# Do Social Media Marketing Activities Enhance Customer Satisfaction, Promote Positive WOM and Affect Behavior Intention?

An Investigation into the Effects of Social Media on the Tourism Industry

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#### **Abstract**

This study aims to clarify how social media marketing activities work in tourism industry and how they can help travel agencies increase customer satisfaction and affect positive word-of-mouth as well as behavior intentions. An internet based survey was conducted to examine moderation hypotheses, which was analyzed by factor analysis and covariance structure analysis. The results show that social media marketing activities affects customer satisfaction stronger than behavior intention and positive word-of-mouth. Moreover, the results also show that customer satisfaction influence behavior intention stronger than positive word-of-mouth.

#### Key words

Social media marketing activities, Customer satisfaction, Positive word-of-mouth, Behavior intention, Tourism industry

#### I Introduction

# I .1. The development of social media marketing

In recent years, billions of people have experienced a complex array of email, Twitter, text messages, shared photos, podcasts, audio and video streams, blogs, wikis, discussion groups, virtual reality game environments, and social networking sites like Facebook and MySpace that connect them to the world and the people they care about (Hansen et al., 2011, pp.11). Social network analysis has a long history which can be traced back to human relationships and connections. Social networks are created from any amount of connections among groups

of people and things. According to Hansen et al. (2011, pp.4), social network science itself is relatively new, with roots in the early twentieth century, founded on two centuries of work in the mathematics of graphs and topology.

Social media was born through the spread of social network connections and the development of communication technology. In Web 2.0, websites are collaborative, dynamic, interactive, and users are actively participating in the generation or enrichment of content (Chan and Guillet, 2011). Social media is visible and well known in the form of consumer applications such as Facebook and Twitter, which billions of people use either as important communication tools with which to contact each other, or as a vital source of continually updated information. Compared to traditional communication tools, such as the telephone or internet websites, social media is highlighted because it allows for frequent simultaneous interaction. On this point, some researchers (for example, Hansen et al., 2011, Greenberg, P. 2010) suggest that social media brings great innovation to communication.

Social media is becoming more and more attractive, not only because of its huge power of communication, but also because it can be used to build stable and long-term relationships between customers and businesses. Although social media is a relatively new media that has emerged in recent years, it is popular around the world. According to comScore (2008, 2009 a, 2009 b), social media reached a penetration of 70.2%, 74.6, and 60.6% in the United States, Europe, and Asia-Pacific respectively in 2008 as a percentage of the total number of Internet users (Chan and Guillet, 2011).

With the development and broad application of social media, numerous businesses viewed it as a great business opportunity and began to consider how to mine the potential of social media to service their businesses, including ways of building better relationships with their customers, advertising their products or services, promoting their image to the public and so on. Realizing the importance of social media, more and more companies acted proactively in social media marketing (from now on called 'SMM'). The most significant difference between SMM and traditional marketing is how it used as a tool in business activities. SMM, as the name showed, emphasizes the broad use of social media to reinvent the relationship between companies and customers, and to innovate companies' marketing activities using new communication tools.

However, practicing social media in a real business environment is no easy matter. The success of SMM requires clarifying what customers really need, what most influences their purchase decisions, why they positively use social media, and how they make their final purchase decisions. In other words, as SMM is still in its early stages, if companies want to

fully exploit the power of social media to connect with customers and practice SMM in a real business environment, they need to move beyond isolated projects towards integrated programs aimed at getting to know their customers better.

#### I .2. Research Object

Tourism industry has been selected as research object in this present study for the following reasons. Firstly, the tourism industry is one of the most important industries in the service sector. Compared to manufacturing, the most important characteristic of service is its intangibility. As the intangibility is so significant, customers tend to perceive high risk before and during the service encounter. Therefore, customers actively look for cues that help decrease the high level of perceived risk brought about by service intangibility. As the tourism industry belongs within the service sector, it possesses the common characteristics of service, especially high perceived risk brought about by intangibility. Social media, as an essential tool to enhance interaction between service providers and customers, is expected to play a more important role in this industry.

Secondly, the practice of social media is broadly developed in tourism. Although many more companies understand the importance of using social media in marketing activities, not all companies positively apply it within a real business environment. However, travel companies tend to use social media in order to attract potential customers, for example, advertising on Facebook. Moreover, travel companies also create some hot topics to attract visitors to their site and enhance their interaction with customers. Making use of social media is not only important to travel companies, but also to customers themselves. It has been pointed out that most travelers tend to check websites for useful information before and during their travel. In this respect, SMM is of obvious importance to the tourism industry.

## I .3. Research purposes and paper organization

This study aims to clarify how SMM activities work in tourism industry and how they can help travel agencies increase customer satisfaction and affect positive word of mouth (from now called 'WOM') as well as behavior intentions. The factors—customer satisfaction, positive WOM and behavior intentions—are regarded as key points that influence companies' return on investment (ROI) in the business world, and are also highlighted in the academic world as essential variables that help to exploit customers' complex psychological processes. This study will also attempt to discover how customer satisfaction and positive WOM relate to each other in a SMM environment. The inter-relationship between the three variables

mentioned above has been broadly discussed in past studies. However, it is still a new concept in the SMM environment.

To clarify the two research purposes, three research questions have been introduced:

- 1. How should SMM activities be evaluated?
- 2. How do SMM activities influence customer satisfaction, WOM and behavior intention?
- 3. How do customer satisfaction, WOM and behavior intention relate to each other in a SMM environment?

In the following sections, we will firstly review previous studies related to SMM, customer satisfaction, WOM and behavior intentions. The second section proposes building a theoretical background by defining specific factors. In the third section, some hypotheses will be constructed based on the theoretical background. In the fourth section, I will show how SMM activities, customer satisfaction, WOM and behavior intentions are measured. Moreover, the method of data collection and data analysis will also be mentioned. In the fifth section—the most important section of this paper, findings based on data analysis will be listed. In the sixth section, the conclusions and implications of this study will be discussed. Lastly, the limitations and further studies will be shown.

