COUNTRY IMAGE EFFECT 
ON CUSTOMER LOYALTY MODEL

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Abstract
Country image is viewed as the overall perception of consumers from a particular country, based on their prior perception of the country’s production and marketing strengths and weaknesses and this image affect customer attitudes like customer loyalty. The purpose of our study was to develop and validate a customer loyalty model with country image effect in the context of Hot Springs. Based on marketing literature, a comprehensive set of constructs and hypotheses was compiled with a methodology for testing them. A questionnaire was constructed and data were collected from 295 customers of 14 most known Hot Springs in Turkey. Structural equation modeling techniques were applied to analyze the data. The results indicated that country image affect customer loyalty and customer loyalty’s antecedent.

Key words: Country Image, Customer Loyalty, Hot Springs.

Introduction
“Country image” refers to the consumers’ perceptions of products from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses (Roth & Romeo, 1992). In evaluating a product, different information cues about a product are deemed important and are utilized. Consumers are thought to make inferences about the value of product information cues as a quality indicator and then combine judgments of all the cues available in order to obtain an overall product evaluation (Manrai, 1998, p. 594). All product evaluations consequently conclude with customer loyalty. Loyalty leads to certain advantages, such as reduced marketing costs, more new customers, and greater trade leverage. In increasingly competitive markets, being able to build consumer loyalty is seen as the key factor in winning market share and developing a sustainable competitive advantage. However, there is no research about country image effect on customer loyalty in the past research. This research is important to address this deficiency by investigating how country image influences country loyalty model in a structural frame.

Our article unfolds as follows. First of all, we offer a brief outline of Spas (Hot Springs) in Turkey. Then the constructs of country image, customer loyalty and customer loyalty’s determinants are specified. Next, a model was introduced to investigate country image and customer loyalty model at the same time. After dealing with the model test, we will discuss the results of the empirical study that was undertaken to test our research hypotheses.

Spas in Turkey
Turkey is located on the Alpine-Himalayan orogenic belt, which have high geothermal potential. Nearly 50 years ago beginning of nineteen sixties, the technical personnel of Mineral Research and Exploration Institute of Turkey (MTA) after carrying out successful geological, hydrogeological, geophysical and geochemical studies came to the conclusion that in Turkey there are important geothermal areas. One of the first result was the discovery of the first steam in the Turkey after drilling in 1963 at Izmir-Agamemnon. The continuation of the studies after 1963, Denizli
During the same years importance of geothermal energy in many countries in the world such as Mexico, Italy, United States of America, Russia, New Zealand, Philippines, Indonesia, Japan, Iceland were increasing. Geological studies and drilling activities speeded up the discovery of geothermal fields, they started production and their commercial use was successful (Alpan, 2005).

Turkey is one of the rare countries, where combining sea/sun/cultural tourism with thermal tourism and balneological applications is possible. The main advantage of this combination is the increase of the variety and number of the tourists and the extension of the high tourism season to the whole year, instead of limiting it to 4-5 months which is mostly the case by the sea/sun/cultural tourism. This will bring an important economical development to these regions. Some of the regions that are suitable for sea and thermal tourism combination are: Bodrum, Kusadası, Datca and Edremit cities which are located at the Aegean and Mediterranean Seas. In Çımsı (district of İzmir City), thermal water is transported to the hotels for balneological utilization and this combination is applied there with a great success. A possible producable potential amount of geothermal flowrate (~40°C) that has been estimated for the balneological use in Turkey, is 50,000 l/sec. (Mertoğlu, 2005). The number annually expected local thermal curists is around 7 million and the number of the foreign thermal curists is around 10,000 in Turkey. The foreign curist target number is 1 million and the local curist target number is 30 million for the year 2020 (Şimşek, 2005). At the present the geothermal energy is used in some hot water spas for health treatment and tourism, but in Turkey there is no winter tourism (no all the year round tourism). Generally speaking in most of the places along Aegean and the Mediterranean hotels, restaurants, shopping centers are closed by the end of the October. Turkey needs all kinds of facilities for entertaining tourists all year round to maintain winter tourism, for which wider use of geothermal energy is essential (Alpan, 2005).

