

TOURISM AS AN EFFECTIVE TOOL TO STIMULATE ECONOMIC GROWTH: THE CASE OF SRI LANKA

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Abstract

Tourism-led growth Hypothesis has been a key policy put forward by pro-tourist policy makers. This has no exceptions in the case of Sri Lanka. In the recent past the tourism industry has performed significantly which was reflected in the growth of Foreign Tourist Arrivals and Foreign Earnings from Tourists. On this backdrop this study was undertaken to investigate the existence of the Tourism-led growth Hypothesis in the context of Sri Lanka. We used annual data from 1995 to 2016 to model the causal relationship between tourism and economic growth and thereby capture the long-term relationship using cointegration. The results of the study suggest a significant causal relationship from Foreign Tourist Arrivals and Foreign Earnings from Tourists to the Real Gross Domestic Product. This major finding inspired us to appraise the feedback from tourists as per the second objective of the study. The evaluation provided insights to areas that needs contemplation and avenues for advancements. It can be argued that economic policies should be directed to improving the tourism industry to achieve a higher economic growth.

Keywords: Foreign Tourist Arrivals (FTA), Real Gross Domestic Product (Real GDP), Foreign Earnings from Tourism (FET), Co-integration, Sentimental Analysis, Tourism-led growth Hypothesis

1. Introduction

Income from International Tourism is the mainstay of the economy for many developing countries but political instability or an environmental disaster can divert the flow of visitors for years. The thus damaged trust is not easy to restore overnight. On the other hand, many smaller nations see tourism as a last resort rather than a development priority, allowing the industry to slip and its potential to boost the economy to remain silent.

The year 2017 marked a notable positive response from the tourism industry worldwide. International tourist arrivals grew by a remarkable 7% in 2017 to reach a total of 1322 million travelers across the globe according to latest United Nations World Tourism Organization (UNWTO) barometer. Further, it highlighted around 6% growth in tourism arrivals to Asia Pacific region and they anticipate that international travel will continue to grow strongly and presume that tourism sector to be a key driver in economic growth and development.

Tourism led development has been a key strategy in Sri Lanka's policy planning in the post war era. Despite the change in the ruling regimes the strategy to deploy tourism in the frontline to boost island economy still stands. Even the present government's ambitious policy document "Vision 2025" has also dedicated considerable attention to uplift the industry. On this backdrop the study primarily aims to find out whether there exists a significant relationship between tourism industry and economic growth of the country. Further it focuses on understanding key avenues to improve and cultivate in order to uplift the industry as a whole.

2. Research problem

The tourism industry in the country witnessed a comprehensive growth in number of tourist arrivals and has reached two million by last year. The backward and forward linkages from the industry has registered emergence of a number of employment opportunities and income sources. However, as a prudent policy measure it is essential to identify the weak factors and address them in advance to avoid any future complications.

The tourism-led growth hypothesis is in the forefront of Sri Lankan development agenda with the target of generating income and enhancing the livelihood of people. However, very little has been done to identify the actual relationship between the development in tourism industry and economic growth in the context of Sri Lanka, especially in the post-war period.

Therefore, identification of the actual relationship and finding practical ways and means to develop the industry is of utmost importance rather than fabricating ambiguous policies which can promote little improvement in the foreseeable future.

3. Objectives

The primary objective of the study is to identify the underline hypothesis of tourism-led growth. Further, the study incorporates a secondary objective to identify the existent issues in the industry from a tourist point of view. By doing so it is expected to get a clear understanding on areas that needed to be enhanced to ensure sustainable progress of the tourism industry in the country while optimizing its contribution to the Sri Lankan economy. The following research question is thus the basis for the study; “whether there exists a long-run relationship between tourism and Economic Growth where tourism can effectively stimulate Sri Lanka’s economic growth?”

4. Methodology

The study is based on secondary data compiled from the World Bank database and Tourism development authority. All information points were collected on annual-basis and converted to natural logarithms to avoid any heteroscedasticity problems. The Augmented Dickey-Fuller Unit Roots Tests were conducted to check the stationarity of the variables. To capture the existence of a long-run relationship that would facilitate the tourism-led growth hypothesis the study performed the Johansen’s Co-integration test, where data on Real GDP, Number of Foreign Tourist Arrivals (FTA) as proxy for tourism sector expansion and Foreign Earnings from Tourism (FET) from 1995 to 2016 were used. Finally, granger causality test was conducted to identify the direction of the causality.

However, our study was not limited to a statistical analysis as we needed to identify avenues for further improvements to boost the industry considering the views and feedback of tourists who visited Sri Lanka. In addition to statistical evidence we under took a Sentiment Analysis based on foreign tourist blog commentaries on their visits to Sri Lanka. The non-probability: snowball sampling technique was used to select the sample for this section. The thus collected data were analyzed using descriptive statistical measures to identify the loopholes and areas that need attention.

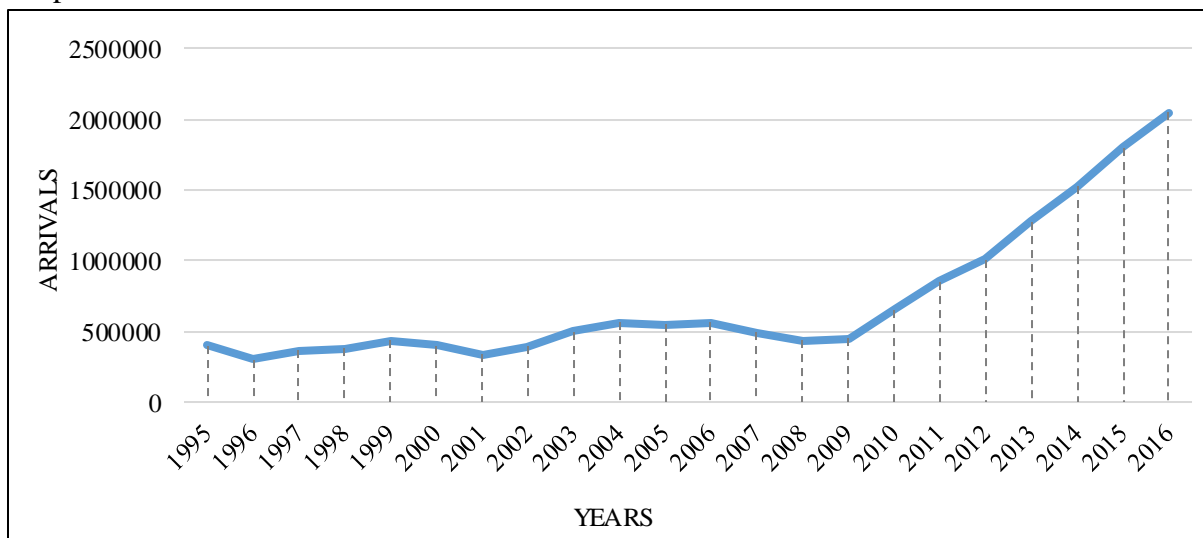
5. Results and Findings

This section of the paper comprehends the major findings of the econometric derivations from conducting the Johansen Co-integration analysis followed by a discourse of inferences obtained

from the Sentiment Analysis. Initially the discussion of the study integrates descriptive statistical measures to recognize general features of the interest variables. Finally, policy recommendations are being offered.

Sri Lanka is said to have entered the international tourism market in the 1960s. (Wickremasinghe & Ihalanayake, 2006) Since then, the governments' involvement has been a key factor in tourism development in Sri Lanka. The sector has been instrumental in generating foreign exchange, employment opportunities and household income for many Sri Lankans. It has been growing significantly, contributing remarkably to GDP. (Sri Lanka Tourism Development Authority, 2018) For example, international tourist arrivals to Sri Lanka increased from 403,000 in 1995 to 2,051,000 in 2016. (World Bank, 2018) We should acknowledge that there were several set-backs during few decades prior to the end of the civil war in the tourism development process. Thus, the hike in tourist arrivals from 2009 onwards is remarkable. This highlights the background to our study on investigating if the tourism-led growth hypothesis exists in Sri Lanka.

Graph 1: Tourist Arrivals 1995-2016



Initially, it is mandatory to recognize the preliminary relationship between the identified variables; real GDP, tourist arrivals and foreign exchange earnings. For this purpose, the correlation coefficient between real GDP and Foreign Tourist Arrivals in Sri Lanka and between real GDP and Foreign Exchange Earnings from tourism have been calculated over the sample period. The value of Pearson's correlation coefficient (r) between real GDP and FTAs is 0.90. Similarly, the correlation coefficient between real GDP and FEEs is 0.95. Table 1 shows that these three variables are positively related over the sample period in Sri Lanka and that a very high degree of correlation is evident between them.

Table 1: Results of Pearson's correlation coefficient

| | GDP | ARRIVALS | INCOME |
|----------|------|----------|--------|
| GDP | 1.00 | 0.90 | 0.95 |
| ARRIVALS | 0.90 | 1.00 | 0.98 |
| INCOME | 0.95 | 0.98 | 1.00 |

Next, it is essential to ascertain the nature of the series of the variables. The test results reported in table 2 from the Augmented Dickey-Fuller Unit Root Tests confirmations that all three variables; real GDP, Foreign Tourist arrivals and income from foreign tourist were all stationary at their first difference. Thus, as all the variables are integrated at the same level, i.e. I(1), we have conducted the Johansen Co-integration.

Table 2: Results of Augmented Dickey-Fuller Unit Root Test

| Variables in their respective Differences with intercept | ADF Statistic | Decision |
|--|---------------|--|
| LNGDP** | -3.68 | Reject Null hypothesis of no unit root |
| LNFTA** | -3.65 | Reject Null hypothesis of no unit root |
| LNFTET* | -4.39 | Reject Null hypothesis of no unit root |

Note: Level of significance: *at 1% (-3.81), **at 5% (-3.02) and ***at 10% (-2.65)

The Johansen's Co-integration test has been performed to investigate whether a long-run equilibrium relationship holds between the research variables. The Co-integration between the stationary variables has been tested by the Johansen's Trace and Maximum Eigenvalue tests. The trace test indicates the existence of one Co-integrating relationship at 5% level of significance. And, the maximum eigenvalue test confirms of these results. Thus, there is sufficient evidence that there exists a long-run equilibrium relationship between any of the three variables, Real GDP, Number of foreign tourist arrivals and Earnings from tourism.

Table 3: Results of Johansen's Co-integration Test

| Hypothesized Number of Cointegrating Equations | Eigen Value | Trace Statistics | Critical Value at 5% (p-value) | Maximum Eigen statistics | Critical Value at 5% (p-value) |
|--|-------------|------------------|--------------------------------|--------------------------|--------------------------------|
| None* | 0.71 | 35.31 | 35.19 (0.48) | 22.59 | 22.29 (0.04) |
| At Most 1 | 0.39 | 12.71 | 20.26 (0.38) | 9.14 | 15.89 (0.41) |
| At Most 2 | 0.18 | 3.58 | 9.16 (0.48) | 3.58 | 9.16 (0.47) |

Note: * denotes rejection of the hypothesis at 0.05 level of significance.

