

## DETERMINATION OF THE IMPORTANCE AND PERFORMANCE OF FACTORS AFFECTING RURAL TOURISM HOMESTEAD CHOICE IN LITHUANIA

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### Abstract

The aim of the research was to determine the balance between the importance and performance of factors affecting the choice of rural tourism homestead in Lithuania. The questionnaire research was provided in Lithuania in 2014. Tourists' evaluations regarding five exogenous latent variables: 'accommodation and catering', 'activities in destination', 'natural features', 'destination aesthetics', and 'environmental preservation', and four endogenous latent variables: 'destination marketing', 'perceived value', 'satisfaction', and 'loyalty' were measured. The total effects for the specific endogenous constructs in the structural model (importance) and the average values of the latent variable scores, rescaled to a range of zero and 100 (performance) were measured to compose the importance-performance grid. The research results indicate that the most important factors for tourists while choosing a rural tourism homestead in Lithuania are 'destination marketing', 'environmental preservation', 'perceived value' and 'satisfaction'. Moreover, the highest share of the total investments allocated to satisfy tourists and enhance the level of loyalty should be accrued to the improvement of 'destination marketing' and 'environmental preservation'.

**Key words:** importance-performance analysis, Lithuania, rural tourism, tourist satisfaction, tourist loyalty.

### Introduction

The WTO has rated Rural Tourism as one of the fastest growing segments in the tourism industry, with an annual growth of 5 per cent worldwide and representing 6 per cent of the world GDP (Rădac et al., 2012). Moreover, according to Radnić et al. (2011), it may be rightfully called 'the future of the world tourism', thus, in the EU Member States it is an important segment of the tourist market offer. Rural tourism can be considered as a potential source of social, economic, cultural and environmental benefits for rural areas (Cvetanovska-Gugoska et al., 2013). According to Rădac et al. (2012), rural tourism encompasses all tourist activities and recreational experiences that occur in non-urban, populated areas, thus, it creates growth potentials for rural areas: it can provide income for local businesses, help to protect the traditional values and the community assets and help to sustain local services (Cvetanovska-Gugoska et al., 2013), revitalise rural areas, enable valorisation of economic resources (Radnić et al., 2011).

Considering all its benefits for a small country like Lithuania, rural tourism development becomes an area of key interest. However, managing tourist destinations is a challenging and complex process (Griffin and Edwards, 2012). Kaže et al. (2011) accentuate that rural tourism management requires a proper positioning of tourism propositions to meet consumer needs and expectations. Martilla and James (1977) introduced the importance-performance analysis, which offers a number of advantages for evaluating consumer acceptance of a marketing program, facilitates management interpretation of the data and increases their usefulness in making strategic marketing decisions. Accordingly, the **scientific problem** analyzed in the article is formulated by a question: what factors for customers while choosing

a rural tourism homestead in Lithuania are important and how these factors are managed.

The **aim** of the research is to determine the balance between the importance and performance of factors affecting the choice of rural tourism homestead in Lithuania. To meet the aim of the research, following tasks were set: 1) to perform the questionnaire research and to determine the method of importance-performance analysis suitable to reach the aim of the research; 2) to analyse the importance and performance levels of factors affecting the choice of rural tourism homestead in Lithuania; 3) to provide recommendations resulting in the balance between the importance and performance of factors affecting the choice of rural tourism homestead in Lithuania.

### Materials and Methods

Charaf and Rahmouni (2014) propose using the importance-performance analysis (IPA) as a marketing tool for the study of customer satisfaction with regard to the attributes of any service or product. According to Griffin and Edwards (2012), this method, originally developed in a marketing context, has been applied for a range of tourism products, services, and destinations. The IPA can be used to identify improvement opportunities as well as to guide strategic planning efforts for the hospitality industry: it indicates the priority areas of focus in order to improve the overall performance (Cvelbar, Dwyer, 2013). The elaborators of IPA analysis Martilla and James (1977) emphasize that an attractive feature of importance-performance analysis is that the results may be graphically displayed on an easily-interpreted, two-dimensional grid. Since its origination, the IPA is graphically presented on a grid divided into four quadrants (Gwo-Hshiang, Hung-Fan, 2011). According to Sooreh et al. (2011), a typical importance-performance grid is organized