The investments in the area of thermal tourism in Turkey, particularly the integration of thermal hotels and cure centres are regarded as profitable investments which can pay themselves back within 3–4 years. Providing viability all year round and with treatment periods of at least 2–3 weeks, and capability of integrating with other tourism types, thermal tourism provides the opportunity for creation of employment and equity between regions. Calculations based on the potential of Turkey's 40 major spas show that Turkey has an investment potential of over 450,000 beds. Thermal centres and mineral springs as natural therapy centres have a traditional importance in Turkey. Therefore, this tradition points to a great potential demand in the area of domestic tourism.
as well as foreign tourism. Despite the characteristics of the market, only 5% of Turkey's thermal water potential is currently used. As a result, there is a significant gap between thermal water potential and the bed capacity. Local and foreign capital ventures for the construction of thermal facilities are supported with concessionary incentives (Topal, 2002).

Highly recommended for their thermal spring facilities are the following spas listed by province: Adana: Haruniye, Afyon: Omer Gecek (Sandikli), Ankara: Kizilcahamam, Ayas, Haymana, Balikesir: Gonen, Bingol: Kos, Bolu: Buyuk Kaplica, Bursa: Cekirge, Oylat, Canakkale: Kestanbol, Cankiri: Cavundur, Denizli: Pamukkale, Karahayit, Diyarbakir: Cermik, Erzurum: Pasinler, Izmir: Balcova, Cesme, Sifne, Konya: Ilgin, Kutahya: Yoncali, Harlek, Manisa: Salihli, Mugla: Sultan, Rize: Ayder, Sakarya: Kuzuluk, Samsun: Ladik, Havza, Siirt: Billoris, Sivas: Kangal, Van: Hasanabdal, Yalova: Yalova Termal, Armutlu. The location some of these spas is shown in Figure 1.

**Theoretical Background and Research Model**

*Country Image*

There is no consensus definition of country image (Sauer et al., 1991), it is generally understood to stand for the impact which generalizations and perceptions about a country have on a person’s evaluations of the country’s products and/or brands. Country image is defined as the picture, the reputation, the stereotype that businessmen and consumer attach to products of specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions (Nagashima, 1970). Country image is also viewed as the overall perception consumers form of products from a particular country, based on their prior perception of the country’s production and marketing strengths and weaknesses (Roth and Romeo, 1992).

Country-of-origin information presented in the context of general information about a product’s specific attributes is thought to have effects on product evaluations known as “country-of-origin effects”. Although no definition of “country-of-origin effects” exists, “country image” is frequently used to describe these effects. “Country image” refers to the consumers’ perceptions of products from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses (Roth & Romeo, 1992). In evaluating a product, different information cues about a product are deemed important and are utilized. Consumers are thought to make inferences about the value of product information cues as a quality indicator and then combine judgments of all the cues available in order to obtain an overall product evaluation (Jacoby et al., 1971). According to this information theoretic perspective, both intrinsic cues (i.e., design, shape) and extrinsic cues (price, warranties, brand name, communication source characteristics) are needed in order to evaluate a product (Jacoby et al., 1971). Country-of-origin information constitutes an extrinsic cue (Thorelli et al., 1989), acting as a surrogate for product quality and other product characteristics that cannot be evaluated directly (Huber & McCann, 1982; Han, 1989; Manrai et al., 1998, p. 594). Buyers often make judgements about product quality and purchase value on the basis of extrinsic cues, particularly when it is not easy to assess the intrinsic value of a product. This is why country image, an extrinsic cue, is often used by individuals to judge foreign products. In the marketing literature, attention has been given to examining the extent to which country image knowledge influences product purchase decisions. Several issues have been considered, including buyer’s involvement and/or familiarity with a product category, knowledge of a particular country, experience and expertise in purchase decision making and the presence of other extrinsic product information cues. By relating household and organizational buyers’ perceptions of product quality and purchase value to country images in a context where information on other cues such as brand name, price and warranty is also available, decision makers can better understand how preferences for their products are formed (Johansson, 1989; Ahmed and Astous, 1995, pp. 35-36).