Furthermore, the existence of cointegration implies the existence of Granger causality at least in one direction (Mishra, 2011). This can be clearly identified upon the application of the Granger causality framework which confirms the existence of a long-run causality between the identified variables. Accordingly, there is sufficient evidence that Foreign Tourist Arrivals granger causes Real GDP growth while, Foreign Earnings from Tourists granger causes growth of Real GDP during the period of study at 5% level of significance.

These finding provide sound foundations for policy makers to enhance the focus on the industry in order to boost both economic conditions as well as the tourism sector of Sri Lanka. Utilizing the comparative advantage, the country holds with respect to its strategic location and inbuilt natural resources, there is much more the sector can offer in years to come.

This segment of the out discussion conducts a sentimental analysis to comportment the reviews and feedback of guests to the country to facilitate the growing demands and needs for better quality enhancement in the industry. Although it is not a common method deployed in research, in this nature we believe that it could provide more insightful information on the tourism industry. Target groups have emerged based on post-civil war arrivals and all information points from social media platforms are used in the comprehensive analysis to identify and

acknowledge the flaws and improve. Compared to other methods such as interviews and focus group discussions, the tourist can find it more convenient in terms of the time and more freedom to give his or her own view about the industry as they express their views in online own platforms.

One of the key findings from the Sentiment Analysis is, despite having number of tourist attractions in the country; majority of tourists who visited the country has been to few places such as Sigiriya, Yala National Park and beaches in the Galle and surrounding areas. Tourist attractions in Trincomalee and Hill Country seems to have comparatively lower popularity among foreign tourists. This may be subject to vary with the season that they are visiting the country. However, this characteristic is not that positive as far as the future of the tourism industry in the country is considered. The high concentration of tourists in some areas would act as a burden to the sustainability of the industry as it may negatively affect the animals and the nature. On the other hand, if the tourists are to revisit the country in the future, it is critical to understand that majority of these tourists will not come just to have the same experience. Therefore, it is of timely importance to promote alternative tourist destinations in the country and enhance the awareness among tourists about these alternative options in order to deviate these extensive concentrations to certain locations. Further, in terms of transportation facilities available in the country almost every visitor was not happy about the time that they had to spend on roads and the quality of the transport. Not only improvement of infrastructure but also to increase access to information about available facilities such as pre-booking of tickets in trains and busses should be readily established.

In contrast, some admirable actions towards the promotion of the tourism industry has been taken in the recent past such as relaxing the price controls on hotels prices and improvement of the infrastructure facilities. In addition to that easy payment mechanism such as cashless payment facility would make it easy for tourists to deal with their spending more conveniently because in some rural parts of the country internationally recognized cards payments are not possible.

One of the eye openers from this study was the failure to meet tourists' expectations could easily lead to shift tour plans to other regional destinations. Some blog writers had rescheduled their tours to countries like Philippines having been failed to get the expected experience from the country. This shows that Sri Lanka's tourism industry needs to be equipped to cater a wider range of tourists rather than limiting itself to a few segments. Also, attention should be needed, because despite having done much activities to promote tourism in the country it may not deliver expected outcomes rather it would increase tourist arrivals to other peer countries at the expense of Sri Lanka.

6. Conclusion

In this paper, the relationship between real GDP, foreign tourist arrivals and foreign exchange earnings for a small open economy like Sri Lanka has been investigated using time series data. It is clear from the data that after the end of the war tourism figures have hiked dramatically. Though the country has failed to meet the set targets for tourist arrivals the numbers are impressive and are growing each year. However, the country needs to be cautious about the sustainability of this growth figures.

The findings of this study support the hypothesis of tourism-led growth for developing countries. The positive relationship between number of tourists arrived and GDP growth implies further improvement in tourism activities in the country to positively affect to GDP. The expansion of tourism industry does not extensively limit to the income generated from foreign exchange, rather it has a number of positive spillover effects as it would create many

employment opportunities for the backward linkages emerging around the tourism related service sector.

The findings of the sentimental analysis, suggests that Sri Lankan tourism industry is extensively depending on five segments such as nature, historical tourism where as there is a high potential to develop the industry in areas such as adventure tourism, mass tourism, eco-tourism and sustainable responsible tourism. Despite the fact that most of the blog writers who visited Sri Lanka had positive views about the industry some fundamental issues such as poor public transportation, unavailability of facilities in rural part of the country has led to redirect the tourists to countries like Philippines.

Despite the shift in the ruling parties in the country the significance of the tourism industry in economic policies has not shifted. Therefore, actions towards sustainable tourism is needed to be implemented to obtain the optimal contribution from the industry to the country. Nevertheless, it is mandatory to understand that the government's involvement should be to facilitate the industry rather than becoming a sole protector of the industry.

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ANALYSIS OF THE ECONOMIC TRENDS IN TOURISM BUSINESSES IN THE CZECH REPUBLIC

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Abstract

The rapid expansion of tourism over the past years mirrored clearly on economics in many tourism-oriented countries. In order to find out how tourism benefits economy, it must be measured, however, due to multidisciplinary character of tourism, it is not an easy task. Therefore, tourism statistics includes several variables out of which consumption is considered economically the most valuable. The main purpose of this research is to analyze the economic situation of chosen tourism economic activities in the Czech Republic and to predict the trends for future years so that entrepreneurs can adapt to expected or unexpected development in tourism businesses and become sustainable for future tourist generation. Secondary data of internal consumption of tourism in the Czech Republic from 2003 to 2015 were analyzed by using regression analysis for graphical depiction and by using average absolute growth and average growth rate.

Keywords: Consumption, Czech Republic, economy, tourism, trends

1. Introduction

The popularity of tourism has been increasing in the recent years due to the explosion of transportation and freedom of movement that has facilitated tourist movement across borders. This is true also for the Czech Republic that is said to be one of the main transit places in Europe as it lies in the middle of this continent. Bearing this in mind, Czech tourism economy and entrepreneurship especially needs to be prepared for a high number of national and foreign arrivals and transit tourists. Few years later, this resulted in uncontrolled building of new tourism facilities, many of which economically did not survive due to competition or bad financial management. Loss of sustainability of these facilities was one main reason why they did not survive also because managers did not follow general economic situation in the country.

Tourism is an important part of the Czech's economy, even though its share on GDP compared to other states is not as big, it represents 2,9% share in 2016. However, it still represents considerable economic value for the Czech Republic. When measuring one's well-being and standards of living, literature uses two main variables, i.e. income or consumption. However, as Bernini et al. (2016, p. 1158) states, income and consumption "are only partial measures of a wider concept of living standards, involving not simply material deprivation, but also the deprivation of health, education, labour and so on". When looking at tourism, tourist consumption on most used services such as hotel accommodation, food services, transportation, visitors' attractions or shopping contributes to economies of states by generating important variables to economic analysis such as gross domestic product, creation of employment etc. This

is possible due to increasing interest in tourism by both inbound and domestic tourists. From the economic point of view, inbound tourism consisting of foreign visitors was less than 58% (157 milliard CZK) in 2017 in the Czech Republic. The remaining two fifths of the financial means (115 milliard CZK) were generated by domestic visitors through domestic tourism. (Czech Statistical Office, 2018) As it is evident, tourism consumption to a destination's economy in general is of a very high importance and it is directly linked to the performance of tourism-related businesses. (Wu et al., 2012)

Thus, it is important to focus on the future prediction and forecast of the consumption growth to facilitate the future behavior of the sector important for further business planning of tourism-related businesses. For forecasting, it is very important to note that "income and price elasticities of tourism demand do not remain stable" and that it subjects to fluctuations in economic activity. (Smeral, 2017, p.913)

The aim of this paper is to analyze the economic trends in three main tourism economic activities in the Czech Republic by using internal consumption as the main measure of the economic state of tourism in the Czech Republic and to forecast its future development with regard to previous economic data. These main economic activities are namely accommodation, food and beverage and transportation. The data were collected from the Czech Statistical Office from 2003 to 2015 that was the latest reported year. The forecasting will be done through regression analysis and data will be analyzed by using average absolute growth and average growth rate. For better aiming of the prediction of future development of internal consumption, the data has been divided into two stages, before and after the economic crisis.

2. Literature review

Tourism is not "a single identifiable sector of the economy" nor "a single branch of a production" which can be easily defined. It consists of goods and services from different industries that are then sold to both tourists and residents. (Ekopress, n.d.) During travels, both tourists and residents spend their money usually on a goods and services such as accommodation, food and beverage, transport, communications, entertainment, retail outlet goods and travel services (Cooper et al., 2004). All these goods and services generate money to the economy. In order to find out how tourism benefits economy, it must be measured. The need for measurement of primary tourism data arose with higher volume of tourists in the early 20th century. (Bhatia, 2007) The statistical measurement in tourism is important for:

- evaluation of tourism's significance,
- planning and developing infrastructural requirements,
- marketing and promotion,
- understand change in tourist preferences and fashion,
- legislative and administrative purposes (Bhatia, 2007).

In tourism, there exist three main categories of statistics:

- volume statistics – the number of tourists visiting the given destination
- statistics of tourist characteristics – composition of the tourists (e.g. gender, age, attitude to destination etc.)

- expenditure statistics – economic significance for tourism through tourist flow (money). (Boniface, Cooper and Cooper, 2012)

Some authors agree on the fact that tourism expenditure is one of the mostly measured and important variable in tourism statistics. Economic impact of tourism is mostly measured by “the sum total of all expenditures by all tourists” as stated by Theobald (1998, p. 26). It is important particularly because tourist expenditure and measurement of tourist flows represents “a basis for planning the future development”. (Bhatia, 2007, p. 54) Moreover, as concluded also by Thano and Kote (2015), “tourism spending is closely related to the economic cycle”. To measure tourism’s impact correctly, the emphasis should be put on both international and domestic tourists and their expenditures. At the same time, however, Cooper et al. (2004) warns that the sum of international and domestic tourist expenditure represent only a small economic impact. To asses economic impact of tourism fully, one must take into account aspects such as “leakages of expenditure out of the local economy, indirect and induced effects and displacement and opportunity costs.” Even though, tourism “is sensitive to the level of economic activity in the tourist-generating countries”, its income is a valuable source of fixed earnings more than primary products (Bhatia, 2007, p. 37).

