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WHAT FACTORS INFLUENCE QUALITY SERVICE IMPROVEMENT IN MONTENEGRO: EMPIRICAL ANALYSIS

Abstract: *In this paper, using an Ordinary Least Square regression (OLS), we investigate whether intangible elements influence tourist's perception about service quality. Our empirical results based on tourist survey in Montenegro, indicate that intangible elements of tourism product have positive impact on tourist's overall perception of service quality in Montenegro.*

Keywords: *service quality, intangible elements, Montenegro*

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1. Introduction

The creation of memorable and unique experience is seen as the most important aim in modern tourism and travel industry. Tourism products that can provide such experiences, are often complex and heterogeneous, and represent a combination of both, tangible and intangible elements (e.g. Kotler, Bowen and Makens, 2006; Mihailovic, 2011; Bowie and Buttle, 2006; Middleton and Clarke, 2001). Tangible and intangible elements of products offered by destination organizations and companies are complementary to each other and perceived as the integral parts of a whole travel experience. However, in the tourism literature, great interest has been drawn to the tangible attributes of the tourism product such as: accommodation, food, drink, transportation, attraction in the destination etc. Nevertheless, the “core” tourism product is the accommodation facility, but it is often supported by intangible elements (Kotler, Bowen and Makens, 2006). Such an argument is important for further understanding that the intangibility and tangibility of the tourism products need to be

both considered, separately and jointly, when the customer satisfaction is in question (Albayrak *et al.*, 2010). The tangible and intangible elements of tourism product offer a competitive advantage, only if they are properly planned and implemented. They have to meet and/or exceed customer expectations to have a positive effect, and to offer to the destination/company the possibility to compete effectively in a crowded tourism market.

Intangibility of the tourism product refers to the immaterial nature of service (Olsen *et al.*, 2008). Due to this fact, tourism products are difficult to describe, measure or standardize. On the other hand, they are difficult to imitate by competitors, as well. In this sense, services are experienced and “judged by the standards of the receiver, and these standards are subject to their perceptions” (Olsen *et al.*, 2008). Hence, in this paper we will examine whether the intangible elements of tourism product influence the tourist's overall perception of service quality in Montenegro.

The originality of our contribution is twofold. Firstly, we examine the relationship between intangible elements of tourism product and the tourist's overall perception about service quality in Montenegro.

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Secondly, we will use original database from Montenegro, financed and organized by the Ministry of Tourism of Montenegro, the National Tourism Organisation of Montenegro and the German Organization for Technical Cooperation (GTZ).

The reminder of this paper is organized as follows. Section 2 reviews the literature related to the intangible elements of tourist product. Section 3 presents the data and model specification. The results are provided and discussed in section 4. Section 5 concludes and suggests future directions of research.

2. Literature Review

Product is defined as “anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need” (Kotler *et al.*, 2006). Furthermore, in tourism and travel industry, the product needs to be analyzed through four levels: core product (the basic services that guest is buying - hotel room, meal), the facilitating product (the services and goods that must be present for the guest to use the core product – restaurant, telephone), the supporting product (the services and goods offered to add value to the core product and help to differentiate it from the competition – wellness centre, pool) and the augmented product. Although, first three levels are quite easy to describe, measure and standardize, the fourth level, the augmented product is still difficult to measure or standardize. The augmented product includes accessibility, atmosphere, customer interaction with the service organization, customer participation and customer interaction with each other. Tourism and travel services require customer coproduction of the service, their interaction with the service delivery system, and the most important, guest has to come to the service. Due to these facts, atmosphere, communication, kindness to guests and children, and security, are seen as important for customer loyalty improvement. An area

that is drawing the great interest is the security of the consumer in the tourist destination or/and in a hotel. The majority of tourists are concerned about their personal safety during their holiday (Bowie and Buttle, 2006). Guests sometime could have problems with crime, accidents, political instability, terrorist incidents, etc. These components can't be planned, and are not unusual in tourism and travel industry where products are often heterogeneous and complex. Destination organizations and companies need to invest great efforts in order to eliminate unexpected surprises and manage that guests get what they expect. The adequate assistance in time of need can be very important in creation of overall tourist's perception of a tourist destination. Their positive word-of-mouth has important promotional effect than any well-designed, colorful and expensive brochure. Indeed, since tourism products are essentially intangible experiences, it is difficult for customers to evaluate the product prior to experience. In this sense, most tourism products are heavily dependent on word-of-mouth recommendation (Kandampully, 2000).

