On the one hand, a package tour can be classified as a bundling strategy, as it is the sale of different services in a package (Stremersch and Tellis 2002). These services are basic (e.g., transportation, accommodations) and complementary, such as the organization of the trip or the guarantee of services. On the other hand, the characteristics of the Spanish tourist distribution channel require that both agents are incorporated, tour operator (wholesale) and the travel agency (retail). The current law (Royal Decree 271/1988 of March 25) establishes that tour operator is the agent responsible for the creation of package tours and the travel agent responsible for their commercialization. Tour operators sell package tours through a travel agency; they cannot sell directly to the final consumer. A consumer who wishes to travel using a package tour must therefore consult the travel agent, who

informs him or her of the products designed by the different tour operators. If the customer acquires the product, the way he or she evaluates perceived quality and satisfaction with the package tour will depend at least in part on the service provided by the tour operator and the travel agency.

Finally, the effort to find promotions was measured by means of four items that measure: (a) the tourist's degree of search for price promotions (EFF_1) (scale of 10 points from never to always of the amount of searching that the tourist does for package tours at promotional prices; (b) the tourist's perception of the need to perform price searches (EFF_2) (scale of 10 points from completely disagree to completely agree with the statement "One must search and visit different travel agencies to find the best deal"); and (c) the consumer's willingness to searching for good prices (EFF_3 , EFF_4) (scale of 10 points from few to many for the statement "If I knew that there were offers of package tours on the market with which I could save up to 20% on the price paid per person, how many travel agencies would I be willing to visit to compare prices?" and a scale of 10 points from completely disagree to completely agree with the statement "I do not mind visiting several travel agencies before making a decision").

The reliability and validity indicators of the latent variables are included in Table 2. The three latent variables analyzed (loyalty to tour operator, perceived quality, and effort to find price promotions) satisfy the conditions for composite reliability (indicators > 0.70) and convergent validity (indicators are significant at a level $p < 0.001$) recommended by Fornell and Larcker (1981). However, the variables "perceived quality" and "effort to find price promotions" show coefficients in the indicator of extracted variance close to but slightly less than the recommended value of 0.50. Given that the rest of the indicators fulfill the conditions and that this last test is considered conservative (Hatcher 1994), "perceived quality" and "effort to find price promotions" are accepted as latent variables. Thus, Hatcher (1994, p. 331) states, "Fornell and Larcker (1981) suggest that it is desirable that constructs exhibit estimates of 0.50 or larger . . . , however, that this test is quite conservative; very

TABLE 2
RELIABILITY AND VALIDITY OF THE LATENT VARIABLES

| Latent Variable | Observable Variable | L_i^a | E_i^b | Reliability | | | Validity |
|---------------------------------|---------------------|---------|---------|-----------------------|--|---------------------------------|---------------------|
| | | | | Indicator Reliability | Composite Reliability | Variable Extracted ^d | Convergent Validity |
| Tour operator loyalty | TOL_1 | 0.84 | 0.30 | $R^2 = 0.70$ | Alpha = 0.84 C.R. ^c = 0.84 | 0.73 | $t = 16.12$ |
| | TOL_2 | 0.87 | 0.25 | $R^2 = 0.75$ | | | — |
| | AQ | 0.45 | 0.80 | $R^2 = 0.20$ | $t = 7.69$ | | |
| | HSQ | 0.56 | 0.68 | $R^2 = 0.32$ | $t = 9.71$ | | |
| Perceived quality | ORQ | 0.64 | 0.59 | $R^2 = 0.41$ | Alpha = 0.81 C.R. ^c = 0.81 | 0.43 | $t = 10.76$ |
| | GQ | 0.64 | 0.59 | $R^2 = 0.41$ | | | $t = 11.36$ |
| | TOQ | 0.82 | 0.33 | $R^2 = 0.67$ | — | | |
| | TAQ | 0.76 | 0.43 | $R^2 = 0.57$ | $t = 12.86$ | | |
| Effort to find price promotions | EFF_1 | 0.49 | 0.75 | $R^2 = 0.25$ | Alpha = 0.72 C.R. ^c = 0.75 | 0.45 | $t = 5.58$ |
| | EFF_2 | 0.89 | 0.20 | $R^2 = 0.80$ | | | — |
| | EFF_3 | 0.69 | 0.52 | $R^2 = 0.48$ | | | $t = 8.22$ |
| | EFF_4 | 0.52 | 0.73 | $R^2 = 0.27$ | | | $t = 5.74$ |

a. L_i : Standardized loading.

