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A Structural Equation Model of Customer Relationship Management Factors Affecting Customer Retention of Long-Stay Travelers in the Thai Tourism Industry

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ABSTRACT

Thailand today is projecting nearly 30 million tourist arrivals in 2014 with long-stay tourism a significant and growing component. This study is therefore concerned with the development of a structural equation model for investigating direct and indirect factors associated with customer relationship management and customer satisfaction and the impact on customer retention with long-stay residents and tourists in the domestic Thai travel industry. Data was collected from main tourist areas in from 220 long-staying foreigners. The research found that customer relationship management has a positive impact on customer satisfaction and if an organization has a management system that can respond to tourists needs, the end result will be higher customer loyalty and satisfaction, resulting in higher revenue and long-term profitability. Factors included customer perception of quality and value which had a direct and positive outcome on customer retention. The researchers hope the data will help determine market opportunity strategies while improving management skills while also reducing marketing and operational costs. Better understanding of the needs and buying habits contributes to management strategic planning which strengthens the standards giving the traveler a better feeling of satisfaction. If the consumer is impressed with the service quality, a strong foundation can be established helping with the retention of first-time travelers through word-of-mouth advertising and referrals. As such, Thailand tourism can effectively and efficiently become sustainable and grow its industry for both today and the distant future.

Key words: Customer relationship management, customer satisfaction, customer retention

INTRODUCTION

Our industry will only ever be as strong as our worse visitor experience. This New Zealand tourism expert (Keeling, 2014) statement indicates the importance of the relationship between a happy tourist and a strong tourist industry. Thailand's tourism industry is a crucial life blood of the economy which is second only to that of the export sector.

According to a report issued by Tourism Council of Thailand (TCT) in conjunction with Faculty of Economics at Chulalongkorn University and despite the ongoing political tension, TCT is still optimistic about 2014's performance and projects 29.92 million foreign tourist arrivals, against an estimated 26.69 million in 2013 (TCT, 2013).

Thailand is world renowned for its beauty, culture and cuisine, with the vast majority of travelers being repeat customers. Tourist flock to Thailand to visit its vista filled mountain peaks, to rest on its serene and beautiful beaches as well as to dive into its many entertainment and cultural venues. The contribution of Thai tourism to the economy as a whole seems to be almost limitless. Beyond the scope of the economic data, there is an incredibly rich contribution beyond the accommodation industry including hotels and guest houses. Additionally, there is food and drink, production of trade and gifts items, vehicle rentals and sales as well as other forms of transportation including taxi and motorcycles creating a vast industry for employment and support. In seaside province such as Phuket, one sees the importance of the maritime industry and seaside entertainment venues and operators. All contribute to high employment and a major mechanism for the distribution and prosperity across a wide swath of Thailand.

Even though the average outlay of a tourist to Thailand is 4,500 baht (\$138 USD), with each stay in Thailand lasting an average of 10.5 days with most being repeat visitors (TCT, 2013), the TCT has raised questions over an initiative by the Immigration Bureau to revise its visa-fee policy and start beginning collecting fees from visitors from 17 up-to-now free-entry nations. Visitors from mainly European nations, the US and Australia would be affected by the planned change, which-should it go ahead-would undoubtedly damage the tourism industry and the TCT strongly opposes the plan.

Visitor exports are a key component of the direct contribution of Travel and Tourism. In 2012, Thailand generated over 1 billion baht in visitor exports (Fig. 1a). In 2013, this grew by 5.7% (Fig. 1) with Thailand attracting 21,799,000 international tourists (Fig. 1a). By 2023, international tourist arrivals are forecast to total 41,445,000 (Fig. 1a), generating expenditure of nearly THB 2.4 billion (an increase of 8.0% pa and reach nearly 10% of Thailand's total GDP by 2023 (Fig. 1b) (WTTC, 2013),

Travel and Tourism is expected to have attracted capital investment of THB227.5 billion in 2012. This was expected to rise by 15.9% in 2013 and rise by 8.1% pa over the next ten years to THB572.2 billion in 2023. Travel and Tourism's share of total national investment will rise from 7.5% in 2013 to 9.8% in 2023 (Fig. 1b).

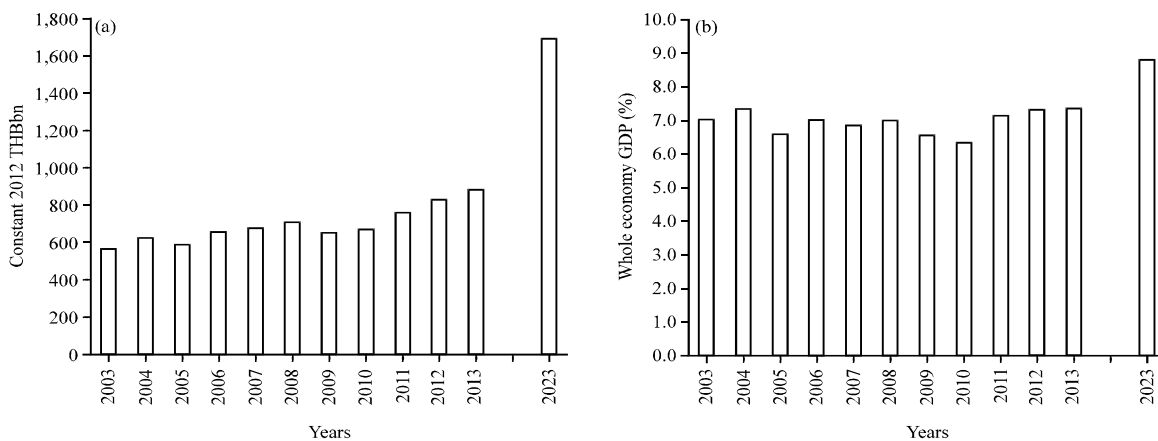


Fig. 1(a-b): Direct contribution of travel and tourism to Thai GDP, (a) Constant 2012 THBbn and (b) Whole economy GDP (%)



Fig. 2: Why tourism matters (Source: UNWTO, 2013 tourism highlights)

The tourism industry as a source of foreign currency is therefore paramount and represents 6% or world trade and US\$1.3 trillion in exports (Fig. 2). Based on the information from countries with data available, the World Travel and Tourism Council (WTTC) estimated that tourism's contribution directly to worldwide gross domestic product (GDP) was 5% in 2012. With direct and indirect effects of more than 185 supply-side economic activities that have significant connections to tourism, its contribution to GDP is 9%, a total of US\$6 trillion and it provides 120 million direct and 125 million indirect jobs in related industries (COMCEC, 2014).

According to the WTTC, it is estimated that travel and tourism sector have created more than 4 million new jobs in 2012, with US\$760 billion in investment. Since tourism affects transportation, hotels and lodging, food and beverage, cultural and entertainment, banking and finance and promotion and publicity services, tourism's contribution to employment tends to be slightly higher and is estimated in the order of 6-7% of the overall number of jobs or one in 11 jobs globally (Fig. 2) (UNWTO, 2013). According to the WTTC, this ratio could even rise to one in ten jobs by 2022 (COMCEC, 2014).

