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Impact of Customer Interactions on the Nature of Customer Relationships with Firms Using Virtual Customer Environments (VCEs) of the Tourist Hotels in Sri Lanka

By

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A thesis submitted to the University of Sri Jayewardenepura in partial fulfillment of the requirements for the Degree of Master of Science in Management.

Declaration by the Candidate

The work described in this thesis was carried out by me under the supervision of Prof. (Dr.) B. N. F. Warnakulasooriya and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/Diploma.

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I certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the university in partial fulfillment of the requirements for the Degree of Master of Science in Management.

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Table of Contents

List of Figures iv

List of Tables v

Acknowledgement vii

Abstract viii

1.Introduction 1

1.1 Background of the Research 1

1.2 Justification of the Industry 1

1.3 Reserch Problem Statement 9

1.4 Research Questions 10

1.5 Objectives of the Research 10

1.6 Significance of the Research 11

1.8 Chapter Framework 13

2.Literature Review 14

2.1 Introduction 14

2.2 Virtual Customer Environments (VCEs) 15

2.2.1 Different Types of VCEs 16

2.2.2 Different Customer Roles Performed in VCEs 16

2.2.3 Key Design Features of VCEs 21

2.3 Customer interactions in VCEs 23

2.3.1 Customer Interaction-Based Benefits 25

2.4 Customer Experience in VCEs 27

2.4.1 Different Customer Experience Profiles in VCEs 30

2.5 Customers' Relationships with Organizations in VCEs 34

2.6 Association of Customer Interactions, Customer Experience and Customers' Relationship with Organizations in VCEs 36

2.7 Chapter Summary 37

3.Research Design 39

3.1 Introduction 39

3.2 Conceptual Framework 39
3.3 Definitions of Key Variables 40
  3.3.1 Customer Interactions in VCEs 40
  3.3.2 Customer Experience in VCEs 40
  3.3.3 Customer Relationships with Hotels 42
3.4 Hypotheses 42
3.5 Research Methodology 43
  3.5.1 Research Purpose 43
  3.5.2 Type of Investigation 44
  3.5.3 Extent of Researcher Interference with the Study 45
  3.5.4 Study Setting 45
  3.5.5 Unit of Analysis 46
  3.5.6 Time Horizon 47
3.6 Measurement of Variables and Scaling 47
3.7 Data Collection Methods 50
3.8 Sampling Process 51
3.9 Goodness of Measures 54
3.10 Data Analysis 55
3.11 Ethics Followed by the Researcher 56
3.12 Limitation of the Research 56
3.13 Chapter Summary 57

4.Analysis 57
4.1 Introduction 57
4.2 Measuring the Goodness of the Data 57
  4.2.1 Univariate Normality Test 57
    4.2.1.1 Independent Variable (Customer Interactions in VCEs) 59
    4.2.1.2 Mediating Variable (Customer Experience in VCEs) 63
    4.2.1.3 Dependent Variable (Customer Relationships with the Hotel) 68
  4.2.2 Sample Profile 72
  4.2.3 Validation of Measurement Properties 78
    4.2.3.1 Content Validity 78

4.2.3.2 Unidimentionality Test 80
4.2.3.3 Internal Consistency 83
4.2.3.4 Convergent Validity Test 85
4.2.3.5 Discriminant Validity Test 88
4.3 Hypotheses Testing 89
4.3.1 Hypotheses Statements 89
4.3.2 Customer Interactions 90
4.3.3 Customer Experience 94
4.3.4 Customer Relationships with Hotels 99
4.3.5 Mediation Effect 103
4.4 Chapter Summary 112

5.Discussion 113
5.1 Introduction 113
5.2 Objective: Degree of Customer Interactions 113
5.3 Objective: Degree of Customer Experience 116
5.4 Objective: Degree of Customer Relationship with Hotels 119
5.5 Objective: Mediating Effect 122
5.6 Chapter Summary 125

6.Conclusion 126
6.1 Introduction 126
6.2 Conclusion 126
6.3 Managerial Implications 128
6.4 Directions for Future Research 129