# II Theoretical background

#### II.1. Social media marketing activities

#### II.1.1. Previous studies on SMM activities

The early stage of SMM is called e-marketing. The framework of e-marketing can be traced to Kierzkowski et al. (1996). In their study, five elements—Relate, Attract, Engage, Retain and Learn were suggested as the critical factors which can lead to success in digital marketing. In detail, they suggested that companies should attract users and try to engage their interest and participation. Furthermore, companies should retain users and learn about their preferences. Lastly, companies should refer back to users to provide the sort of customized interaction that represents the true 'value bubble' of digital marketing (Sano, 2014). Although the framework suggested by Kierzkowski et al. (1996) is not perfect, it has continued to be used as a theoretical foundation in recent studies, such as Teo (2005) and Chan & Guillet (2011).

In Teo's (2005) study, the extent of usage and perceived effectiveness of various online marketing tools among business-to-consumer (B2C) firms in Singapore has been explored. This study applied Kierzkowski et al.'s (1996) framework into empirical research and found

that there are some significant differences between the extent to which websites utilize their various online marketing tools. However, this study only tested the five factors (attract, engage, retain, learn, relate) from the managers' perspective, and did not take customers' perspective into consideration (Sano, 2014).

Chan and Guillet (2011) also utilized Kiezkowski et al.'s (1996) framework in their study. Compared with Teo's (2005) empirical study, Chan and Guillet (2011) used Kiezkowski et al.'s (1996) framework in one industry—hospitality—and tried to clarify how Hong Kong's hotels can build and keep a good relationship with their customers through social media. This study did not conduct quantitative analysis, stopping at a theoretical exploration. However, even though this study did not go into a real data analysis, it contributed to the field of SMM, applying the digital marketing framework to the real industry by analyzing different hotels' SMM strategies (Sano, 2014).

In contrast to Kiezkowski et al.'s (1996) framework, Kim and Ko (2012) created a new framework to examine how SMM activities enhance customer equity in the area of luxury fashion brands. In their research, Kim and Ko (2012) suggested that brands and customers communicate with each other, regardless of time, place, and medium, so that the old-fashioned one-way method of communication has changed to a more direct, interactive, two-way communication (i.e. social media marketing). They also suggested that SMM activities be measured by five factors—entertainment, interaction, trendiness, customization and WOM.

#### II.1.2. The definition and measurement of SMM activities in this study

This present study applies Chan and Guillet's (2011) definition of SMM activities as being a type of e-marketing strategy that helps companies review their current performance and compare it to their counterparts. Although SMM cannot replace traditional marketing in the short-term, SMM is still expected to play an important role in building relationships with customers.

Realizing the essential role of SMM is not enough. Building an effective SMM activity framework requires clarification of how to evaluate it. In this respect, this study employs three dimensions which are used in Kim and Ko's (2012) study—interaction, trendiness, and customization—to measure the effectiveness of SMM activities. 'Entertainment' and 'WOM', which were listed in Kim and Ko's (2012) study, are not applied in this study because it is expected that customers who frequently access travel agencies' social media tend to search for useful information, not just for fun, and WOM in this study is viewed as one of the 'result' factors rather than a 'reason' factor. Consequently, these two factors are not used to measure SMM activities.

Moreover, this study adds a new dimension—that of perceived risk—to evaluate the effectiveness of SMM activities because social media is expected to help service companies decrease the perceived risk brought about by service intangibility. In past studies, perceived risk was defined in terms of the uncertainty and consequences associated with a consumer's actions (Bauer, 1960), and was approached from several aspects, including physical risk, functional risk, social risk, time-loss risk, financial risk, opportunity cost risk, and information risk (Lu, His-Peng, et al. 2005). Although psychological risk was not mentioned in Lu et al.'s (2005) study, it is still believed as an important factor of perceived risk, as perceived risk is defined as uncertainty. Therefore, this study applies functional risk, financial risk, and psychological risk to evaluate SMM activities.

#### II.2. Customer satisfaction

#### II .2.1. Previous studies about customer satisfaction

Two general conceptualizations of customer satisfaction exist in the literature: service encounter (or transaction-specific satisfaction) and overall (or cumulative) satisfaction (Bolton and Drew, 1991; Cronin and Taylor, 1994; Shankar et al., 2003). Compared to transaction-specific satisfaction, cumulative satisfaction is a more fundamental indicator of the firm's past, current, and future performance (Bitner and Hubber, 1994; Oliver, 1996; Rust and Oliver, 1994). Satisfaction is a transaction-specific evaluation (Boukling et al., 1993; Cronin and Taylor, 1992, 1994) of a purchase that has met expectations (Zeithaml, 1988). Other researchers have defined satisfaction more diversely. Cadotte et al., (1987) defined satisfaction as an emotional response. Later, Heskett et al., (1990) defined customer satisfaction as a transaction carried out correctly the first time. When things are done right the first time, customers are satisfied and may tell other people about their experiences (positive word of mouth), therefore attracting other people to the organization (Heskett et al., 1990).

The satisfaction construct has played an increasingly important role in marketing literature, and represents critical revenue for market research firms (Oliver, 1999; Perkin, 1993). Customer satisfaction has been represented by either affective or cognitive state. The researchers who view satisfaction as a cognitive state suggest that customers tend to evaluate service quality by calculating things such as how many benefits they have received and how many sacrifices they have made. Then customers will form their satisfaction using these calculations; if they feel they have gained more than they have lost, they will be satisfied. Other researchers, however, regard satisfaction as an affective state because they believe that the evaluation of service quality includes customers'emotions and feelings. Customers may be

satisfied by many things, such as a good relationship with service suppliers and employees, the atmosphere of the shop, brand preference, and other things which cannot be calculated in terms of how much they gain and sacrifice. Furthermore, other researchers claim that regardless of whether customer satisfaction is described either as a cognitive or an affective state, a 'satisfaction scale' should have an impact in terms of both the antecedents that affect satisfaction and the consequences fostered by satisfaction (e.g. Andreas Eggert and Wolfgang Ulaga, 2002).