Tourism in Thailand since 1982 has been a cornerstone of national development and the largest source of foreign exchange (Li and Zhang, 1997). Although tourism has helped mitigate Thailand's balance-of-payment problems, it has also created many shortcomings along with the unfettered and poorly planned growth creating several social and environmental issues.

In spite of the financial benefits most often associated with tourism development, persistent local resistance testifies to the complexity and conflict surrounding tourism expansion. The future success and viability of Thai tourism will essentially hinge upon the ability of the Thai government planners and representatives to balance the perpetual quest for profit with the broader issues of quality and sustainability.

However, Thai tourism growth since 2007 has not been a straight line upward or in many periods of political and civil unrest, easy. In 2007, the number of foreign tourists increased to nearly 14.5 million visitors (Fig. 3), creating an estimated income of almost 550 million baht in 2007. 2008 saw very slight increase mostly due to the global financial crisis, with nearly 14.6 million arrivals and income from tourism reaching 575 million baht. In 2009 there was nearly a 3% drop to just over 14.1 million travelers, with revenue sharply declining to 510 million baht due to a variety of

Year ◆	Growth ◆	Changes ◆
2013	26,735,583	+19.60%
2012	22,303,065	+15.98%
2011	19,230,470	+20.67%
2010	15,936,400	+12.63%
2009	14,149,841	-2.98%
2008	14,584,220	+0.83%
2007	14,464,228	+4.654%
2006	13,821,802	+20.01%
2005	11,516,936	-1.15%
2004	11,650,703	No date

Fig. 3: Thailand's tourism growth-2004-2013

both internal and external problems including the appreciation of the baht, higher fuel prices, measures to raise taxes on aviation, disputes between Thailand and its neighbor Cambodia, natural disasters along with general uncertainty about the political situation in Thailand.

By 2010 the number of tourists increased to 15,936,400 visitors and income reaching nearly 600 million baht (Fig. 3). Growth continued into 2011 with arrivals reaching 19,230,470, with revenue topping 770 million baht. The year 2012 broke 22 million visitors with income touching nearly 1 billion baht for the first time.

High-end tourists from four ASEAN countries to Thailand are expected to generate at least 1.3 billion baht in income for Thai tourism in 2015. In 2013, ASEAN visitors to Thailand reached 7.28 million, up 15% from the year before. This accounted for 27.4% of total foreign tourists with the number of tourists from Indonesia rising to 32% to nearly 600,000, Malaysia surged 19% to 3 million, Singapore was up 14.95% to almost a million visitors and Vietnam rose to 17% to 725,000. TAT research showed there are 7.74 million high-end travelers from these four ASEAN nations: 2.38 million from in Indonesia, 2.28 million in Malaysia, 2.71 million in Singapore and 370,000 million in Vietnam.

According to TAT, high-end tourists in ASEAN are important for Thai tourism because they like shopping and the diversity and quality of Thai products can attract them. High-end travelers spend an average of 5,873 baht per night on accommodation compared to only 1,667 baht per night for

regular tourists. They spend 23,398 baht on shopping while typical travelers spend an average of 11,323 baht. Expenses on food and beverages and entertainment for high-end tourists average 14,483 and 12,458 baht respectively, compared with 5,739 and 5,593 baht for regular tourists (Bangkok Post, 2014a). Additionally, according to the Thai Private Hospital Association, medical tourism earned about 140 billion baht in 2012, up 18% from a year earlier (Bangkok Post, 2014b).

Based on the above and taking into consideration the importance of external trade to ASEAN and the need for the ASEAN Community as a whole to remain outward looking, the AEC envisages the following key characteristics:

- A single market and production base
- A highly competitive economic region
- A region of equitable economic development and
- A region fully integrated into the global economy

These characteristics are inter-related and mutually reinforcing. Incorporating the required elements of each characteristic in one Blueprint shall ensure the consistency and coherence of these elements as well as their implementation and proper coordination among relevant stakeholders.

Additionally, 11 priority integration sectors have been mapped out along with their respective Country Coordinators (Wattanapruittipaisan, 2009). They are as follows:

- Indonesia: Wood-based and automotive products
- Malaysia: Rubber-based products and textiles and apparels
- Myanmar: Agro-based products and fisheries
- Philippines: Electronics
- Singapore: E-ASEAN and healthcare
- Thailand: Air travel and tourism

Tourism, which has been identified as a Priority Integration Sectors (PIS) within the AEC will result in intense competition within the Thai tourism industry and its operators where 70% are SMEs (Export-Import Bank of Thailand, 2012). Other countries within Asia, especially Vietnam, Malaysia and Singapore, have accelerated their adaptation and development of their tourism sector and its related services.

This is consistent with research from the World Tourism Organization (WTO) which estimated that the number of foreign tourists in Asia will increase to 120 million in 2015. Along with this significant growth and development across borders will be 'long stays tourism'. This highly popular group is relatively large and has a high potential to increase dramatically due to the nature of what is known as the 'baby-boom' generation, when a large segment of the total population today was born during a relatively short window of years, predominantly after the end of World War II.

As can be seen from Fig. 4, the US population over 65 is rapidly growing with the proportion of the population aged 50 or above in 2002 being only 18% of the total population. This however is expected to increase to 31% by 2020. Global demographics are similar as well but the rate of increase varies. These 'baby boomers' globally represent a massive opportunity for Thai tourism in the long/extended stay business which is defined as longer than 15 days but less than 1 month.

In the US, a US baby boomer's annual average salary is about \$75,000 compared to the US average of \$46,000. With this spending potential, a focus must be given to leisure travel for this

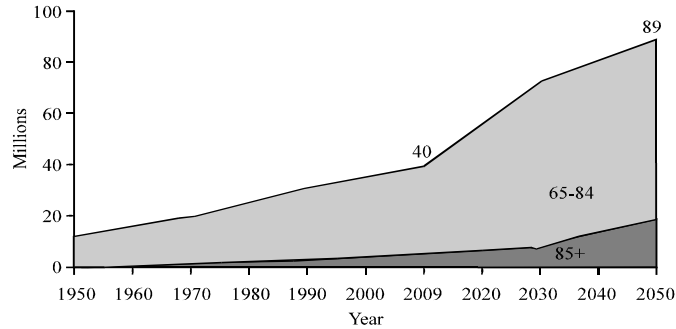


Fig. 4: U.S. population ages 65 and older from year 1950-2050 (Source: PRD analysis of data from U.S. Census Bureau)

group along with health and rehabilitation services. It has been observed that most will choose to stay in one location for the duration of their stay, using their 'long-stay' residence as a base for their additional or supplemental tours and trips:

- A baby boomer is a person who was born between the years 1946 and 1964 during the demographic post-World War II baby boom (Wikipedia)
- In the US, the oldest of this population-spike numbers 76 mill, nearly 8% of the population and has begun to enter retirement age
- In addition to being a demographic anomaly, "Boomers" are also an economic one in the concentration of wealth and above average income, with baby boomers earning "about \$3 trillion in annual income" (Reuters)
- A US baby boomer's annual average income is \$75,000, nearly double that of the US average of \$ 46,326
- This relatively small segment of the US population controls " 67% of the country's wealth, or US\$28 trillion" (U.S. Census and Federal Reserve)
- And most notable for Grenada and the Caribbean-baby boomers purchase 80% of the luxury travel (Huffington Post)

There are however eight crucial customer service factors when marketing to wellness tourists. They are, from high to low, personnel services, environments, healthy diet, relaxation, health promotion treatments, experience of unique tourism resources, social activities and mental learning (Chen *et al.*, 2013).

