The Key Factors of Relationship Quality between Tour Operators and SME Hotels

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Abstract
The importance of relationship quality for successful future business co-operations is well established; however research on factors of relationship quality within tourism and hospitality is scarce. This study therefore aims to identify factors of relationship quality between tour operators and hoteliers within the Cretan context using qualitative semi-structured interviews. Twenty-six tour operators and hoteliers were interviewed and the data were analysed using thematic analysis. Eight key factors of relationship quality were identified including trust, price, service quality, commitment, communication, mutual goals, customer satisfaction and information quality to influence the future cooperation of tour operators and hoteliers within the Cretan tourism sector. The study provides practitioners with a guideline of factors as to how to successfully co-operate. For academic, it identifies key factors of relationship qualify for the development of the relationship quality model in a hospitality setting.

Key Words *relationship quality, tour operators, SMEs hotels, Crete*

Theme Theme 6 - Futures Topics

Introduction

Relationship quality (RQ) is intrinsically long-term, strategic and predominantly interpersonal (Palmatier, Dant, Grewal, & Evans, 2006). However, little research has been conducted on the role of key individuals in inter-organisational relationships in general, and on business-to-business (B2B) relationship quality in particular (Haytko, 2004). Crosby et al. (1990) stated that RQ is influenced by trust and satisfaction, while Naudé and Buttle (2000) added that trust, demand, integration and profit have a serious impact on B2B relationship quality. Although there is no consensus regarding relationship quality dimensions, and little empirical evidence regarding the nature and extent of the overall impact of relationship quality on service quality, the literature does suggest that the quality of the relationship between the parties involved is an important determinant of loyalty (Leverin & Liljande, 2006). This study examines the RQ between tour operators (TOs) based in the German and British markets and Hoteliers in Crete. Although there is a large number of RQ literature within a number of disciplines, studies within the tourism and hospitality background are limited to the predictors and outcomes of RQ (Kim & Cha, 2002), relationship commitment (Bowen & Shoemaker, 1998), and emotional commitment (Baloglu & Sui, 2003). Cheng, Chen and Chang (2008) suggested that future research investigate RQ factors in order to account for the characteristics of different industries. Therefore, the aim of this study is to identify the key factors that influence the RQ between the Cretan SME hotel organisations and British and German TOs in the future.

Literature Review
Relationship Quality in the Hospitality Industry

There is no universal definition for RQ (Singh, 2008). Holmlund, & Törnroos, (1997, p. 9), one of the early researchers, defined perceived RQ as "the joint cognitive evaluation of business interactions by significant individuals in both firms of the (customer-supplier) dyad. The evaluation encompasses a comparison with potential alternative interactions of a similar kind which represent comparison standards". Parsons (2002) acknowledged that RQ should contain at least two dimensions including trust and satisfaction. By integrating different viewpoints, Chakrabarty et al. (2007) assessed that RQ is measured through trust, commitment, culture, interdependence, and communication. Berry and Parasuraman (1991) identified that an improvement of the quality level of tourism companies is dependent on strategic alliances between TOs, destinations and tourism companies. In addition, trust should be created through marketing and communication efforts (Iyer, Sharma, & Evanschitzky, 2006). Overall, it is crucial for destinations to be attractive and create good relationships with tourists as satisfied tourists are more likely to spread a positive word-of-mouth which is an important part of communication and marketing within the intangible tourism and hospitality industry (Ayeh, Au, & Law, 2013). Furthermore, Medina-Muñoz and García-Falcón (2000) suggested that in order to have satisfactory relationships between TOs and hotels in the tourism industry; it is essential to have timely, accurate, adequate, complete and credible communication. In addition, hotels should show a strong degree of commitment and loyalty to maintain the relationship and build up trust. Table 1 presents different studies on RQ by showing their focus and the identified dimension.