In contrast to the cognitive-based value construct, satisfaction is conceptualized by most researchers as an affective evaluation (Oliver, 1996). In Oliver (1997), satisfaction is defined as pleasurable fulfillment. That is, the consumer senses that consumption fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable. This study follows the definition of Oliver (1997), and approaches customer satisfaction as an affective state.

#### II.2.2. The definition and measurement of customer satisfaction in this study

This present study applies Oliver's (1997) study that approaches customer satisfaction as an affective construct and defines it as the disconfirmation of expectation and perceived quality. Moreover, customer satisfaction in this study refers to cumulative satisfaction rather than a transaction-specific one. In other words, this study seeks to find out how customers are satisfied with the service travel agencies provide based on repeated experiences, and not only on a one time service encounter.

Besides transaction-specific satisfaction and cumulative satisfaction, customer satisfaction can be measured from disconfirmation satisfaction (e.g. Oliver. R, 1993) and recovery satisfaction (e.g. Schoefer, 2010). This study applies the measurement of the Japanese Customer Satisfaction Index (JCSI) in evaluating how satisfied customers are with travel services in a SMM environment. Customer satisfaction in this study is measured by overall satisfaction, disconfirmation satisfaction, life satisfaction and decision satisfaction.

# II.3. Word of Mouth (WOM)

# II .3.1. Previous studies about WOM

WOM is a very important variable in both the literature of product and service, especially with the spread of social media where people can exchange their opinions or feelings about a certain product or service more easily than ever before. This means that people do not necessarily have to be geographically close to exchange information with each other. It is not exceptional to find people browsing for information or comments on an internet WOM website before they make their final purchase decision. In this respect, WOM plays an

essential role in helping customers decrease perceived risk and gain more information, and at the same time, WOM is also seen as critical tool for companies, as positive WOM can gain more customers and increase profits, while negative WOM can result in losing customers and decreasing profits.

The history of researching WOM can be traced to Dichter's (1966) study, after which WOM has been defined by numerous researchers during the following decades. Anderson, E. W. (1999) defines WOM as informal communications between private parties concerning the evaluation of goods and services as distinct from formal complaints to firms and/or personnel. Anderson, E. W. (1999) differentiates between communications and complaints. In his research, negative WOM does not equate to a complaint.

The various studies on WOM do not only include its effects. Customer characteristics also form a critical part of WOM research, as many previous studies found that customers' different characteristics greatly affect their behavior of how WOM is spread and believed (for example, Price, Feick, and Higie, 1994). Related to this literature, it has been mentioned that national culture greatly influences customer behavior when spreading and believing WOM. For example, Money, R. Bruce, et al. (1998) examined how national culture affects referral behavior for industrial services such as advertising, banking, and accounting. The results showed that national culture has a strong effect on the number of referral sources consulted and that Japanese companies use them more than comparable American companies do. In other words, the effects of WOM in Japan are stronger than in the United States.

The effects of WOM tend to be more emphasized in service literature than in product literature because service's intangibility increases customers' perceived risk and WOM plays an important role in decreasing it. Mangold, W. G., et al. (1999) examined how WOM works in the service marketplace. They suggest that WOM communication is a dominant force in the marketplace for services and spreading the word is a key part of a service communications strategy. They conducted survey research involving 72 different service industries, such as banks, hospitals, telecommunications services, barbers and hairdressers, home repair services, and automobile repair shops. The results of their research showed that the factors likely to stimulate WOM include a strongly felt need on the part of the receiver, coincidental communication relating to a broader subject, or a high level of satisfaction or dissatisfaction on the part of the communicator. They also found that WOM usually included certain customer attributes, and that all WOM included customers' evaluations or feelings on the service.

#### II.3.2. The definition and measurement of WOM in this study

Conducting WOM research within a service context is unique and sheds an interesting light on the issue (Bansal and Voyer, 2000). Based on E. W. Anderson's (1999) study, this study defines WOM as informal communications, opinion exchanges and recommendations among customers concerning the evaluation of services. The way this study differs from Anderson's is that it adds recommendations into positive WOM, for example, "I will recommend this travel agency to my friends." As this study is only interested in how SMM activities affect WOM, negative WOM is not considered within WOM. The WOM mentioned in this study includes both positive comments and recommendations of the service.

Just as with customer satisfaction, WOM is measured using the JCSI. It has been stated that customers' behavior of spreading and receiving WOM is very likely related to their national culture. Therefore, in this respect, the measurement and items developed by the JCSI seem to be suitable for examining Japanese customers' WOM behavior. These measurements are listed as follows: the intention of spreading positive comments regarding the attractiveness of package holidays, travel agency service, and the possibility and appropriation of information provision.

Furthermore, this study also considers whether customers will recommend a service through social media. This study is conducted in a social media marketing environment and is interested in how customers rely on social media, as well as how they apply it to their purchase behavior. Therefore, besides positive comments about a service, the intention of recommending a service through social media is also added to evaluate WOM.

#### II.4. Behavior intention

#### II.4.1. Previous studies about behavior intention

Behavior intention is a broad concept which can be approached from several angles. The early definition of customer loyalty was solely behavioral, whereas customer loyalty today is usually viewed as comprising both behavioral and attitudinal components (Day, 1969; Jacoby and Kyner, 1973). Zeithaml, Berry & Parasuraman (1996) presented a model to explain customer behavioral intentions, suggesting that they can be captured using repurchase intentions, word of mouth, loyalty, complaining behavior and price sensitivity. While an attitudinal measure such as customer satisfaction is not necessarily reliable, the behavioral measure of frequency or recency of purchase does not build relationships (Minami. C, J. Dawson, 2008). Burton et al. (2003) explained behavioral intentions from a different perspective. They concluded that the more positive the customer's experience, the more likely

he or she is willing to reuse the service.