In Australia, the baby-boomers are referred to as grey tourism, which are travelers aged 60 years or older. This group is expected to increase significantly from 3.3 million Australians in 2002 to 5.9 million by 2021. Research suggests that 80% of the individuals within this group want to travel now or in the near future (Bates and Giskes, 2004).

The British like to refer this market segment as 'Mature' and in a study by Callan and Bowman (2000), the British travelers were queried as to the importance of 38 hotel attributes when selecting a hotel or judging its quality. It was found that the respondents had high expectations of hotel service quality as well as being a discerning group, placing greater emphasis on value for money than on actual price or discounting alone. The findings highlighted the importance placed on service staff attitude and behavior, while leisure facilities were found to be relatively unimportant,

but certain mature-specific attributes pertaining to mobility limitations were found to be salient to an important proportion of respondents. Significant differences were identified according to gender, age and retirement status, indicating that the mature market is heterogeneous.

As a consequence of sustained declines in fertility and mortality during the last three decades of the 20th century, Thailand faces a rapidly growing population of older persons. For the first time in the history of the country, the population of older persons will exceed the population of children around 2020. This demographic change has far-reaching socio-economic implications that require an appropriate policy response (UNFPA, 2006).

By the beginning of the 21st century, the Thai service industry had developed to a new level of sophistication (Sunanta, 2014) with a need to meet the needs of the elderly, such as spa and travel long stay and in the preparation for the development of infrastructure to support the elderly. With an even more global outlook, recreation can also be viewed as an interesting component of long stay tourism which has evolved from the needs of the individuals.

Meeting the needs of people who are living longer, healthier lives will have a tremendous financial impact. Standard and Poor's reports that the median age-related public spending for developed economies (including health care, pensions, long-term care and unemployment) is expected to rise from 17% of GDP in 2010-27% in 2050, versus 11-17% for emerging market countries. Median public spending on age-related health care in developed economies is expected to grow from 6% of GDP in 2010 to 11% in 2050, versus 4-11% of GDP for emerging market economies (Ernst and Young, 2011).

This trend therefore requires that this new group of travelers be catered to with their unique and specific form of behavior. Retirees and the elderly are looking for service quality and have the ability to pay a higher price for this service. Their security must be ensured along with better health care and activities available and suitable to their age and health. Even though this group is willing and capable to spending more, they are discernible about where they stay and what they buy. It is therefore necessary to conduct studies and prepare related businesses and entrepreneurs with this information, so they can prepare for the future.

According to Thailand's Department of Tourism (2013), Thailand has experienced remarkable growth in foreign arrivals over many decades, but with a particular surge over the most recent times. This is expected to continue, at least in the short-term. The issues facing Thailand seem therefore to be more in the distribution and servicing of this demand, rather than merely stimulating it. Selected points include ease of visa issuance (without loss of security integrity), smoother entry/egress through border checkpoints, especially at the international air gateways, more professionally trained service personnel (both in general service and in the public sector e.g. tourist police etc.), better English proficiency and a better preparedness for AEC in 2015.

In addition, a focus on metrics beyond just visitor numbers needs to be introduced and continually improved, with special emphasis being given to measures of the dispersion of visitors, their length of stay, spend and impacts on Thai society generally. The quality of the experience will become a prime consideration in ensuring that Thailand's tourism brand remains strong and positive; that in turn will ensure a long-term, competitive, viable and prosperous sector for both visitors and local residents alike (Thailand's Department of Tourism, 2014).

To better serve the Thai market and the consumer, it has been suggested that "The Holistic Marketing Concept" be introduced which is "based on the development, design and implementation of marketing programs, processes and activities that recognizes their breadth and inter-dependencies". Holistic marketing is a marketing philosophy that believes 'everything matters'

(Kotler and Keller, 2009) this is an approach which proposes that marketing should be looked from a broad and integrated perspective and not as an isolated management function. Thailand therefore should embrace this concept in its efforts to adapt to changes in the environment, world population and competition from outside sources. Thailand should take advantage of the AEC to increase its market share and revise its business strategies as competes in the 21st century.

Additionally, according to Kotler and Keller (2012) the holistic marketing concept looks at marketing as a complex activity and acknowledges that everything matters in marketing and that a broad and integrated perspective is necessary in developing, designing and implementing marketing programs and activities. The four components that characterize holistic marketing are: (1) Relationship marketing, (2) Internal marketing, (3) Integrated marketing and (4) Socially responsive marketing. Market segmentation and positioning have increased the divergence of society, further segregating and preventing a holistic population. Holistic marketing helps converge the segments in an approach to improve the entire market through social responsibility and convergence. Holistic marketing disengages the political marketing activities of “divide and conquer”, or market segmentation.

Another component for the development of knowledge and understanding of the target customer is called Customer Relationship Management (CRM). The importance of establishing close customer relationships is recognized and CRM is called for. It may seem that CRM is applicable only for managing relationships between businesses and consumers. A closer examination reveals that it is even more crucial for business customers (Rygielski *et al.*, 2002). This is due to the result of a long term relationship with the customer relationship management derived from the basic principles of relationship marketing and is considered a part of relationship marketing.

An organizational relationship management framework is useful because relationships are becoming more and more prevalent and more integral to an organization's success. As Galbreath (2002) and Normann and Ramirez (1993) stated, collaboration or rather the effective leveraging of relationship resources to create new sources of value, which is a process of learning and developing new mental models and competencies as well as obtaining resources through new means/sources.

Internal operations need to be consistent and responsive to customer needs to ensure customer satisfaction leads to customer loyalty, revenue increases and profitability in the long-term as well as improving customer satisfaction. High satisfaction or delight creates an emotional bond with the brand or company, not just a rational preference (Kotler and Keller, 2009).

The best customers act as positive ambassadors broadcasting to other consumer's positive feedback from what might be misperceptions and misunderstandings from other negative statements about a customer's product or service. The method used for customer relationship management is considered a model of efficient operations as it helps in reducing the costs that may be incurred in the operation as well. Therefore, the management of customer relationships is therefore crucial in today's business operations.

After a review of the literature and the reasons mentioned above, researchers are interested in understanding the development of models for the structure of the customer relationship management that can affect customer retention in the long stay Thai travel business.

CONCEPTUAL DEVELOPMENT

Travel industry and long stay travel business: Coined by economists as the “Invisible export”, tourism has become an important part of the economic and social development of any country.

Thailand is one of those countries which places paramount importance to tourism and consider it as a cornerstone of their economy with the government as well as people playing their roles in its development. The fact that Thailand attracts flocks of tourists from all parts of the world and is considered a major tourist hub is not merely a result of its natural beauty. Credit must be given to the Thai government and people for their commitment, dedication and hard work in developing tourism as one of the country's major industries. This quality tourist destination whilst contributing to the country's socio-economic development has continued to play a role as an 'invisible export, growing tremendously and continuing to remain a priority area in Thailand's future growth.