However, since tourism has a multidisciplinary character (Ekopress, n.d.), the economic impact of tourism on economy is very demanding to measure. (Boniface, Cooper and Cooper, 2012) Its multidisciplinary and multidimensional character makes the analysis of supply and demand “a complex task” (Buhalis, 2005). It has two reasons. Firstly, it is so because it is difficult to distinguish between the consumption by tourists and the expenditure by residents (Holloway and Taylor, 2006). For example, Ekopress (n.d.) mentions only accommodation and services of travel agents and tour operators as the ones that are characteristic for tourism and should be a subject of tourism statistics. The output of other goods and services is not clear because it is consumed by both tourists and visitors as well as by local people. Secondly, in order to measure tourism systematically, it is important to differ between all its sectors. Various authors define basic economic tourism sectors differently. For example, see e.g. Ekopress (n.d.) or Bhatia (2007) who considers (1) accommodation, (2) transport, (3) attractions and (4) support services as the main tourism services. Theobald (1998) looks at tourism from the point of view of tourism consumption expenditures and believes that it should be created by (1) packaged travel, (2) accommodation, (3) eating and drinking establishments, (4) transportation, (5) recreation, culture and sport and (6) shopping. All these results from the multidisciplinary nature of tourism that should be respected while making statistical measurements. Diversity of tourism sectors and overlapping of some of them causes tourism to be based on association and interconnectivity (Bunghez, 2016) that must be respected in statistic measurement.

Tourism is a service and from its nature, it cannot be stored or consumed at a later time. This feature caused that the volume of tourism consumption is equal to the volume of tourism production (Languar, 1983, Fabre, 1979, Thano and Kote, 2015) It is due to the fact that tourism consumption is affected by demand and “the characteristics of the visitor (consumer) determine whether the consumption of a product is a tourism-related or not.” (OECD, United Nations and WTO, 2001) In other words, tourism consumption is an aggregate of visitors’ activities. Because

geographical location of consumption is important, Tourism Satellite Account divides tourism consumption into five main categories (OECD, United Nations and WTO, 2001, p.30):

- Domestic tourism consumption – the consumption of resident within the economic territory of the country of reference
- Inbound tourism consumption – the consumption of non-resident within the economic territory of the country of reference
- Outbound tourism consumption – the consumption of the economic territory of the country of reference and provided by non-residents
- Internal tourism consumption – the consumption of both resident and non-resident visitors within the economic territory of the country of reference and/or that provided by residents
- National tourism consumption the consumption of resident visitors, within and outside the economic territory of the country of reference

Because tourism consumption is interconnected with its production, important differences may occur with regard to the output of tourism activities in a country and its internal tourism consumption. According to OECD, United Nations and WTO (2001, p.41), the differences depend on these two elements:

- “the extent of the supply to visitors by producers that do not belong to the tourism characteristic activities category
- the extent of the supply to non-visitors by producers belonging to this category”.

3. Methodology

The main purpose of this research is to analyze the economic situation of chosen tourism economic activities in the Czech Republic by using internal consumption of tourism as the main variable and to predict the trends for future years so that entrepreneurs can adapt to expected or unexpected development in tourism businesses and become sustainable for future tourist generation. In order to examine the relationship between individual economic activities of tourism, the selection of secondary data from the Czech Statistical Office was reduced to the consumption of internal tourism which is understood as a measure of economic benefit (Theobald, 2005). The consumption of internal tourism in the Czech Republic represents the expenditures of domestic and foreign tourists and it is stated in Tourism Satellite Account. This indicator was chosen also because expenditures of foreign tourists are perceived as an important economic indicator of the attractiveness of tourism (Houška, 2007). The most up-to-date data were available from 2003 to 2015 (the 2015 data is based on preliminary results). The Czech Statistical Office through CZ NACE defines seven basic tourism services for which the data were analyzed (see table 1). For better orientation, the data of internal consumption of tourism has been divided into two stages, before and after the economic crisis. According to Frechtling (2001), there exist two major approaches in tourism forecasting. One is “the linear regression method” and the second one is “a set of regression equations linked together by certain variables” often called as structural models. This research implies the first mentioned method and that is the linear regression method. It will be used for graphical analysis and future prediction. This research method will analyse the behaviour of chosen economic activities after

the crisis from 2009 to 2015 and its possible development for years 2016 and 2017 which has not been published by Czech Statistical Office yet.

The general form of a linear regression model according to Frechtling (2001) is:

$$Y = a + b_1X_1 + b_2X_2 + \dots + b_nX_n + e \quad (1)$$

where

Y = the dependent, or forecast, variable

a = the intercept constant

b = slope coefficients

X = independent, or explanatory, variables

n = number of explanatory variable

e = residual.

Data in regression analysis were analyzed through time-series analysis. The timeline represents comparable observations arranged from past through present to the future (Ramík, 2007). If we assume series y_t , $t = 1, \dots, T$ (number of periods), then the simplest rate of dynamics is the absolute growth (Artl, Artlová and Rublíková, 2002).

The absolute growth represents the change of value at time t against time $t-1$.

$$\Delta y_t = y_t - y_{(t-1)}, t = 2, 3, \dots, n$$

From the absolute growth, the average absolute growth is derived as it is stated in the calculation below. This parameter shows how much the indicator should be changed in absolute units so that the value of the indicator would change from the original value y_t to the last value y_n . (Ramík, 2007)

$$\bar{\Delta} = \frac{\sum \Delta y_t}{n-1} = \frac{(y_2 - y_1) + (y_3 - y_2) + \dots + (y_n - y_{n-1})}{n-1} = \frac{y_n - y_1}{n-1} \quad (2)$$

Another important parameter of time series dynamics is the growth coefficient (GC) which after multiplying by hundreds indicates at how many percentage in time $t-1$ has risen the value in time t . (Ramík, 2007)

$$k_{t=} = \frac{y_t}{y_{t-1}} \quad (3)$$

The average growth coefficient is the geometric mean of the individual growth coefficients and is also commonly used in time series analysis. Its formula is shown below. (Ramík, 2007)

$$\bar{k} = \sqrt[n-1]{k_1 k_2 \dots k_n} = \sqrt[n-1]{\frac{y_2}{y_1} \frac{y_3}{y_2} \frac{y_4}{y_3} \dots \frac{y_n}{y_{n-1}}} = \sqrt[n-1]{\frac{y_n}{y_1}} \quad (4)$$

4. Results

In the Czech Republic, there are seven main economic activities defined by CZ NACE that are connected with tourism activities. Tourism Satellite Account gathers information about internal consumption of tourists divided by the tourism main economic activity. Concrete information about internal consumption of tourism in the Czech Republic are seen in table 1.

Table 1 Internal consumption of tourists divided by the tourism main economic activity (2003-2015). Source: own processing based on Czech Statistical Office (2018)

| Time Indicator | 2003 - 2008 | | 2009-2015 | | 2003-2015 | |
|--|-------------------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Average absolute growth | Average growth rate | Average absolute growth | Average growth rate | Average absolute growth | Average growth rate |
| Accommodation | 1152,545 | 1,032 | 1406,117 | 1,035 | 970,970 | 1,025 |
| Food and beverage | 1227,637 | 1,030 | 1024,312 | 1,022 | 897,560 | 1,020 |
| Passenger transportation | 2313,456 | 1,064 | 1334,373 | 1,030 | 1422,646 | 1,036 |
| Services of travel agencies and travel agents | 416,996 | 1,065 | -15,051 | 0,998 | 86,722 | 1,014 |
| Cultural services | 221,357 | 1,030 | 245,593 | 1,029 | 199,649 | 1,025 |
| Recreation services and amusement | 89,205 | 1,029 | 84,655 | 1,024 | 77,706 | 1,023 |
| Other tourism services | 29,353 | 1,037 | -3,532 | 0,996 | 8,749 | 1,011 |

When comparing all seven tourism services listed in the Czech Tourism Satellite Account, several trends in the development of internal tourism in the three major tourist services sectors are visible. These three economic activities are also considered to be the main ones with regard to tourism. Therefore, this study is dedicated to analysis of future trends and consumption namely in accommodation, food and beverage and passenger transportation.

An interesting sector is the passenger transportation services which, before the crisis until 2008, showed the highest average growth rate of internal tourism and returned to this growth only from 2013 onwards. As it is evident from the table from the long-term view, the average growth rate was the most significant before the crisis and in the monitored period 2003-2015, this sector grew the most in average (by 3.6%). Modern technologies within this sector have reduced fuel consumption and although fuel prices are constantly oscillating, visitors still spend money on transport to reach their destination. Another reason for stability of this sector is the increasing competition in the form of new transport companies in the Czech Republic that are coming to the market. This evidently causes higher quality in this sector. (Stasiak-Betlejewska et al., 2016) As the passenger transportation include also transport by car, it is likely that this is the most used means of transportation in domestic tourism. However, this is not captured in official statistics. One more trend that can influence the future development of internal consumption of transportation can be the boom of sharing economy when tourists use shared transportation means, mostly taxis, instead of classic transportation services that are statistically monitored.

Figure 1 Development of internal consumption in transportation. Source: own processing based on Czech Statistical Office (2018)

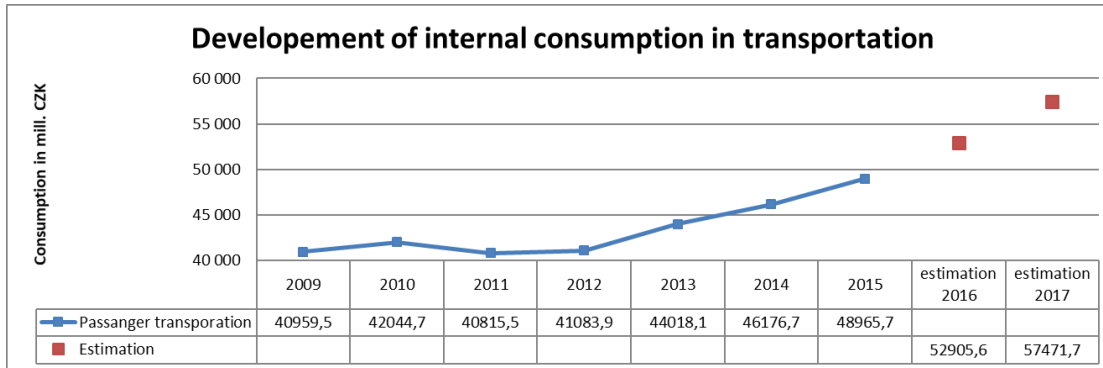
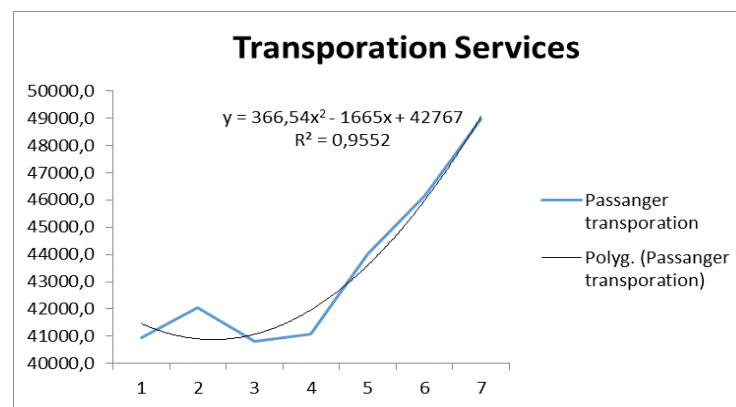


Figure 2 Future development of internal consumption of transportation services by regression analysis. Source: own processing based on Czech Statistical Office (2018)



As far as accommodation services are concerned, it can generally be said that unlike other sectors, this sector does not have to worry about a major downfall despite the disruptive factors (Panayotis, 2017). This is also seen in figure 3. The first obstacle can be seen in economic crisis which has had an impact on the reduction of disposable income of households and their decision-making on the spending of leisure time outside their place of residence and therefore, it affects also the accommodation. This points to the fact that the economic stability of collective accommodation facilities depends on the overall economic situation and economic fluctuations in the service market. These can subsequently determine the preferences of demand in terms of the allocation of disposable income to leisure and the associated overall financial decision-making of the consumer at the tourism market. This dependence is also evident from data about internal tourism in times of crisis which indicates a reduction in demand for the supply of these services. Even though in 2009, there was a fall in internal tourism expenditures by 2 548 million Czech crowns compared to the previous year, the timeframe from 2009 to 2015 shows that this sector has the highest average growth rate from all three sectors. An interesting fact is that compared to other sectors, average growth rate of internal consumption in 2003-2008 is 1,032 and in 2009-2015 is 1,035. Compared to other sectors from table 1, this is the only sector where there is a significant positive change. Other sectors report lower values after the crisis period.