Table 1. Relationship Quality in Previous Tourism Literature

Authors	Focus	Dimensions
Shoemaker and Bowen (1998)	Loyalty: A strategic Commitment and trust in hotel service relationship	Commitment; trust; natural opportunistic behaviour; fair costs; benefits; understood values; reactive opportunistic behaviour; product use; voluntary partnership; expectation
Kim and Cha (2002)	Antecedents affecting relationship quality between Hotel employees and customers and consequences influenced by relationship quality	Customer orientation; Relationship orientation; Mutual disclosure; Service providers' attributes; Relationship quality; Share of purchases; Relationship continuity; Word of mouth
Tsaur, Yung and Lin (2006)	Relational Behaviour between wholesaler and retail travel agencies	Initiating Behaviour; Signalling behaviour; Disclosing behaviour; Interactive behaviour; Interactive communication; Opportunistic behaviour; End-users' satisfaction; Relationship quality; Offering support; Choice elasticity of wholesalers; Retailer loyalty; Market share of wholesaler; Choice elasticity of wholesalers
Meng and Elliot (2008)	Loyalty relationship outcomes in (Luxury) Restaurants	Communication; Relationship benefits; Price fairness; Loyalty; Commitment; Word of mouth; Relationship quality
Hutchinson, Lai and Wang (2009)	Relationship of quality , value, equity, satisfaction, behavioural intentions among golf travellers	Service quality; Value; Satisfaction; Equity; Word of mouth; Intention to revisit; Search for alternatives
Yen, and Liu (2009)	Relationship Quality on Justice Revisit Intention Relationship (Leisure Farm)	Perceived justice; Revisit intention
Vincent, Winzar and Webster (2012)	SEM of Relationship Quality Outcomes (wine association)	Word of mouth; Seller performance; Expectation continuity; Trust; Satisfaction; Commitment

Methods

A face-to-face semi-structured interview design (Patton, 2002) was adopted as it seeks to identify the main themes of RQ, including the dimensions and business consequences of RQ. Interviews were conducted with twelve managers of British and German TOs and fourteen three to five star Crete hoteliers. Three to five star hotels were chosen as they represent the majority of hotels in Crete. In addition, the majority of tourists to Crete are from Germany and the United Kingdom and therefore TOs from these two countries are considered most important (SETE, 2013). The data were collected in Crete between 2nd June and 30th September 2013 and analysed using a thematic analysis technique. Thematic analysis develops a framework of themes based on previous literature as well as findings from the data itself. The number of 12 interviews with TOs and 14 interviews with hotels is considered sufficient as no new factors emerged after analysing half of the interviews and therefore it is perceived that data saturation was reached (Guest et al., 2006).

Findings and Discussion

The key themes are summarised to present the key factors that influence the RQ between the SME hotels and British and German TOs in the future. Interviewees ranged between the age groups of 25 to 50, while most of the participants were between 30 and 45. In terms of gender distribution, 60 per cent were male and 40 per cent were female. Participants were owners of hotels and general managers of Cretan hotels. Four belonged to three star hotels (H3); six to four star hotels (H4) and four to five star hotels (H5). In addition, they were managers from different positions such as General Manager (H3GM), Contract Manager (H4CM), Operation Manager (H5OM2, H4OM), Marketing Manager (H3MM, H4MM), Front Office Manager (H4FM2, H5FM) and hotel owners (H3OW). In addition, TOs' participants were managers from different positions such as Product Manager (PM1-3), Contract Manager (CTM1-3), Commercial Manager (CMM1-4) and Quality Manager (QM1-2). Themes are discussed in order of importance based on the number of times themes have been discussed within the interviews.

Trust

Previous literature (Kim & Hun, 2008; Vincent et al., 2012) supported the importance of trust within the context of RQ within the tourism and hospitality industry and also the majority of interviewees agreed that trust is the most important factor for a strong TOs and hoteliers relationship. H4OM pointed out that "a relationship based on mutual trust is the foundation of an excellent collaboration which leads to successful results". H3MM identified that trust is important in order to keep business in the future long-lasting relationship between the two partners. The importance of a number of factors for RQ was supported by H4OM revealing that "the most important factors for the relationship between hoteliers and TOs are respect, trust, honesty, integrity, commitment and mutually acceptable manners in resolving conflicts or disagreements". H5OM however countered and implied that TOs often demand too much from hoteliers by forcing them to overbook. Considering the enormous importance of partnership between the hoteliers and the TOs for sustainable future business operation trust was perceived as the most important factor influencing the relationship. On the other hand, hotelier and tour operator pointed out a different view, PM1 revealed that "trust is not existing in the business" and H4FM agreed that "hoteliers are trying to do the best for their profit and TOs for their clients".