Tourism in Thailand takes on many forms due to the richness of its culture, heritage and geography. With tourism approaching 22 million visitors in 2014, the opportunity exists for Thais to gain a better insight into other cultures as well, especially other members of the ASEAN family. The tourism reach into the economy is vast, spreading itself into other sectors such as aviation, rail, maritime, transportation, food production, movies, tours, etc. To help regulate and standardize processes and procedures within this arena, many state, regional and international groups have come into existence.

An example of one such group is the UN World Tourism Organization which is an inter-governmental body that deals with all aspects of tourism. It began its legal existence on the 2nd of January 1975 and was born out of the international Union of official travel organization (IUOTO) which was a non-government body set up at Hague (Netherlands) in 1925 with the aim of promoting tourism for economic, social and cultural advancement of all national. Initially established to help with war refugees in their travel from their home to a temporary shelter, it later took on a much more significant role.

The very heart of the tourism phenomenon model is unequivocally the tourist and the travel experiences that he or she seeks when visiting a tourism destination (Fig. 5). In order for a destination to provide stimulating, high-quality experiences, it is critical that both policy makers and managers are able to understand tourists' motivation for pleasure travel, as well as the multiple factors that influence their selection of a destination, their mode of travel and their ultimate choice among the myriad activities that may fulfill their travel needs. It is only when we understand the tourist as fully as possible that we can proceed to develop the facilities, events, activities and programs that will distinguish a given destination, thus making it uniquely attractive to the tourist.

The mutual dependence that exists between tourism and cultural heritage is becoming more evident. While culture heritage creates a foundation for tourism's growth, tourism has the power to generate funds that make conservation possible. Cultural heritage loses much of its meaning without an audience and a society participating in and benefiting from it. Without sustainable management, tourism loses its potential for growth (NWHF, 1999).

Now due to higher disposable incomes, increased leisure time and falling cost of travel, the Tourism industry has shown a very high growth and since tourism is a service industry it comprises of a number of tangible and intangible components. The tangible elements include transport systems-air, rail, road, water and now, space; hospitality services-accommodation, food and beverage, tours, souvenirs; and related services such as banking, insurance and safety and security. The intangible elements include: rest and relaxation, culture, escape, adventure, new and different experiences (Aydinoglu and Yomralioglu, 2006).

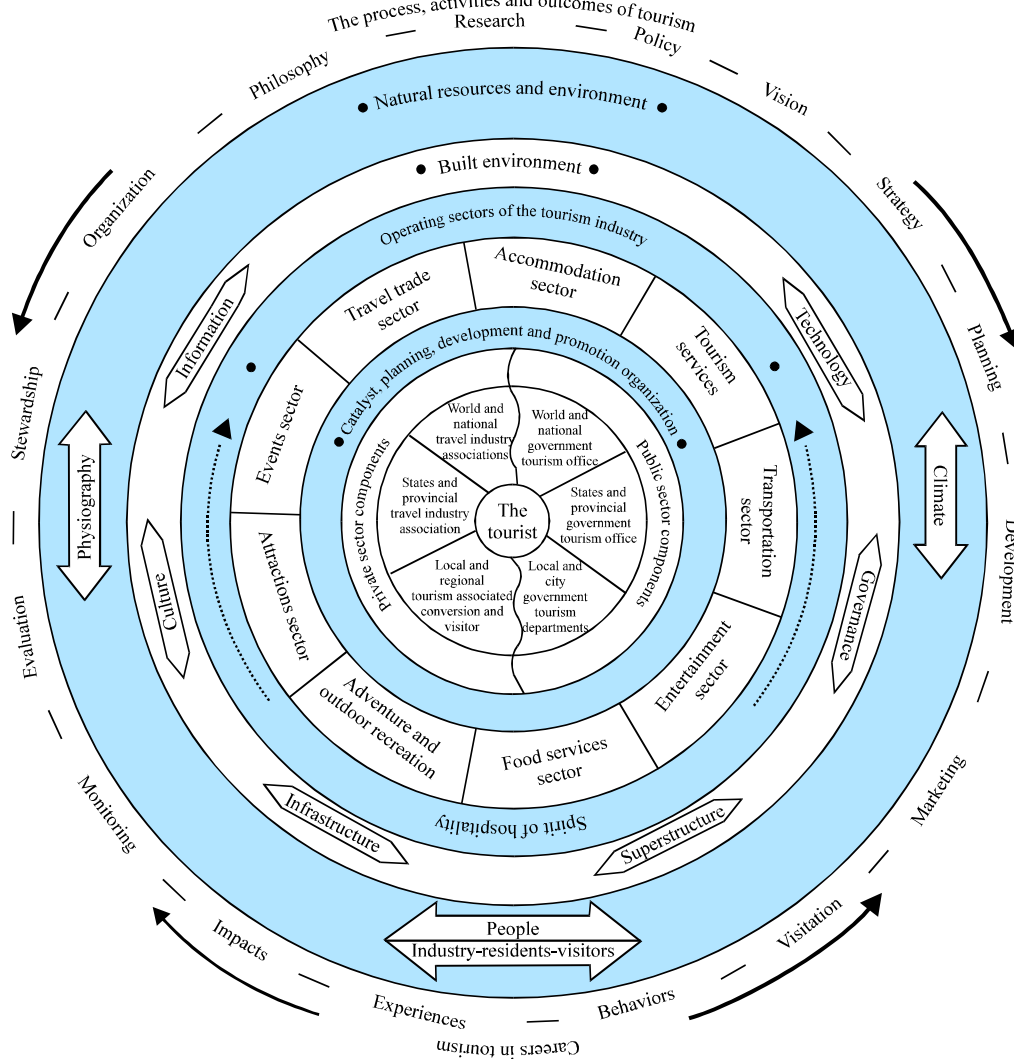


Fig. 5: Tourism phenomenon: Components of tourism and tourism management (Goeldner and Ritchie, 2011)

Customer retention: In the 1990 'Zero Defections: Quality Comes to Services' report it was shown that in industry after industry, the high cost of acquiring customers renders many customer relationships unprofitable during their early years. Only in later years, when the cost of serving loyal customers falls and the volume of their purchases rises, do relationships generate big returns. The bottom line: increasing customer retention rates by 5% increases profits by 25-95%. Those numbers startled many executives and the article set off a rush to craft retention strategies, many of which continue to pay large dividends (Reichheld and Sasser, 1990).

More companies today are therefore recognizing the benefits of satisfying and retaining current customers. Remember, acquiring new customers can cost five times more than the cost of satisfying and retaining current customers. On average, companies lose 10% of their customers each year. Yet by reducing the customer defection rate by 5%, companies can increase profits by 25-85%, depending on the industry. Also, the customer profit rate tends to increase over the life of the retained customer, due to increased purchases, referrals, price premiums and reduced servicing costs (Reichheld, 1996).