The graphical depiction of future development of internal consumption of accommodation services shows an increasing trend.

Figure 3 Development of internal consumption in accommodation. Source: own processing based on Czech Statistical Office (2018)

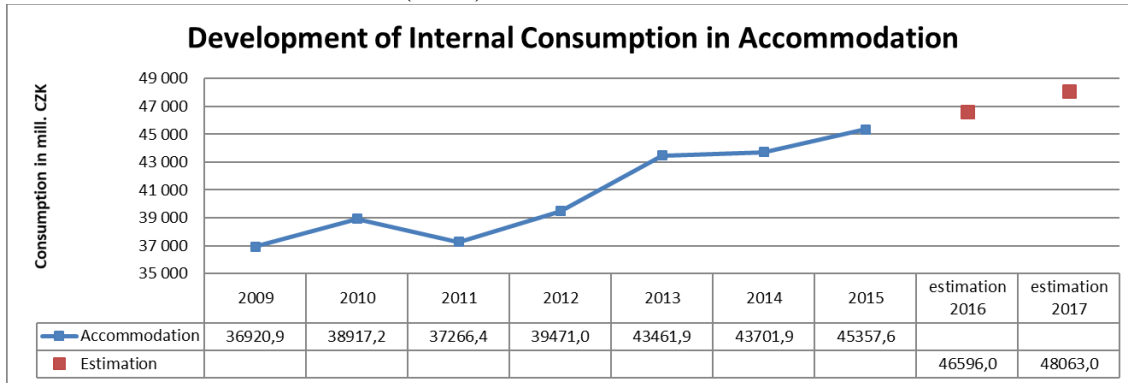
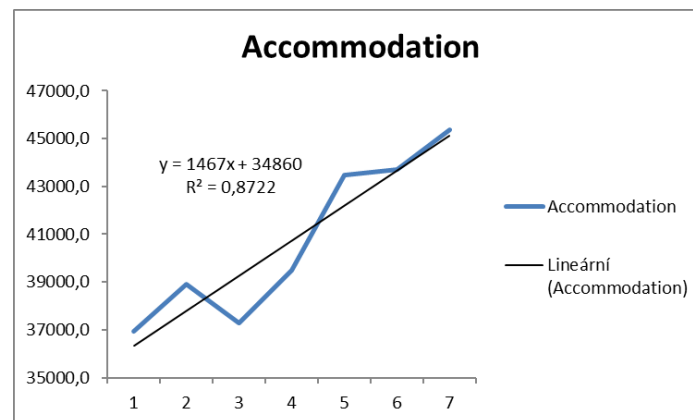


Figure 4 Future development of internal consumption of accommodation by regression analysis. Source: own processing based on Czech Statistical Office (2018)



With the increasing living standards, both residents and non-residents use a part of their disposable incomes to visit destinations associated with the need of accommodation (unless it is a one-day visitor). The highest share of overnight visits was recorded in domestic tourism (64%) in 2016 (Czech Statistical Office, 2016). For support of the tourism economy, only tourist, who spends at least one night in a given destination, is important. However, the trend is changing over the last period as well as is changing the length of stay of tourists in the Czech Republic which is getting shorter even though the number of tourists is growing. Another very discussed and disruptive factor is the trend of sharing economy that can influence the development and prosperity of classic collective accommodation facilities such as hotels, motels, camps, cottages etc. The preferences of tourists can lead to accommodation in shared private flats that are not statistically or legally registered in terms of travel and tourism receipts in the Czech Republic yet. However, in general, it is still the trend of increasing consumption in collective accommodation facilities in individual destinations (O' Connel, 2017) even despite a number of digital trends and hotelier competition (e.g. in the form of sharing economy). For example, in the Czech Republic, the number of Airbnb tourists increased by 52% and in 2017, it was one million tourists. However, this is still the trend of foreign visitors mostly Germans, the USA, British and

French tourists whereas Czech tourists are accommodated through Airbnb only by 7%. (Forbes, 2018).

Growing competition and rapidly evolving global market forces managers of accommodation facilities to actively and practically manager internal processes so that they can reduce costs and improve service quality (Vij, 2016). This is the reason why accommodation facilities should be managed also in terms of sustainability. Moreover, the fact, that the negative impact on the environment is the highest among hotel facilities from the previously mentioned tourism services (Sloan et al., 2013), contributes to starting implementing sustainability solutions. Within accommodation services, it is necessary to take into account the limits of statistics in the form of accommodation for relatives especially for domestic tourism which are not included in the statistics. These trends are very likely to continue also because of the higher number of domestic tourists than foreigners (in 2016 except the capital city of Prague and the Karlovy Vary region).

Figure 5 Development in internal consumption of food and beverage. Source: own processing based on Czech Statistical Office (2018)

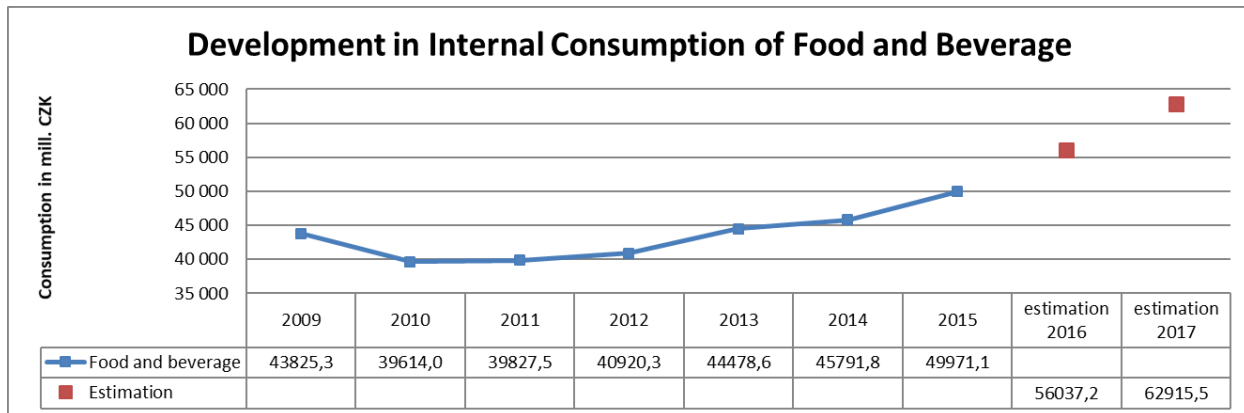
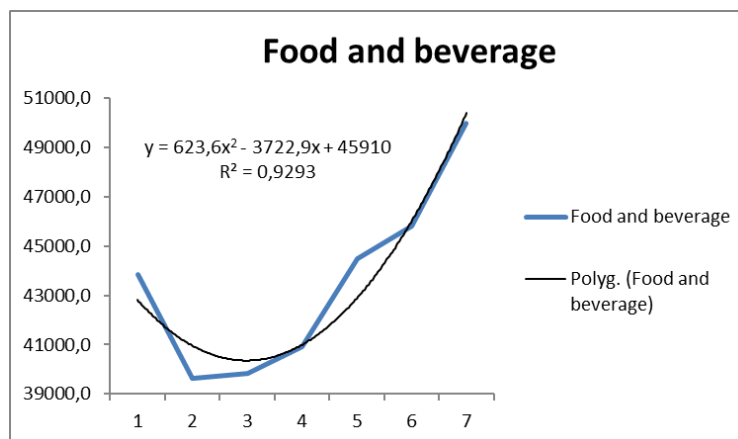


Figure 6 Future development of internal consumption of food and beverage by regression analysis. Source: own processing based on Czech Statistical Office (2018)

Error!



By their nature, internal consumption in accommodation services is very similar to that in food and beverage services however, the crisis has gone less grammatically and their future is more stable. Food and beverage services behave steadily both before and after the economic crisis. This is also evident from figure 5 and 6. However, from all three mentioned sectors, food and beverage has the lowest average growth rate throughout 2003 to 2015. It must be also noted that food and beverage is a sector that is very difficult to depict with respect to tourism internal expenditures as it is not clear what percentage of consumption is represented by locals (not tourists). Today's trend towards high-quality gastronomy attracts not only tourists but also local residents who connect the need for food with the cultural experience and social function even without leaving their home of residence.

5. Conclusion

Tourism is multidisciplinary economic field that consists of diverse sectors that sometimes overlap. This causes that the measurement of its economic impact is demanding and difficult. One of the major statistical variables that depict the economy of tourism is consumption, i.e. expenditures of international and domestic tourists. Primarily, internal consumption of tourism along with income of tourists belong to one of the main indicators for monitoring past, present and future sustainable growth of tourism activities in today's competitive world. To measure tourism's impact correctly, the emphasis should be put on both international and domestic tourists and their expenditures.

The contribution of this study to the literature and science is in depicting real and future development of internal consumption of tourism in three main tourism activities, i.e. transportation, accommodation and food and beverage in the Czech Republic. Its importance also lies in showing importance in measuring of this variable in tourism statistics and prediction. Development of internal consumption in past years as well as the prediction of future consumption can serve as an important reference for further planning and should lead to competitive advantage for entrepreneurs.