The intangible aspects of the product are important in case of concept of subjective positioning of the tourist offer in the minds of target markets (Bowie and Buttle, 2006). Opposite to this concept is the objective positioning, where tangible and physical attributes (the menu, the bathroom, the pool etc.) of an offer are the main differentiators that distinguish the destination or company from the competitors. The subjective positioning is based on tourist's perception of the service, and less on the real state of the offer. This fact offers greater possibilities for effective business strategy since the intangible elements are more difficult for competitors to imitate. This is the case with the intangible-dominant products, which “main attributes are services, the atmosphere, the reputation, the history, the image, the impressions” (Bowie and Buttle, 2006). However, in order to be efficient, this

elements need to be followed by certain physical evidences, and this could be done through the policy called “*tangibilize the intangible*”. Security in a destination could be tangibilized through certain programmes that prevent the crime or help the victims of crime. Kindness, traditional hospitality and communication with local people are often tangibilized through useful advice, information, smile, drinks and food free of charge etc. Albayrak *et al.* (2010) analyze the customers of a tour operator from six countries (the Russian Federation, Ukraine, Belarus, Latvia, Tatarstan, and Kazakhstan) whose holiday destination was Antalya. They state that both, tangible and intangible elements of the products are influential on overall customer satisfaction, although the tangible affect more. Only for customers from Latvia, intangible elements of the hotel were more influential than tangible on overall satisfaction. Ekinicia *et al.* (2003) examine the tourist’s perception of service quality in Cretan accommodations and the development of marketing strategies for the UK holiday market. The results suggest that British tourists rate the intangible elements of service quality higher than the tangible elements. Related to these arguments, we formulate the following hypothesis: *The intangible elements of tourism product have positive impact on the tourist’s overall perception of service quality, ceteris paribus.*

3. Data and model specification

The data is extracted from the Montenegrin survey called Guest Survey 2010. The creation of the database is financed and organized by the Ministry of Tourism of Montenegro, the National Tourism Organisation of Montenegro and the German Organization for Technical Cooperation (GTZ).² The main objective of the survey is

² We are thankful to Mr Saša Radović, the director of the National Tourism Organization, for permitting us to use the database.

to obtain representative view regarding tourist travel behaviour and satisfaction during their stay in Montenegro. The questionnaire contains 34 questions. The survey was conducted in 21 municipalities in Montenegro, from July to the end of September 2010. The time allocated for tourists to fill the questionnaire was not limited but it took approximately 30 minutes. The number of tourists who have answered the questionnaire is 1 442. After deleting observations that do not provide all necessary information for this research, we work with a sample of 1 244 tourists.

3.1 Dependent Variable

The dependent variable denoted *SERVICE QUALITY* is a continuous variable which indicates the tourist’s overall perception about service quality in Montenegro. The variable is coded from (1), not satisfied, to (4) very satisfied.

3.2 Independent Variable

To determine whether intangible elements influence tourist’s perception of service quality we use four indicators of intangible elements.

- (1) *KIDNESS OF PEOPLE* presents tourist’s perception about kindness of people in Montenegro. The variable is coded from (1), not satisfied, to (4) very satisfied.
- (2) *COMMUNICATION* presents tourist’s perception about communication with local people in Montenegro. The variable is coded from (1), not satisfied, to (4) very satisfied.
- (3) *SECURITY* presents tourist’s perception about security in Montenegro. The variable is coded from (1), not satisfied, to (4) very satisfied.
- (4) *KIDNESS WITH CHILDREN* presents tourist’s perception about kindness with children in Montenegro. The variable is coded from (1), not satisfied, to (4) very satisfied.

3.3 Control Variable

Additionally, to properly identify the relationship among intangible elements and tourist's satisfaction about service quality in Montenegro, our econometric model includes the features of vacation. Following previous studies (Yuksel, 2001; Xinran *et al.*, 2004; Weaver *et al.*, 2007; Thomson and Schofield, 2007), we include control variables shown to be important determinants of tourist's satisfaction such as number of nights, previous experience, number of vacations, type of accommodation and type of transport. Furthermore, we include several tourists' socio-demographic characteristics such as gender, age, occupation, country of residence and wage. The variables used for estimation are indicated in Table 1. No problem of multicollinearity has been detected.

3.4 Empirical Model

Using an Ordinary Least Square regression (OLS), we investigate whether intangible elements influence tourist's perception about service quality. We now have:

$$y_i = X_i a + e_i \quad (1)$$

where y_i represents tourist's perception about service quality; X_i are the vectors of exogenous variables such as kindness, communication, security, kindness with children, number of nights, previous experience, type of accommodation, type of transport, gender, age, occupation, wage and finally, e_i is error term.

4. Estimation results and discussion

Estimation results are presented in Table 2.

From estimated results we may conclude that, kindness of people, kindness to children, security and communication, have positive and significant impact on the overall service quality. Furthermore, the findings provide empirical evidence that security have better impact on overall perception of

service quality, than other intangible elements of tourism service. This is not surprising, and is explained by the fact that primary concern of tourists is their personal safety during their holiday in a tourist destination (Bowie and Buttle, 2006). Communication with local people also have influence on perception of service quality, and this may be explained by the fact that tourist interaction with each other and with local people, as well, is seen as an important element of holiday and travel experience by modern tourist in Montenegro. Finally, kindness of people and kindness to children affect positively the quality service, and induces that those two intangible elements are critical parts of memorable and unique experience in modern tourism and travel industry. Especially, the kindness is relevant during the period when tourism service is consumed, and often is main reason for choosing or refusing the offer. Based on these facts, we may conclude that our hypothesis that intangible elements influence the overall tourist's perception about service quality is confirmed.