b. $E_i = (1 - R^2)$: Error Variance.

c. Composite Reliability (C.R) = $(\sum L_i^2)/(\sum L_i^2 + \sum \text{var}(E_i))$.

d. Variance Extracted (V.E) = $\sum L_i^2/\sum L_i^2 + \sum \text{var}(E_i)$.

often variance extracted estimates will be below 0.50, even when reliabilities are acceptable.”

RESULTS

The results of the structural model are presented in Figure 2. This model fulfills the indicators of goodness-of-fit recommended by Hatcher (1994), which enable us to affirm that they provide an excellent statistical fit of the data. First, the relationship χ^2/df equals 1.04 and is less than the critical value of 2. Second, the indicators of global fit (GFI = 0.96; AGFI = 0.95; BBNFI = 0.99 and BBNFI = 0.95) present values close to 1, and the indicator RMSEA = 0.01 is close to 0.

The results obtained enable us to confirm the relationships proposed. First, we obtain a high, positive, significant ($p < 0.01$), and direct relationship between tourist satisfaction and tourist loyalty to tour operator. The relationship between perceived quality and loyalty is positive and significant and occurs indirectly by means of satisfaction but also directly. These relationships show that the impact of quality on loyalty is greater than the impact of satisfaction on loyalty. Specifically, an improvement of 1 point in consumer satisfaction increases loyalty to tour operator by 0.19 points. However, the same increase in perceived quality generates an increase of 0.73 points (0.61 through its direct effect and 0.12 through indirect effect) in loyalty to tour operator.

Second, we confirm that the effect of perceived price and price promotions on the formation of loyalty to tour operator is indirect and low in quantity. This indirect effect of the degree of use of price promotions on loyalty depends on variables antecedent to consumer loyalty. Specifically, they depend on the impact of the use of price promotions on the formation of perceived monetary price and of the latter on consumer satisfaction.

The results obtained indicate that the use of price promotions affects the formation of perceived monetary price directly, negatively, and significantly ($p < 0.001$). The effect of use of promotion on satisfaction is indirect. Perceived monetary price influences perceived quality significantly as an external indicator of perceived quality

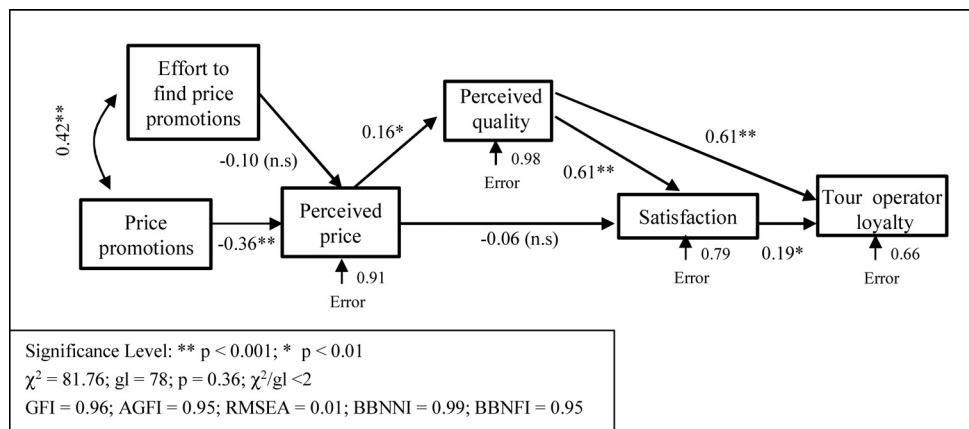
(confirming the results of Dodds, Monroe, and Grewal [1991]). In contradiction to the expected results, we do not find a direct, significant effect of perceived monetary price on satisfaction. Therefore, the only indirect and significant effect of promotions on satisfaction is negative in sign through their influence on the relationship perceived price \rightarrow quality.