The analysis of internal consumption from the Czech Statistical Office by using regression analysis showed the trends of consumption of both visitors and residents of the Czech Republic. All three above described economic activities succumb to trends of modern demand of tourists and should behave accordingly. An interesting sector was the passenger transportation services which, before the crisis until 2008, showed the highest average growth rate of internal tourism and returned to this growth only from 2013 onwards. The highest average growth rate after the crisis from 2009 to 2015 is seen in accommodation sector. This is also caused not only by the increasing living standards but also by higher disposable income of tourists. More and more tourists prefer high-quality accommodation services, of course, proportionate to their income. This forces accommodation facilities to higher their standards and offer better services compared to previous years before the crisis. Traditional competition but also competition in the form of sharing economy also caused accommodation facilities to improve their standards so nowadays tourists do not take accommodation only as a place to stay but more like an experience, that creates the atmosphere of the whole stay. In food and beverage sector, crisis has not caused big fluctuations and it is considered to be a stable sector. However, one must keep in mind that statistics of food and beverage include also expenditures of local people and thus, these data

differences can give a distorted picture of economic impact of this sector on tourism. Particularly, there exist so called food travellers who visit food and beverage facilities due to experience such as for example visiting cooking classes, food festivals or others - these can be locals but also tourists. This modern trend can also affect the future statistics in a positive way. Generally, it can be concluded that previously mentioned trends can have a positive effect on internal consumption in future years because tourists no longer look at the cheapest possible variety but they are willing to pay more money for quality and experience.

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IMPACT OF MARKETING MIX STRATEGIES ON PERFORMANCE OF TOURIST HOTELS IN THE EASTERN PROVINCE, SRI LANKA

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Abstract

The main aim of this study was to investigate the impact of marketing mix strategies on marketing performance of tourists hotels in the eastern province. Hotel sector became highly competitive with the increasing number of chain hotel entering the market aftermath of the war. Hence, the hotel management need to be more customer focused and have to differentiate from their competitors by making their marketing mix strategies best suit to the needs of target customers. A survey research was employed to collect primary information from 100 managerial employees working in tourist hotels in the eastern province. Convenience sampling was employed for data collection using a questionnaire with a five-point Likert scale. SPSS 20.0 was used to analyze the data. Marketing mix variables such as, product, price, place, promotion, people, process and physical evidence have positive impact on the marketing performance of tourist hotels in the eastern province while price of their offering is the most important marketing mix element that affect the marketing performance of hotels in great extent, physical evidence comes last in the rank order of marketing mix elements which influence the marketing performance of tourists hotels in the eastern province.

Keywords: Marketing mix strategies, competition, marketing performance

1. Introduction

Globalization, growth of modern transportation facilities, the rise of a leisure and entertainment culture, advanced communication systems backed by technological innovation and the development social media have, over the past years, led to a rapid rise in tourist activities (Neuts,, Romão., Leeuwen. , & Nijkamp., 2013).

The main aim of a business is to create and maintain satisfied and profitable customers. Customers are satisfied and become loyal when their needs are met.

One of the marketing philosophies called “the marketing concept” explains that achieving the organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfaction better than competitors. Almost all organizations including organizations in the hospitality industry have been adopting the marketing concept. The marketing process is defined as “The process of (a) analyzing marketing opportunities (b) selecting target market (c) developing marketing mix and (d) managing the marketing effort”. Customers are at the centre of marketing process. The organization divides the total market into smaller segments, selects segments it can best serve and focuses on serving and satisfying these segments through market segmentation, targeting and positioning. It then designs a marketing mix to produce the response it wants in the target market (Thygaraju. & Venkateswarlu, 2014).

Tourism and hospitality industry has become one of the fastest growing industry in the world, generating more direct and indirect employment opportunities, income for local destinations and hotels and tax revenues for the governments. Communication is one of the most important tools to direct tourist flows to hotels and destinations. A large variety of e-tourism tools and technologies has emerged in the recent years. These tools inform potential customers about the benefits of a given destination, hotels and they also aim to create loyalty feelings as such, they became competitive tools in the tourism and hospitality industry (Neuts et al., 2013).

Increased competition among different tourist hotels which offer a wide range of products and services is a result of the growth in the tourism activities. This business environment around the globe is very competitive and calls for dedicated efforts in hotel management and marketing, required to create an attractive portfolio of tourism products and services. It's very clear that the tourism and hospitality industry is not a homogeneous industry, with much difference in tourists demand stimulus, alternative destinations, supply and supplier characteristics, ecological impacts and economic situation (Matias, Nijkamp, & Sarmento, 2011).

2. Literature Review

Marketing is “is a process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.” (Kotler, Armstrong, Agnihotri and Haque, 2013). To become successful in marketing, firms should focus on customers. Eventhugh, marketing costs are the major expenses for organisations, marketing leads to improved business performance and benefits the economy as a whole (Alzbeta and Andrej., 2014). The most studied service marketing mix, popularly referred to as the 7 P's, which has seven elements were extracted from the twelve elements. These seven elements are the product, price, place, promotion, people, process and physical evidence (Kotler et al, 2013). The framework calls upon marketers to decide on the product and its price, distribution and promotion, their people and process with physical evidence. Hameed and Zaytoonah (2014) asserted that the 7 P's can be used to meet the needs of the customer and obtain competitive advantages.

2.1 Marketing Mix Strategies

Stable and distinct market segments can be found by analyzing the information collected from the marketing research process to support marketing strategy decisions. Firm should estimate the needs and potential of each segment and the segment that the organisation can serve best and make optimal profit is to be determined as their target market. For this selected target market, differentiation decision for the product offered is to be arrived at and positioning strategy has to be finalized. Multiple attributes can be used to differentiate the market offerings but position strategy calls for one or two features to be emphasized in communications so that position is associated with the company's product image whenever a potential user thinks of the product (Kotler et al., 2013). The differentiation strategy gives the opportunity for full development of the new product and where marketing has further role to play. The marketing strategy related to the product gets modified based on the product life cycle stages in which the product is, such product life cycle stages include development, introduction, growth, maturity, and decline. The marketing strategy is also influenced by the position a product obtain in the competitive market place. Such market positions are leader, challenger, follower and niche player (Antoneta et al., 2015).

According to Kotler et al., (2015) A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a need or want. Product is a key element in overall market offering. This offering becomes the basis upon which the company builds profitable customer relationship. This can be pure tangible goods, pure services, events, artist performance, experience, persons, and places in broader context. Price is the amount of money charged for a product or service or the sum of the values that customers exchange for the benefits of having or using the product or service. Price is one of the most important elements determining a firm's market share and profitability. This is the only element in the marketing mix that produces revenue and the most flexible marketing mix element. The product should be available from where firm's target consumer finds it easier to shop. This may be High Street, Mail Order or the more current option via e-commerce or an online shop. Marketing communications are the means by which firms attempt to inform, persuade, and remind Consumers directly or indirectly about the products and brands they sell. In a sense, marketing communications represent the voice of the company and its brands; they are a means by which the firm can establish a dialogue and build relationships with consumers. This marketing communication includes advertising, sales promotion, personal selling, public relations and direct marketing, in more recent times, Social Media are all key communication tools for an organisation. These tools should be used to put across the organisation's message to the correct audiences in the manner they would most like to hear, whether it be informative or appealing to their emotions. Advertising and word of mouth communications are the two major tools used by service marketers. All companies depend on the people who run them from front line sales staff to the Managing Director. Having the right people is essential because they are as much a part of business offering as the products/services that a firm offers. In service marketing, people (employees) can make or break an organization. The process of service is the way in how the service is delivered to the end user. Elements of the process that is current work activities.

Physical evidence is the last and the most important element in the extended marketing mix. Elements of physical evidence includes many which are related to interior design of the firm, equipment used, employees, and environmental hygiene.

2.2 Marketing Performance

According to Kotler et al., (2015) marketing performance requires understanding the financial and nonfinancial returns to business and society from marketing activities and programs. Top marketers are increasingly going beyond sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They are also considering the legal, ethical, social, and environmental effects of marketing activities and programs. For this research, Sales revenue, sales growth, customer satisfaction and profitability are included in the marketing performance as a dependent variable.

3. Statement of Problems

Marketing mix strategies of tourists hotels evidently play a crucial role in their marketing performance, yet there are very few studies on the marketing mix strategies of hotels in Sri Lanka. In Sri Lanka, especially in the eastern province, both domestic as well as international tourists are attracted by the beaches, wildlife, culture, and nature.

These tourists need accommodation, therefore, it is important to have lodging facilities such as hotels. According to Sri Lanka Tourism Development Authority, Hotel sector in Sri Lanka was heavily invested envisaging that postwar scenario would boost the market condition in Sri Lanka. The hotel accommodation capacity has been increased up to 40% in 2015 compared to 2010. However, as envisaged the investment could not bring the returns.

Most of the hotels also provide dining, entertainment and conference facilities in addition to providing accommodation to their guests. This makes them invaluable to the economy of the eastern province and to the entire country. Consequently, the country has further invited hotels of various star ratings to invest in Sri Lanka (SLTDA, 2016). These facilities are spread across the country which increase the competition in the market place.

Few researches regarding to this study were done based on Sri Lanka's hotel industry and the hotel industry in the eastern province which includes three districts namely Trincomalee, Batticaloa and Ampara. In addition, more studies are necessary to examine the impact of marketing mix strategies on the marketing performances of hotels. Therefore, this research intended to study in depth on this area based on eastern province's hotel industry.

4. Research Objectives

The main objective of this study was to assess the impact of marketing strategies of tourists' hotels on their marketing performance. Other objectives set out to achieve in this study are; to find out

how various products offered by hotels effect marketing performance, to evaluate how prices set by hotels affect their marketing performance, to assess the promotional tools used by hotels and their impact on marketing performance, to examine the ways used by hotels to provide their services affect the marketing performance of hotels, to find out how employees are prepared and participate in the process to increase the marketing performance of hotels and to investigate how hotels involve in environmentally friendly services to improve their marketing performance.

5. Research Questions

The research seeks to answer the following questions: (1) how various products offered by hotels affect the marketing performance? (2) Are the prices set by hotels for their products affordable to tourists and improve their marketing performance? (3) What promotional tools used by hotels to position themselves to improve the marketing performance? (4) How hotels makes their tourism products available and accessible to the tourists to improve their marketing performance? (5) How hotel employees are well prepared and informed to provide better hospitality to tourists visit their hotel to improve their marketing performance? (6) How hotel employees participate in the service delivery process to satisfy the tourists and contribute to the marketing performance of hotels? (7) How hotels are environmentally friendly to improve their marketing performance?

6. Significance of the Study

The findings of this study are significant to the hotels, government or policy makers, and to academicians and scholars. The findings of this study helps the hotels in the eastern province to make necessary changes in their marketing strategies to improve their marketing performance. The results help the government policy makers to make informed decisions and to make necessary changes in the policies relating to the services of hotels. Using the findings of this research, academicians and scholars can contribute further into this topic.