This is consistent with Dechkriengkraikun *et al.* (2003) and Ferrell *et al.* (2002) who stated that customer retention can lead to many corporate benefits including reducing operational costs and gaining new customers through word-of-mouth referrals which increase revenue. This is consistent with authors such as Calik and Balta (2006) who said that customer loyalty and customer retention is caused by good referrals which creates customer loyalty.

And from the study of Parida and Bakshi (2011) who studied the 'Customer Retention and Profitability CRM Environment', it was found that Service Quality has emerged as a predominant determinate of customer satisfaction, which in turn affects customer retention and long term profitability. 'Service Quality' therefore is a critical component.

Kozak (2001) also studied the correlation between satisfactions of returning and revisiting past destinations and it was observed that satisfaction with a destination can facilitate both subsequent visits to the same destination and visits to neighboring destinations. This is consistent with Rittichainuwat *et al.* (2002) who described the impact of satisfaction on the likelihood of repeat visitors to a country, which showed that there is a significant relationship between satisfaction and the willingness to repeat.

An empirical investigation conducted among banking clients by Rootman (2011) "An International Comparative Study On The Relationship Marketing And Customer Retention Of Retail Banks: Lessons For South Africa", revealed that significant positive relationships exist between six of the seven identified independent variables, namely communication, personalization, empowerment, ethics, fees and technology and banks' relationship marketing. These relationships imply that, according to banking clients, if each of these aspects in banks improves, bank-client relationships would improve.

Vahid (2009) conducted a study 'Three Dimensional Modeling of Customer Satisfaction, Retention and Loyalty for Measuring Quality of Service', which explains the relationship between customer satisfaction, retention and loyalty based on service quality attributes. The three elements of satisfaction, retention and loyalty towards products represent ongoing challenges for corporate financial performance, with customer behavior analysis (known as business intelligence or customer relationship management or customer experience management) becoming a major factor in the corporate decision making and strategic planning processes.

According to Heskett *et al.* (1994), satisfaction-retention-loyalty-chain (SRLC) is a key concept that needs to be understood due to its link to Customer Relationship Management (CRM) and, in turn, profitability. The concept has been popular since the early 1990s, when measuring and managing customer satisfaction became important to companies.

Keeping customers to stay with the company forever is the heart of a business today.

According to the book, 'Leading on the Edge of Chaos' by Murphy and Murphy (2002), the value of each customer increases over time because:

- Acquiring new customers can cost as much as five times more than satisfying and retaining current customers. (This number can vary greatly depending on industry and offerings)
- Customer profitability tends to increase over the life of a retained customer. In other words, they buy more as their trust increases
- A 2% increase in customer retention has the same effect as decreasing costs by 10%
- Depending on the industry, reducing your customer defection rate by 5% can increase your profitability by 25-125%. Quoted from 'Leading on the Edge of Chaos'

With these statistics, keeping your current customers coming back for more, or Customer Retention, should be paramount for any business. One key to retaining your customers is to figure out why you lose them. Here are the top factors, according to a study released by the U.S. Small Business Administration and the U.S. Chamber of Commerce (Campbell, 2013):

- 68% leave because they are upset with the treatment they've received
- 14% are dissatisfied with the product or service
- 9% begin doing business with the competition
- 5% seek alternatives or develop other business relationships
- 3% move away
- 1% dies

While there's not much you can do about a dying customer, there is a lot you can do to make your customers feel well treated so they become less likely to take their business elsewhere.

Customer relationship management: Customer relationship management (CRM) is the process of carefully managing detailed information about individual customers and all customer touch points to maximize customer loyalty (Kotler and Keller, 2012). The origin of the concept began in the United States in the 1980s along with the beginnings of microcomputers and their networks as small offices and businesses were now able to compile databases and spreadsheets to track both their customers and their accounts. In Thailand, the concept of CRM has become more important within the past decade.

Osarenkhoe and Bennani (2007) stated that CRM is a strategic business and process issue, not merely a technology solution as most often conceived in practice. The CRM process is a continuous learning process where information about individual customer is transformed into a customer relationship. Furthermore, results show that relationships are not only a tactical weapon, but represent a different, strategic approach to buyer-seller exchange. Findings also showed that implementing sustainable CRM strategy requires the endorsement by and commitment from top management, systematic cross-functional communication and mandatory customer loyalty training programs for all employees.

Parida and Baksi (2011) studied 'Customer Retention and Profitability CRM Environment' and found that the management of customer relations affects their satisfaction as well as their retention resulting in greater profits, long-term employees, processes and technologies. This is consistent with Swartz and Iacobucci (2000) who stated that the administration's relationship with the customer, strategies used in relationship marketing and CRM should be used to service relationships. Customer Relationship Management (CRM) should expect to help with customer retention if the company's services are adequate to the needs of the customers and expect to make a long-term future relationship.

Seeman and O'Hara (2006) noted that managing the relationship with the customer is a business strategy that aims to create more customers, greater customer satisfaction, achieve customer loyalty as well as educating them. Cheng and Hamid (2011) studied about "The Usability of Hotel Websites in Managing Tourist Expectations: A Customer Relationship Perspective", found that operators should aim to use the Internet and technology to manage customer relationships. A pledge to build better customer relationships and provide more satisfaction to customers which contributes to customer loyalty is in accordance with Alrubaiee and Al-Nazer (2010) who stated that

regression analysis showed that relationship marketing orientation is significant in explaining the variation in customer loyalty. In addition, sex and income displayed a significant impact on the relationship marketing-customer loyalty relationship whose findings contributed to better understanding of the relationships between different dimensions of relationship marketing orientation, customer loyalty and demographic variables; provide critical implications for bank managers; and highlight directions for future research.

Customer satisfaction: In today's competitive environment delivering high quality service is the key for a sustainable competitive advantage. Customer satisfaction does have a positive effect on an organization's profitability with satisfied customers forming the foundation of any successful business because customer satisfaction leads to repeat purchases, brand loyalty and positive word of mouth. It is now widely accepted that businesses that offer different types of business strategies, including the production of quality products, giving excellent service and adding value by enriching their service or products are creating a competitive advantage as well as making their customer happy. This leads many to focusing on creating satisfied customers while retaining them with continued customer satisfaction which is considered a major goal of the organization (Angelova and Zekiri, 2011).

Satisfaction refers to an individual's experience that they express in the use of a product or consumer good. It is also a marketing term that measures how products or services supplied by a company meet or surpass a customer's expectation. This however can have an equal or even greater affect if the person has a negative experience with a product or service. A lack of customer satisfaction can be the result of many elements including past negative experiences from friends or family (word of mouth) or other informational resources or organizations.

Customer satisfaction is important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses.

In a survey of nearly 200 senior marketing managers, 71% responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses (Farris *et al.*, 2006). Here are the top six reasons why customer satisfaction is so important:

- It's a leading indicator of consumer repurchase intentions and loyalty
- It's a point of differentiation
- It reduces customer churn
- It increases customer lifetime value
- It reduces negative word of mouth
- It's cheaper to retain customers than acquire new ones

Sources or organizations that have a commitment to the organization are characterized by a high level of customer expectations, which may cause disappointment to customers. In contrast, if an organization set expectations low, it will not be able to generate interest and entice customers to shop.

