THE MEDIATION EFFECT OF VALUE ON EXPERIENCE AND SERVICE QUALITY TOWARD SATISFACTION IN MALAYSIAN TOURISM INDUSTRY

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A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Management)

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OCTOBER 2015
To my beloved family
ACKNOWLEDGEMENT

First and foremost, I would like to express my deepest appreciation to my supervisors Dr Ahmad Jusoh and Prof. Dr Zainab Khalifah for their guidance, patience and motivation all along the way. Without their continued support throughout the whole process, this thesis would not be completed.

Besides my supervisors, I would like to thank the examiners Ass. Prof. Dr Khairul Anuar Mohd Ali and Dr Noor Hazarina Hashim. Their insightful and constructive comments during the viva-voce section have helped me a lot in enhancing the quality of this thesis as a whole.

Similarly, my sincere appreciation also extends to my beloved parents and siblings. Appreciate their guidance, care, mental and financial support provided during my life's hardest time in the completion of my Ph.D. study. I am grateful to all my family members. I love you all.

Last but not least, I also like to thank all of the respondents as well as the relevant parties who have assisted me during the data collection process. Thank you.
ABSTRACT

Tourism is a fast growing industry that receives global attention. The study of tourist satisfaction is still limited even though tourism industry is one of the major contributors to Malaysian economic development. This research examines the relationship between experience, service quality, value and satisfaction among international tourists in Malaysia. Multistage sampling method comprising of stratified and convenient sampling techniques were used to draw samples from international tourists who travel to Malaysia. The research instrument used was questionnaire, where 301 questionnaires were used for data analysis. Findings indicated that experience, service quality and value were three interrelated factors that collectively contributed to the satisfaction among the international tourists. Besides, the construct of value was statistically proven to play the role as a mediator in service quality-satisfaction relationship and experience-satisfaction relationship. However, the moderating role of service quality proposed in the framework was rejected. In addition, the statistical results indicated that the affective-related factors that are experience and value, have a greater impact on tourist satisfaction in comparison to the cognitive-based factor that is service quality. This research has contributed to the theory modification and model conceptualization in terms of satisfaction, particularly within the tourism context. Apart from the contribution to the body of knowledge of satisfaction and consumer behaviour literature, this study also provides practical implications on the tourism service providers to increase tourists’ satisfaction level by enhancing the tourist experience and perceived value without disregarding the quality of services.
ABSTRAK

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ACSI - American Customer Satisfaction Index
AMOS - Analysis of Moment Structures
ASEAN - The Association of Southeast Asian Nations
CSI - Customer Satisfaction Index
DV - Dependent Variable
EPP - Entry Point Project
GDP - Gross Domestic Product
GOF - Goodness-of-fit
IV - Independent variable
KLIA - Kuala Lumpur International Airport
MM2H - Malaysia My Second Home
NGO - Non-Governmental Organization
NKEA - National Key Economic Area
SEM - Structural Equation Modelling
SOR - Stimulus Organism Response
SPSS - Statistical Package for the Social Sciences
UNWTO - The United Nations World Tourism Organization
UTM - Universiti Teknologi Malaysia
VMY - Visit Malaysia Year
WTTC - The World Travel and Tourism Council
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CHAPTER 1

INTRODUCTION

1.1 Introduction

Rapid developments in worldwide economies have changed the style of expenditure and the trend of business orientation. The customer-oriented business has replaced the products-oriented business in the new era. When the customer–oriented business becomes the trend, the study of consumer is hence, critical. Understanding the consumers’ desires and providing services and products that satisfy customers’ needs and wants have become the main responsibilities of the service providers.

Satisfaction has continuously received immense attention, especially in today’s competitive business world. As indicated by the literature, high satisfaction level is the main factor that leads to greater patronage rate (Ezebilo, 2014; Ferrell & Hartline, 2011, 2014), and brings favorable revenues and profits to the business providers (Ezebilo, 2014; Gilbert & Veloutsou, 2006; Murray & Howat, 2002), because a satisfied customer often purchases more items and on a regular basis, and will lead to loyalty in the long run (Hoffman & Bateson, 2011; Homburg, Kuester, & Krohmer, 2013; Peter & Donnelly, 2013a, 2013b). Hence, the study to understand optimum satisfaction among customers is crucial especially when the consumers like to share their experiences with others on the services obtained or products consumed.
According to Hoyer and Maclnnis (2007, 2010), a satisfied customer does not necessarily tell others of their experiences, but a disappointed customer always tends to share their unhappiness. Furthermore, dissatisfied customers tell others more than a satisfied customer does (Hoffman & Bateson, 2011; Hoyer & Maclnnis, 2007, 2010). Oliver (1987) posited that when the customers are dissatisfied, they tend to complain to the service provider to reduce their cognitive dissonance (Chou & Kim, 2008).

On that basis, research related to customer satisfaction, both in the manufacturing and the services sectors have continued to gain attention from both the academicians and the practitioners. Satisfaction is dynamic in nature since it evolves and changes due to its environment and circumstances. For instance, customer satisfaction is not only affected by the perceptions of service quality, product quality and price but satisfaction is too influenced by situational factors and personal factors (e.g. mood or emotional state) as per suggested by Zeithml, Bitner, and Gremler (2013). Therefore, more researches have to be carried out in order to understand these phenomena. Studies have suggested that there are several key factors that can influence the satisfaction level, such as quality, prices, and values. Furthermore, Pine and Gilmore (1999) have suggested that customer experience is an important element that influences satisfaction level, which is supported in later researches (e.g. Chen & Chen, 2010; Jin, Lee, & Lee, 2015; Xu & Chan, 2010).

Satisfaction study received worldwide concern (Peter & Donnelly, 2013a, 2013b) for both scholar and practitioners (Faizan Ali, 2015; Song, Su, & Li, 2013). Numerous studies on satisfaction have been carried out across industries (e.g. banking (Mosahhab, Mahamad, & Ramayah, 2010; Tan, Suki, & Suki, 2012); transportation (Lai & Chen, 2010); retail (Im & Ha, 2011); education (Mansori, Zarina, & Ismail, 2014; Tuan, 2012); mobile broadband (Jusoh, Zakuana, Baharia, Ariffa, & Hayata, 2012); airline (Namukasa, 2013); health care (Faria & Mendes, 2013), and others). The tourism business, one of the fastest growing businesses (WTTC, 2013a, 2013b), should therefore, focus on increasing the customers’ satisfaction as well. Statistical data shown by the United Nations World Tourism Organisation (UNWTO) have revealed the enormous growth of the worldwide tourism industry, and it is predicted
to be a significant contributor to the economic development in future (Refer to Appendix A: Tourism 2020 Vision). Therefore, comprehension on the satisfaction level of tourists and the related factors has a significant impact to not only in theory, but also on implications for the economy as a whole (Song, et al., 2013).

Successful tourism business brings greater monetary and non-monetary benefits to the host countries. Therefore, many countries have put huge efforts to boost their tourism industry and Malaysia is no exception. In order to enjoy the positive outcomes and benefits in the long term; it is crucial for service providers in the tourism industry to provide favourable services. Hence, service providers must always be ready to serve the consumers in the best possible way to ensure that consumers feel happy with what they receive and encounter during their travels or holiday, or in short, a satisfied tourist.