7. Methodology

7.1 Conceptual model and hypothesis development

Hameed and Zaytoonah (2014) stated that marketing mix strategies positively contribute to business performance in terms of financial and non-financial performances. Antoneta et al., (2015) argued that effective marketing mix strategies of a firm can increase marketing performance while Pomeroy *et al.* (2010) stated that customer retention and competitiveness are two major outcomes of marketing mix strategies of a firm. The marketing strategies should be evaluated by looking at their impact on financial and non financial performances (Suherly, 2016). Kotler et al. (2013) highlighted that location can be a competitive advantage for hospitality firms. Based on the above literature the following conceptual framework developed for this study.

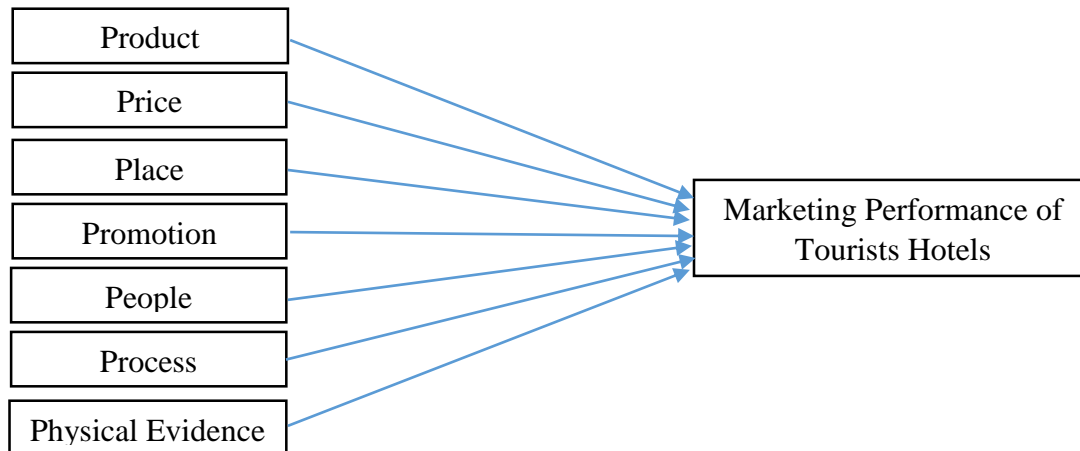


Figure 1.1: Conceptual Framework

Based on the above literature review and conceptual framework, following hypotheses were developed

H₁: There is a relationship between product and marketing performance of tourist hotels

H₂: There is a relationship between price and marketing performance of tourist hotels

H₃: There is a relationship between place and marketing performance of tourist hotels

H₄: There is a relationship between promotion and marketing performance of tourist hotels

H₅: There is a relationship between people and marketing performance of tourist hotels

H₆: There is a relationship between process and marketing performance of tourist hotels

H₇: There is a relationship between physical evidence and marketing performance of tourist hotels

7.2 Population, Sampling and Data Collection

The population refers to the entire group of people, events or things of interest that the researcher wishes to investigate. It is the group of people, events or things of interest for which the researcher wants to make inference (Sekeran & Bougie, 2013).

The study focused on tourist hotels in the eastern province. It was postulated that most of them were either in the introductory, growth or mature stage of their business life-cycle. Their managers and employees were the best sources of information on the most competitive marketing mix strategies and tactics for hotels in the area. This is because marketing is the responsibility of all employees. This study involved all managers of the hotels (resident managers, operations managers, human resource managers, business development managers, public relations managers, guest services managers, guest relations officers, marketing executives, sales managers, marketing managers, communications managers, departmental heads and supervisors) who felt that they were knowledgeable and informed enough to participate in the study.

As the population is not known in the eastern province, convenience sampling was used because it is easy to collect data. This approach is practiced because the exact number of hotels registered in the area and the number of hotels in the business operations are different. In this case the sample size was 100 respondents as they were considered to provide sufficient input to ascertain findings.

The questionnaire is the most common instrument to collect data. The researcher has chosen a self-administered questionnaire as a tool for the data collection. The questionnaire was in the form of closed-ended (or structured) questions in which respondents were asked to make the choice from a list of possible responses. Close-ended questions are also easy to administer and usually evoke rapid response (Schmidt & Hollensen, 2006). To make the study more effective and efficient, questionnaire consists of closed ended question and five point Likert scale questions.

The questionnaire had 50 items, 35 items for marketing mix strategies and 09 items for marketing performances and 06 items for demographic characteristics. Marketing mix strategies questions were categorized under product, price, place, promotion, people, process and physical evidence and the marketing performance question were categorized under sales growth, sales volume and profitability.

8. Analysis and Interpretation of Results

8.1 Overview of data analysis

The research focused on some background variables of respondents such as star rating of hotel, job title, working experience in the hotel as well as in the hotel industry, gender, age, and education level to get some insights of the sample in terms of this research.

Out of the 100 questionnaires issued, only 89 usable questionnaires were returned. Almost 97% of the respondents were males and all respondents work in non-star rated hotels. Around 23% of the respondents have more than 15 years of experience in the industry. Out of 89 respondents around 86 % of them are below 35 years old. 78 % of the respondents have higher education qualifications like diploma, higher national diploma, degree, and other postgraduate qualification while the rest are school leavers.

8.2 Correlation between Independent Variables and Dependent Variable

Correlation is the measure of strength of association between two variables. In social sciences, based on Cohen's criterion, correlation values of more than 0.3 are considered as sizable level of association.

The correlation analysis results indicated that all the independent variables such as, product, price, place, promotion, people, process and physical evidence are positively correlated with marketing performance of tourists hotels. The r between marketing performance and price is .839, marketing performance and price is .780, marketing performance and place is .710, marketing performance and promotion is .691, marketing performance and people is .694, marketing performance and

process is .815 and marketing performance and physical evidence is .849 (r values > 0.3), which means the variables have strong positive correlation between them at 1% significant level. R values of all the variables are less than 0.85. Perhaps, there is no problem of multicollinearity.

8.3 Regression Analysis

Table 1.2: Regression of coefficients for marketing performance upon marketing mix

| Predictors | Beta | P | VIF |
|-------------------|------|------|-------|
| Product | .359 | .000 | 1.712 |
| Price | .161 | .005 | 1.790 |
| Place | .221 | .000 | 1.041 |
| Promotion | .071 | .122 | 1.837 |
| People | .067 | .099 | 1.313 |
| Process | .256 | .000 | 1.848 |
| Physical Evidence | .410 | .000 | 1.260 |

(Source: Survey Data)

Notes: $F = 205.878$, $R^2 = 0.80$, Adjusted $R^2 = .796$. $n = 89$

Coefficient Values: Constant = .800, $X_1 = .359$, $X_2 = .161$, $X_3 = .221$, $X_4 = .071$, $X_5 = .067$, $X_6 = .256$, $X_7 = .410$

Above table depicts that out of seven marketing mix constructs, Promotion and People p-values are more than 0.05. as such Promotion and People are not significant predictors of Marketing Performance of Tourists Hotels.

The p-values for Product, Price, place, Process and Physical Evidence are less than 0.05. as such, Product, Price, Place, Process and Physical Evidence are significant predictors of Marketign Performances of Tourists Hotels.

The overall model explains the fit for the research and R^2 given above shows this aspect. This coefficient is a measure of how well the regression equation fits the data. According to the above, the R^2 is 0.80 (80 percent), hence, the regression equation apparently have a fit with the data. It can be predicted that 80% of the variance (R-square) in dependent variable has been significantly explained by the five independent variables (Product, Price, Place, Process and Physical Evidence). Here, $p = 0.000 < 0.05$ and the F value of 205.878 is significant at the 0.000 level. So the model is significant and model exists.

In the above table, the Variance Inflation Factor (VIF) values are less than 5. Hence, there is no problem of multicollinearity.

The Coefficients values indicate the most important independent variables among seven that influence most of the variance in marketing performance of tourists' hotels.

The standardised coefficient shows that the highest number in the beta is 0.410 for Physical Evidence, which is significant at the 0.000 level. This indicates that the Marketing Performance of Tourists' Hotels is influenced by physical evidence in great extent, and the Product influence Marketing Performances by 0.359. Based on the above, the following model fit regression equation is derived.

$$Y = .800 + .359 X_1 + .161 X_2 + .221X_3 + .071 X_4 + .067 X_5 + .256X_6 + .410X_7$$

Y = Marketing Performances of Tourists Hotels, X₁ = Product, X₂ = Price, X₃ = Place, X₄ = Promotion, X₅ = People, X₆ = Process and X₇ = Physical Evidence

In stepwise regression price, promotion, product and people were the significant predictors of marketing performance of tourists hotels in the eastern province. The R² Value of these four variables together 0.991 and the R² value of price alone in the stepwise regression was 0.769, hence, the price is the most important variable that determine the marketing performance of tourists hotels in the eastern province.

9. Hypotheses Testing

After the analysis of the data, hypotheses were tested to make sure the assertion in the light of the data analyzed. Hypotheses were tested and explained one by one. The most common policy in statistical hypothesis testing is to establish a significance level, denoted by α , and reject H₀ when the p – value falls below it. Here, the hypotheses were tested at 5% confidence level ($\alpha = 0.05$). P values are denoted by 'Sig.' in the following table.

Table 1.3 Hypotheses Testing

| Variables | Hypothesis (Null & Alternative) | P - Value | $\alpha = 5\%$ | Null Hypothesis | Alternative Hypothesis |
|-------------------|----------------------------------|-----------|----------------|-----------------|------------------------|
| Product | H ₀ , H ₁ | .000 | 0.05 | Reject | Accept |
| Price | H ₀ , H ₂ | .005 | 0.05 | Reject | Accept |
| Place | H ₀ , H ₃ | .000 | 0.05 | Reject | Accept |
| Promotion | H ₀ , H ₄ | .020 | 0.05 | Reject | Accept |
| People | H ₀ , H ₅ | .039 | 0.05 | Reject | Accept |
| Process | H ₀ , H ₆ | .000 | 0.05 | Reject | Accept |
| Physical Evidence | H ₀ , H ₇ | .000 | 0.05 | Reject | Accept |

According to the above table, p-values of Promotion and People are higher than the α value 0.05, hence the null hypothesis were accepted and alternative hypotheses were rejected. The p-values of Product, Price, Place, Promotion, People, Process and Physical Evidence are less than the α value 0.05, therefore, the null hypothesis were rejected and alternative hypotheses were accepted.

10. Conclusion

This study was designed to see the impact of marketing mix variables of tourists hotels on their marketing performances. The literature search revealed that the marketing mix factors such as product, price, place, promotion, people, process and physical evidence have significant impact on marketing performances of tourists hotels.

Seven hypotheses were proposed to investigate the impact of marketing mix strategies on marketing performances of tourists hotels, and the results of the hypotheses tests supported all the seven hypotheses. These results provided valuable insights for understanding the impact of marketing mix variables on marketing performances.

Based on the analysis, it is found out that product, price, place, promotion, people, process and physical evidence have significant and positive impact on marketing performance of tourists hotels in the eastern province. As the finding imply, tourists hotels have to find out the best mix of marketing mix variables to improve their marketing performance.