Claes Fornell is the Chairman and founder of CFI group. He is one of the world's leading experts on Customer Satisfaction Measurement and is responsible for the development and design of the American Customer Satisfaction Index (ACSI) which began in 1994, a USA Economic Indicator (Fig. 6) and for similar indices in Europe and Asia. Professor Fornell is also the Donald C. Cook Professor of Business Administration and the Director of the National Quality Research Center (NQRC) at the University of Michigan.

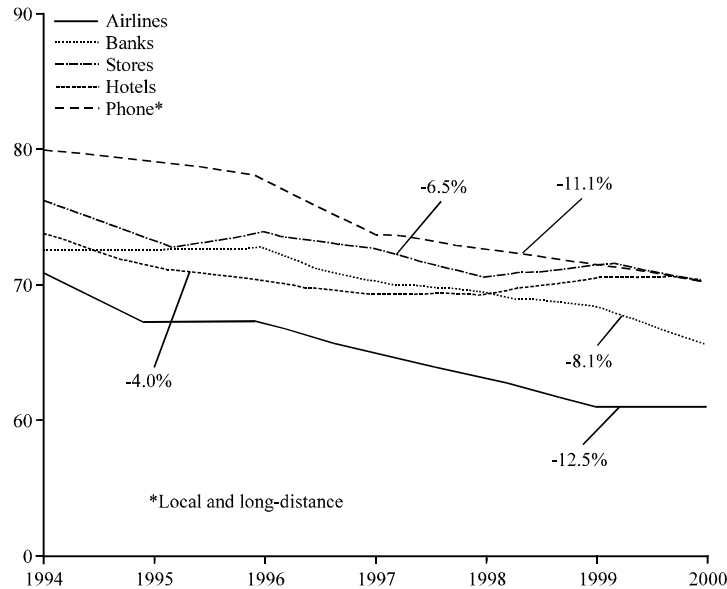


Fig. 6: Declining satisfaction hits major service industries in the USA, 1995-2000, based on annual poll of more than 50,000 customers, measuring overall satisfaction with products and services. Scale: 1-10, Source: American customer service index, University of Michigan Business School

Professor Claes Fornell compiles and analyzes the ACSI data which has consistently predicted future consumer spending and is an indicator of financial performance at both the company and industry level. ACSI has consistently predicted future consumer spending and is an indicator of financial performance at both the company and industry level. In the first quarter of every year, the ACSI measures customer satisfaction with the quality of products and services in energy utilities, airlines, express delivery, U.S. Postal Service, hospitals, hotels, fast food restaurants, cable and satellite TV and telecommunications services (Fornell, 2007).

A valuable measure of how well different industries in the United States are performing relative to the needs and expectations of the marketplace is provided by the American Customer Satisfaction Index (ACSI), which measures customers' evaluations of the total purchase and consumption experience, both actual and anticipated, on an annual basis. The 10 ACSI results show that most manufactured products score higher than most services. Figure 6 shows the trend in annual satisfaction scores for several major service industries between 1995 and 2000. Most show a decline, with the airline industry showing the sharpest deterioration in customer satisfaction. As these data suggest, many service industries are still a long way from meeting their customers' expectations on service. But some companies do better than others. Within each industry, there are often considerable variations in performance between different firms.

Service quality and customer satisfaction are very important concepts that companies must understand if they want to remain competitive and grow. In today's competitive environment delivering high quality service is the key for a sustainable competitive advantage. Customer satisfaction does have a positive effect on an organization's profitability. Satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty and positive word of mouth (Angelova and Zekiri, 2011).

American Customer Satisfaction Model or The American Customer Satisfaction Index (ACSI) is the US national indicator of customer evaluations of the quality of goods and services available to U.S. residents since 1994. It is the only uniform, cross-industry and government measure of customer satisfaction. It produces indices of satisfaction, its causes and effects, for seven economic sectors, 39 industries, 200 private sector companies, two types of local government services and the U.S. postal service (VHA, 2013).

The Customer Satisfaction Index is a weighted average of three questions. The questions are answered on a 1-10 scale and converted to a 0-100 scale for reporting purposes. The three questions measure: Overall satisfaction, Satisfaction compared to expectations and Satisfaction compared to an 'ideal' organization (Angelova and Zekiri, 2011).

This is consistent with the study of Chen (2009) study of the 'Development of a Model to Measure Customer Satisfaction with International Tourist Hotels in Taiwan' which used structural equation modeling to analyze linear relationships between variables in the model and the customer satisfaction index. The results showed that the index of customer satisfaction in Taiwan's hotel rating is a valuable tool for evaluating the customer satisfaction and will provide a key component in the measurement of customer satisfaction, which consists of the quality of the product/service that customers receive (Perceived Quality), the value of the product/service that customers receive (Perceived Value) and expectations of the customer (Customer Expectation).

From the study of Deng *et al.* (2013) A customer satisfaction index model for international tourist hotels: Integrating consumption emotions into the American Customer Satisfaction Index results showed that the index of customer satisfaction is useful for evaluating the customer satisfaction with an index to measure quality of products /services that customers receive (Perceived Quality), the value of the product/service that customers receive (Perceived Value) and expectations of the customer (Customer Expectation).

From the above conceptual review and development (Fig. 7), the researchers have developed the following hypotheses for the present study:

- **H1:** Customer relationship management influences customer satisfaction
- **H2:** Customer relationship management influences customer retention
- **H3:** Customer satisfaction influences customer retention

METHODOLOGY

This study developed a structural equation model of customer relationship management and customer satisfaction factors affecting customer retention of long-stay travellers in the Thai tourism industry. Population used in this study or unit of analysis of this research is long-stay foreign tourists in Thailand.

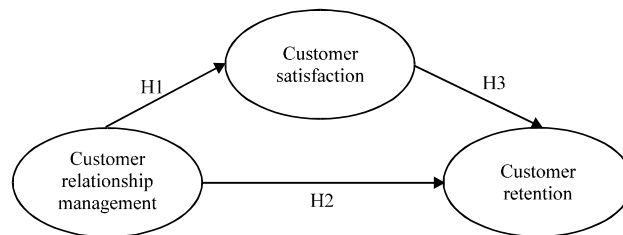


Fig. 7: Conceptual model of customer relationship management and customer satisfaction on customer retention of long-stay tourists in Thailand

Data collection: Schumacker and Lomax (2010) stated that Structural Equation Modeling (SEM) uses a variety of models to show the relationships between observed variables with the same basic goal of providing a quantitative test of a theoretical model hypothesized by a researcher. The models developed using SEM can be tested to show how sets of variables define concepts and how they are related. The goal of SEM is to determine the extent to which the model is supported by the data that is gathered during research (Schumacker and Lomax, 2010) and since SEM is capable of statistically modeling and testing complex phenomena, it has therefore become the preferred method for confirming (or not) theoretical models, quantitatively. Another very important consideration is the intended sample size with most authors recommending a sample size of at least 100 to generate good results (Cunningham, 2008; Schumacker and Lomax, 2010; Weston, 2006; Worthington and Whittaker, 2006), so therefore a sample size smaller than 100 should not be used as it is unreliable and consequently SEM should not be used (Meldrum, 2010).