For that reason, the study on tourist satisfaction is important. Accordingly, many researchers have looked into the factors that build satisfaction. These factors are experience, value, and service quality, which have been identified as the contributors towards satisfaction in previous researches: a) Service quality (e.g. Cronin, Brady, & Hult, 2000; Cronin & Taylor, 1992; Lee, 2013; Malik, 2012; Su, 2011; Tuan, 2012), b) Value (e.g. Andreassen & Lindestad, 1998; Clemes, Gan, & Ren, 2011; Malik, 2012; Moital, Dias, & Machado, 2013; Patterson & Spreng, 1997), and c) Experience (e.g. Chen, 2007; Chen & Chen, 2010; Quadri-Felitti & Fiore, 2013; Song, Ahn, & Lee, 2014; Wu & Liang, 2011). Furthermore, the interactions between these factors have been studied too in order to gain a comprehensive view on the relationships between these factors. Once the interactions/relationships are clear, the service providers can design and create the right tourism products/services accordingly to satisfy their tourists.
1.2 Problem Statement

In today’s business environment, building and sustaining a good customer relationship is essential for service providers. Providing high customer satisfaction service is the key task for a company that wishes to sustain and to succeed in the long term (Homburg, et al., 2013). In general, providing satisfactory services is believed to improve a firm’s profit in the long term because satisfied customers are more likely to repurchase or to revisit (Ezebilo, 2014; Ferrell & Hartline, 2014; Gilbert & Veloutsou, 2006; Murray & Howat, 2002). Therefore, the study is to understand customer satisfaction better and to clarify the vital contributing dimensions that leads to high customer satisfaction.

Generally, cognitive approach is a common and widely accepted approach to measure satisfaction (Bolton & Drew, 1991b; Cronin & Taylor, 1992). Alternatively, satisfaction can be measured with emotional approach (Hoyer & Maclnnis, 2010; Kim & Severt, 2011; Mano & Oliver, 1993; Richins, 1997). Nevertheless, some researchers believe that integration between the cognitive and the affective approaches is preferable, because the evaluation of satisfaction is not purely cognitive-based, but is also influenced by emotional judgment during the process (Bolton & Drew, 1991b; McDougall & Levesque, 2000; Montero & Fernández-Avilés, 2010; Oliver, 1997; Rufín, Medina, & Rey, 2012; Soutar, 2001). Subsequently, a combination of affective and cognitive elements is deemed to best explain the complex nature of satisfaction concept.

Currently, literature in satisfaction study is, however, only looked from a single perspective. For instance, the researchers focused on the cognitive perspective (e.g. Aziz, Ariffin, Omar, & Yoon, 2011; Shahin, 2011; Suki, 2012; Tsou & Lin, 2010), while another group see satisfaction from the affective angle (e.g. Faizan Ali, Hussain, & Ragavan, 2014b; Chen & Chen, 2010; Quadri-Felitti & Fiore, 2013). Even though there are some exceptions such as Song, Ahn, et al. (2014), who studied the customer experience and service quality towards satisfaction in the context of mega event, it seems that the researches that integrate both cognitive and affective elements in a single model in order to provide ample fact of satisfaction are still lacking. In
view of that, this study puts efforts in extending current satisfaction research by sensibly integrating both cognitive and affective standpoints in a single model with the intention to illustrate the concept of satisfaction in a comprehensive way.

Previous researches that have identified factors influencing satisfaction discovered that the service quality is an antecedent that provides customer satisfaction (e.g. Cronin & Taylor, 1992; González, Comesaña, & Brea, 2007; Murray & Howat, 2002; Spreng & Mackoy, 1996; Yeung, Wong, & Ko, 2004). Besides, some researchers also revealed a positive and direct relationship between service quality and customer satisfaction (e.g. Bruwer, 2014; Clemes, et al., 2011; Lai & Chen, 2010; Lee, 2013; Su, 2011), which is widely accepted by academicians (e.g. Anderson & Fornell, 1994; Bitner & Hubert, 1994; Ekinci, Dawes, & Massey, 2008; González, et al., 2007; Meng & Elliott, 2009; Rojas & Camarero, 2009; Sivadas & Baker-Prewitt, 2000; Woodside, Frey, & Daly, 1989). Therefore, the inclusion of service quality in explaining the variance of satisfaction is a must.

On the other hand, some researchers feel that service quality alone is not sufficient to understand satisfaction (e.g. Bolton & Drew, 1991b; Clemes, et al., 2011; Lai & Chen, 2010; Sweeney, Soutar, & Johnson, 1997; Woodruff, 1997). These researchers have suggested that the construct “value” is significant in customer satisfaction. Therefore, it is believed that the inclusion of value in the relationship of service quality-satisfaction explains more about the nature of the relationship (Ferrell & Hartline, 2011, 2014; Minghetti & Celotto, 2013).

However, there is conflict on the function of value in the relationship between service quality and customer satisfaction. Some researchers have suggested that value mediates the relationship between service quality and satisfaction (Cronin, et al., 2000; Malik, 2012; Murray & Howat, 2002; Sheth, Newman, & Gross, 1991). On the other hand, Ruyter, Bloemer, and Peters (1997) and Caruana, Money, and Berthon (2000) suggested a different perspective. They suggested that value plays a moderating function between these factors. The perspective of the moderator role is supported in later researches (e.g. Clemes, et al., 2011; Lee, 2013; Raza, Siddiquei, Awan, & Bukhari, 2012; Wang, Lo, & Yang, 2004). The conflict appears when the
researchers hold different perspectives on the role played by the construct of value. For that reason, it is necessary to conduct an empirical research to investigate the real function played by the construct of value in the relationship between service quality and satisfaction.

On the other hand, some researchers feel services alone are no longer adequate for today’s consumer needs. The world’s economy has been significantly changing based on consumer demands and society changes; subsequently, the service-based business is transformed to be experience-based in recent years (Pine & Gilmore, 1999). Nowadays, the new significant elements of customer evaluation and satisfaction are their sense and response while consuming a service (Otto, & Ritchie, 1996), that is, the “experience” (Chang & Horng, 2010). At the moment, customers do not merely acquire the services to satiate their physical, and maybe even intellectual needs; however, they are seeking for new content that can fulfil their different and ever-increasing needs as well (Chang & Horng, 2010; Pine & Gilmore, 1999). Subsequently, research that focuses solely on functional attributes and quality is insufficient to fully understand complex consumer’s behaviours (Otto & Ritchie, 1996; Pine & Gilmore, 1999; Song, Ahn, et al., 2014; Song, Lee, Park, Hwang, & Reisinger, 2014) while the idea proposed by Pine and Gilmore, which they have identified as the “experience economy”, has shaped a new perspective on marketing research as it creates a new concern for service providers regarding the importance of the customer’s experiential needs.

On top of that, a number of studies related to “experience” has been conducted. For instance, the studies related to environmental psychology have suggested that satisfaction can be improved by enhancing the experience the consumer encounters (e.g. Hoffman & Bateson, 2006; Hoffman & Turley, 2002; Mehrabian & Russell, 1974). Furthermore, the studies carried out by Faizan Ali, Hussain, et al. (2014b), Chen and Chen (2010) as well as Song, Ahn, et al. (2014) have proven that the quality of experience manipulates satisfaction level.
Additionally, the study of value chain management has suggested that every experience encountered during the services may potentially create the overall value for the customers (Brathwaite, 1992). Besides, the results from previous researches also have supported the relationship between experience and value (e.g. Bitner, 1992; Chen, 2015; Orsingher & Marzocchi, 2003; Song, Lee, et al., 2014; Vargo & Lusch, 2004). Hence, in the highly competitive business environment, experience may be an important factor that has influence in value and satisfaction. Recognizing the importance of “experience” in influencing customer value and satisfaction, accordingly, the experience construct was added in this thesis.

This thesis, therefore, includes three variables, i.e. service quality, value and experience as the major predictors of satisfaction creation. Note that service quality is the common dimension in cognitive evaluation on satisfaction (Cronin & Taylor, 1992; Yu, Chang, & Huang, 2006). Experience, however, is the affective-based dimension, which is strongly related to emotional outcomes (Chang & Horng, 2010; Otto & Ritchie, 1996; Pine & Gilmore, 1999). Otherwise, value is a broad concept where it can be either cognitive- or affective-related or a combination of both (Yang, Liu, Jing, & Li, 2014; Zeithaml, et al., 2013).