Consumers in the developing countries have a whole host of options while choosing products. The impact of country image on the consumers perception of products has been widely studied (for example Schooler, 1965; Samiee, 1994; Peterson and Jolibert, 1995). Consumer and marketing
researchers have extended significant effort to have a better understanding of such perceptual decisions that are framed by consumers. Firstly, it has been reported that country image may be used by consumers as an attribute to evaluate products (Johansson et al., 1985; Hong and Wyer, 1990). Secondly, consumers’ attention and evaluation of other product dimensions may be influenced by country image, which may create a ‘halo effect’ (Erickson et al., 1984). Thirdly, country image may also act as a source of country stereotyping, directly affecting consumers’ attitudes towards the brand of a country instead of through attribute ratings (Wright, 1975).

Empirical evidence suggests that the country of origin of a product affects consumers' product evaluations (Han and Terpstra, 1988). Consumers tend to hold stereotyped images of products made in different countries (Bilkey and Nes, 1982; Wall et al., 1988). The country image, like price and brand name, constitutes an extrinsic cue in consumer product evaluations (Hong and Wyer, 1989). Consumers use the country image cue to evaluate foreign products when they are not familiar with the products intrinsic qualities (Lawrence et al., 1992). Past research suggests that consumers tend to evaluate domestic products more favourably than do foreigners (Kaynak and Cavusgil, 1983) and products from developed countries more favourably than products from developing countries (Wang and Lamb, 1983). However, consumers do not perceive all products from a given foreign country similarly. Studies by Nagashima (1977) suggest that different countries have acquired distinctive images in consumers' minds in specific product categories. Nagashima (1977) found that Japanese respondents perceive Germany to be particularly good in the manufacture of luxury automobiles, France in cosmetics, and the United States in large computers and aeroplanes. Roth and Romeo (1992) found greater consumer willingness to buy products made in countries with good reputations in those product categories than to buy the same products from countries that are not well known in those product categories. Thus, country image effects appear to be product specific. They also appear to vary from country to country (Cattin et al., 1982; Okechuku, 1994, p. 6). So it can be said that country image affects customer product evaluation, in other words, country image influences customer loyalty, satisfaction, perceived quality and so on.

**Perceived Quality**

Ravald and Grönroos (1996) suggest that perceived value of a service can be heightened by delivering better service. They assert that adding value to the service at a competitive price is a potent source of competitive advantage. Customers perceive higher value in the service when they perceive the quality of service as greatly exceeding the costs they have sacrificed to obtain the service. There is some empirical evidence to support the view that quality is positively related to perceived value (Brady and Robertson, 1999; Teas and Agarwal, 2000). Gronoos (1984) indicated that the perceived quality of service is dependent on a comparison between expected and perceived service, and is thus the outcome of a comparative evaluation process. Parasuraman et al. (1985) defined “service quality” as the degree and direction of discrepancy between a customer’s perceptions and expectations, whereas “perceived service quality” is the gap between a customer’s expectations and perceptions as a measurement of service quality. The smaller the gap, the better the quality of service and greater the customer satisfaction. The actual quality of service is difficult to define and measure (Gavin, 1983; Parasuraman et al., 1988; Brown and Swartz, 1989). However, researchers have reached a consensus that quality should be defined and measured from the customer’s perspective. The most widely accepted definition of perceived service quality is that it represents the discrepancy between customers expectations and their perceptions of the service performance (Lewis and Booms, 1983; Grönroos, 1984; Parasuraman et al., 1988). The nature of the relationship between perceived service quality and customer satisfaction is an intriguing issue. Some researchers have suggested that perceived service quality is an antecedent of customer satisfaction (Anderson and Sullivan, 1993; Ravald and Grönroos, 1996). Others have adhered to the view that customer satisfaction precedes perceived service quality (Parasuraman et al., 1988; Bolton and Drew, 1991; Patterson and Johnson, 1993).