Previous studies (Suherly et al., 2016; Antoneta et al., 2015; Michel et al., 2013; Neuts et al., 2013) were found out that marketing mix strategies have significant impact on the performances of tourists hotels including marketing performances of sales growth, market share growth and profitability.

11. Managerial Implication

Top management of the tourists hotels in the eastern province could use any form of marketing mix strategy matching the demographic profile of the tourists. However it must be noted that hotels should concentrate on using more of online and social media strategies in marketing their hotel services as part of their place online because majority of the visitors are internet users and engage in mobile marketing. The hotels should provide more incentives for tourists who organize their visits themselves as this tourists visit here mainly to appreciate nature.

Management should pay more attention to training to their employees as it is crucial element in dealing with tourists and function as a major touch point in marketing hotels services. Safety and security of the guests during their stay in the hotel is also important in attracting more tourists to the hotels. As part of their promotion mix strategy, hotel management can introduce a loyalty program to their foreign and local customers.

12. Limitations and Direction for Future Research

This study examined the impact of marketing mix elements on the marketing performances such as sale growth, sales volume and profitability. This marketing performances can be as a result of many other marketing strategy related to segmentation, targeting and positioning apart from the marketing mix strategy, therefore, further research can be carried out on other marketing strategies. In this research, the impact of marketing mix strategies on marketing performance only was tested but the marketing mix strategy may have impact on other areas of business, that need to considered in the future researches. Furthermore, this study was conducted in the eastern province, therefore a similar survey can by undertaken in tourist hotels other areas may present interesting findings.

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ROLE OF WORD-OF-MOUTH WITHIN THE CBBE COMPONENTS AND BRAND LOYALTY OF ARUGUM BAY AS TOURIST DESTINATION: A STUDY AMONG LOCAL TOURISTS

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Abstract

The major objective of the study is to understand the role of word of mouth through brand salience and brand image as customer based brand equity components in the creation of brand loyalty of Arugam Bay as tourist destination among local tourists. Brand salience, brand image are used as independent variables and the brand loyalty is used as dependent variable. A survey questionnaire method was used as data collection technique. Convenient sampling technique was used to draw respondents. 120 respondents were drawn from the visitors at Arugum Bay. Collected data was analyzed using regression and correlations. The mediating role of word of mouth was analyzed using the method suggested by Baron and Kenny (1986). Findings reveals that brand salience and brand image of Arugum bay create the word of mouth among the local tourist visiting Arugum Bay. In the case of mediating role, the word of mouth is well mediating within the brand equity components. Thus, destination marketers need to focus on the brand salience and brand image of Arugum Bay rather than trying to create word of mouth for this destination.

Keywords: Brand equity, word of mouth, Arugum Bay, Brand image, Brand salience

1. Background of the Study

Sri Lanka tourism is growing progressively with the huge assistance of the government of Sri Lanka. East coast of Sri Lanka consists of many attractions and large number of potential and re visitors pay a visit to the attractions in the areas. Destination marketing organizations need to focus on the branding strategies to promote an attraction as tourist destination.

According to Sri Lanka Tourist Board, Arugum Bay is one of the top ranking surfing point in the world attracting many local and international tourists enabling them to enjoy the attraction.

According to the tourism strategic plan 2017-2020 of Sri Lanka tourist board, Sri Lanka is working on the tourism destination planning and to make them sustainable through facilitating the destination management. This will help allocate resources easily and minimize the cost. Further, Sri Lanka has a strategic plan for the new tourism development and feasibility and consideration and hence, the study on the role of word of mouth may help to find opportunities to develop further the Arugum Bay as strategic destination in Sri Lanka. This is also to note here that the destination brand as Arugum Bay has not been much studied well in the Sri Lankan tourism arena especially with brand loyalty.

Sun and beaches is found to be a niche tourism destination for tourists arriving to the country. Strategic plan also finds the MICE and medical tourism as niche. Therefore, it is worthy to study the brand salience, brand image and its word of mouth for Arugum Bay which is one of the beach where surfing takes place. Thus, it is very important to promote the Arugum Bay as one of the niche in Sri Lanka for tourists. Therefore a study on brand salience, brand image and brand loyalty is necessitated and how the word mouth is playing within these components of brand equity. In the tourism marketing today, destination brand loyalty is vital and it is linked to organizational performance (Jraisat et al., 2015). Hence, the research questions are whether the brand salience and brand image of Arugum Bay leading to brand loyalty mediating through word of mouth. This will help promote further the Augum Bay as a niche in the destination marketing of Sri Lanka. Sun and beaches have been mentioned as niches in the strategic plan of Sri Lanka tourism. This study further adds value to the significance in the way that it focuses on the domestic markets which has been mentioned as one of the important market in the Sri Lanka tourism strategic planning 2017-2020.

2. Review of Literatures and Hypothesis Development

A brand is important asset for any organizations. Brand is always with huge intangible value for organizations irrespective of the size of the firms in any industry and hence brand is always prioritized (Lehmann *et al.*, 2008). Customer based brand equity (CBBE) is defined as “*the differential effect that brand knowledge has on consumer response to the marketing that brand*” (Keller, 2013). This definition has three parts such as differential effect, brand knowledge and consumer response to marketing. A brand is having a positive customer based brand equity when consumers react more to the brand and become more familiar with the particular brand (Keller, 1993). Consumers will also accept the brand extension without any hesitations. Hence, Keller (1993) points out that customer based brand equity takes place when consumers have positive brand associations. Akroush et al., (2016) conducted a study to examine the relationship between service quality dimensions and destination loyalty. This study supports that these dimensions of tourism service quality positively contribute to the destination image and in turn, destination image positively contributes to the destination brand loyalty. A study conducted by Pike et al (2010) on customer based brand equity for Australia as a long haul tourism destination in an emerging markets includes brand salience, perception of quality, brand image and brand loyalty. Although brand salience, perception of quality, brand image and brand

loyalty are the components of the brand equity, Konecnic (2010) finds that perceived brand salience, brand image and perceived brand quality cause a destination brand loyalty.

In order to examine the relationship between the variables and to see the mediating effect, it is necessary to examine the variables under study and establish the relationship between dependent and independent variables. These are explained below.

Brand Salience

Keller (1993) explains the perceived brand salience as the recalling a brand when a product category is given to the consumer and hence, it is a subset of brand awareness. Guido (1998) explains the brand salience that “it is associated with an item which stands out from its environment”. This means that the brand is thought by buyers. In other words, brand salience is called as top of mind brand (Romaniuk and Sharp, 2004). There was a study on the Consumer-based brand equity for Australia as a long-haul tourism destination in an emerging market conducted by Pike et al., (2010) used brand salience as one of the dimension of the brand equity. Pike et al (2010) further emphasized that brand salience for a destination is a strength that will enable the destination brand to persist in the mind of target consumers and increase the brand awareness. If a brand is with salient features, that brands will positively be evaluated by consumers (Romaniuk and Sharp, 2004). Brand salience is also important for destination brands. When a destination brand is with brand salience, it will be thought by tourists when travelers have more options to be considered for visiting. Therefore, destination brand salience will give a guidance during the selection of destination brand (Hankinson, 2005). Brand salience for a destination will definitely generate the word of mouth for Arugum Bay and leads to brand loyalty of Arugum Bay. This infers that brand salience at a higher level for a destination of Arugum Bay will generate word of mouth. Thus, the researcher hypothesizes that

H₁ : Brand salience of Arugum Bay will positively contribute to the word of mouth about Arugum Bay

Brand Image

Brand image is one of the key dimension of customer based brand equity. Brand image is the general perception of the brand and this will be created through marketing activities in order to influence the consumer behavior (Zhang, 2015). Establishing an image for a product or service is very vital task for marketers in order to influence the perception of the goods and services (Zeithaml and Biner, 1996). Destination marketer needs to establish the image of the destination that will help position the destination brand well in the mind of tourists (Molina et al., 2010; Hosany et al., 2007). This is because, the destination image will have influence on the choosing behavior of tourists (Beerli and Martin, 2004). Consequently, this will help destination marketers to be successful in the destination marketing (Hosany et al. 2007).

When a destination is positioned, there may be enhanced image that will generate positive word of mouth for the destination. Hence, the researcher hypothesize that

H₂: Brand image of the Arugum Bay positively contribute to the word of mouth among local tourists.

Word of Mouth and Brand Loyalty

Word of mouth is also a form of customer loyalty. This is one of the personalized transmission of experience to other party and be considered as one of the trustworthy source (Swan and Oliver, 1989). Many studies have been conducted and detailed that the interpersonal communications are identified as influencing on the tourism industry (Reza et al., 2012). Further, a study conducted by Morgan et al (2003) reiterates that negative word of mouth largely affects the destination image and that leads to dissatisfaction of visitors. Reza et al., (2012) also find that tourists with satisfaction would convey their experiences with prospective customers.

Oliver (1999) defines loyalty as “*a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing...*” When a customer buys a brand repeatedly the customer is believed to be loyal to the particular brand (Odin et al., 2001). Therefore, it is important to have a brand loyalty for a product since marketers do not want to promote the brand to the customers (Aker, 1991). Oppermann (2000) emphasizes that brand loyalty is one of the key component of customer based brand equity but there was no much more researches in the destination marketing. Brand loyalty is said to be a success driving force of a business and it is an indicator of business success (Sun et al., 2013). Destination marketers should also attempt to see the success factors of their destination brand loyalty and how it is formed for their destination (Gursoy et al., 2014). Destination brand loyalty is one of the important elements of the tourism strategic marketing and has a link to the reputation of the destinations (Jraisat et al., 2015).

In the case of Arugum Bay as a tourist destination, destination marketers need to study about the Arugum Bay’s brand loyalty in order to formulate and implement marketing strategies and be successful in the destination marketing. When a destination is with higher brand loyalty, word of mouth referrals of the destination are also in force (Faullant et al., 2008). This infers that the destination brand loyalty can be seen with visitation of tourists and word of mouth to the potential and existing tourists (Pike et al., 2010). Therefore, word of mouth generated from the destination brand salience and destination brand image can be a cause for the destination brand loyalty. Thus, the researcher hypothesizes that

H₃: The word of mouth of Arugum Bay positively leads to Arugum Bay brand loyalty.

3. Methodology

The study was quantitative in nature. The research was conducted in Arugum Bay among local tourists who were visiting Arugum Bay beach. Convenience sampling technique was adopted for 120 local tourists. This was because of the fact that local tourist who arrived at the Arugum Bay could not be limited in numbers.

Questionnaire was used as instrument for data collection. The questionnaire consists of personal information and five point likert scale for each item of each variable under study. Statements in the questionnaire for each variable were adopted from previous studies. Items for brand salience, brand image and for brand loyalty were adopted from Boo et al. (2009) and Konecnik and Gartner (2007). Items for word of mouth was adopted from Bodo (2009).