Nevertheless, even though these factors have been proven to have impact on customer satisfaction in past researches, the complete interfaces between these elements towards satisfaction still remain unclear when they are discussed in separate studies. Bear in mind that, in real life, these factors might not be limited to exercise single and direct effects towards satisfaction only. In fact, they might interact with each other prior to affecting the satisfaction level. For example, service quality not only influences satisfaction directly, but also stimulates satisfaction indirectly through the construct of value (in case of mediation effect).
Previously, some researchers have only looked at the effects of value, service quality, and satisfaction (e.g. Al-Ababneh, 2013; Clemes, et al., 2011; Cronin, et al., 2000; Lai, Griffin, & Babin, 2009; Sheth, et al., 1991; Tuan, 2012). Likewise, another group of researchers has only looked into the effects of experience on value and/or satisfaction (e.g. Faizan Ali, Hussain, et al., 2014b; Chen & Chen, 2010; Jin, et al., 2015; Quadri-Felitti & Fiore, 2013; Song, Lee, et al., 2014). Though there is a good attempt by Knutson and Beck (2003) in conceptualizing the relationship of these constructs, the lack of empirical testing is unable to illuminate the true picture of the interactions between these constructs. The complex interactions between the constructs of experience, value, service quality, and satisfaction, thus remain unidentified. Without having a clear picture on these interactions, the total effects of certain variables might be under- or over-estimated. For that reason, this thesis is written with the effort to clarify the complex interactions between these factors and with the intention of gaining a complete understanding on the relationships, which is beneficial for both the academic and the practitioner’s perspectives.

From the academic point of view, the discussions in this study expand the limits of the current studies in understanding satisfaction creation. The evaluation of satisfaction is complicated, and includes both cognitive and affective judgment (Rufín et al., 2012; Soutar, 2001). This thesis thus pays efforts in identifying and integrating both of the cognitive and the affective factors in a single model, which will enrich the understanding on customer satisfaction.

Furthermore, based on the literature review, the interactions of service quality, value, experience, and satisfaction could be more complex and they are not limited to one to one relationship. The discussion in this thesis conceptually discussed the interactions of experience, value, and service quality towards satisfaction creation. Furthermore, the proposed model will be empirically tested, which will provide a new direction for future researches. The findings obtained from this research will accordingly improve the understanding of the formation of customer satisfaction, especially in the tourism context.
On the other hand, from the practitioner perspective, the findings of future studies related to the above should present better practical solutions in increasing customer satisfaction level. Satisfaction is the key point in creating and sustaining good services in the provider-customer relationship. Better understanding of satisfaction creation is crucial and thus, clarifying the factors related to satisfaction and the interactions between these factors is important. The findings in this study may guide the business providers in designing the products and services, which would cater to the customers’ needs and wants, in a better way.

The study in satisfaction received worldwide concern (Peter & Donnelly, 2013a) for both scholars and practitioners (Song, et al., 2013). Numerous studies on satisfaction have been carried out across industries (e.g. banking (Tan, et al., 2012); retail (Im & Ha, 2011); education (Mansori, et al., 2014; Tuan, 2012); mobile broadband (Jusoh, et al., 2012); airline (Namukasa, 2013); health care (Faria & Mendes, 2013), and others). The tourism business, one of the fastest growing businesses (WTTC, 2013a, 2013b), should therefore focus on increasing customers’ satisfaction too (Moital et al., 2013). Research in tourism context is very attractive and beneficial as the development in this sector is very fast, and especially when The United Nations World Tourism Organization (UNWTO) has estimated that the number of persons travelling worldwide will keep increasing in the future. Therefore, the comprehension of tourist satisfaction and related factors has a significant impact not only to the knowledge body, but on implications for the economy as a whole as well (Song et al., 2013). More research should therefore use tourism industry as the context of study.

Note that the nature of tourism market is suitable to explore the complex interactions of the constructs discussed in this thesis. The customer (or tourist) spend lots of money, time and efforts in order to have an enjoyable and a memorable journey. Furthermore, the tourists are too purchase and consumed a wide range of services such as transportation, accommodation, recreation, and others services during the trip (Goeldner & Ritchie, 2003). Moreover, the research about tourists is strongly associated with experience, where Otto and Ritchie claimed that “Perhaps more than any other service industry, tourism holds the potential to elicit strong emotional and
Experience plays a relatively heavier role in the context of tourism when compared to other commodity and service markets. At the end of the trip, the tourists are packed with the experience, perceived service quality, and value, which enable them to easily come out with a total evaluation of whether they are satisfied with the visit or the trip. For that reason, the selection of tourism industry as the research’s context seems to be the best choice to explore the relationship between service quality, value, experience and satisfaction.

In Malaysia, the government encourages the development of the tourism sector as the other countries do. Local tourism industry has been identified as one of National Key Economic Areas (NKEAs) in order to realise the country’s goal to achieve the status of a developed nation by 2020. As a key economy contributors, tourism industry have contributed an average of 12% of growth rate per annum to the Malaysian Gross Domestic Product (GDP) for 10 years continuously (PEMANDU, 2013a). Numerous projects, campaigns, and activities have been organized by the Malaysian Ministry Of Culture, Arts, and Tourism, such as Visit Malaysia Year, Malaysia My Second Home, Mega Sales, and many others. Tough lots of the efforts have been carried out to attract international arrivals, however, the tourism research in Malaysia is, however, inadequate.

Currently, research on tourism is dominated by the Western cultural experience (Towner, 1995, as cited in Ahmad, Ariffin, & Azhar Ahmad, 2008), and the studies conducted in Eastern countries (Asia) are limited, particularly in Malaysia. Based on the review conducted by Leung, Au, and Law (2015) in the Journal of Travel and Tourism Marketing (JTTM, an international tourism research publication), indicated that the overall pattern of travel and tourism marketing research specifically focused on Asia is lacking. Out of a total of 159 papers published in JTTM between year 2011 to year 2013 showed that only 65 papers (or 41 %) of the JTTM publication used Asia as the data source within year 2011 to year 2013; and Malaysia only contributed to less than 3% of the total Asian publication for the same period. Even though Leung, et al. (2015) only reviewed a single journal for a short period, it still provided valuable information that tourism studies in Malaysia is still insufficient and need to be explored.
The need for tourism studies is increasing when global tourism business keeps developing. Similarly, more tourist-related researches are required in Malaysia if the country wants to enjoy economic contributions from its tourism sector continuously. This thesis therefore attempts to enrich tourism research particular from the Asian perspective by conducting a tourist satisfaction study in Malaysia. The research conducted in the Malaysian tourism context is beneficial and provides local tourism planners with a good opportunity to improve tourist satisfaction level in the future.

### 1.3 Research Questions

Based on the problem statement discussed in the previous section, the research questions of the study were listed. The research questions of this study are as in the following:

1. What is the relationship between experience and satisfaction?
2. What is the relationship between experience and value?
3. What is the relationship between value and satisfaction?
4. What is the relationship between experience and satisfaction through value?
5. What is the relationship between service quality and satisfaction through value?
6. Does service quality moderate the relationship between experience and value?
7. What is the comprehensive relationship between experience, service quality, value, and satisfaction in the context of tourism?
1.4 Research Objectives

In response to the research questions listed in the previous section systematically, the objectives of this study are:

1. To examine the relationship between experience and satisfaction.

2. To examine the relationship between experience and value.

3. To examine the relationship between value and satisfaction.

4. To examine the relationship between experience and satisfaction through value.

5. To examine the relationship between service quality and satisfaction through value.

6. To examine if service quality moderates the relationship between experience and value.

7. To examine the comprehensive relationship between experience, service quality, value, and satisfaction in the context of tourism.