**Customer Expectation**

The confirmation/disconfirmation paradigm is widely accepted as a view of the process by which consumers develop feelings of satisfaction or dissatisfaction (Cadotte et al., 1987). Ac-
According to this view, customers compare actual performance with some standard leading to a confirmation, positive disconfirmation or negative disconfirmation. Confirmation occurs when the performance matches the standard leading to a neutral feeling, positive disconfirmation occurs when the performance exceeds the standard leading to satisfaction, and a negative disconfirmation occurs when the performance fails to meet the standard leading to dissatisfaction. In a majority of studies adopting this paradigm, customer expectations are used as standards against which performance is compared. The primary focus of research on satisfaction has been on the relationship between performance expectations and satisfaction (Voss et al., 1998; Yi, 1990). Considerable research has also been carried out on the nature and antecedents of these expectations. While several different expectations – ideal expectations (Tse and Wilton, 1988), desired expectations (Swan and Trawick, 1980), predicted expectations and normative expectations (Prakash, 1984) – have been proposed in this literature, customer expectations as predictions dominate (Zeithaml et al., 2002). According to Zeithaml et al. (2002), customer’s predictive expectations – beliefs about performance at some time in the future (Spreng et al., 1996) – play a direct role in satisfaction assessments. Further, they identify a number of factors – explicit service promises, implicit service promises, word-of-mouth communications and past experience – that influence the predicted service expectations of customers. These factors cause the individual customer expectations of the same service to vary from one customer to another (Copeland, 1924). Perceptions of company performance were found to exert a positive influence on perceived service quality, satisfaction and customer loyalty (Oh and Parks, 1997; Thirumalai and Sinha, 2005, pp. 294-295).

**Perceived Value**

Zeithaml’s (1988) exploratory investigation of the value construct identifies four unique definitions upon which consumers appear to base their evaluations of service exchanges. However, she further argues that the four can be summed into a single definition “perceived value is the consumers’ overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml, 1988; Cronin et al., 2000, p. 203).

A number of researchers have investigated the role of perceived value in consumption contexts. For example, Zeithaml (1988) provided evidence supporting an influential role of value in consumers’ purchase decision making. According to the means-end model proposed by Zeithaml (1988), perceived value is a direct antecedent of a purchase decision. Dodds et al. (1991) conceptualized perceived value as a tradeoff between perceived quality and perceived psychological as well as monetary sacrifice (also see Dodds and Monroe, 1985; Monroe and Chapman, 1987; Teas and Agarwal, 1997). Their model shows that perceived value is a direct antecedent of consumer purchase intention. More recently, Woodruff (1997) laid out a perceived value hierarchy model in which perceived value was viewed as a hierarchically structured construct at levels of consumption goals, consequences, and attributes. According to Woodruff, perceived value resides at every stage of customers’ expectancy-disconfirmation process. Slater (1997) and Parasuraman (1997) provided support for the role of perceived value in understanding consumer behavior (Oh, 1999, p. 70).

Perceived value is often assumed to involve a consumer’s assessment of the ratio of perceived benefits to perceived costs (Zeithaml, 1988). Bolton and Drew (1991) suggested that perceived value is a ‘richer measure of customers’ overall evaluation of a service than perceived service quality.’ According to Parasuraman and Grewal (2000), perceived value is a function of a ‘get’ component (the benefits a buyer derives from a seller’s offering) and a ‘give’ component (the buyer’s monetary and non-monetary costs of acquiring the offering) (Abdollahi, 2007, p. 36).

Prior studies explicitly modeled perceived performance or quality as a direct antecedent of value, which, in turn, directly drove repurchase intention. Also, cumulative insights from prior studies supported the general notion that perceived value contributed to customer loyalty (Dodds et al., 1991; Grewal et al., 1998; Voss et al., 1998). Literature relating to service management has argued that customer satisfaction is the result of a customer’s perception of value received (Hallowell, 1996; Lin-Wang, 2006, p. 273).
Customer Satisfaction

Customer satisfaction has been a key concept in marketing thought for several decades. Since Cardozo's (1965) pioneering study of customer effort, expectations and satisfaction, the body of work in this field has expanded greatly, with more than 900 articles focusing on consumer satisfaction/dissatisfaction and complaining behaviour in 1982-1990 alone (Perkins, 1991). Studies of consumer behaviour emphasise customer satisfaction as the core of the postpurchase period (Westbrook and Oliver, 1991; Oliver, 1997). Since customer satisfaction presumably leads to repeat purchases and favourable word of mouth publicity, the concept is essential to marketers. In saturated markets, customer satisfaction is thought to be one of the most valuable assets of a firm. Hirschman's (1970) exit-voice theory argues that weakly dissatisfied consumers will be of prime importance to the firm. While strongly dissatisfied consumers generally choose the exit option (i.e., they leave the firm), the weakly dissatisfied customers tend to stay loyal to the firm and rather employ the voice option, which implies overt complaints as an attempt to change the firm's practices or offerings. Sensible handling of customer complaints may ensure that weakly dissatisfied consumers remain loyal, and thereby serve as an exit barrier (Halstead and Page, 1992; Fornell, 1992). The impact of loyal customers is considerable; for many industries the profitability of a firm increases proportionally with the number of loyal customers and up to 60% of sales to new customers can be attributed to word of mouth referrals (Reichheld and Sasser, 1990; Heide, 1999, p. 202).