Opinions vary among researchers on how to differentiate between repurchase intention and loyalty. Customer loyalty is always conceptualized as a customer's repeat purchase behavior that is triggered by a marketer's activities (Thorsten Henning-Thurau, Kevin P. Gwinner and Dwayne D. Gremler, 2002). The framework suggested by Dick and Basu (1994) shows that repurchase intention (or repurchase behavior) and loyalty are not the same concept. They divided overall customer loyalty into four parts using two axes—repeat patronage and relative attitude—with each axis comprising two extents—high and low. According to Dick and Basu's (1994) framework, the four types of loyalty are 'Loyalty', 'Latent Loyalty', 'Spurious Loyalty' and 'No Loyalty'. Spurious loyalty is described as high repeat patronage with low relative attitude. Therefore, in this regard, behavior intention and loyalty are not the same concept.

## II .4.2. The definition and measurement of behavior intention in this study

This study follows Dick and Basu's (1994) framework and defines behavior intention and loyalty differently. Behavior intention mentioned in this study refers to customers' willingness to maintain a relationship with a particular service provider based on their previous service using experiences. However, behavior intention in this study does not refer to 'Spurious loyalty' because this study emphasizes how behavior intention is formed from a positive attitude towards a certain service.

Behavior intention in this study is measured by 'Sustained use', 'Increased frequency of use', and 'Increased spend on use' which are items on the JCSI. The item 'Sustained use' refers to customers' willingness to continue using the same travel agency's service in the short and long term. 'Increased frequency of use' refers to customers' willingness to use the same travel agency's service more frequently than before, while 'Increased spend on use' refers to customers' willingness to pay more money to the same travel agency's service or spend on upgrading the service.

## III Design of hypotheses

III.1. The inter-relationship between SMM activities and customer satisfaction, WOM, and behavior intention.

Initially, the purpose of marketing is to form a communication in which a firm is able to inform customers of its products and services and create interest in its offers (Kim and Ko, 2012). The goals of marketing strategies are various among different companies and different

situations. However, no matter how different the goals of marketing strategy are, they all expect positive effects from marketing activities. Companies expect to gain big profit through their marketing strategy, although the emphases of marketing strategies may be different, including maintaining a long-term relationship with customers, building a strong brand image, enhancing their market position, and so on.

Customer satisfaction, positive WOM and behavior intention can be viewed as marketing activity outcomes. Through various marketing strategies, companies expect increased customer satisfaction, the spread of positive WOM and enhanced behavior intention, whilst maintaining a strong relationship with customers. Communication through social media is very different from traditional communication tools because social media makes it possible to have two-way communication between service users and service providers. Additionally, social media helps companies to know their customers better by analyzing customers' communities. Therefore, SMM activities can respond to customers' requirements immediately and build a close relationship with them. Lastly, as social media is a two-way communication tool, it greatly decreases the high perceived risk brought about by service intangibility. Customers can not only contact service providers, but also exchange their opinions with other customers frequently. In conclusion, effective SMM activities can help companies build good relationships with customers, which are observable through customer satisfaction, positive WOM and willingness to use (behavior intention). In other words, if customers perceive SMM activities as effective, their satisfaction tends to increase, they spread positive WOM, and they are likely to use the service (H 1-3).

- **H 1.** Perceived social media marketing activities have a positive effect on customer satisfaction.
- H 2. Perceived social media marketing activities have a positive effect on behavior intention.
- **H 3.** Perceived social media marketing activities have a positive effect on positive WOM.

#### III.2. The inter-relationship between customer satisfaction, WOM and behavior intention

There are numerous previous studies that have tried to examine the inter-relationship between customer satisfaction, positive WOM and behavior intention (e.g. R. A. Spreng et al. 1996; Rust & Oliver, 1994; etc.). However, there is no clear explanation in the literature as to the cause of behavior intention and positive WOM. Customer satisfaction is widely accepted among researchers as a strong predictor for behavioral variables such as repurchase intentions, word-of-mouth, or loyalty (Liljander and Strandvik, 1995; Ravald and Gronroos, 1996). Similar to those researchers' opinions, Lam et al. (2004) stated that the effect of

customer satisfaction from a service provider could motivate the customer to patronize that provider again and recommend them to other customers. Moreover, Henning-Thurau et al. (2002) suggest that a high level of satisfaction provides the customers with a repeated positive reinforcement, thus creating commitment-including emotional bonds (H 4–5).

- **H 4.** Customer satisfaction has positive effect on behavior intention
- **H 5.** Customer satisfaction has positive effect on positive WOM

#### III.3. The inter-relationship between WOM and behavior intention

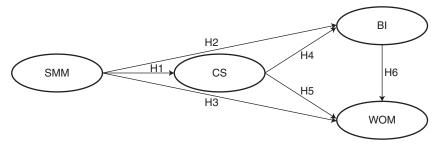
Positive word-of-mouth and behavior intention are marketing activity outcomes. However, the inter-relationship between WOM and behavior intention is unclear, since the definitions of behavior intention are different. As mentioned above, some researchers define behavior intention as loyalty. In this case, behavior intention refers to customers' willingness to repurchase a certain product or reuse a certain service. However, based on Dick and Basu's (1994) framework, true loyalty includes not only a high frequency of repurchase behavior, but also a positive attitude. Thus, only being willing to repurchase or reuse a product or service cannot necessarily be defined as loyalty.