As a result, the statistically significant relationship between the use of price promotions and loyalty to tour operator has an indirect, negative character, such that an increase in 1 point in the degree of use of promotions causes a 0.04 point decrease in the probability that the consumer will remain loyal to tour operator. In contrast, the indirect effect of promotions on consumer loyalty to tour operator by means of the direct relationship between perceived price and satisfaction is not significant ($t = -1.28$) but does have the sign expected.

Finally, the inclusion of the variable “effort to find price promotions” indicates that the effect of price promotions on the formation of perceived monetary price can be divided into two: (a) a main effect that is negative and significant (-0.36), and (b) a positive effect of interaction with the mediating variable (0.42). The correlation between price promotions and search effort is positive and significant and indicates that tourists who acquire package tours at promotional prices perform larger searches for advantageous prices and vice versa. However, the direct effect between effort to find bargains and perceived monetary price is not significant ($t = -1.55$), although it does have the expected sign.

These results enable us to confirm, contrary to what was expected, that the negative effect of price promotions on perceived monetary price and thus on tourist satisfaction and loyalty to tour operator decreases when the tourist makes a greater effort to find price promotions. An increase of 1 point in the tourist’s use of price promotion (*ceteris paribus*) decreases the consumer’s loyalty to tour operator by 0.04 point. However, this increase of 1 point in the consumer’s effort to find price promotions causes an effect near zero in the tourist loyalty to tour operator. Specifically, it causes a 0.01 point decrease in the probability that the consumer remains loyal to tour operator.

FIGURE 2
RELATIONSHIP MODEL ESTIMATED



IMPLICATIONS AND SUGGESTIONS

Conclusions

This study analyzes the formation of loyalty to tour operator in the acquisition of package tours and incorporates in the analysis the effects of using price promotions and of the effort the tourist makes to find promotions. The main results obtained are the following:

- Quality perceived by the tourist is the variable that exerts the most impact on tourist loyalty. The effect of perceived quality on the tourist loyalty to tour operator is direct, positive, and of high intensity. An indirect effect also exists through satisfaction.
- Perceived price exercises an indirect and positive effect on loyalty through the relationship price → quality → loyalty, whereas the indirect and negative effect through the relationship price → satisfaction → loyalty is not significant.
- The effect of using price promotions on loyalty to tour operator is indirect, negative, and low in quantity.
- The effort to find price promotions mediates the relationship between price promotions and loyalty to tour operator. The positive and significant correlation between price promotion and effort to find price promotion weakens the negative, indirect effect of promotions on loyalty to tour operator in proportion to the consumer's increased effort to find price promotions.

Implications for Management

This study is very useful for tour operators in planning good commercial strategies. The results indicate that the key to tour operators' obtaining loyal consumers lies in offering products of high perceived quality. The tourist's evaluation of quality of service is the variable that precedes satisfaction, and it influences formation of loyalty to tour operator positively, directly, and indirectly.

The importance of perceived quality for the tourist's formation of loyalty to tour operator may be an indicator of the change in the tourist consumer toward the "new tourism" (Alegre and Cladera 2006). Alegre and Cladera maintain that the tourist is changing from "old tourism," directed to a mass market and characterized by offering a standard "sun and sand" product, to what they call "new tourism," characterized by a more demanding tourist focused on product quality.

If tour operators design high quality trips, they increase the probability that the consumer will be satisfied and thus also the probability that the tourist will travel again with this tour operator and recommend the brand to friends and family. If a tour operator obtains loyal consumers, it will obtain greater economic benefits from retention (current consumers) and increased market share (attraction of new consumers through hearsay).