Price

Price was identified as second most important factor for the RQ among TOs and hoteliers. Meng and Elliot (2008) and Shoemaker & Bowen (1998) confirmed the importance of price for RQ within the tourism context. H4FM2 identified that "price is the factor that helps partner to start working together". Additionally, CTM3 identified that "the most important nowadays as I can see is the price for the two partners. Because of the economic crisis in Europe, more and more customers are interested in cheaper holidays or all-inclusive holidays that they do not have to pay any extras". Looking at future opportunities for the collaboration of the two parties, price was identified to play a crucial role. CMM2 even agreed that the price is more important than trust and mentioned that "TOs try to get best prices because they can earn more that way and put a good mark-up and sell the product two or three times higher". However, in order to ensure successful future collaborations, the price has to be satisfactory for both

parties as was supported by CMM1 who pointed out that "with an acceptable price from both parties everybody will be satisfied". On the other hand, one hotelier (H3MM) had a different view about the importance of price for the relationship between the two partners stating "price doesn't play the most important role….because if you trust your partner for service quality….will give better rates in the contract". Also, PM1 acknowledged that "price …is not very important but satisfaction for the customer is most important".

Communication

According to H5OM2 "communication is one of the most important factors for relationships because everything starts from communication". A number of scholars (Meng and Elliot, 2008; Tsaur et al., 2006) confirmed the importance of communication as RQ dimension. CTM2 acknowledged that "open communication is important for both of the partners to truly, listen carefully to what their concerns are and try to read their real needs from each other, then try to match them with your interests to reach a win-win situation". Also CMM3 confirmed that "open and honest communication between suppliers and TOs is a matter of great importance that affects positively to the consumers' satisfaction". Additionally, CMM4 confirmed that "open communication is crucial as problems in hotels are impossible to solve when the TOs and hoteliers do not have open communication, do not try to understand each other and help each other". From the hoteliers' point of view, H4GM identified the importance of communication for future business success as it helps the maintaining of functioning collaborations. This was furthermore strengthened by H4CM identifying that "open and direct communication with your partners can help you to better understand the needs of the industry". In addition, CTM2 stated that "partners have to be able to communicate both in a professional but also in a more personal level" and H3GM2 added that open communication can help the creation of a positive working atmosphere which in turn facilitates future cooperation.

Service Quality

Previous RQ research had highlighted the importance of Service Quality (Caceres & Paparoidamis, 2007; Doney, 2007; Hutchinson et al., 2009; Olsen, 2007). The majority of the interviewees argued that RQ has become a topic deservedly receiving great attention and the experts of the industry consider that the hoteliers have to offer service quality to meet the needs of the customers. H4CM agreed that "good service quality for both of the partners need to adapt the clients' requirements". The services are the core of the exchange and, as a result, the characteristics of the product (price, product quality) are likely to have significant effects on an relationship in order to maintain cooperation with the partner as H3GM mentioned that "TOs are expecting high quality of service with low prices". A threat of future co-operation between the two partners can be a low standard of service quality which was agreed by H4MM who pointed out that "the most common problem between them to suspend their co-operation is the service quality".

Mutual Goals

Mutual Goals is a theme that newly appeared throughout the interviews and has not been recognised from previous literature. Interviewees argued that sharing mutual goal among parties only can be achieved through joint action and collaboration. H3OW agreed that "both parties need to be satisfied with mutual goals in order to increase the revenue from both sides". H4FM2 stated that "main goal for both partners is …to sign a contract because then they can be secure and continue effective co-operation". Moreover, CMM4 stated that "another important factor is mutual goals both of the partners have to be interested in keeping the clients satisfied and create a good communicational environment…". On the contrary, a different opinion of mutual goals mentioned by CTM2 is that "if one side wins, the other side wins, too; which I believe is not true with TOs, since the lower the net rates offered to them, the less the hotels earn, whereas the more the TOs earn". It is believed that partners are not only interested in current relationship benefits but also focus on future benefits of doing business with a firm in their commitment and loyalty decisions. H4GM agreed that "mutual goals are cases we meet trust where open communication doesn't exist, although the relationship seems to be unacceptable".

Commitment

A number of scholars (Meng and Elliot, 2008; Vincent et al., 2012) acknowledged the importance of commitment for RQ among TOs and hoteliers and also a number of interviewees confirmed its relevancy within the Crete tourism sector (H3GM2 ; H4CM; H5GM; PM3; CMM2; CMM3). According to CMM3, commitment is immensely important within the tourism industry as a "commitment agreement shows the magnitude of trust and congruity of commercial goals between hotelier and TOs". In addition, CMM2 agreed that commitment is so important as it ensures that both parties are aware of their common goals which in turn facilitates successful future operations. Also H5GM pointed out that "a commitment promises that all agreed facilities and services will be provided by hoteliers and TOs". A strong commitment therefore leads to a more trustworthy relationship which, as assessed above, is considered the strongest part of RQ.