As such, this study draws from a sample population of 220 long-stay travelers in Thailand. From the sample size determined by Schumacker and Lomax (2010), the researchers used the 10-20 sample size suggested for each variable. As the research consisted of 11 variables, a minimum of 110 samples were deemed as acceptable of which 220 were obtained ((Hair *et al.*, 2006). Questionnaires were constructed to be a tool to measure concept definition and practice. The instrument or questionnaire used the 7-Point Likert Scale (Likert, 1970) as the measurement scale and the conceptual framework for determining the internal consistency measured by coefficient alpha. (α -coefficient) of Akron BAC (Cronbach) to calculate the average value of the correlation coefficient. All values lower than 0.50 were eliminated from the measurement.

Quantitative measurement: Analysis of long-stay foreigners in Thailand used a measurement instrument or questionnaires utilizing a 7-Point Likert Scale (Likert, 1970).

Dependent variable: Customer Retention (CR) analysis used a measurement instrument or questionnaires utilizing a 7-Point Likert Scale (Likert, 1970) which was developed and constructed from scales enabling the measurement of Word-of-mouth (Word_mouth), Retention (Retention) and Customer loyalty (Cus_loyal) (Reichheld and Sasser Jr., 1990; Reichheld, 1996; Dechkriengkraikun *et al.*, 2003; Ferrell *et al.*, 2002; Calik and Balta, 2006; Parida and Baksi, 2011; Kozak, 2001; Rittichainuwat *et al.*, 2002; Rootman, 2011; Vahid, 2009; Heskett *et al.*, 1994; Murphy and Murphy, 2002; Campbell, 2013).

Independent variables: Customer Relationship Management (CRM) analysis used a measurement instrument or questionnaires utilizing a 7-Point Likert Scale (Likert, 1970) which was developed and constructed from scales enabling the measurement of People (People), Process (Process), Technology (Technology), Communication (Communication) and Information (Information) (Kotler and Keller, 2012; Osarenkhoe and Bennani, 2007; Parida and Baksi, 2011; Swartz and Iacobucci, 2000; Seeman and O'Hara, 2006; Cheng and Hamid, 2011; Alrubaiee and Al-Nazer, 2010).

Customer Satisfaction analysis used a measurement instrument or questionnaires utilizing a 7-Point Likert Scale (Likert, 1970) which was developed and constructed from scales enabling the measurement of Perceived Quality (Per_qual), Perceived Value (Per_value) and Customer Expectation (Cus_expect) (Angelova and Zekiri, 2011; Farris *et al.*, 2006; Fornell, 2007; Angelova and Zekiri, 2011; VHA, 2013; Chen, 2009; Deng *et al.*, 2013).

RESULTS AND DISCUSSION

Partial Least Squares has been applied for analysis of quantitative data by the researcher. It is data analysis for confirmatory factor analysis (CFA) relating to the determination of manifest variable and latent variable and testing of research hypothesis exhibiting in structural model analyzed by using the applications of PLS-Graph (Chin, 2001).

According to the analysis result of scale validity and reliability, scale investigation has been conducted using internal consistency measurement coefficient alpha. (α -coefficient) of Akron BAC (Cronbach) to calculate the average value of the correlation coefficient was found that alpha coefficients ranged from 0.755-0.898, which is considered to have high reliability.

In case of measure variables with reflective analysis, convergent validity has been conducted. Loading is used as consideration criteria and must be positive quantity and indicator loading has been more than 0.707 and all values have been statistically significant ($|t| \geq 1.96$) representing convergent validity of scales (Lauro *et al.*, 2005; Henseler and Fassott, 2010) quoted in Piriyakul (2010) and analysis results as shown in Table 1.

Customer Relationship Management (CRM) factors underlying the external variables are influenced by People (People), Process (Process), Technology (Technology), Communication (Communication) and Information (Information) with values loading from 0.707 and a significant level of confidence percentage 95% ($t\text{-stat} > 1.96$), which considers such factors highly reliable. These factors have a direct and positive impact on Customer Retention as shown in the Final Model in Fig. 8.

Customer Satisfaction (CS) factors underlying the external variables are influenced by Perceived Quality (Per_qual), Perceived Value (Per_value) and Customer Expectation (Cus_expect) with values loading from 0.707 and a significant level of confidence percentage 95% ($t\text{-stat} > 1.96$), which considers such factors highly reliable. These factors have a direct and positive impact on Customer Retention as shown in the Final Model in Fig. 8.

The above reflective model in Table 1 shows the discriminant validity of the internal latent variables and the correlation of variables. It also depicts the scale reliability which has been analyzed from Composite Reliability (CR) as well as the Average Variance Extracted (AVE) and R^2 . The CR value should not go below 0.60 and the AVE values should also drop below 0.50 and R^2 values should not be under 0.20 (Lauro *et al.*, 2005; Henseler and Fassott, 2010).

Table 1: Reflective statistical values indicating convergent validity of the latent variables

Construct/item	Loading	t-stat
Customer relationship management (CRM)		
People	0.7900	21.2549
Process	0.8270	25.3238
Technology	0.8350	24.1140
Communication	0.8931	56.1898
Information	0.8701	45.5531
Customer satisfaction (CS)		
Perceived quality (Per_qual)	0.9276	86.9021
Perceived value (Per_value)	0.9052	59.9272
Customer expectation (Cus_expect)	0.8722	37.1536
Customer retention (CR)		
Word-of-mouth (Word_mouth)	0.8660	45.0733
Retention (Retention)	0.8567	44.6443
Customer loyalty (Cus_loyal)	0.7612	16.7242

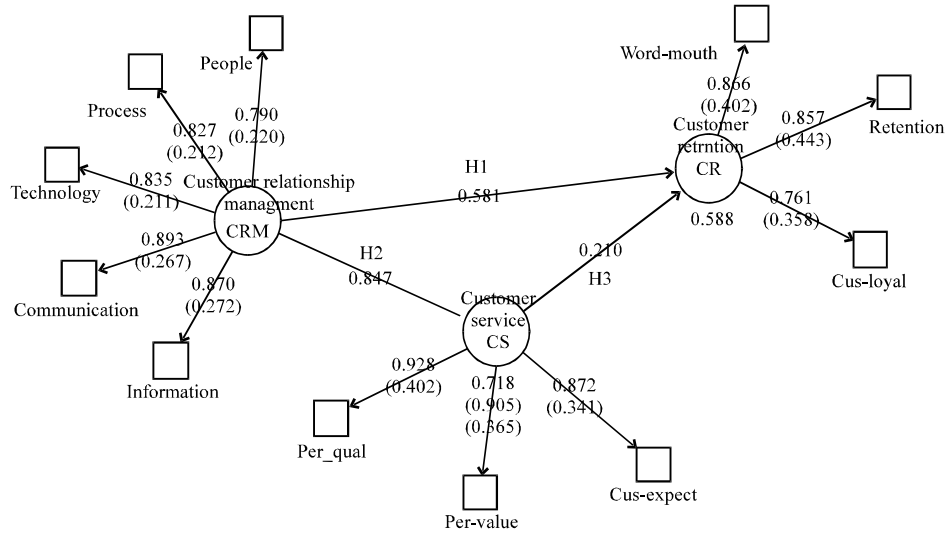


Fig. 8: Final model

Table 2: Confirmatory Factor Analysis (CFA) of the independent variables of customer relationship management and customer satisfaction and their effects on the dependent variable of customer retention