1.5 Significance of The Study

The significance of the study had been to enrich the theoretical and the practical aspects of the phenomena that is related to the issue of satisfaction. The analysis of literature provided the foundation for the construction of the conceptual framework to understand how the concept of satisfaction can be explained by experience, value, and service quality constructs direct and indirectly. The description of the interactions between the four major constructs is a significant value to academicians and service providers to review the related theories in the field of quality management and consumer behaviour particularly.
From the academic perspective, this research offered an alteration or modification of the satisfaction model. Most of the satisfaction literature focused on cognitive perspective (e.g. Aziz, et al., 2011; Shahin, 2011; Suki, 2012; Tsou & Lin, 2010), or evaluate satisfaction only from the affective point of view (e.g. Faizan Ali, Hussain, et al., 2014b; Chen & Chen, 2010; Quadri-Felitti & Fiore, 2013). Although these studies are able to detect satisfaction creation to some extent, they are incomplete because satisfaction is a dynamic concept and the evaluation of satisfaction level involves both cognitive and affective components (Faria & Mendes, 2013; Jin, et al., 2015; McDougall & Levesque, 2000; Negi & Ketema, 2013; Oliver, 1997; Peter & Olson, 2010; Pfaff, 1997; Woodruff, 1997). Hence, the integration of the experience concept in the service quality-satisfaction research will expand the research opportunities for future researchers in the study of satisfaction.

Previously, the researchers have only tested the relationships between service quality, value, and customer satisfaction (e.g. Cronin & Taylor, 1992; González, et al., 2007; Murray & Howat, 2002), while other researchers have tested the relationships between experience, value and satisfaction (e.g. Chen & Chen, 2010; Jin, et al., 2015; Vargo & Lusch, 2004). This study, therefore, extends previous studies by integrating and empirically testing a conceptual framework that comprises of both cognitive and affective components in order to provide a comprehensive notion of satisfaction. Besides, based on the analysis on past researches, the direct and indirect effects incurred between four major constructs discussed in this thesis have been discussed and statistically tested to illustrate the true connections of these constructs. The framework provides a new direction for future researchers to understand the satisfaction phenomena better.

Moreover, using a country’s tourism industry as the context body to study the phenomena of satisfaction is a good effort. Even though many researchers have claimed that they have studied the “tourist” or the “tourism” context, many of them actually have focused on the specific/single tourism-related industries only. For example, some researches were conducted in the context of events or festivals (e.g. Quadri-Felitti & Fiore, 2013; Song, Ahn, et al., 2014; Yoon, Lee, & Lee, 2009), or using hotels or resorts as the context body (e.g. Faizan Ali, 2015; Faizan Ali, Hussain,
& Ragavan, 2014a; Bojanic, 1996; Bonnefoy-Claudet & Ghantous, 2013; Matzler, Füller, & Faullant, 2007; Suki, 2012), and others. Even though there are some exceptions, such as Wu and Li (2014) who studied tourist satisfaction in Macau, Chung and Petrick (2013) who studied tourist satisfaction in USA, Brown (2010) identifying the key determinants of small island tourism in the Pacific region (Vanuatu), to date, research that looks into the tourist satisfaction of a particular country is, still lacking. Hence, instead of merely looking at specific/single tourism-related industries, this study calls the attention of future researchers to consider the country’s tourism industry as the research context on tourist and/or tourism-related topic.

Additionally, the findings of the research had also been significant from the practitioner viewpoint. This research provided the practical solutions to service providers in increasing customer satisfaction level. Satisfaction always plays the key point in building and sustaining the relationship chain between customer-service providers. Better understanding on building satisfaction is crucial and thus, verifying the antecedent factors of satisfaction is essential.

Instead of the service quality and value, an affect based variable “experience” was integrated into the current satisfaction model. Nowadays, service alone is unable to content the customer. Today’s customers do not merely purchase or consume the services to satisfy their physical or intellectual needs; they are, however, seeking for something new or more to fulfil their different and ever-increasing needs (Pine & Gilmore, 1999), and experience can offer such content (Otto & Ritchie, 1996; Pine & Gilmore, 1999). Therefore, the new integrated dimension in this study would further assist the service providers to recognize consumers’ desires and to precede with the improvement steps that may enhance their satisfaction level.

On the other hand, the research also investigated the direct and indirect effects of three factors that lead to satisfaction. In real life, these factors might influence satisfaction directly as well as indirectly. This study provides a clarification on the multi-faceted relationships between four constructs included in this research. A complete picture of the interactions between these constructs will then disclose the
possible direct and indirect effects of the explanatory factors towards satisfaction level, which would serve as a foundation to assist the service providers in designing and serving their customers better.

1.6 Scope of The Study

The scope of the study only focused on the interactions between four major constructs: experience, value, service quality, and satisfaction. With the intention of studying the relationships between these constructs, the framework was applied in the Malaysian tourism industry. On that basis, the research was conducted at selected locations in Malaysia.

International tourists made up the research population. The population had been large, and hence, a sample was chosen based on the multistage sampling technique. Questionnaires were distributed to the respondents in the field during the survey period. Moreover, due to the nature of high mobility among the tourists, the locations that allowed easy access to these people had been favourable. For that reason, the selection of locations to conduct this research was primarily based on the accessibility to the tourists. Therefore, the locations where the surveys were held included the departure hall of the airport, the waiting hall of the jetty, the entrance and/or the exit of the tourist destination (or attractions), and etc.

1.7 The Research Background

In this section, background of the research was discussed in order to provide a brief understanding of tourism context, particularly the tourism industry in Malaysia. The definitions of tourism and tourism industry were discussed. Also, the discussion in this section provides the basis understanding of Malaysian’ tourism industry, followed by the statistical analysis of the tourism industry (Worldwide and Malaysia specific) from economy perspective.
1.7.1 Definition of Tourism and Tourism Industry

There are various definitions of tourism. McIntosh, Goeldner, and Ritchie (1995) define tourism as the temporary movement of people to places other than their normal residence and work place. The purpose of visit may include leisure purpose (recreation, vacation, health, study, religion, and sport), business, family, mission, and meetings. The maximum duration of the movement for tourism purpose is limited to not more than twelve months.

On the other hand, Horner and Swarbrooke (1996) define tourism as the movement to places other than their normal residence (Kumar, 2010). The movements are short-term in nature and the places visited must meet certain distance requirements. Pleasurable activities are the primary purpose for these movements, but may also involve travel for business purposes.

Reisinger (2001) has identified several characteristics for tourism. The characteristics are:

- Movement and overnight stay. Movement refers to the journey back and forth to a destination, and the overnight stay outside the permanent residence in various visiting destinations.

- Intention to return to original residence.

- Movement of back and forth to the destination is temporary and short-term.

- The purposes of visiting the destinations are other than taking up permanent residence or employment.

- The activities that tourists are engaged in during their journey, and the stay outside the normal places of residence and work, are distinct from those of the local residents and working populations of the places visited.
Besides, according to Richardson and Fluker (2008), it is commonly accepted that there are three primary attributes of tourism, which are:

- Travelling - the movement from one place to another.
- Staying away from home for a temporary period of time.
- The main purpose is something other than making money in the places visited.

Another perspective of tourism that must be taken into consideration is that of the United Nations World Tourism Organisation (UNWTO), the official international agency responsible for tourism. UNWTO’s definition is “Tourism comprises the activities of persons, travelling to, and staying in places outside their usual environment for not more than a consecutive year for leisure, business, and other purposes” (UNWTO, 1995, p.12). “Usual environment” is an important term in the definition of UNWTO. Usual environment refers to the particular area around the person’s residence and frequently visited places. This term excludes the frequent and routine trips, such as travel within residence and workplaces. Furthermore, the concepts of “usual environment” include two dimensions: frequency and distances. Places frequently visited are considered as part of usual environment, even if it involves a considerable distance. Besides, the places which are located close to the residence area are also included in the category of usual environment even rarely visited.

According to the definitions from different perspectives or authors discussed above (Horner & Swarbrooke, 1996; Reisinger, 2001; Richardson & Fluker, 2008; UNWTO, 1995), several characteristics have been found to be similar in describing the term “Tourism”. These similarities include:

- Movement
- Overnight stay and Short-term
- Not usual environment, and
- The purpose and activities of travelling
Hence, to sum up, tourism can be defined as the travel to one or more places out of one usual environment. The travel includes overnight stay out of normal residence in the places visited for short term that is not more than one year period. The purpose of travel may include, but not limited to vocation, leisure, recreation, visiting friends and relatives, commerce and professional, medical treatment, pilgrimage, religion, and others.