Because of its potential influence on customer loyalty and customer retention (Anderson and Fornell, 1994; Anderson and Sullivan, 1993; Bolton and Drew, 1994; Cronin and Taylor, 1992; Fornell, 1992; Oliver, 1980; Oliver and Swan, 1989), consumer satisfaction has been the subject of much attention in the literature (Bittner and Hubbert, 1994; Cardozo, 1965; Oliver, 1977, 1980, 1981; Oshavsky and Miller, 1972; Olson and Dover, 1979; Rust and Oliver, 1994). Satisfaction is described as “an evaluation of an emotion” (Hunt, 1977; Churchill and Surprenant, 1982), suggesting that it reflects the degree to which a consumer believes that the possession and/or use of a service evokes positive feelings (Rust and Oliver, 1994; Cronin et al., 2000, p. 204).

Customer Loyalty

Customer loyalty and retention are the ultimate goals for most organizations. Loyal customers make more frequent purchases, become advocates and promoters of firms solution, and provide greater margins to firms bottom line. They also provide valuable insight and feedback into purchasing patterns, market needs and emerging opportunities. It is no surprise, then, that companies want to retain and develop loyal customers.

Loyalty has been defined as a long-term commitment to repurchase involving both repeated patronage and a favorable attitude (Dick and Basu, 1994). The development, maintenance, and enhancement of customer loyalty represent a fundamental marketing strategy for attaining competitive advantage (Gould, 1995; Kotler, 1988; Reichheld, 1993; Ellinger et al., 1999, p. 122).

Loyalty has been defined as repeat purchase behavior led by favorable attitudes or as a consistent purchase behavior resulting from the psychological decision-making and evaluative process (Jacoby and Kyner, 1973). According to Jacoby and Chestnut (1978), customer loyalty is generated through a belief (service quality), affect (satisfaction), and cognitive (customer loyalty) process. Oliver (1999) further suggested that the development of consumer loyalty follows the cognitive-affective-conation-action pattern. During this process, a consumer can become loyal at each of these four phases. The first phase is cognitive loyalty. At this stage, consumers recognize that one brand is better than other alternatives and form preferences based upon their evaluations of service quality. The second phase is affective loyalty, in which the liking of the product and a positive attitude toward the brand are developed based upon continuous experiences of product satisfaction. In the third loyalty phase, conation loyalty, a brand-specific commitment to repurchase is generated and the intention to return is formed. Finally, the return intention is “transformed into readiness to act” at the action loyalty phase (Oliver, 1999; McCain et al., 2005, p. 466). Loyalty must be achieved through customer satisfaction, based on the perceived performance of the service product; hence service quality and customer satisfaction are two prerequisites of loyalty (Cronin and Taylor, 1992; Bowen and Shoemaker, 1998; Mittal and Lassar, 1998; Shoemaker and Lewis, 1999; Schofield and Katics, 2007, p. 127).
Word of Mouth

Word-of-mouth (WOM) has been described as the “world’s most effective, yet least understood marketing strategy” (Misner, 1994). In the marketing context, it is the informal exchange of positive and negative information between individuals about a particular product or service. Negative WOM has been documented to spread quicker than positive WOM making it “a fearful phenomenon to marketers who cannot grant 100% customer satisfaction, and a two-edged sword as informal discussions among consumers can make or break a product” (Helm, 159). To further support the power of WOM, Grewal, Cline, and Davies (2003) describe how it “forms the basis of interpersonal communications and significantly influences product evaluations and purchase decisions” and that “WOM has been shown to be more powerful than printed information because WOM information is considered to be more credible” (from http://www.ciadvertising.org/; 2007, p. 1).