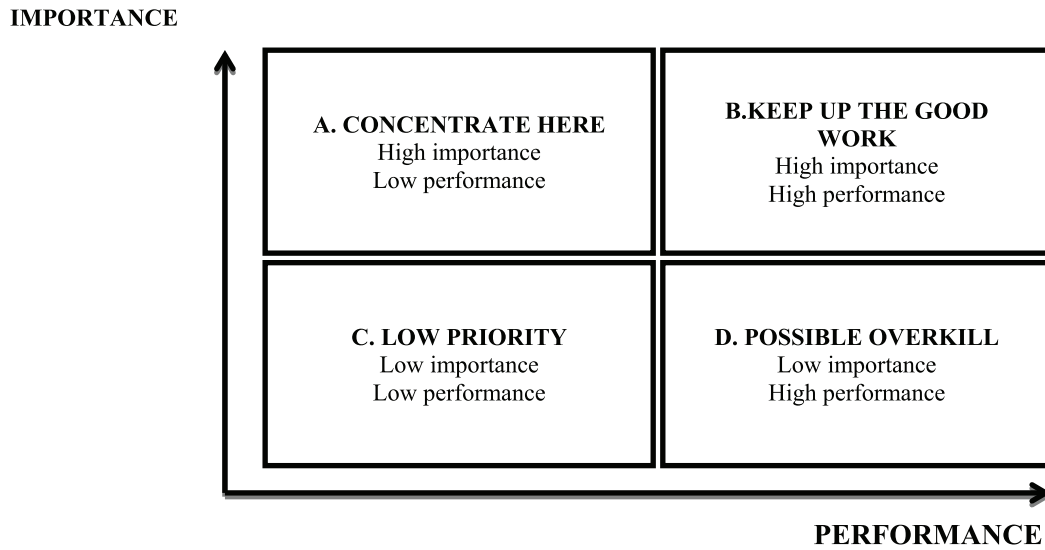


Figure 1. The importance-performance grid.

Source: adapted by Cvelbar and Dwyer (2013) from Martilla and James (1977).

as follows: the horizontal axis reflects performance, but the vertical one – importance. Finally, the graph produces four zones enabling the classification of service attributes according to their importance and performance (Charaf, Rahmouni, 2014), which helps in identifying the areas for improvement and actions for minimising the gap between the two dimensions (Cvelbar, Dwyer, 2013). The traditional IPA grid is presented in Figure 1.

According to Martilla and James (1977), it is critical to determine what attributes to measure. As the IPA analysis is mainly elaborated for customer satisfaction measurement, we decided to use the previously elaborated model of Rural Tourist Satisfaction Index (see Grigaliūnaitė, Pilelienė,

2014) as the background. The model contained five exogenous latent variables: ‘accommodation and catering’, ‘activities in destination’, ‘natural features’, ‘destination aesthetics’, and ‘environmental preservation’, and four endogenous latent variables: ‘destination marketing’, ‘perceived value’, ‘satisfaction’, and ‘loyalty’ (see Fig. 2).

The Rural Tourist Satisfaction Index model had 22 manifest variables, which were provided in a questionnaire for respondent evaluations (*available from the authors upon request*). According to Martilla and James (1977), frequently a five- or seven-point scale yields a good spread of ratings, and the middle position constitutes a useful division for the grid. However, Coelho and Esteves (2006) emphasize