References 130
Appendix I - Questionnaire 138

List of Figures

Figure 1.1 . Growth of Tourist Arrivals in Sri Lanka (2009 – 2014) 6
Figure 2.1 . Different Customer Experience Profiles in VCEs 30
Figure 3.1. The Conceptual Model 39
Figure 4.1 . Normal Distribution Curve – Product Context... 60
Figure 4.2 . Normal Distribution Curve – Community Context 61
Figure 4.3 . Normal Distribution Curve – Technology Mediation................................ 62
Figure 4.4 . Normal Distribution Curve – Pragmatic Experience 64
Figure 4.5 . Normal Distribution Curve – Sociability Experience 65
Figure 4.6 . Normal Distribution Curve – Usability Experience................................... 68
Figure 4.7 . Normal Distribution Curve – Hedonistic Experience 68
Figure 4.8 . Normal Distribution Curve – Customer Reviews 70
Figure 4.9 . Normal Distribution Curve – Customer Recommendations 71
Figure 4.10 . Normal Distribution Curve – Customer Synergy 72
Figure 4.11. Decision Criteria of Scaling 91
Figure 4.12 . Different Paths in Mediation Effect 104
Figure 6.1 . Emergent Model 128

List of Tables

Table 1.1. Virtual Tools Used by Tourist Hotels in Sri Lanka 7

Table 2.1. Customer Innovation and Value Co-Creation Roles in VCEs........................ 20

Table: 2.2. VCEs Design Parameters and Relevant Design Features............................ 22

Table 2.3. Customer Roles and their Dominant Customer Experience Components in VCEs.. 32

TABLE 3.1 Operationalization of Variables, Dimensions and Indicators 48

Table 3.2. Appropriate Statistical Tests of Hypotheses.. 55

Table 4.1. Results from the Normality Test... 58

Table 4.2. Star Classification of Hotels in The Sample.. 73

Table 4.3. Geographical Locations of Hotels in the Sample... 74

Table 4.4. Descriptions of the Study Respondents in the Sample................................. 76

Table 4.5. Summary of Constructs, Items and Sources.. 78

Table 4.6. Factor Loading - Independent Variable... 81

Table 4.7. Factor Loading - Mediating Variable.. 82

Table 4.8. Factor Loading - Dependent Variable... 83

Table 4.9. Results of Cronbach's Alpha and Inter-Item Correlation Reliability Test.... 84

Table 4.10. Results of KMO And Bartlett's Test of Sphericity, AVE And CR 87

Table 4.11. Results of Paired Correlation Coefficients 88

Table 4.12. Descriptive Statistics - Customer Interactions in Product Support Oriented VCEs.. 90

Table 4.13. Results of One Sample T-Test - - Customer Experience in Product Support Oriented VCEs 92

Table 4.14. Descriptive Statistics - Customer Experience in Product Support Oriented VCEs.. 95

Table 4.15. Results of One Sample T-Test - Customer Experience in Product Support Oriented VCEs 97

Table 4.16. Descriptive Statistics - Customer Relationships with Hotels Using Product Support Oriented VCEs 99

Table 4.17. Results of One Sample T-Test - Customer Relationships with Hotels Using Product Support Oriented VCEs 101

Table 4.18. Results of Correlation Coefficient Test 106
Table 4.19. Model Summary 107
Table 4.20. Anova 109
Table 4.21. Model Coefficients 110

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ABSTRACT

Title of the research: impact of customer interactions on the nature of customer relationships with firms using VCEs of the tourist hotels in Sri Lanka by W I A W Weerasinghe.

Internet has created a tremendous impact on customer-producer communication, which is a strategic variable for the success of business. Consequently, organizations have established Virtual Customer Environments (VCEs) such as interactive websites with online discussion forums, corporate pages in social networks, corporate blogs et cetera, which enable customers and producers to interact with each other.

Such VCEs can be in different forms depending on the customer's role, played as product conceptualist, product designer, product tester, product supporter and product marketer. Interactions by customers concerning VCEs always return them as an online experience and relationship marketing is an outcome of online customer experience. The initial model was developed using this theory and the study attempts to examine the impact of customer interactions on the nature of customer relationships with firms using product support oriented VCEs of the tourist hotels in Sri Lanka.

In order to collect data, the survey method was used. In the survey, a sample of 52 comprising tourist hotels from five star to two star was used by following the purposive sampling technique. In analyzing survey data, one sample t-test and hierarchical mediating regression model as per Baron and Kenny (1986) were used.