Moreover, behavior intention in this study means whether a customer wants to use the same service again. In this respect, WOM and behavior intention are different variables. In the literature of the inter-relationship between WOM and behavior intention, researchers have different opinions. Brown et al. (2005) built a model to describe how satisfaction, consumer identification, consumer commitment and positive word-of-mouth intentions relate to each other. In their study, positive WOM is an outcome factor brought about by satisfaction and commitment. Although commitment is not equal to loyalty, it can still be said that loyalty and commitment have much in common, such as the willingness to buy, even when other products or services might be better. For this reason, it can be supposed that customers with an intention to reuse a service will also spread positive WOM to their friends. Therefore, this study views behavior intention as the antecedent factor to positive WOM (H 6).

#### **H 6.** Customer behavior intention has positive effect on WOM.

Based on the hypotheses supposed above, a conceptual model has been built (see Fig. 1).

Figure 1 A conceptual model exploring the inter-relationship between perceived SMM activities (SMM), customer satisfaction (CS), word-of-mouth (WOM) and behavior intention (BI)



#### **IV** Method

#### IV.1. Screening test

A screening test was completed to find people who have experience of accessing or using travel agencies' social media. Samples were selected by screening test because only the people who have experience of accessing or using travel agencies' social media can evaluate how social media marketing activities affect their satisfaction, positive WOM and behavior intention.

The screening test was conducted on March 3<sup>rd</sup> 2014. One question with nine items was used to restrict samples. Respondents were asked whether they have experience of accessing or using (browsing information or exchanging opinions) the industries' social media (e.g. Facebook, Twitter, blogs etc.). These industries included life insurance, indemnity insurance, finance, retail, tourism, hospitality, mobile phones and others. Besides the 8 items shown above, "I have no experience to access or use the social media of any industries or companies" was also listed as one item.

Nationwide, 73,716 respondents who were above 18 years old took part in the screening test and 71,764 samples were completed. However, the respondents who were suitable for the research purpose numbered 4,731. In other words, only 4,731 respondents had experience of accessing or using a travel agency's social media.

#### IV.2. Scale development

SMM activities of the tourism industry include introducing travel services, providing information, and decreasing customers' perceived risk. This study measures the effectiveness of SMM activities from two aspects: enhancement of relationships with customers, and decrease in perceived risk brought about by service intangibility. The dimensions of perceived

SMM activities included interaction, trendiness, customization and perceived risk. Seven items gathered from Kim and Ko's (2012) study on measuring interaction, trendiness and customization, which refers to the attributes of two-way communication media, and three original items for measuring perceived risk were employed to evaluate the effectiveness of perceived SMM activities (see Table 1).

Six items were used to measure customer satisfaction, including satisfaction with the service travel agency provided and the package holidays they used. Those items were all developed in accordance with the Japanese Customer Satisfaction Index (JCSI) to measure customer satisfaction (see Table 1).

Six items, developed from the JCSI, were employed to evaluate WOM including whether

Table 1 The survey instrument

Variable	Item	Resource
-way communication media : Interaction,	<ol> <li>This travel agency's social media enables information sharing with others</li> <li>Conversation or opinion exchange with others is possible through this travel agency's social media</li> <li>It is easy to give my opinion through this travel agency's social media</li> <li>The content of this travel agency's social media is up to date.</li> <li>Using this travel agency's social media is very fashionable.</li> <li>This travel agency's social media offers a customized information search</li> <li>This travel agency's social media provides a customized service</li> </ol>	Kim and Ko (2012)
SMM activities (Perceived risk)	8. The information provided through this travel agency's social media helps me decrease the perceived risk of service quality 9. The information provided through travel agency's social media helps me decrease the perceived risk of financial aspects 10. The information provided through travel agency's social media helps me decrease the perceived risk of using this travel agency	Original items
Customer Satisfaction	11. How satisfied are you with the service provided by this travel agency based on the experience of previous one year?  12. How satisfied are you with the service provided by this travel agency compared to your expectation?  13. How satisfied are you with the service provided by this travel agency compared to the most desirable service you could have expected?  14. How did the travel service you used make your life more enjoyable?  15. Do you agree with the following?  (1) I did not experience any dissatisfaction with the service provided by this travel agency.  (2) In the previous year, I think it has been a wise choice to use this travel agency.	Satisfaction Index
Word-of-Mouth	<ul><li>16. Will you say those things below when talking with your friends?</li><li>(1) The travel arrangements were enjoyable and comprehensive.</li><li>(2) The service provided by this travel agency is good.</li><li>(3) This travel agency's website, social media, catalog and pamphlet provide appropriate information.</li></ul>	Japanese Customer Satisfaction Index (JCSI)
	17. Will you recommend the service provided by this travel agency through social media (for example, Facebook, Twitter, etc.) to other people?	Original item
Behavior Intention	18. Do you agree with the following?  (1) I will use this travel agency again if I get the opportunity in the near future.  (2) The total money I spend on this travel agency will increase next year.  (3) I will use this travel agency more often next year.  (4) I will continue to use this travel agency in the future.	Japanese Customer Satisfaction Index (JCSI)

talking with friends about travel plans (one item), the travel agency's service (one item) and the information provided on websites, social media and so on (one item). The other dimension (one item) was the original one which was applied to examine whether customers will recommend the travel service through social media (see Table 1).

Behavior intention was measured using four items including whether customers use the same travel agency more frequently than before, if they use the same travel agency again given the opportunity, if they want to up-grade the service, and whether they have been using the same travel agency for a long time. Those items were all developed from the JCSI (see Table 1).

All of the above measurement statements were evaluated using seven-point Likert-type Scales. Instead of mailing a paper-based questionnaire, this study employed an internet-based survey research because more people can easily access the survey through iPhone and smart phone. Respondents were able to answer the survey during a time that was convenient; thus, in this case, the rate of completion was expected to be higher than a paper-based survey.