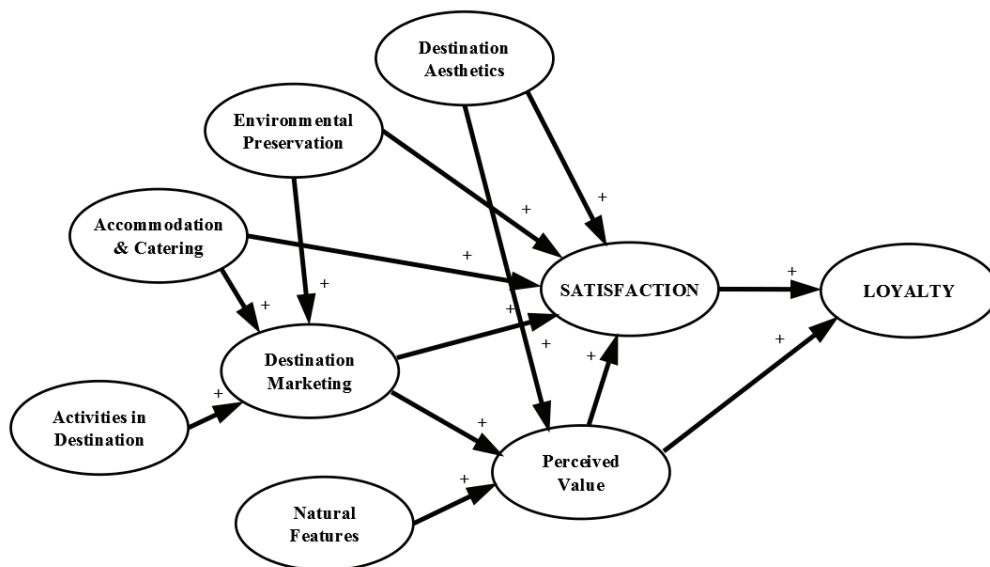


Figure 2. The Model of Rural Tourist Satisfaction Index.

that the accuracy of the satisfaction researches' results is higher when the 10-point scale is used for the research; thus, the 10-point evaluation scale was applied in the questionnaire. The total sample size was 200; the survey was conducted in 2014. SPSS Statistics v.20, SmartPLS V.3 (Ringle et al., 2014) and Matlab R2012b software packages were applied for the statistical analysis of research results.

Charaf and Rahmouni (2014) suggest measuring the performance and importance of the attributes by the average score of the criteria of all respondents. By grouping all of the importance measures in one section and all of the performance measures in a later section, the respondent moves in a natural progression from general to more specific questions with a distinct separation between his ratings for each attribute (Martilla and James, 1977). However, if the information of importance is lacking, several methods such as variance, regression, and sensitivity analysis can be applied to derive the importance for each item from the survey results (Shieh and Wu, 2011). Lacking the direct responses referring to the attributes' importance, Ban (2012) proposes indirectly to determine this dimension by checking the correlation between the perceived performance and the global satisfaction. Hair et al. (2012) for IPA suggest calculating the total effect for the specific endogenous construct in the structural model (importance) and the average values of the latent variable scores, rescaled to a range of zero and 100 (performance). We choose the latter method for the analysis.

### Results and Discussion

It is well established in practice, that the performance of the variable constituting satisfaction model is considered as high / very high if the score value is above 75 (EPSI Rating, 2008). Regarding the total effect, which represents the sum of the direct effect and all indirect effects of a particular latent variable on another (Henseler et al., 2009), the threshold value is 0.3 to consider it high. Following this approach,

for each of the endogenous variables Importance-Performance matrix is composed. Latter matrix for the variable 'destination marketing' is presented in Figure 3 (a). As it can be seen, 'environmental preservation' has high level of performance and high level of importance, thus maintaining the existing level of performance of latter variable is essential in order to keep 'destination marketing' well managed. On the other hand, variables 'accommodation and catering' and 'activities in destination' have low level of performance. Considering the fact that these variables have low level of importance as well, there is no necessity for high investments to improve the performance of latter variables in order to enhance 'destination marketing'.

The Importance-Performance matrix for the variable 'perceived value' is presented in Figure 3 (b) below. In this case, 'destination marketing' is the one variable, which has high level of performance as well as importance, while 'environmental preservation' has high level of performance, but low level of importance. Bearing in mind, that 'environmental preservation' is the most important variable for keeping high level of 'destination marketing', which is the most important variable for 'perceived value', it can be stated that 'environmental preservation' indirectly influences tourists' perception of value; thus, the importance of latter variable must be realised.

The assumption is made that 'natural features' is a constant because of the requirement of high investments in order to change the performance of it. The analysis substantiates that investments into latter variable even would not pay off due to low level of importance of latter variable's perceived value for tourists. Moreover, the analysis of the research results reveals that variables 'destination aesthetics', 'accommodation and catering', and 'activities in destination' (latter variable is marked with X because it has no statistically significant influence on 'perceived value') have low level of importance and performance. Consequently, 'destination aesthetics'