Factor analysis was used for data reduction purpose. All communalities had more than 0.5 and all items were taken into considerations. The data were fed into SPSS and correlation and multiple regression analysis were used at data analysis techniques.

4. Results and Discussion

Pilot study was conducted among 30 local tourists who were at Arugum Bay beach. Reliability analysis was done in order to see the internal consistency and it shows that the Cronbatch's alpha value of 0.93 which is more than 0.70. The characteristics of the visitors are given in Table 1 below.

Table 1 Demographical Characteristics

| Characteristics | No. of Respondents | % |
|-----------------------------------|---------------------------|----------|
| Sex | | |
| Male | 78 | 65% |
| Female | 42 | 35% |
| Age | | |
| 16-25 | 32 | 27% |
| 26-40 | 52 | 43% |
| 41-60 | 28 | 23% |
| Above 60 | 8 | 7% |
| Educational Qualifications | | |
| < GCE OL | 11 | 9% |
| GCE OL | 14 | 12% |
| GCE AL | 43 | 52% |
| Bachelor Degree | 38 | 32% |
| Postgraduate | 4 | 5% |
| Visiting Time | | |
| First time visitors | 33 | 28% |
| Previously visited | 87 | 72% |

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Of 120 respondents 65 percent was male and 35 percent was female. 43 per cent of the respondents for the questionnaire were with the age between 26 – 40. Other rest of the respondents belongs to the categories of 16 -25, 41 – 60 and above 60 years of age. As far as number of visits to the Arugum Bay is concerned, 72 per cent of the tourists gave the answers to the questionnaire were previously visited to this destination and other rest of 28 per cent were the first time visitors to the Arugum Bay.

Factor analysis was carried out in order for the data reduction. The communalities of items in the questionnaires were with more than 0.5 and hence, all items were taken for analysis. Further, the KMO values and variances of each variable given in Table 2.

Table 2 Variance and KMO Values

| Variables | Variance | KMO |
|----------------|----------|-------|
| Brand salience | 66.69 | 0.637 |
| Brand image | 71.47 | 0.696 |
| Brand loyalty | 55.43 | 0.698 |
| Word of mouth | 72.55 | 0.657 |

KMO statistics given in Table 2 are more than 0.5 and it shows that sampling adequacy and data can be used for factor analysis. The variances for brand salience, brand image, brand loyalty and word of mouth are 37%, 71%, 55% and 72% respectively. This also shows that the data collected for this study is well represented.

Table 3 Correlation Matrix

| | BS | BI | BL | WOM |
|------------------------|--------|--------|--------|-----|
| BS Pearson Correlation | 1 | | | |
| Sig. (2 tailed) | | | | |
| N | 120 | | | |
| BI Pearson Correlation | .730** | 1 | | |
| Sig. (2 tailed) | .000 | | | |
| N | 120 | 120 | | |
| BL Pearson Correlation | .680** | .580** | 1 | |
| Sig. (2 tailed) | .000 | .000 | | |
| N | 120 | 120 | 120 | |
| WOM | | | | 1 |
| Pearson Correlation | .914** | .857** | .598** | |
| Sig. (2 tailed) | .000 | .000 | .000 | 120 |
| N | 120 | 120 | 120 | |

Table 3 shows the correlation values between dependent and independent variables. There are positive significant associations between Arugum Bay brand salience and word of mouth and Arugum Bay brand image and word of mouth at 0.01 level at $p < 0.05$. In order to get the impact of these variables brand salience and brand image on the word of mouth of Arugum Bay, multiple regression analysis was performed. The extraction of the regression results are given in Table 4.

Table 4 Regression Results

| Predictable variable | Beta | <i>p</i> | <i>t</i> | VIF |
|----------------------|-------|----------|----------|-------|
| Brand salience | 0.618 | 0.000 | 15.442 | 2.144 |
| Brand image | 0.405 | 0.000 | 10.117 | 2.144 |

Note: $F_{2, 117} = 610.081$, $p < 0.05$, R Square = 0.913, Adjusted R Square = 0.913

Table 4 explains that results of the multiple regression. The R square value is 0.913 which is significant at 5 per cent level with the probability value less than 0.05. This shows that 91.3% of the variation of the word of mouth is explained by brand salience and brand image of the Arugum Bay. Further, adjusted R Square 0.913 indicates that the model has accounted for 91.3% of the variance in the criterion variable. Multicollinearity problems were also checked with the Variation Inflation Factor (VIF) which is falling between 1 to 10 and hence, it is concluded that there is no serious multicollinearity problem.

According to the results of the multiple regression analysis, word of mouth about the Arugum Bay is influenced by brand salience ($t = 15.442$, $p < 0.05$) and by brand image ($t = 10.117$, $p < 0.05$). The first factor that highly contribute to the word of mouth is brand salience ($\beta = 0.618$, $t = 15.442$).

The brand salience of the Arugum Bay is made up of the top of mind brand that is when asking about the beach to the local tourists, they are able to pronounce Arugum Bay which is very famous among the local tourists. In the case of Arugum Bay's image, tourists are keen to look at the attributes of the destination and its match with tourists' personality and self-image. Since it is very famous, others are also thinking highly about the particular tourists visited this destination.

Therefore, destination marketers of Arugum Bay may focus on the brand salience and brand image of the Arugum Bay that will definitely help generation of the word of mouth. In the case of mediating variable word of mouth, it has positive relationship with brand loyalty of Arugum Bay ($\beta = 0.598$, $t = 8.099$). This shows that tourists are conveying their ideas that they generated through brand salience and brand image to other friends and family. This creates the brand loyalty for Arugum Bay.

This infers that Arugum Bay is the preferred destination for tourists who is paying a visit to Arugum Bay and visitor is advising other people to visit this destination and the visitor is having intention to visit this destination in future too.

The hypotheses developed for this study were supported well. This is given in Table 5.

Table 5 Hypotheses Testing

| Hypotheses | Standard coefficient | Hypothesis testing |
|--------------|----------------------|--------------------|
| H1: BS → WOM | 0.618 (15.442) | Supported |
| H2: BI → WOM | 0.405 (10.117) | Supported |
| H3: WOM → BL | 0.598 (8.099) | Supported |

Note: $p < 0.05$, $n = 120$

Mediation Effect

The mediating effect can be seen after adopting four steps procedures (Baron and Kenny, 1986). As a first step, the relationship between two independent variables and mediating variable will be examined. In the second step, the relationship between mediating variable and dependent variable will be investigated. At the third step, the contribution of independent variables to the dependent variable need to be seen. Finally, mediating variable is considered as one of the independent variables and be investigated of the contribution to the dependent variable. This analysis is given in Table 6.

Table 6 Mediating Effect

| Independent Variable | Word of Mouth | | Brand Loyalty | |
|---------------------------------------|------------------|-----------------|-----------------|-----------------|
| | Model 1 | Model 2 | Model 3 | Model 4 |
| Brand salience | 0.618 (15.442) | | 0.546 (5.587) | 0.960 (5.832) |
| Brand image | 0.405 (10.117) | | 0.183 (1.869) | 0.454 (3.509) |
| Mediation effect | | | | |
| Word of mouth | | 0.598 (8.099) | | -0.669 (-3.068) |
| R ² (Adj. R ²) | 0.913 (0.911) | 0.357 (0.352) | 0.478 (0.469) | 0.517 (0.505) |
| Changes in R ² | | | | 0.039 (0.036) |
| F | $F_{2, 610.081}$ | $F_{1, 65.587}$ | $F_{2, 53.564}$ | $F_{2, 41.415}$ |

In Table 6, the model 1 indicates that brand salience and brand image of Arugum Bay is significantly contributing to the word of mouth of the destination. As per the model 2, word of mouth about the Arugum Bay is influencing on the Arugum Bay brand loyalty ($R^2 = 0.357$, $p < 0.05$). The third model shows that brand salience and brand image of the Arugum Bay is significantly contributing to the brand loyalty of the Arugum Bay. The final model indicates that when the mediating variable word of mouth is added as one of the independent variable, the effect of brand salience ($0.546 \rightarrow 0.960$) and brand image ($0.183 \rightarrow 0.454$) on the brand loyalty of the Arugum Bay is increasing revealing the clear mediation of word of mouth. Further, the R^2 is also increasing from 0.478 to 0.517 and therefore, adjusted R^2 is also increasing by 0.036.

5. Conclusion, Managerial Implication and Limitations

The objective of the study is to understand the role of word of mouth within the customer based brand equity elements such as brand salience, brand image and brand loyalty of Arugum Bay as tourist destination among local tourists. This study finds that brand salience and brand image of Arugum Bay create the word of mouth among the local tourist visiting Arugum Bay. In the case of mediating role, the word of mouth is well mediating within the brand equity components. Therefore, destination marketers need to focus on making brand salience and brand image of the Arugum Bay and that will in turn generate word of mouth about Arugum Bay. This further enhance the brand loyalty of Arugum Bay. This is because of the fact that brand salience is a strength of the brand awareness of the tourist destination (Bianchi and Pike, 2011) and hence, brand salience need to be further established and will expressly lead to word of mouth of Arugum Bay. Brand image is also important to generate the word of mouth of the Arugum Bay among local tourists. In other words, destination marketers can further invest on the creation of brand salience and building up the image of the Arugum Bay that will definitely generate word of mouth and enhance the brand loyalty.

In order to create the brand salience of Arugum Bay, destination marketers need to look at what brand attribute of the Arugum Bay will easily influence on the tourists behavior. The choice of the destination by tourists is actually stimulated by relax and sensory gratification (Trembath, 2008). Relaxing environment and other enjoyments at Arugum Bay have to be promoted to among local tourists so that the destination Arugum Bay can be thought when people think of tourist attractions. Moreover, tourists need clean surrounding and clear beach, establishing resorts for tourists and special events should also be ensured to the people visiting the Arugum Bay. When the destination has improved facilities that will enhance the brand salience and also build brand image of the Arugum Bay.

This study is helpful to the policy makers of the Sri Lanka tourism in the way how the brand loyalty for Arugum Bay tourist destination is created and what the role word of mouth is playing within the customer based brand equity components. Further, destination marketers need to promote the Arugum Bay among the people outside of the East coast region. Accordingly, destination marketers can plan for strategic marketing of Arugum Bay. Resource allocation is an important to develop destination and therefore, how marketing resources can be apportioned to the Arugum Bay that leads to the Arugum Bay brand loyalty.

This study also supports to the Sri Lanka Tourism strategic plan in which the domestic tourism has been given an importance. Further studies need to focus on the customer satisfaction of the Arugum Bay including all facilities since there is a need for mapping of attributes which cause the experience and familiarity which is making up tourists satisfaction and brand salience Arugum Bay. This study can further extended to the international tourists as well.

The major limitation of the study is sample. Only 120 respondents were drawn among large number of local tourists. Thus, there may be a requirement to further confirm the results of this study.

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