The travel and tourism activities creates lots of business opportunities and many sectors have participated and were integrated together in providing a complete travel experience. Leiper (1979) suggests that all firms, organizations, and facilities that are intended to serve the needs and wants of tourists form the tourism industry, while Henderson (1994) proposed the tourism industry as the link between commercial and non-commercial organisations, which shares the same objectives of serving the travellers and tourists’ needs. These sectors include transportation, attractions, accommodation, food services, adventure and outdoor recreation, entertainment, events, travel trade, and tourism services (Goeldner & Ritchie, 2003). All of these sectors supply the tourism activities, products, and services which customers demand when travelling. Hence, a demand and supply relationship between the service providers and the consumers exists, since the demand-supply relationship is considered as part of the economy, and it is acceptable to be described as the tourism industry (Reisinger, 2001).

Furthermore, Goeldner and Ritchie (2003) further suggest that various groups of people who participated in and were affected by the tourism industry need to be taken into consideration in describing the scope of tourism as a whole. The perspectives of these stakeholders are vital to provide a comprehensive and dynamic outlook of tourism. Generally, four different perspectives of tourism are identified:

- The tourist,
- The businesses providing tourist goods and services,
- The government of the host community, and
- The host community itself.
Accordingly, tourism can be defined as the sum of phenomena and relationships from the interactions of these four groups in the process of attracting and hosting tourists and other visitors (Goeldner & Ritchie, 2003; McIntosh, et al., 1995).

1.7.2 Tourism in Malaysia

Malaysia, a country in the South East Asia, covers an area of about 329,847 square kilometres. The territory of Malaysia comprises of two parts, which are the Peninsular Malaysia (West Malaysia), and the states of Sabah and Sarawak (East Malaysia) on the island of Borneo. In the Peninsular, Malaysia shares the North border with Thailand, and connects to Singapore in the South. Sabah and Sarawak are bounded by Indonesia, while Sarawak also shares borders with Brunei (Tourism Malaysia, 2014c). Malaysia is divided into 13 states along with three federal territories. The federal administrative centre was formerly located in Kuala Lumpur (the capital city of Malaysia), and it has been moved to Putrajaya in 1999 (Tourism Malaysia, 2014c).

Malaysia is a multiracial and a multireligion society. The population in Malaysia was about 29 million, as of April 2013. Out of this number, the largest ethnic group in Malaysia is Malays, contributing to 62.3% of the Malaysian population. The second largest group is Chinese (22%), while the Indians are the third largest group, which is represented by 6.7% of the entire population. Malaysia is also built by its citizens of other races (0.9%), and 8.1% are non-Malaysian citizen (Department of Statistics Malaysia, 2014; Tourism Malaysia, 2014c). Besides, various religions are practiced by the citizens. Besides Islam as the official religion in Malaysia, various religions, such as Buddhism, Hinduism, Christianity, Taoism, etc., are widely practiced in this country. The compromise between the numerous races and religions in this land has made Malaysia a harmonious and a peaceful place to live in (Tourism Malaysia, 2014c).
Malaysia is situated between 2° and 7° to the North of the Equator line, thus, Malaysia experiences tropical weather year round. On an average, the daily temperatures range from 21°C to 32°C (70°F - 90°F) (Tourism Malaysia, 2014c). Besides, the annual rainfall varies from 2,000 mm to 2,500 mm. Therefore, Malaysia is sunny and warm all year long (Tourism Malaysia, 2014c).

Moreover, with the moderate temperature year around, Malaysia enjoys the geographical privileges as well. Geographically, the land of Malaysia is surrounded by the sea and it is covered with the tropical rainforests. The fascinating weather and the topographical advantages in Malaysia have allowed tourists to engaged in various interesting activities throughout the year. Mountain climbing, jungle trekking, diving, island hopping, river cruising, and numerous other outdoor activities are available, which make Malaysia a typical paradise for outdoor activities lovers.

In addition, Malaysia is rich with its natural attractions. Similar to many other developing countries, many lands in this country have remained undeveloped. From the rainforest natural reserves to the diverse sea creatures, many primeval and reserve sites are available in this country. This perfect landscape breeds many animals and plant species, which makes Malaysia unique and attractive to tourists from other regions in the world. The natural sites, such as Kinabalu Park, Sipadan Island, Tioman Island, and Taman Negara, are among the popular eco-tourism destinations regularly visited and explored by both domestic and international tourists.

Furthermore, apart from the natural charisma, Malaysia is also rich in its legacy of history too. The civilization of Malaysia began from the Early Civilisations around 3,000 BC. Thereafter, shifted to the Colonial Imperialism, World War II, and finally, Malaysia achieved its Independence in 31st August 1957. The changes in the Malaysian political climate have left a lot of unique historical places and monuments, including buildings and architectural in Malaysia (Tourism Malaysia, 2014c).
The precious cultural heritage assets are valuable and it is important to provoke the interest among tourists to visit and conduct researches on these historical sites. Malacca and George Town Cities are the two popular heritage sites mostly visited by both local and international tourists. Many heritage buildings were left in these cities since the Portuguese, Dutch, and British colonisation era. These two cities were officially listed as the UNESCO World Heritage Sites in the year of 2008 (UNESCO World Heritage Centre, 2008).

On the other hand, Malaysia is not only rich with its lengthy history, but it is also equipped with high technology modern infrastructure. After Independence, the efforts in the national economic transformation have never stopped. Rather than depending on the agricultural industry, Malaysia has diversified its economy into the manufacturing, oil and gas, services, and tourism sectors. In line with the development of the nation, several mega projects, such as Kuala Lumpur International Airport (KLIA) and Petronas Twin Tower have been accomplished.

The operation of KLIA has commenced since June 1998. The airport has the ability to handle a capacity of 35 million passengers and 1.2 million tonnes of cargo every year in its current phase. Today, KLIA is one of the best and the busiest airports in the world. Since the operation has begun, KLIA has received numerous awards from various international organisations, such as Skytrax and International Air Transport Association, Green Globe, and others (Malaysia Airports Holdings Berhad, n.d.). Besides, the famous landmark of Malaysia, the Petronas Twin Tower, is internationally recognised. The Petronas Twin Tower consists of 88 storeys. With a height of 451.9 metres, the Petronas Twin Tower is the world's tallest twin structure since it began its operation in August 1999. In addition, it is also the sixth tallest skyscraper in the world (CTBUH, n.d.). Such a mega project does not only contribute to the national economic development, but it is highly credited to the growth of the tourism industry.
1.7.3 Tourism National Key Economic Areas

Unlike the less privileged developing countries in the world, Malaysia is a privileged one that owns numerous merits, such as the geographical benefits, rich with history, and possesses rapid and stable economic development. Hence, it is not surprising that Malaysia has appeared as one of the popular tourist destinations in the world. Nevertheless, the Malaysian government agency too plays relatively important role in escalating the growth of tourism industry in this country. The tourism industry in this country has maintained an average of 12% growth rate per annum and has significantly contributed to the Malaysian GDP since 2004 (PEMANDU, 2013a). As one of the key players that contribute to the economic development in Malaysia, the tourism industry, therefore, has been identified as one of the twelve National Key Economic Areas (NKEAs) under the Economic Transformation Programme, in order to realise the goal of the country to achieve the status of a developed nation by 2020.

Nevertheless, even though the tourism industry has continuously developed, the growth is primarily driven by the increase in the arrival of tourists rather than yield (PEMANDU, 2013b). It is believed that Malaysia will be more sustainable in the global tourism market if it is able to attract higher yield segment, which increases the yield per tourist. Therefore, twelve Entry Points Projects (EPPs) have been segmented into five major themes, which have been identified to enhance the tourism yield (PEMANDU, 2013b). The five major themes identified are: affordable luxury, nature adventure, family fun, events, entertainment, spa and sports, and business tourism.