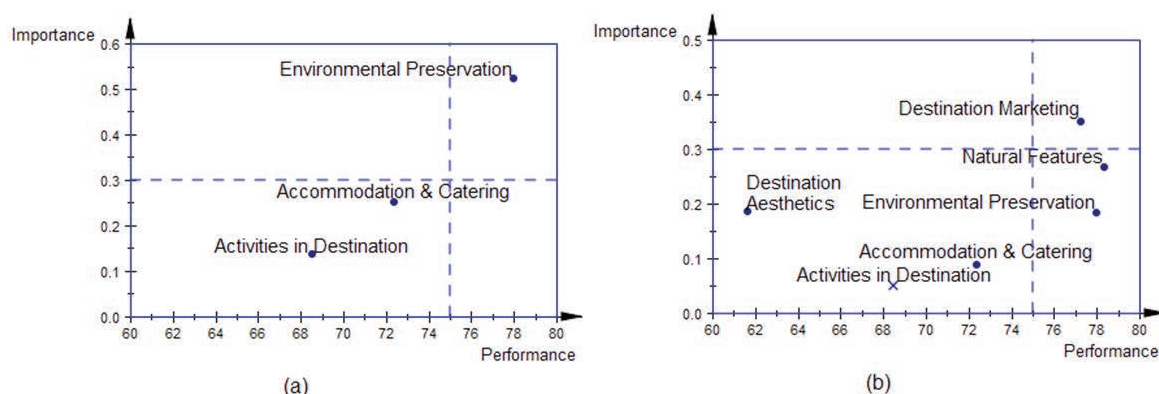


Figure 3. Importance-Performance matrix for the variable: (a) 'destination marketing'; (b) 'perceived value'.

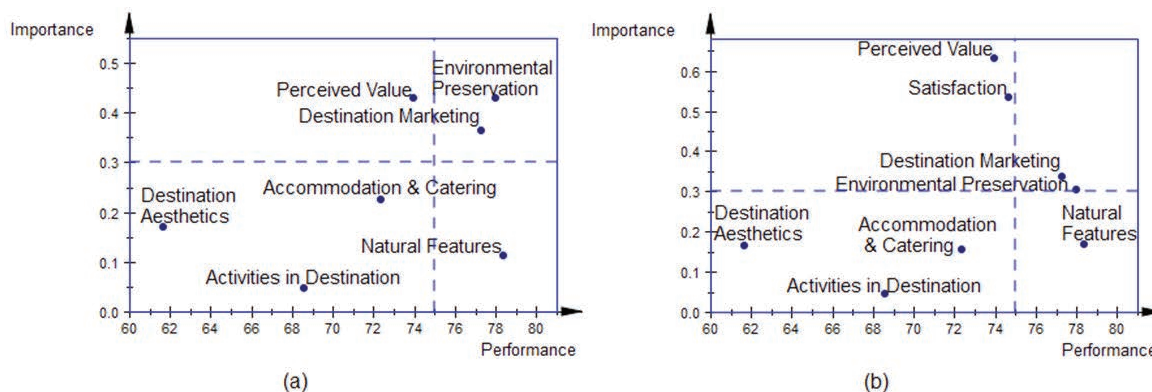


Figure 4. Importance-Performance matrix for the variable: (a) 'satisfaction'; (b) 'loyalty'.

and 'accommodation and catering' becomes low priority variables, worth only small percentage of the investments.

Variables 'destination aesthetics', 'accommodation and catering', and 'activities in destination' have low importance for the variables 'satisfaction' (see Fig. 4 (a)) and 'loyalty' (see fig. 4 (b)), thus, it is fully substantiated that latter variables are worth only a small percentage of the investments. The variable 'natural features' is not worth high investments that it would require in order to be enhanced, because it has low importance for all of the endogenous variables in the analyzed model (including 'satisfaction' and 'loyalty') and high performance.

Variables 'environmental preservation' and 'destination marketing' have high importance for tourist satisfaction and loyalty and these variables achieve high performance levels; thus, the management of latter variables is appropriate. On the other hand, 'perceived value' has a high importance for the variables 'satisfaction' and 'loyalty', but the level of performance is low, implying that even

though management of 'environmental preservation' and 'destination marketing' is appropriate, it is not sufficient in order to enhance the performance level of 'perceived value'. Furthermore, the variable 'satisfaction' has high importance for the variable 'loyalty', but the level of performance is low as well. Considering that 'satisfaction' is influenced by 'perceived value', the obvious implication can be made that a high level of performance of variables 'environmental preservation' and 'destination marketing' is not satisfactory to ensure tourist loyalty.