Customer Satisfaction

Even though customer satisfaction was not identified from previous literature, this theme was the third most frequently mentioned within the interviews. PM1 agreed that "*satisfaction from the customer is very important… if customers are not happy with the service of the hotels they will write a negative review on trip advisor and then for the TOs will be not easy to sell the hotel with negative reviews.*". Moreover, H4GM identified that "both of the partners…always have to try to keep the clients happy and that they have to keep what is promised". Also, the importance of customer satisfaction to establish a future cooperation was confirmed by H4FM2 stating that "satisfied clients help the co-operation to continue in the future and can keep a good standard of co-operation for both of the partners".

Information Quality

Information Quality is a new theme that appeared throughout the interviews and has not been recognised from previous literature. QM1 argued that "the hoteliers have to give the right description, facilities (pools, room view, restaurants) and information of the product in order to avoid customer complaints". The way that a company makes information available to its customers is just as important to guest satisfaction and trust as the type of the wrong information about the facilities of the hotel". Moreover, H3MM stated that "good tourism product, good information and description of the hotel can avoid a lot of problems for both of the partners". Therefore, CMM1 identified that "*in the tourism industry, what I learn first and proved to be correct each and every time ….The contract for the two partners have to clearly and correctly to describe how many rooms they have available for sales, release days, early-booking discount, the facilities of the hotel, the payment schedule and generally all the term and conditions*".

Conclusion

The aim of the present study was the identification of key factors of RQ for future successful co-operation between German and British TOs and SME hotels in Crete. The interview analysis revealed that there are eight key factors of RQ including trust, price, service quality, commitment, communication, mutual goals, customer satisfaction and information quality. Overall, the findings of the present study have shown that British and German TOs and Cretan hoteliers have to base their relationship on trust and honesty (Kim & Hun, 2008). The interviews have shown the importance of keeping rooms that were reserved by operators as the problem of overbooking was clearly identified within the interviews. Price was identified as an important RQ factor as TOs revealed that they negotiate low prices in order to provide competitive offers to their customers as well as increase their profit margins (Harewood, 2008; Sigala, 2008). On the other hand, hoteliers cannot reach their promised service quality levels when selling rooms at low prices. Therefore, it was revealed that it is essential to agree on prices that are satisfactory for both parties. In addition, Cretan hoteliers have to retain higher standard of service quality for the customers in order for TOs to avoid customers' complaints and compensations. Additionally, a high level of customer satisfaction will result in positive reviews and word-of-mouth on Tripadvisor and other forms of social media channels which is immensely important for the relationship and the overall image of Crete as a tourism destination. Furthermore, the present study identified that open and honest communication and mutual goals help

the solving of problems and a successful future cooperation. Finally, the study presented that both parties, TOs and hoteliers, have to be entirely committed in the relationship by providing correct information.

This study extends our understanding of determinants of RQ by identifying the themes of the relationship between the TOs and hoteliers. In addition it contributes to the understanding of business relationships between the Cretan hoteliers and British and German TOs by providing actionable recommendations for managers. The study also provides empirical evidence for the often assumed linkage between RQ and share of business. The results suggest that relational behaviour is an important complement to offering quality in determining the quality between the suppliers' relationships, lending empirical support to recent calls for "relationship marketing".

This study has a number of limitations and recommendations for academia and industry practitioners. The findings of the present study are solely based on interviews with TOs and hoteliers. In order to generalise the findings and increase reliability it is suggested to use an additional quantitative approach. In addition, the present study only focused on the Cretan tourism sector which therefore, might limit the generalisability of findings as other tourism destinations and countries might result in different key factors. Therefore, it is recommended to conduct a similar study in other destinations to assess the applicability of the eight identified key factors within the wider tourism context. In addition, Crete is a traditional sun, sand and sea destination where hoteliers are still very reliant on traditional TOs for bookings from the major European markets due to the high number of package holidays. Hoteliers within cities might be less dependent on RQ with TOs due to the large number of individual bookings via websites or other distribution channels. Therefore, each destination will have different collaborations and relationships with TOs which makes the market extremely complex and research findings difficult to generalise.

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