Research generally supports the claim that WOM is more influential on behaviour than other marketer-controlled sources. Indeed, it has been observed that WOM can be more influential than neutral print sources such as consumer reports (Herr et al., 1991). WOM has been shown to influence a variety of conditions: awareness, expectations, perceptions, attitudes, behavioural intentions and behaviour (Buttle, 1998, p. 5). Sheth (1971) concluded that WOM was more important than advertising in raising awareness of an innovation and in securing the decision to try the product. Day (1971) inferred that this was due to source reliability and the flexibility of interpersonal communication. He computed that WOM was nine times as effective as advertising at converting unfavourable or neutral predispositions into positive attitudes. Mangold’s (1987) review of the impact of WOM in the professional services context concluded that WOM has a more emphatic influence on the purchasing decision than other sources of influence. This is perhaps because personal sources are viewed as more trustworthy (Murray, 1991). In the industrial purchasing context, WOM influences expectations and perceptions during the information search phase of the buying process and influences attitude during the pre-choice evaluation of alternative service providers (Lynn, 1987). The influence of WOM on expectations has been reported by Webster (1991) and Zeithaml et al. (1993). WOM can influence decisions either positively (Engel et al., 1969) or negatively (Tybout et al., 1981). It does appear that negative WOM has a more powerful impact than positive WOM (Arndt, 1967; Buttle, 1998, p. 16-17).

In the light of stated knowledge in the theoretical background, the article hypotheses are presented as shown below.

H1. Country image will have positive effect on perceived quality.
H2. Country image will have positive effect on customer expectation.
H3. Country image will have positive effect on perceived value.
H4. Country image will have positive effect on customer satisfaction.
H5. Country image will have positive effect on customer loyalty.
H6. Country image will have positive effect on word of mouth.

A conceptual path model is now presented as Figure 2.

Fig. 2. Research Model
Research Method

Measurement of constructs

Perceived value is measured through three indicators ‘good value for money’, ‘acceptable price’ and ‘to be a good buy’ (Cronin et al., 2000). The latent variable ‘customer satisfaction’ is measured through three indicators, ‘overall satisfaction’, ‘to fulfill expectations’, ‘to be perfect in all aspects’ (Ryan et al., 1995). Other two indicators describe the latent variable ‘customer loyalty’: ‘Resubscription intention’ and ‘New services subscription intention’ (Juhl et al., 2002). Other constructs and constructs’ items can be seen in Appendix A.

Survey Method

A survey was conducted with customers of 14 most known spas in Turkey (Kızılcabamam, Haymana, Gönen, Büyük Kaplica, Oylat, Kestanbol, Pamukkale, Cernik, Pasinler, Çesme, Sifne, Yoncalı, Salihli, Ayder) from January 19 to February 1, 2007. A self-administered questionnaire was distributed to these spas’ foreign customers (tourists) who were asked to express his or her agreement with the items, based on a five-point Likert-type scale with anchors ranging from ‘strongly disagree (1)’ to ‘strongly agree (5)’. Respondents were asked to rate how much they agreed with each item on the scale (Appendix A). A total of 298 questionnaires were collected. Of these, 3 questionnaires were deleted due to unanswered items and 295 questionnaires were finally used in the analysis.

Results

Measurement Model

The proposed research model in this study is composed of seven constructs with interrelated dependence relationships or causal paths among themselves, requiring a structural equation model (SEM) analysis (Bollen, 1989; Hair et al., 1998) which can estimate multiple causal relations simultaneously. SEM analysis usually requires that the constructs should first be assessed and measured rigorously by confirmatory factor analysis (CFA) (Fornell and Larcker, 1981; Hair et al., 1998; Segars and Grover, 1993). In order to generate statistically reliable estimates on causal paths among constructs, the minimum sample size for reliable SEM analysis ranges from 100 (Bollen, 1989) or 150 (Anderson and Gerbing, 1982) to 200 or more (Boomsma, 1982). Given that the research model is relatively simple with seven constructs, the sample size of 295 collected in this study is considered adequate. Seven common model-fit measures were used to assess the model’s overall goodness of fit: the ratio $\chi^2/(d.f.)=2.129$, adjusted goodness-of-fit index (AGFI)=0.91, normalized fit index (NFI)=0.93, nonnormalized fit index (NNFI)=0.94 comparative fit index (CFI)=0.96, relative fit index (RFI)=0.96 and root mean square error of approximation (RMSEA)=0.072. All the model-fit indices exceeded the respective common acceptance levels suggested by previous research, demonstrating that the measurement model exhibited a good fit with the data collected. Therefore, we proceeded to evaluate the properties of the measurement model in terms of reliability, convergent validity.