#### IV.3. Sample and data collection

Based on the screening test, we sent the questionnaire to the people who responded that they have experience of accessing or using a travel agency's social media in the previous year. Data was collected from the internet-based survey questionnaires from March 14<sup>th</sup> to 17<sup>th</sup>, 2014. From among 4,731 questionnaires distributed through internet, 429 were finally analyzed after excluding incomplete responses.

Among a total of 429 travel service users, 59% were male and 41% were female. 0.2% were teenagers, 12.4% were in their twenties, 24.5% in their thirties, 26.3% in their forties, 21% in their fifties, and 15.6% in their sixties. With regard to education, 42.2% had a college degree and 7.2% had a graduate degree. Overall, the sample showed a relatively high level of education. Moreover, 43.1% of respondents were company employees (including company directors), 8.6% were government employees, 6.8 % were independent businessmen and 41.5% were from other occupations or were students. Regarding average household income levels, 34.6% of incomes were between three and six million yen, and 15.7% of incomes were over ten million yen.

#### IV.4. Data analysis

In order to achieve the purpose of this study and to test hypotheses, the SPSS 17.0 and AMOS 18 statistics package programs were used. With SPSS 17.0, exploratory factor analysis

(EFA) was conducted for testing the supposed variables in this study and the items used to measure the inter-relationship among variables. In other words, exploratory factor analysis was employed to test whether the items are fit for the four variables—SMM activities, customer satisfaction, word-of-mouth, and behavior intention. Also, Cronbach's  $\alpha$  was adopted to test reliability. Using AMOS 18.0, confirmatory factor analysis (CFA) was conducted to prove the validity of each instrument, while structural equation modeling was used to test hypotheses.

# V Findings

## V.1. Dimensions of perceived social media marketing activities

In advance of investigating the influence of SMM activities on customer satisfaction, positive WOM and behavior intention were revealed. To explore the dimensions stated in Kim and Ko's (2012) study and the original dimensions that were employed to evaluate how SMM activities work effectively, this present study conducted an exploratory factor analysis. Nevertheless, the dimensions of SMM activities were not clearly distinctive as a result of the exploratory factor analysis. Therefore, this study followed Kim and Ko's (2012) method and conducted confirmatory factor analysis. Cronbach's  $\alpha$  of dimensions was measured to prove internal consistency of each variable. A model to test the validity of the activities resulted in a satisfaction fit with the data:  $\chi^2 = 138.064$ , df = 34, p = .000,  $\chi^2$ /df = 4.454, AGFI = .890, GFI = .938, NFI = .955, CFI = .965, RMSEA = .090. The five dimensions of SMM activities were then verified (see Table 2).

The first dimension related to items representing interaction among other users accompanied by the use of a certain travel agency's social media. This factor was named 'Interaction' because items included information sharing and opinion exchange attributes (Kim and Ko, 2012). Factor loadings ranged from .80 to .84, with a Cronbach's  $\alpha$  of .863.

According to Kim and Ko (2012), fashion-forward characteristics of a brand's social media by including items that explained trendiness and newness, thus this factor can be called 'Trendiness'. Travel service has something in common with brand product; for example, travel service is also influenced by trendiness or newness. If a new tourist spot were founded, it would be expected that many more tourists would visit it. Therefore, this study applied 'Trendiness' as one of the important dimensions for evaluating the effectiveness of perceived SMM activities. Factor loadings and Cronbach's  $\alpha$  were qualified (.739).

Dimension 3 represents the customized property of social media, involving customized information and method of information search (Kim and Ko, 2012). This factor is

Dimension	Items	Factor loading	
Interaction	This travel agency's social media enables information sharing with others     Conversation or opinion exchange with others is possible through this travel agency's social media     It is easy to deliver my opinion through this travel agency's social media	.83*** .80*** .84***	.863
Trendiness	<ul><li>4. The content of this travel agency's social media is up to date</li><li>5. Using this travel agency's social media is very fashionable</li></ul>	.77*** .76***	.739
Customization	6. This travel agency's social media offers a customized information search 7. This travel agency's social media provides a customized service	.86*** .83***	.830
Perceived risk	8. The information provided through this travel agency's social media helps me decrease the perceived risk about service quality 9. The information provided through this travel agency's social media helps me decrease the perceived risk of the financial aspect 10. The information provided through travel agency's social media helps me decrease the perceived risk of using this travel agency		.877
,,	= 138.064, df = 34, $p = .000$ , $\chi^2/df = 4.454$ , AGFI = .890, GFI = .938, NFI = .955, CF .090 ***means $p \le .000$	T = .965,	RMSEA

Table 2 Confirmatory factor analysis of perceived social media marketing activities

'Customized' and factor loadings were .83 and .86, with Cronbach's  $\alpha$  of two items at .830.

The results of path value: Interaction = .93; Trendiness = .94; Customization = .98; Perceived risk = .92

The last dimension is the original one of 'Perceived risk'. As mentioned above, the most significant difference between service and product is tangibility. Because of intangibility, customers tend to perceive high risk before and during a service encounter. For this reason, customers proactively search for more information or hints to help them decrease the high level of perceived risk before they make their final purchase decision. The sources of information or hints are various. Social media is a two-way communication tool, and this characteristic can enhance the interaction between service users and providers. For this reason, the effectiveness of decreasing perceived risk is also considered as an important dimension for evaluating how SMM activities work. Based on the result of CFA, factor loadings and Cronbach's  $\alpha$  were qualified.

The result indicates that a travel agency's marketing activity using social media platforms entertains customers by offering a variety of free content as well as social network activity.

## V.2. Measurement model

Similarly, to explore the variables, a factor analysis was initially conducted. The results are clear, and showed that items used to measure the four variables were appropriate (see Table 3). In Kim and Ko's (2012) study, another confirmatory factor analysis (CFA) has been conducted to confirm the latent constructs. However, only the variable of perceived SMM activities has latent constructs for this present study. For this reason, a factory analysis for testing the latent variables was conducted.