Besides, the successful implementation of the 12 EPPs under Tourism NKEA according to the timelines is targeted to generate additional 497,000 job opportunities in 2020, which represents 30% of increment from 2009. In addition, Tourism NKEA will contribute RM103.6bn in Gross National Income (GNI) by 2020, almost triple GNI contribution from the starting point of RM36.9bn in 2009. Therefore, in order to achieve the 2020 tourism target, global marketing programme is an important enabler (discuss in Section 1.7.4) (PEMANDU, 2012, 2013b, 2014). Furthermore, instead of the extensive marketing programmes, the other enablers too should ensure
successful implementations of the tourism NKEA to achieve the goal of 2020. These enablers are (PEMANDU, 2013b):

- Rollout of Visa facilitation services – Ensure the tourists from the target markets are not subjected to extremely strict visa procedures.
- Ensure an adequate supply of qualified human capital – Introduce measures to address issues relating to the supply quality of manpower in the tourism industry.
- Improve the tourism environment – Improve offerings and accessibility for key tourism enablers, access to funding and regulations, as well as improve the service quality of front-line staff.

1.7.4 The Malaysia Tourism Promotion Board

The Malaysia Tourism Promotion Board (MTPB, which is also popularly known as “Tourism Malaysia”) has spent a lot of efforts in promoting Malaysia to the world. MTPB, previously known as The Tourist Development Corporation of Malaysia (TDC), was established on 10th August 1972 as an agency under the former Ministry of Trade and Industry. Due to the continuous growth and development, the Malaysian government has realised the economic potential of the tourism sector to the country. However, on 20th May 1987, TDC was moved to a new ministry with the inception of the Ministry of Culture, Arts, and Tourism, and has become MTPB for the Malaysia Tourism Promotion Board Act 1992 (Tourism Malaysia, 2008c).

In order to achieve the mission: “Marketing Malaysia as a destination of excellence and to make the tourism industry a major contributor to the socio-economic development of the nation” (Tourism Malaysia, 2008c), the objectives of the Tourism Malaysia are:
To promote Malaysia as a fantastic tourist destination,
To exhibit Malaysia's unique wonders, attractions, and cultures,
To develop domestic tourism and enhance the markets shared for meetings incentives, conventions, and exhibitions (MICE),
To increase the number of tourist arrivals, extend the average length of tourists’ stay, and so increase the Malaysian tourism revenue, and
To encourage tourism and tourism-related industries in Malaysia.

The Malaysian tourism industry has developed continuously, although it has experienced some critical periods. Before Malaysia had been capable to sustain its tourism destination position in the world, Malaysia has undergone multiple challenges. The challenges include the unstable world politics, economy recession, SARS, tsunami, challenges from the nearby countries competing to draw tourists’ attentions and visits, and others. For instance, the tourism crises have been proved to influence the tourism demand in Malaysia during year 2001 to the year 2009 in Ooi, Hooy, and Som (2013) study. These challenges have led Malaysia to initiate and to setup different strategies to compete and to sustain its tourism industry. That is, Tourism Malaysia has launched various tourism promotional programmes, and has organised numerous events or campaigns to increase the number of tourist arrivals since the date of its establishment. The campaigns, such as “Malaysia, Truly Asia”, Visit Malaysia Year, and Malaysia My Second Home, have been launched. These programmes have successfully boosted the development of Malaysian tourism industry.

“Malaysia, Truly Asia” is one of the winning campaigns that has been internationally executed by Tourism Malaysia (Tourism Malaysia, 2008b). The marketing strategy of this campaign is branding Malaysia as the only place that possesses an assortment of race, cultures, festivals, traditions, and customs that come and live together on a land, which is capable of offering the visitors a myriad of experiences (Tourism Malaysia, 2008a). “Malaysia, Truly Asia” campaign has received great achievements in promoting the special or unique characteristics of Malaysia and images to the world as a country that comprises of all the attractions that are accessible in other Asian Countries (Tourism Malaysia, 2008a).
Another superior event held is the Visit Malaysia Year (VMY). The VMY campaign was first launched in 1990 and had successfully doubled tourist arrivals to 7.4 million in 1990 from 4.8 million in 1989. The great success of the first VMY campaign drove to the second and the third VMY campaigns, which were held in 1994 and 2007 respectively (Tourism Malaysia, 2014b, 2014d). The third VMY campaign was launched in conjunction with the celebration of Malaysia’s 50th Independence Day Anniversary. In line with the important 50th Independence Day Anniversary celebration, over 200 events across the country with 50 major events were held to exhibit the wealth of Malaysia tourism attractions in 2007, which had successfully attracted 20.97 millions of tourist arrivals and contributed to RM46.1 billion in tourist receipts (Tourism Malaysia, 2014b). The Malaysian government has targeted 28 million in tourist arrivals, and RM76 billion in tourist receipts for the fourth VMY campaign held in 2014 (Visit Malaysia Year 2014 Secretariat, 2014).

Malaysia My Second Home (MM2H) is a programme to attract foreigners who wish to stay longer and make Malaysia as their second home (Ministry of Tourism and Culture Malaysia, 2014a; Tourism Malaysia, 2009a, 2009b). MM2H programme has achieved great success because Malaysia has many interesting aspects that attract foreigners to stay longer. Since 2002, this programme has been capable of attracting an increasing number of new participants to join annually (Ministry of Tourism and Culture Malaysia, 2014c). As of July 2014, a total number of 26,063 applicants were approved (Ministry of Tourism and Culture Malaysia, 2014c). Among the 26,063 successful applicants, a significant number of the applicants were Asians, which contributed to 78.5% of the total participants (Table 1.1). The second and third largest participants were Europeans and citizens from America respectively.

The Shopping Malaysia Secretariat was established in 2003 to develop the Malaysian shopping attractions and market them to regional and international audiences aggressively. Since 2003, Malaysia has organised major sales campaigns thrice annually, i.e. 1Malaysia Grand Prix Sale, 1Malaysia Mega Sale Carnival, and 1Malaysia Year-End Sale, which target different tourist markets that visit Malaysia at different periods (Tourism Malaysia, 2014a). In year 2013 alone, tourists spent
RM19.8 billion on shopping in Malaysia, which represented 30.2% of the total tourist receipts of the year (Shopping Secretariat Malaysia, 2014).

**Table 1.1: MM2H Participants Approvals Based on Nationality**

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Total Participants (2002-July 2014)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>20456</td>
<td>78.49</td>
</tr>
<tr>
<td>Europe</td>
<td>3471</td>
<td>13.32</td>
</tr>
<tr>
<td>America</td>
<td>1018</td>
<td>3.91</td>
</tr>
<tr>
<td>Oceania</td>
<td>722</td>
<td>2.77</td>
</tr>
<tr>
<td>Africa</td>
<td>305</td>
<td>1.17</td>
</tr>
<tr>
<td>Others</td>
<td>91</td>
<td>0.35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26063</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Tourism and Culture Malaysia (2014c)

All the way with the support from the Malaysian government, the Ministry of Tourism and Culture Malaysia and NGOs, Malaysia has become one of the well-known tourist destinations in the world. Today, Malaysia is a famous and an internationally recognised tourist destination. Numerous awards or recognitions were achieved (Ministry of Tourism and Culture Malaysia, 2014b; Tourism Malaysia, 2014e), such as:

- In 2013, Malaysia was ranked as the world's 11th most visited tourism destination by UNWTO.
- Malaysia has been voted as one of the top ten must-visit global destinations in 2014 by the popular travel publication, Lonely Planet.
- CNN Travel voted Kuala Lumpur as the world's fourth best shopping destination for 2 years consecutively (2012 & 2013).
- Three of our pristine islands and beaches, Perhentian Kecil Island in Terengganu; Juara Beach in Tioman Island; and Tanjung Rhu in Langkawi, have been listed as among the Top 50 Beaches of the World's 100 Best Beaches by CNN.
• Malaysia has been nominated as the 10th Most Friendliest Country in the world by Forbes Online.

• Malaysia was awarded as The Most Popular Tourist Destination in Asia by Top 10 magazine.

• Five heritage sites in Malaysia have been officially listed as UNESCO World Heritage Sites, namely Malacca City, Georgetown in Penang, the Mount Mulu National Park in Sarawak, the Kinabalu Park in Sabah, and the Lenggong Valley in Perak.