Based on the analysis of the research results, general guidelines for Lithuanian rural tourism homesteads are composed and provided in Figure 5 below. One variable that falls within the zone D ('possible overkill') is 'natural features', which is assumed to be a constant and the analysis shows that trying to higher the level of performance of latter variable is very risky. Three variables that fall within the zone C ('low priority') are 'destination aesthetics', 'activities in destination', and 'accommodation and catering'. In this case, it does not mean that investments are

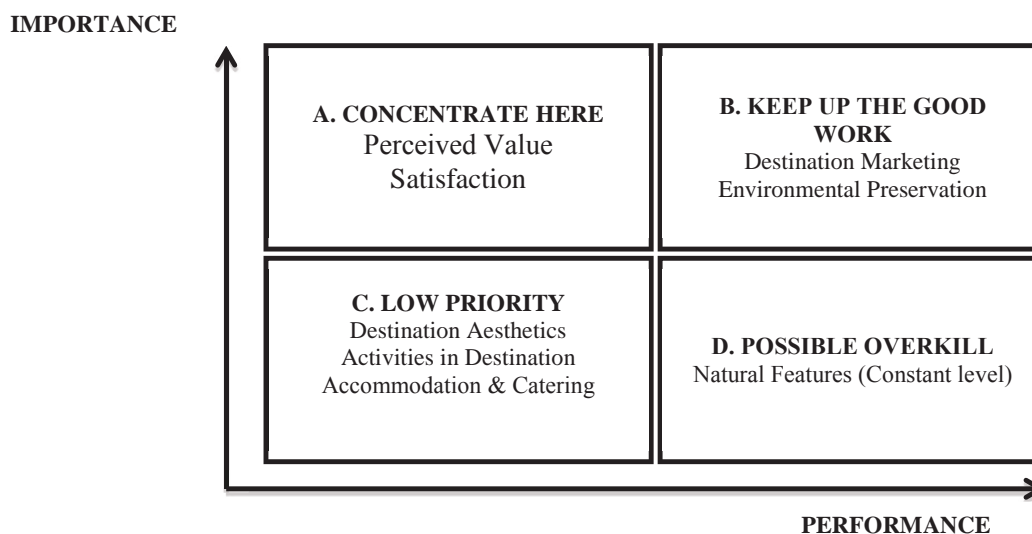


Figure 5. General guidelines for Lithuanian rural tourism homesteads.



not required, but they should constitute only a small percentage of total investments allocated to satisfy tourists and enhance the level of loyalty.

The two variables that fall within the zone B ('keep up the good work') are 'destination marketing' and 'environmental preservation', implying that the management of latter variables is appropriate. Despite this, the analysis of the research results reveals that the two variables, that fall within the zone A ('concentrate here') are 'perceived value' and 'satisfaction'; and latter variables are influenced by 'destination marketing' and 'environmental preservation'. Consequently, the performance level of the variable 'perceived value' should be enhanced in order to improve 'satisfaction'; the enhanced levels of performance of latter variables can result in higher tourist loyalty. Hence, even though the 'destination marketing' and 'environmental preservation' are managed appropriately, this is not sufficient. The highest share of the total investments allocated to satisfy tourists and enhance the level of loyalty should be accrued to the improvement of 'destination marketing' and 'environmental reservation', and that would lead to the balance between the importance and performance of factors affecting the choice of rural tourism homestead in Lithuania

## Conclusions

Research results revealed that the most important factors for tourists while choosing a rural tourism homestead in Lithuania are 'destination marketing', 'environmental preservation', 'perceived value' and 'satisfaction'. Two of latter factors ('destination marketing' and 'environmental preservation') are managed appropriately, though this is not sufficient in order to enhance tourist satisfaction and loyalty. The research results imply that the highest share of the total investments allocated to satisfy tourists and enhance the level of loyalty should be accrued to the improvement of 'destination marketing' and 'environmental preservation'. On the other hand, the investments in order to enhance variables 'destination aesthetics', 'activities in destination', and 'accommodation and catering' should constitute only a small percentage of total investments allocated to satisfy tourists and enhance the level of loyalty. Finally, none of the investments should be allocated to enhance 'natural features' due to the non-guaranteed return on investments. These recommendations of how the factors affecting tourists' choice of Lithuanian rural tourism homestead have to be managed may result in the balance between the importance and performance of factors affecting the choice of rural tourism homestead in Lithuania.

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