According to the survey results it was found that 1. the degree of customer interactions in product support oriented VCEs of the tourist hotels in Sri Lanka is high, 2. the degree of customer experience in product support oriented VCEs of the tourist hotels in Sri Lanka is high, and 3. the degree of customer relationships with hotels using product support oriented VCEs of the tourist hotels in Sri Lanka is high. Also, it was revealed that 1. the customer interactions is associated with customers-hoteliers relationships using product support oriented VCEs of the tourist hotels in Sri Lanka, and 2. the customer experience mediates the association between customer interactions and customers-hoteliers relationships using product support oriented VCEs of the tourist hotels in Sri Lanka.

Key Words: Virtual Customer Environments (VCEs), Product Support Oriented VCEs, Online Customer Interactions, Online Customer Experience and Customer-Producer Relationships.

Chapter 01

Introduction

1.1 Background of the Research

With the introduction of World Wide Web (WWW), the effectiveness of communication among people has been improved than ever before. According to the Internet World Stats (IWS, 2015), the usage of Internet by business entities and individuals is growing at an increasing rate in Asia, that is 48.2 per cent from the total population of Asia. As a consequence, the utilization of the Internet by business organizations and individuals as a communication channel has now become ordinary fact in developing countries in Asia.

From a business point of view, now Internet has become the most common way of interacting with customers and business organizations as their operational functions are effective in terms of cost, coverage and control. Broadly speaking, the Internet enables virtual knowledge transfer from customer to producer, providing simplified interaction modes on a large scale (Chu & Chan, 2009). For example, many well-known global companies from different industries such as Microsoft, Cisco, Nokia, Volvo and Nike have established such Internet based communication tools that range from simple online discussion forums to more sophisticated prototyping centers.

According to Goldsmith (2006) and cited by Cheung et al. (2008), the Internet based virtual communication settings are known as Virtual Customer Environments (VCEs) that enable both the producers and the customers to engage. According to Kannan et al.

(2000) and cited by Porter et al. (2013), the possession of VCEs can be third-party managed or firm sponsored or customer initiated VCEs. In general, there are five different functions that can be performed by customers, when they interact with producers using any type of VCE stated above. They are product conceptualist, product designer, product tester, product support specialist, and product marketer (Nambisan and Nambisan 2008). Therefore, VCEs can be designed to support any of these customer roles. An intensive interaction between customers and producers is a key success factor of VCEs. Similarly, Nambisan stated (2002) that one of the key design considerations of successful VCEs is Customer Interactions, which means how customers convey and receive information from other participants (both the producer and other peer customers) in the VCE. This has caused a tremendous commercial impact on an effective communication process between business organizations and customers, which has become a strategic variable for business developments. Hence, a radical transformation of Customer-producer Relationship has established through VCEs by shaping customer perceptions about the company/product, where there can be a greater effect on customer views toward the company/product using VCEs (Nambisan and Nambisan 2008).

As per available literature, the impact of customer interactions on the nature of customer-producer relationships using VCEs is an emerging as well as deficient subject area, where the world's researchers have not yet paid adequate attention. For example, Nambisan and Baron (2009) have recommended this field as an additional avenue for future research opportunity for those who are interested in. This imperativeness comes due to the lack of knowledge in this field and the novelty of the subject. Hence, it is considered as one of the fertile grounds for the current research.

In practice, it is obvious that establishing a better customer experience through more interactive features, speed, easy navigation in virtual environments et cetera is significant for online customers to interact more in VCEs and to build strong customer-producer relationships. Many different theoretical backgrounds could potentially offer clues concerning this association and may be especially helpful in this research. Briefly, according to Hoffman and Novak (1996) and citied by Novak et al. (2000), customer experience in virtual environments has been defined and measured using the flow construct that describes a cognitive state occurring during virtual navigation characterized by a seamless sequence of responses facilitated by machine interactivity, intrinsically enjoyable, accompanied by a loss of self-consciousness, and self-reinforcing. And, the available literature stresses that a greater degree of customer interactions in VCEs optimizes virtual customer experience (Novak et al. 2000; Nambisan 2002). Following, Nambisan and Nambisan (2008), the nature of customer experience in VCEs is varied depending on the customer role played (product conceptualist, product designer, product tester, product support specialist, and product marketer) and the nature of customer interactions in the VCE. Moreover, they emphasize that the virtual customer interaction-based experience relates to relationships customers have with the producer. The next chapter provides a detailed review of relevant literature on this field.