• Malaysia was listed as The Best Family Tourist Destination by Lonely Planet India Travel Awards in year 2014.

• Malaysia has been voted as the world's top Muslim-friendly holiday destination in a survey released by Singapore-based Muslim travel consultancy, Crescentrating.

• Kuala Lumpur is the 2nd best shopping city in Asia Pacific based on the Global Shoppe Index 2012.

• Kuala Lumpur was positioned as the 4th shopping destination in the world in 2012 and 2013 by CNN Travels.

These achievements have globally acknowledged Malaysia as one of the worth for visit tourist destinations in the world level. Consequently, it is strongly believed that it will draw more interests and intentions among the tourists to consider and choose Malaysia as the next station to visit. This achievement could be proven by the continuous increment in both tourist arrivals and tourist receipts in statistics (Refer to Table 1.2). The tourist arrivals increased to 25.72 million in 2013 from 5.56 million in 1998, while the tourist receipts for the same period increased from RM8.6 billion to RM 65.44 billion. In next section, the travel and tourism economies (worldwide and Malaysia) were discussed.
Table 1.2: Tourists Arrivals and Receipts to Malaysia

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourist Arrivals, million</th>
<th>Tourist Receipts, MYRbn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>5.56</td>
<td>8.6</td>
</tr>
<tr>
<td>1999</td>
<td>7.93</td>
<td>12.3</td>
</tr>
<tr>
<td>2000</td>
<td>10.22</td>
<td>17.3</td>
</tr>
<tr>
<td>2001</td>
<td>12.78</td>
<td>24.2</td>
</tr>
<tr>
<td>2002</td>
<td>13.29</td>
<td>25.8</td>
</tr>
<tr>
<td>2003</td>
<td>10.58</td>
<td>21.3</td>
</tr>
<tr>
<td>2004</td>
<td>15.7</td>
<td>29.7</td>
</tr>
<tr>
<td>2005</td>
<td>16.43</td>
<td>32.0</td>
</tr>
<tr>
<td>2006</td>
<td>17.55</td>
<td>36.3</td>
</tr>
<tr>
<td>2007</td>
<td>20.97</td>
<td>46.1</td>
</tr>
<tr>
<td>2008</td>
<td>22.05</td>
<td>49.6</td>
</tr>
<tr>
<td>2009</td>
<td>23.65</td>
<td>53.4</td>
</tr>
<tr>
<td>2010</td>
<td>24.58</td>
<td>56.5</td>
</tr>
<tr>
<td>2011</td>
<td>24.71</td>
<td>58.3</td>
</tr>
<tr>
<td>2012</td>
<td>25.03</td>
<td>60.6</td>
</tr>
<tr>
<td>2013</td>
<td>25.72</td>
<td>65.44</td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia (n.d.)

1.7.5 Travel and Tourism Economy

This section briefly discusses the tourism industry from the economic perspective. Both global and Malaysian tourism economy are discussed. For instance, the contribution to GDP, employment in tourism sector, visitors’ exports and capital investment are discussed.

1.7.5.1 The World Travel and Tourism Economy

The worldwide tourism industry has been continuously developed. Table 1.3 summarizes the Travel and Tourism economy impact for the year 2014. In 2013, the Total Contribution of the Travel and Tourism to the World’s GDP was USD6990bn, and USD2155bn was contributed by direct contribution.
According to the definition by The World Travel and Tourism Council (WTTC), the total contribution includes direct, indirect, and induced contributions. The direct contribution of Travel and Tourism to GDP reflects the ‘internal’ spending on Travel and Tourism and the government 'individual' spending that is linked to visitors directly, such as in cultural or recreational aspects. While, indirect contribution is inclusive of GDP and jobs supported by the Travel and Tourism investment spending, government 'collective' expenditure, and Domestic purchases of goods and services by the sectors dealing directly with tourists. However, induced contribution is the broader contribution to the GDP and the employment of spending by those who are directly or indirectly employed by Travel and Tourism.

The total contribution was expected to increase by 4.3% from USD6990bn in 2013 to USD7289bn by 2014, whereby the direct contribution increased from USD2155bn to USD2248bn for the same time frame (rise by 4.3%). The total contribution has been forecasted to rise by 4.2% per annum to reach USD10965bn by 2024. Besides, the direct contribution is expected to rise to USD3379bn for the next ten years at a 4.2% growth rate per annum.

Moreover, Travel and Tourism contributes to job employment as well. More jobs are created by the industry. WTTC has defined the total contribution to employment as the number of jobs is generated directly in the Travel and Tourism sector, plus the indirect and induced contributions. In year 2013, the Travel and Tourism generated 100, 894, 000 job opportunities directly, and it has been estimated to rise to 103, 069, 000 jobs in 2014 (2.2% growth rate), and has been forested to increase by 2% per annum to 126, 257, 000 jobs for the next ten years. On the other hand, the total employment contributed by the Travel and Tourism to employment in year 2013 was 265, 855, 000 jobs. It has been expected to expand by 2.5% to achieve 27, 241, 000 job opportunities by 2014. By 2024, Travel and Tourism is forecasted to provide 346, 901, 000 jobs opportunities, a rise of 2.4% per annum.
### Table 1.3: World Travel and Tourism Economy Impact of Year 2014

<table>
<thead>
<tr>
<th>USDbn</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014E*</th>
<th>2024F*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Contribution of Travel and Tourism to GDP</td>
<td>6162</td>
<td>6283</td>
<td>6546</td>
<td>6785</td>
<td>6990</td>
<td>7289</td>
<td>10965</td>
</tr>
<tr>
<td>Direct contribution of Travel and Tourism to GDP</td>
<td>1888</td>
<td>1939</td>
<td>2018</td>
<td>2090</td>
<td>2155</td>
<td>2248</td>
<td>3379</td>
</tr>
<tr>
<td>Visitors exports</td>
<td>1067</td>
<td>1130</td>
<td>1195</td>
<td>1247</td>
<td>1296</td>
<td>1359</td>
<td>2052</td>
</tr>
<tr>
<td>Capital investment</td>
<td>720</td>
<td>683</td>
<td>705</td>
<td>732</td>
<td>755</td>
<td>798</td>
<td>1311</td>
</tr>
<tr>
<td>Total contribution of Travel and Tourism to employment ('000)</td>
<td>254666</td>
<td>251604</td>
<td>256757</td>
<td>261152</td>
<td>265855</td>
<td>272417</td>
<td>346901</td>
</tr>
<tr>
<td>Direct contribution of Travel and Tourism to employment ('000)</td>
<td>96198</td>
<td>96548</td>
<td>98096</td>
<td>99502</td>
<td>100894</td>
<td>103069</td>
<td>126257</td>
</tr>
</tbody>
</table>

E* - Estimation, F* - Forecast
Source: WTTC (n.d.)

Visitor exports are the international tourists’ expenses within the country for both business and leisure trips, including spending on transport, but excluding international education spending. Travel and Tourism around the world generated USD1296bn in visitor exports by 2013. In 2014, visitor exports are expected to grow by 4.8% to USD1359bn, and continue to develop and it has been forecasted to generate USD2052bn visitor exports by 2024, an increase of 4.2% over the period.

Visitor exports are the expenses of international tourists within the country for both business and leisure trips, including expenditure on transport, but excluding international education spending. Travel and Tourism around the world generated USD1296bn in visitor exports in 2013. In 2014, visitor exports have been expected to grow by 4.8% to USD1359bn, and continue to develop and it has been forecasted to generate USD2052bn visitor exports by 2024, an increase of 4.2% over the period.

Besides, the Travel and Tourism business managed to attract USD755bn investment capital in 2013. The capital investment includes all the capitals invested by all of the direct sectors involved in the Travel and Tourism and the other industries on specific tourism assets. The investments have been estimated to rise by 5.8% to
USD798bn in 2014. Furthermore, based on forecast, Travel and Tourism is expected to attract up to USD1311bn capital investment (5.1% per annum) around the world for the next ten years.