Table 1 shows the results of CFA from undertaking by AMOS 5.0. As shown in Table 1, convergent validity of CFA results should be supported by item reliability, construct (composite) reliability and average variance extracted (Chau, 1996; Hair et al., 1998). Item reliability denotes the amount of variance in an item due to the underlying construct, t-values for all the standardized factor loadings of items were found significant ($p<0.01$), assuring item reliability. Hair et al. (1998) proposed construct reliability estimates as being greater than 0.70. In this study construct reliability estimates range from 0.910 to 0.994, which is satisfactory. The average variance extracted, which should be above 0.50, measures the amount of variance explained by the construct (Chau, 1996; Hair et al., 1998). Table 1 shows that the average variance extracted is between 0.926 and 0.997. These results indicate that the measurement items have high reliability and validity.
Table 1
Confirmatory Factor Analysis Results

<table>
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<tr>
<th>Constructs</th>
<th>Items</th>
<th>(MLE)</th>
<th>sd</th>
<th>t</th>
<th>Construct Reliability</th>
<th>Average Var. Extracted</th>
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<td>Country Image</td>
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<td>.171</td>
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<td>.041</td>
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<td></td>
<td>Listening To Customer</td>
<td>.952</td>
<td>.054</td>
<td>17.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fast and Eff. Service</td>
<td>.817</td>
<td>.089</td>
<td>9.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>Intent to Recommend</td>
<td>.932</td>
<td>.088</td>
<td>10.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Value</td>
<td>Good value for money</td>
<td>.856</td>
<td>.025</td>
<td>34.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Acceptable price</td>
<td>.927</td>
<td>.118</td>
<td>7.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To be a good buy</td>
<td>.951</td>
<td>.083</td>
<td>11.45</td>
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<td></td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>Resubscription Intention</td>
<td>.968</td>
<td>.185</td>
<td>5.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>New services Subscription Intention</td>
<td>.903</td>
<td>.054</td>
<td>16.72</td>
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<td></td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>Generally satisfied</td>
<td>.832</td>
<td>.091</td>
<td>9.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fulfill expectations</td>
<td>.896</td>
<td>.029</td>
<td>30.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perfect in all aspects</td>
<td>.932</td>
<td>.038</td>
<td>24.52</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Structural model**

A similar set of fit indices was used to examine the structural model. Comparison of all fit indices, with their corresponding recommended values, provided evidence of a good model fit ($\chi^2$/d.f. = 3.18, AGFI = 0.91, NFI = 0.96, NNFI = 0.93, CFI = 0.96, RFI = 0.97, RMSEA = 0.079). Thus, we could proceed to examine the path coefficients of the structural model. Table 2 and Figure 3 show the parameter estimates of the structural equations.

![Fig. 3. Hypotheses Testing Results](image)

Table 2

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Estimated Value (t-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Image → Perceived Quality</td>
<td></td>
<td>.671 (12.435)</td>
</tr>
<tr>
<td>Country Image → Customer Expectation</td>
<td></td>
<td>.601 (11.142)</td>
</tr>
<tr>
<td>Country Image → Perceived Value</td>
<td></td>
<td>.297 (5.908)</td>
</tr>
<tr>
<td>Country Image → Customer Satisfaction</td>
<td></td>
<td>.214 (4.571)</td>
</tr>
<tr>
<td>Country Image → Customer Loyalty</td>
<td></td>
<td>.513 (9.715)</td>
</tr>
<tr>
<td>Country Image → Word of Mouth</td>
<td></td>
<td>.199 (3.163)</td>
</tr>
<tr>
<td>Perceived Quality → Perceived Value</td>
<td></td>
<td>.327 (6.334)</td>
</tr>
<tr>
<td>Perceived Quality → Customer Satisfaction</td>
<td></td>
<td>.513 (8.519)</td>
</tr>
<tr>
<td>Customer Expectation → Perceived Quality</td>
<td></td>
<td>.452 (7.790)</td>
</tr>
<tr>
<td>Customer Expectation → Perceived Value</td>
<td></td>
<td>.109 (3.117)</td>
</tr>
<tr>
<td>Customer Expectation → Customer Satisfaction</td>
<td></td>
<td>.236 (5.143)</td>
</tr>
<tr>
<td>Perceived Value → Customer Satisfaction</td>
<td></td>
<td>.450 (6.868)</td>
</tr>
<tr>
<td>Perceived Value → Word of Mouth</td>
<td></td>
<td>.376 (5.164)</td>
</tr>
<tr>
<td>Perceived Value → Customer Loyalty</td>
<td></td>
<td>.231 (5.634)</td>
</tr>
<tr>
<td>Customer Satisfaction → Customer Loyalty</td>
<td></td>
<td>.651 (10.934)</td>
</tr>
<tr>
<td>Customer Satisfaction → Word of Mouth</td>
<td></td>
<td>.478 (7.171)</td>
</tr>
<tr>
<td>Customer Loyalty → Word of Mouth</td>
<td></td>
<td>.832 (15.309)</td>
</tr>
</tbody>
</table>