Factor	Mean	S.D.	Item Factor Loadings		gs		
Perceived SMM	3.334	.936	1.	.763	002	.148	108
Activities			2.	.709	047	.277	163
			3.	.775	.008	.094	044
			4.	.614	.064	070	.153
			5.	.618	086	069	.307
			6.	.815	.026	103	.096
			7.	.728	.079	.038	.000
			8.	.791	035	047	.094
			9.	.683	.069	.007	.077
			10.	.800	.175	075	100
Customer	3.261	.968	11.	.095	.934	051	100
Satisfaction (CS)			12.	.011	.895	.076	073
			13.	.003	.817	.057	.008
			14.	.057	.834	.067	066
			15.(1)	.015	.611	.067	.131
			15.(2)	027	.841	072	.155
Word-of-Mouth	3.592	1.135	16.(1)	.008	.246	.621	.015
(WOM)			16.(2)	110	.164	.773	.069
			16.(3)	.053	067	.812	.112
			17.	.242	121	.582	.085
Behavior Intention	3.338	1.010	18.(1)	.023	.448	072	.550
(BI)			18.(2)	.028	036	.197	.686
			18.(3)	.015	.183	.119	.654
			18.(4)	.053	.387	013	.540

Table 3 Factor analysis of perceived SMM activities, customer satisfaction, word-of-mouth and behavior intention

Principal factor analysis (PFA)

Cronbach's  $\alpha$ : Perceived SMM activities: .939; Customer satisfaction: .944; Word-of-mouth: .878

Behavior intention: .915

Corelation between factors:

Perceived SMM activities-CS: .660; Perceived SMM activities-WOM: .642;

Perceived SMM activities-BI: .622; CS-WOM: .623; CS-BI: .708; WOM-BI: 535

#### V.3. Structural model

Following the results of the factor analysis in the previous section, the model was tested by standardized coefficients and other fit statistics. To increase the reliability of results that confirmed perceived SMM activities' dimensions, this study comprised items which are included in each factor by seeking the average of these items instead of conducting a second factor analysis. In other words, the study changed latent variables (Interaction, Trendiness, Customization and Perceived risk) into observed variables in order to increase reliability. The results were presented in Figure 2.

Overall model fit was satisfactory. The chi-square statistic ( $\chi^2 = 524.241$ , df = 129) was at a significant level (p = .000), and the fit indices were within accepted standards (GFI = .872, NFI = .928, IFI = .945, TLI = .935, CFI = .945, RMSEA = .085).

After the overall model fit was approved, hypotheses were tested via structural equation modeling. With regard to the three paths between SMM activities and customer satisfaction, behavior intention as well as WOM (H 1–3), the estimation results showed that every path

.856\*\*\* Interaction ΒI .248\*\* **Trendiness** 694\*\* 81 CS SMM 170(.075) 300\*\*\* Customization .886 .383\*\* **WOM** Perceived Risk .863\*\*

Figure 2 Results of structural equation model

**Table 4** The detailed results of data analysis

Hypothesis	Path	Value of Path	Result
H 1	SMM activities → Customer Satisfaction	.725***	Support
H 2	SMM activities → Behavior Intention	.248***	Support
H 3	SMM activities → WOM	.383***	Support
H 4	Customer Satisfaction → Behavior Intention	.694***	Support
H 5	Customer Satisfaction → WOM	.300***	Support
H 6	Behavior Intention → WOM	.170 (.075)	Not Support

Note: \*\*\*means  $p \le .000$ 

was significant at the p = .000 level. SMM activities had positive effects on customer satisfaction, behavior intention and WOM. To restate, the interaction, trendiness, customization and decreasing perceived risk effects of SMM activities work positively in enhancing customer satisfaction, behavior intention and positive word-of-mouth. Therefore, H 1-3 can be supported.

With regard to the relationship between customer satisfaction and behavior intention as well as positive WOM (H 4-5), the two paths were both significant at the level of p = .000. However, the value of path between customer satisfaction and behavior intention (.694) is significantly greater than the one between customer satisfaction and positive WOM (.300). Therefore, H 3–4 can be supported.

In regard to the relationship between behavior intention and positive WOM, the study evaluates it by H 6. The estimation result shows that the path is not significant (p = .075). This means that behavior intention does not have a positive influence on positive WOM, thus H 6 cannot be supported (the detailed results of data analysis are showed in Table 4).

# VI Conclusions and implications

As a preliminary study conducted on travel agencies' SMM efforts, this study has important

findings. As mentioned in the introduction, using social media in the real business world is still a relatively new challenge which requires companies to move beyond isolated projects towards integrated programs that use social media to reinvent their marketing activities. At the beginning of this paper, three research questions have been listed focusing on how SMM activities should be evaluated, how they influence customer satisfaction, word-of-mouth, as well as behavior intentions, and how customer satisfaction, word-of-mouth and behavior intention relate to each other. Therefore, in the following section, we will discuss the findings from these three aspects.

## VI.1. The evaluation of perceived social media marketing activities

SMM was born through the spread of social media development, and is regarded as a branch of e-marketing. As SMM is still in its early stages of development, there is limited research on its evaluation, especially based on quantitative methods. This study employed a quantitative method and tested the evaluation of perceived SMM activities, which include interaction, trendiness, customization and perceived risk. Based on the results of the data analysis, the four dimensions are all shown to be very important in evaluating the effectiveness of SMM activities.