5. Conclusion

The fast development of tourist demand and offer makes the modern tourism service more complex and heterogeneous, with more and more tangible and intangible elements. Intangibility and tangibility of the tourism products needs to be considered both, separately and jointly, when the customer satisfaction is in question. The intangible elements of tourism product may offer a competitive advantage, only if they are properly planned and implemented. Personal security and/or kindness of local people are also parts of tourism product and in great deal determine the level of customer satisfaction. Interaction with tourists in a tourist destination cannot be avoided, so the communication with local people is necessary, although it cannot be always completely planned and controlled. Due to these facts, it is not surprising that these

intangible elements of tourism service have positive and significant influence on service quality.

This paper has some limitations that should be taken into consideration for further research. There is an objective need to expand the number of intangible elements

that may influence on the level of service quality. More parameters may be helpful to understand better which intangible elements might also affect the service quality and which can improve the overall perception of tourists regarding this strategic variable.

Table 1. Definition of variables and sample statistics

Variable	Definition	Mean	Standard deviation
<i>Dependent variables</i>			
SERVICE QUALITY	The tourist's perception about service quality (continuous variable)	1.84	0.75
<i>Independent variables</i>			
KIDNESS OF PEOPLE	The tourist's perception about kindness of people (continuous variable)	1.60	0.70
COMMUNICATION		1.53	0.66
SECURITY	The tourist is feeling safe (continuous variable)	1.73	0.73
KIDNESS WITH CHILDREN	The tourist's perception about kindness with children (continuous variable)	1.65	0.63
<i>Control variables</i>			
NUMBER OF NIGHTS	The number of nights that a tourist spent in Montenegro (continuous variable)	3.04	1.51
PREVIOUS EXPERIANCE	The tourist visited Montenegro before. Dummy variable (=1 if yes)	0.67	0.49
TYPE OF ACCOMODATION	ACCO1 (hotel);	0.36	0.48
	ACCO2 (private accommodation);	0.45	0.50
	ACCO3 (staying with friends or family); (ref);	0.19	0.39
	TRANS1 (plane);	0.33	0.47
TYPE OF TRANSPORT	TRANS2 (bus);	0.26	0.44
	TRANS3 (car);	0.32	0.47
	TRANS4 (train) (ref);	0.09	0.28
	GENDER	The tourist is a man. Dummy variable (=1 if yes)	0.49
AGE	The tourist's age. (continuous variable)	35.05	12.64
COUNTRY OF RESIDENCE	COUNTRY1 (Ex Yugoslavia)(ref);	0.61	0.49
	COUNTRY2 (EU);	0.24	0.43
	COUNTRY3 (Countries from ex Soviet Union);	0.12	0.33
	COUNTRY4 (The rest of World)	0.03	0.16
OCCUPATION	The tourist works:		
	OCC1 (self-employed) (ref);	0.18	0.39
	OCC2 (employed at the private company);	0.42	0.49
	OCC3 (state functionary);	0.06	0.24
	OCC4 (retired);	0.07	0.26
	OCC5 (student);	0.22	0.41
WAGE	OCC6 (not-employed);	0.05	0.18
	The tourist's wage is:		
	WAGE1 (up to 900 Euro) (ref);	0.15	0.36
	WAGE2 (from 900 to 3000 Euro);	0.50	0.50
	WAGE3 (more than 3000 Euro);	0.35	0.48

Table 2. The relationship between Quality of Service and Intangible Elements

Variables		Estimate	Standard Error
Intercept		0.50***	0.14
KIDNESS OF PEOPLE		0.23***	0.04
COMMUNICATION		0.12***	0.04
SECURITY		0.30***	0.03
KIDNESS WITH CHILDREN		0.16***	0.04
NUMBER OF NIGHTS		0.04***	0.01
PREVIOUS EXPERIENCE		0.08	0.05
TYPE OF ACCOMODATION	ACCO1	-0.05	0.06
	ACCO2	-0.12**	0.06
	TRANS1	-0.14***	0.06
	TRANS2	-0.13***	0.06
TYPE OF TRANSPORT	TRANS4	0.05	0.08
GENDER		-0.03	0.04
AGE		0.00	0.00
COUNTRY OF RESIDENCE	EU	-0.08	0.06
	EX SOVIET UNION	-0.14	0.08
	REST OF THE WORLD	0.04	0.14
	OCC1	-0.03	0.06
	OCC3	-0.05	0.09
OCCUPATION	OCC4	-0.20*	0.10
	OCC5	-0.14**	0.07
	OCC6	-0.08	0.10
	WAGE2	-0.00	0.06
	WAGE3	0.05	0.04
Number of observations		820	
R2		0.43	

(*), (**), (***) indicate parameter significance at the 10, 5 and 1 per cent level, respectively

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