1.7.5.2 Malaysia Travel and Tourism Economy

Malaysia has been experiencing growth in Travel and Tourism business too. Table 1.4 summarizes Malaysia’s Travel and Tourism economy impact for the year 2014. In year 2012, the Total Contribution of Travel and Tourism to Malaysia GDP was MYR147.4bn and increased to MYR158.2bn in 2013 (increase by 7.3%). The total contribution is estimated to rise by 6.8% to MYR168.9bn in 2014 and rise by 4.5% per annum to MYR262.5bn in 2024.

The developments in the Travel and Tourism had directly and indirectly increased the job opportunities in Malaysia. The total employment contributed by the Travel and Tourism to employment in year 2013 was 1,857,500 jobs. Based on the forecasts, this number will increase to 1,947,200 jobs in 2014, an increase of 4.8%. Furthermore, the Travel and Tourism has been forecasted to increase by 3.1% over the period to reach 2,647,800 jobs opportunities by 2024. In 2013 alone, the Travel and Tourism created 925,900 job opportunities directly. More jobs will be offered in the future based on the forecasts.

In 2013, the Malaysian Travel and Tourism business generated MYR68.7bn visitor exports and received MYR20.7bn of investment. In 2014, Malaysia is expected to generate MYR75.2bn visitors’ exports (9.5% growth rate) and attract MYR21.7bn capital investment (rise by 5.1%) in Travel and Tourism. Furthermore, the visitors’ exports has been forecasted to increase by 4.1% per annum to MYR112.8bn. Besides, Malaysia is expected to attract MYR37.7bn capital investment in 2024, an increase of 5.7% over the period.
**Table 1.4:** Malaysia Travel and Tourism Economy Impact of Year 2014

<table>
<thead>
<tr>
<th>MYRbn</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014E*</th>
<th>2024F*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Contribution of Travel and Tourism to GDP</td>
<td>135.0</td>
<td>138.9</td>
<td>139.1</td>
<td>147.4</td>
<td>158.2</td>
<td>168.9</td>
<td>262.5</td>
</tr>
<tr>
<td>Direct contribution of Travel and Tourism to GDP</td>
<td>61.6</td>
<td>63.2</td>
<td>63.2</td>
<td>66.0</td>
<td>70.4</td>
<td>75.3</td>
<td>115.4</td>
</tr>
<tr>
<td>Total contribution of Travel and Tourism to employment ('000)</td>
<td>1697.3</td>
<td>1701.8</td>
<td>1666.7</td>
<td>1715.2</td>
<td>1857.5</td>
<td>1947.2</td>
<td>2647.8</td>
</tr>
<tr>
<td>Direct contribution of Travel and Tourism to employment ('000)</td>
<td>816.4</td>
<td>823.1</td>
<td>805.0</td>
<td>816.9</td>
<td>880.8</td>
<td>925.9</td>
<td>1254.1</td>
</tr>
<tr>
<td>Visitors exports</td>
<td>66.4</td>
<td>65.7</td>
<td>63.0</td>
<td>64.7</td>
<td>68.7</td>
<td>75.2</td>
<td>112.8</td>
</tr>
<tr>
<td>Capital investment</td>
<td>13.7</td>
<td>15.8</td>
<td>15.9</td>
<td>18.6</td>
<td>20.7</td>
<td>21.7</td>
<td>37.7</td>
</tr>
</tbody>
</table>

E* = Estimation, F* = Forecast

Source: WTTC (n.d.)

### 1.7.6 A Brief Overview on Malaysian Tourism Context

Malaysia is a privileged country that possesses numerous merits, for instance geographical benefits, historical background, as well as rapid and stable economic development. It could not be neglected that the harmonious multi-racial and a multi-religious society is too another great selling points to tourism business. With the support from the Malaysian government, the Ministry of Tourism and Culture Malaysia and NGOs in this country, today, Malaysia has appeared and acknowledged as one of the most popular tourist destinations in the world. Consequently, it is strongly believed that it will draw more interests and intentions among tourists to consider and choose Malaysia as the next destination to visit. This achievement could be proven by the continuous increment in number of tourist arrivals as shown in Table 1.2 as well as the economic achievement as discussed in the previous section.
Nevertheless, maintaining the status quo is insufficient for long-term
development. Additional efforts should be taken to further develop or enhance the
tourism industry in Malaysia. There is no tourism without tourists (Goeldner &
Ritchie, 2003), and hence the tourism industry stakeholders should focus more on the
tourist's perspective. Hence, it is believed that a successful promotional programme
must manage to capture, understand as well as fulfil the needs and wants of their target
market. A good understanding on the requirements of tourists will improve the
intentions of tourists to visit, revisit, recommendation, and finally produce favourite
outcomes, the increment on tourist receipts. With the intention to identify the needs
and wants of the tourists, further studies on the desires among tourists are required.

For that reason, a better understanding of satisfaction, which refers to the level
of tourists’ contentment on their visit to Malaysia is needed (Oliver, 1997). Satisfaction is always claimed to be the key factor of customer's intention to return
(Chen & Chen, 2010; Ferrell & Hartline, 2011, 2014; Hoffman & Bateson, 2011;
Swarbrooke & Horner, 2007) and intention to spread positive word-of-mouth
(Hoffman & Bateson, 2011; Swarbrooke & Horner, 2007) or willingness to
recommend (Chen & Chen, 2010; del Bosque & Martin, 2008). Therefore, a better
understanding of the concept of satisfaction is relatively important for both academics
and practitioners’ perspectives. In addition, efforts and initiatives to improve
customer satisfaction are crucial because dissatisfied customers are more likely to
share their bad experiences with others than satisfied customers do (Hoffman &
Bateson, 2011; Hoyer & Maclnnis, 2007, 2010), which will indirectly discourage new
customers from entering the market.

This study therefore focused on exploring the factors contributed to tourist’s
satisfaction as well as the complex interactions between the factors towards the
creation of satisfaction. The empirical support attached to the comprehensive
conceptual discussions illustrated the creation of customer satisfaction, particularly
international tourist visit to Malaysia. Once the concept is clear, the local tourism
service providers will able to design and cater the best tourism services, products or
experiences that best fitted the tourist’s demand.
1.8 The Operational Definitions

In this section, the operational definitions of the major terms used in the thesis were defined. There are four major constructs, i.e. Satisfaction, Service Quality, Value and Experience. Also, some of the important terms used across the thesis were defined too.

1.8.1 Satisfaction

In this study, satisfaction is defined as the tourist feeling of like or dislike about the tourism activities engaged or consumed during the visit to Malaysia. Satisfaction is the tourist’s overall evaluation of the trip. Satisfaction is the outcome of the combination of cognitive and affective evaluation of the tourist.

1.8.2 Service Quality

In this thesis, service quality is defined as the tourist’s overall judgment towards the services received during their visit to Malaysia. Service quality is the appraisal of tourist on the quality of tourism service providers as an overall. However, this was not limited to the transportation, accommodation, food services, entertainment, and other service sectors that served the tourist during the trip.

1.8.3 Value

In this study, the value is operationally defined as the comparison on what the tourist received (benefits) and what the tourist had given up (sacrifices) for the trip or travelling activities in Malaysia. Value is realised when the tourists consume tourism activities. The evaluation of value encompasses tangible and intangible components, and hence unique for every individual.
1.8.4 Experience

In this research, experience is defined as the tourist’s psychological outcome of the trip. Various tourism activities the tourists engaged during the trip are all considered as tourism experience. Experience involves personal evaluation, thus, it creates individualised experiences for every individual tourist.

1.8.5 International Tourist

In this study, international tourists are defined as the foreigners visit to Malaysia. The travel includes a minimum of a night stay in Malaysia for various travel purposes.

1.8.6 Tourism Service Providers

In this research, the tourism service providers are defined as the parties that supply all kinds of tourism activities, products, and services, which customers demand when travelling. These services may include, but not limited to transportation, accommodation, food services, attractions, adventurous outdoor recreations, entertainment, events, and tourism services.
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