Construct	CR	R ²	AVE	Cross construct correlation		
				Customer relationship management	Customer satisfaction	Customer retention
Customer relationship management	0.925		0.712	0.844		
Customer satisfaction	0.929	0.7181	0.814	0.847	0.902	
Customer retention	0.868	0.5883	0.688	0.759	0.702	0.829

CR: Composite reliability, R²: Square of the correlation, AVE: Average variance extracted. Results are statistically significant at 0.01 level as shown by the numbers in the diagonal

Table 2 shows the results of factor analysis affecting Customer Retention on foreign long-stay tourists in Thailand. The data also shows the CR values are higher than 0.60, with all AVE values higher than 0.50 for all values and R² values higher than 0.20, representing the reliability of the measurement. It found that data sets in the \sqrt{AVE} have higher values than all of the corresponding values in the 'Cross Construct Correlation' in the same column, representing discriminant validity of the measure in each construct and with a greater value than 0.50 of AVE as shown in Table 2. The samples were analyzed to answer the research hypotheses criteria in the three assumptions presented in Table 3.

Furthermore, the structural analysis model framework was used to research the t-test coefficients and their relationship of each path of the t-test hypothesis with significance greater than 1.96. This explains the results obtained from analysis as shown in Table 1 and 2 as well as the test results presented in Table 3.

The results of the research 'A Structural Equation Model of Customer Relationship Management Factors Affecting Customer Retention of Long-Stay Travelers in the Thai Tourism Industry' identified the following issues.

Customer Relationship Management (CRM) factors have a positive effect on customer satisfaction. This is consistent with the research by Parida and Baksi (2011) entitled 'Customer

Table 3: Results of testing hypotheses

Hypotheses	Coefficient	t-stat	Results
H1: Customer relationship management has a direct and positive influence customer satisfaction	0.847	5.9764	Supported
H2: Customer relationship management has a direct and positive influence on customer retention	0.501	39.9153	Supported
H3: Customer satisfaction has a direct and positive influence on customer retention	0.210	2.3353	Supported

Retention and Profitability CRM Environment ‘and found that the management of customer relations affects their satisfaction as well as their retention resulting in greater profits, long-term employees, processes and technologies. Additionally, Seeman and O’Hara (2006) noted that managing the relationship with the customer is a business strategy that aims to create more customers, greater customer satisfaction, achieve customer loyalty as well as educating them.

The study by Cheng and Hamid (2011) about ‘The Usability of Hotel Websites in Managing Tourist Expectations: A Customer Relationship Perspective’, found that operators should aim to use the Internet and technology to manage customer relationships and pledge to build better customer relationships and provide more satisfaction to customers which contributes to customer loyalty. This is consistent with the study of Gilaninia *et al.* (2011) who showed that Customer Relationship Management is critical in communicating with clients to attract customers and customer retention can lead to customer satisfaction.

Chen (2009) stated that in Taiwan, there is no commonly accepted and official standard to measure customer satisfaction in hotels. Therefore, research was undertaken to develop an appropriate customer satisfaction index model associated with Taiwanese international tourist hotels and identify any significant differences in guests’ perceptions of service quality, hotel image, perceived value and customer satisfaction based on gender, age, nationality, education and annual income. The results showed that the index of customer satisfaction in Taiwan’s hotel rating is a valuable tool for evaluating the customer satisfaction and will provide a key component in the measurement of customer satisfaction, which consists of the quality of the product/service that customers receive (Perceived Quality), the value of the product/service that customers receive (Perceived Value) and expectations of the customer (Customer Expectation).

From the study by Deng *et al.* (2013) ‘A customer satisfaction index model for international tourist hotels: Integrating consumption emotions into the American Customer Satisfaction Index ‘results showed that the index of customer satisfaction is useful for evaluating the customer satisfaction with an index to measure quality of products /services that customers receive (Perceived Quality), the value of the product/service that customers receive (Perceived Value) and expectations of the customer (Customer Expectation).

This corresponds to research by Angelova and Zekiri (2011) who stated that Service quality and customer satisfaction are very important concepts that companies must understand if they want to remain competitive and grow. In today’s competitive environment delivering high quality service is the key for a sustainable competitive advantage. Customer satisfaction does have a positive effect on an organization’s profitability. Satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty and positive word of mouth.

This is consistent with Bowen and Chen (2001) which noted that the satisfaction of customers will lead to customer loyalty. Williams and Buswell (2003) stated that the success of businesses is measured by the satisfaction of customers and the measurement of service quality is to improve the quality of their services.

Kozak (2001) also studied the correlation between satisfactions of returning and revisiting past destinations and it was observed that satisfaction with a destination can facilitate both subsequent visits to the same destination and visits to neighboring destinations. This is consistent with Rittichainuwat *et al.* (2002) who described the impact of satisfaction on the likelihood of repeat visitors to a country, which showed that there is a significant relationship between satisfaction and the willingness to repeat. This is consistent with Swartz and Iacobucci (2000) who stated that the administration's relationship with the customer, strategies used in relationship marketing and CRM should be used to service relationships. CRM should expect to help with customer retention if the company's services are adequate to the needs of the customers and expect to make a long-term future relationship. And from the study of Parida and Bakshi (2011) who studied the 'Customer Retention and Profitability CRM Environment', it was found that the management of customer relations affects their satisfaction as well as their retention resulting in greater profits, long-term employees, processes and technologies.

Xu and Liu (2011) studied the idea of mass customization as a new mode of production that can meet customer individual requirements, without sacrificing enterprise efficiency. It was stated that the customization in the MC is driven by the customer, so customer retention to a large extent influences the effective implementation of mass customization. Additionally, the paper analyzed the different characteristics and influence factor of customer loyalty and customer consumption emotion at various stages of CRM.

CONCLUSION

'A Structural Equation Model of Customer Relationship Management Factors Affecting Customer Retention of Long-Stay Travelers in the Thai Tourism Industry' showed that the Thai tourism industry is a crucial component of the economy that generates a significant income for the country. With Thai economic integration commencing in 2015 amongst the 10 member nation, competition within the AEC will face even stronger competition from outside its borders. As such, Thailand should speed up processes that allow tour operators to take advantage of the AEC's 600 million consumers to increase Thailand's market share. Business strategies should include the use of Customer Relationship Management or CRM, which enables organizations to process information in such a way that is consistent and responsive to the needs of the tourists and travellers. This will result in better consumer loyalty and satisfaction as well as increasing income and long-term profitability. It is necessary that Thailand develops the infrastructure and services to international standards which will empower entrepreneurs and SMEs in the race to sustainable growth and development for the future.

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