In the design of a high quality package tour, the work of both the manufacturer (tour operator) and the distributor (travel agency) is crucial. The results of this study indicate that, when tourists evaluate the quality of package tours, the most important variables are quality offered by tour operator—including the design and development of the trip—and the quality offered by the travel agency. This distributor does

not develop the package tour but informs the consumer about different trips and advises him or her in making the best purchase decision. A high quality travel agency is achieved when the firm sells trips designed by the best tour operators and when its personnel know the trips they sell thoroughly and are capable in advising consumers. Because the work of both agents is related, it is crucial that the tour operator and the travel agency come to a commercial agreement to increase the quality of service offered. From the perspective of tour operator, this should involve carefully choosing the channel of distribution it will use to sell the trips and implementing policies for training and motivating as well as incentives for travel agencies to offer the quality that the consumer seeks. From the perspective of the travel agency, this means working with tour operators who offer trips of excellent quality.

The results obtained with respect to the influence of price promotions provide evidence that confirms results obtained in the literature and lead us to affirm that price promotions do not directly erode the tourist loyalty to tour operator. The effect is indirect, negative, and low in intensity. It depends on the variables that shape loyalty.

Further, the effect of price promotion on loyalty differs according to the group of consumers analyzed. We confirm that the magnitude of the negative and indirect effect of promotions on the process of loyalty formation is less for consumers who make a greater effort to find bargains. Therefore, this study suggests that tour operators who currently design undifferentiated price promotions should plan promotions that are differentiated according to the consumer's sensitivity to searching for bargains. If price promotions are directed to price-sensitive consumers who make intensive searches for bargains, such consumers use price less as an indicator of quality and do not transmit the negative effect of price promotions to the postpurchase results. Further, if these advantageously priced products offer the same level of quality or one similar to products at regular prices, the promotions focused on this segment of consumers can cause them to feel like intelligent consumers who will always wish to travel with the same tour operator.

When a tour operator designs its products and establishes a program of price promotions, it should fulfill a series of requirements: First, the package tours offered by a tour operator should be designed with the quality perceived by the consumer in mind and with the goal of being evaluated as high quality. Second, when a tour operator sells a package tour at a price discount, it should keep the same level of quality as the products sold at a regular price. Third, a tour operator will obtain better entrepreneurial results in the long term if it designs differentiated promotional policies. If the promotions are directed at price-sensitive consumers who undertake an intensive search for promotions, these promotions will not influence consumer loyalty negatively.

Limitations and Future Lines of Research

First, this study cannot confirm the positive effect of price promotions through a direct relationship price → satisfaction due to the existence of a nonsignificant relationship between the two variables. One possible explanation for this nonsignificant relationship is contributed by Campo (2004), where it is noted that the relationship may be the result of a nonlinear relationship between the two variables.

If this is true, this relationship should be analyzed in greater depth and with new methods of analysis.

Second, this study analyzes the effect of price promotion on loyalty by means of a cross-sectional, not longitudinal, study. Further, we were not able to control specifically for the consumer's purchase experience to evaluate the number of products in this category he or she had purchased in the past. Future research is necessary to improve the measurement of some of the variables included and to extend the study to a longer time period.

Third, this study finds that differentiated promotions directed to consumers who make price searches are more effective, as they do not erode consumer loyalty. The problem that arises on this point is how to focus price promotions on this segment of consumers without jeopardizing the image held by other consumers who do not make this effort to search. Future research must explore the differentiating characteristics of these consumers in greater depth, especially their sociodemographic or behavioral characteristics (Kashyap and Bojanic 2000; Petrick 2004b). If, for example, these consumers have some specific characteristics (age, level and income, etc.), different price strategies can be designed. If they are consumers who buy at the last minute or who plan trips far in advance, tour operators could design last-minute discount policies or discounts for advance purchase.

In addition, the methodology used for designing the sample (design of convenience given an aleatory design) can incorporate a heterogeneity not controlled for by the sample data. The data obtained in the standard deviations of some variables of the model (e.g., perceived monetary price) can indicate the existence of different segments of consumers with a differentiated perception of price. Therefore, we propose that future research analyze the different segments of consumers. This would enable deeper knowledge of the formation of consumer loyalty and of the effect of price promotions.

Finally, we should point out the importance of studying the effect of price promotion on the variables that condition the business performance. To do this, future research should extend this study to incorporate variables that contribute to quantifying changes in long-term financial results and to widening the analysis to other agents of the tourist distribution channel and other categories of products and/or markets.

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