Compared to previous studies, perceived risk is a new dimension employed to evaluate the effectiveness of SMM activities in this study. According to the results of the data analysis (path value of perceived risk is .863), the way in which social media can help customers decrease perceived risk is still an essential dimension. Different from traditional communication tools, social media is a two-way communication tool. This characteristic makes it possible for customers to contact service providers more frequently, and for those service providers to obtain immediate feedback. It has been emphasized by numerous previous studies that customers tend to perceive a higher risk of service compared to product due to intangibility. To overcome this intangibility, service companies employ many methods, for example describing this intangible service through detailed data, photos, customers' word-ofmouth and so on. The most useful method applied by many travel agencies to decrease perceived risk is providing pictures that describe their service. However, a lot of customers find it is not reliable enough, because pictures can be altered by computers. Therefore, customers believe that there must be a gap in credibility between the picture and the reality. If a travel agency proactively integrates social media into its business, it is expected that social media can play an important role in enhance the relationship with customers. In this case, customers can not only receive information about package holidays through pictures, detailed data, or other customers' word-of-mouth, but also become involved in a social community in which they can exchange information with both other customers and the travel agency.

The most important dimension in evaluating SMM activities is 'Customization' (path value of customization is .886). This study applied some of Kim and Ko's (2012) dimensions of perceived SMM activities. However, in their study, the most important dimension was 'Entertainment', while 'Customization' was not seen as essential. This result can be explained by the difference in research objects. The research object in Kim and Ko's (2012) study is a luxury fashion brand, not a service. Compared to customers of luxury fashion brands, those using a travel service need it to be more customized. Customizing a product based on customer requirements is more difficult than customizing a service, although companies try to provide products which cater to customers' favorites by analyzing internet social communities' dialogue. On the other hand, customization in the service sector is viewed as a very important aspect that is expected to be achieved through social media. For example, through Facebook travel agencies can adapt their holiday packages by analyzing what websites customers access most often. Therefore, it is possible for customers to view packages provided by that travel agency and no need for them to search for related information on other websites. Based on the results, we can arrive at the conclusion that customers expect a customized service through social media.

## VI.2. The influence brought about by SMM activities

Based on the results of the data analysis, SMM activities greatly affect customer satisfaction (the path value is .725). This result can be explained by the characteristic of social media that enhances interaction between service providers and customers. Customer satisfaction in this study is calculated using several dimensions including how satisfied customers are with a travel service based on previous experience of using it, realistic and most desirable expectations, how travel service makes customers' lives more enjoyable, whether customers are dissatisfied with the current service, and whether customers believe using the travel service was a wise choice.

There are various ways of achieving customer satisfaction. For example, many previous studies mentioned that recovering service failure appropriately can greatly increase customer satisfaction, and even increase customer commitment. How efficiently service companies deal with failure relates to how satisfied customers are with the service. The two-way nature of communication on social media makes it possible to answer and respond to customers' inquiries or complaints immediately, which greatly influences customer satisfaction. Moreover,

social media provides unvarnished opinions and appropriate information about the travel service, directing many social communities towards certain interesting topics. Thus, customers feel happier using or accessing travel agencies' social media. Furthermore, as social media helps service companies build a good relationship with their customers, it is assumed that customers have affective feelings towards certain travel agencies.

## VI.3. The inter-relationship between customer satisfaction, behavior intention and WOM

Customer satisfaction has a greater influence on behavior intention (the value of path is .694) than WOM (the value of path is .300). This result shows that satisfied customers are likely to use the same service again rather than spread positive word-of-mouth to other people. Some previous studies about WOM showed there is a close relationship between customers' characters and the behavior of spreading WOM. In other words, spreading WOM (both positive and negative) is greatly affected by customers' characteristics. The characteristic mentioned here is both personal and national. Money, R. Bruce, et al. (1998) examined how national culture affects the behavior of spreading WOM and found that there are many differences between American and Japanese customers. Related to their study, we also consider that the result shown in the present study is deeply influenced by Japanese culture. Compared to American and Chinese customers, Japanese customers do not tend to spread WOM proactively through the internet, unless they have been asked to provide feedback on a certain service. Moreover, Japanese customers are not likely to recommend a service proactively to people they do not know on the internet, even though some of respondents state they are willing to recommend the travel service they currently use to their close friends or relatives. In this respect, customers tend more to continue using the same travel agency themselves rather than spreading positive WOM to other people.

Behavior intention does not seem to relate to positive WOM (the value of path is .170 and it is not significant because of p = .075). This result can also be explained by national culture, as Money, R. Bruce, et al. (1998) showed in their study. Customers who are willing to use the same travel service again do not necessarily spread positive word-of-mouth or recommend it to other people. Patronage behavior is supposed to be formed by high satisfaction. However, both satisfaction and patronage behavior are not causal factors of WOM. It has been pointed out that recommend behavior can be one of the results of customer commitment, which is the highest level of loyalty. Customers are not only willing to purchase a certain service once and once again, but also willing to recommend it to other people and then materialize their commitment. Therefore, this result means that if a company expects to gain positive WOM

from its customers, they should put more effort into gaining customers' loyalty.

## I Limitations and further research

The limitations and further research directions are as follows. First, as an initial attempt to evaluate the effects of social media marketing, the dimensions applied in this study are still limited. This study mainly applied Kim and Ko's (2012) dimensions which were used to evaluate the social media effectiveness of a luxury brand in product literature. It has been proven that their dimensions can also be used in service literature, although the most important dimensions are different. However, further research is still needed to explore more dimensions for evaluating the effectiveness of SMM activities besides the existing ones.

Second, this study chose only one industry—tourism—to clarify how SMM activities influence customer satisfaction, behavior intention and WOM. Although a statistical model has been built and some important findings shown, further research is still expected to apply the model to industries other than high perceived risk industries such as finance, but also to low perceived risk industries, such as retail.

Lastly, as discussed above, the behavior of spreading positive WOM is influenced by national culture, thus further research is expected to test the statistical model in other countries, for example the United States and China, where customers tend to express their opinions or feelings more directly than their Japanese counterparts. Even though Japan is an important market for tourism in Asia, replicating this study's findings with additional samples of customers is necessary.

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