All the path coefficients are significantly different from zero with respective t-values greater than 1.96. Country image was found to display a direct positive effect on perceived quality ($\gamma=0.671$, $p<0.05$), customer expectation ($\gamma=0.601$, $p<0.05$), perceived value ($\gamma=0.297$, $p<0.05$), customer satisfaction ($\gamma=0.214$, $p<0.05$), customer loyalty ($\gamma=0.513$, $p<0.05$) and word of mouth ($\gamma=0.199$, $p<0.05$). Perceived quality effects perceived value ($\beta=0.327$, $p<0.05$) and customer satisfaction ($\beta=0.513$, $p<0.05$) directly. Customer expectation was shown to have a positive direct effect on perceived quality ($\beta=0.452$, $p<0.05$), perceived value ($\beta=0.109$, $p<0.05$) and customer satisfaction ($\beta=0.236$, $p<0.05$). Perceived value was found to have a direct positive effect on customer satisfaction ($\beta=0.450$, $p<0.05$), word of mouth ($\beta=0.376$, $p<0.05$) and customer loyalty ($\beta=0.231$, $p<0.05$). As it can be seen from Figure 3 and Table 2, customer satisfaction effects word of mouth.
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(β=0.478, p<0.05) and customer loyalty (β=0.651, p<0.05). Customer loyalty was found to display a direct positive effect on word of mouth (β=0.832, p<0.05).

Table 3

<table>
<thead>
<tr>
<th>Path</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Image → Perceived Quality</td>
<td>.671</td>
<td>.271</td>
<td>.942</td>
</tr>
<tr>
<td>Country Image → Customer Expectation</td>
<td>.601</td>
<td>-</td>
<td>.601</td>
</tr>
<tr>
<td>Country Image → Perceived Value</td>
<td>.297</td>
<td>.287</td>
<td>.584</td>
</tr>
<tr>
<td>Country Image → Customer Satisfaction</td>
<td>.214</td>
<td>.340</td>
<td>.554</td>
</tr>
<tr>
<td>Country Image → Customer Loyalty</td>
<td>.513</td>
<td>.345</td>
<td>.858</td>
</tr>
<tr>
<td>Country Image → Word of Mouth</td>
<td>.199</td>
<td>.561</td>
<td>.760</td>
</tr>
</tbody>
</table>

Table 3 shows all direct, indirect and total effect of country image construct on other research constructs. Other constructs’ indirect and total effects weren’t pointed out in Table 3. Because for our hypotheses these effects’ value are adequate. As can be seen from Table 3 (total effect column) country image has strong positive effect on perceived quality and customer loyalty, intermediate positive effect on word of mouth, customer expectation, perceived value and customer satisfaction.

H1. Country image will have positive effect on perceived quality (r=0.942, ACCEPTED).

H2. Country image will have positive effect on customer expectation (r=0.601, ACCEPTED).

H3. Country image will have positive effect on perceived value (r=0.584, ACCEPTED).

H4. Country image will have positive effect on customer satisfaction (r=0.554, ACCEPTED).

H5. Country image will have positive effect on customer loyalty (r=0.858, ACCEPTED).

H6. Country image will have positive effect on word of mouth (r=0.760, ACCEPTED).

Conclusion

“Country image” refers to the consumers’ perceptions of products/services from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses. Country image is thought to serve as a cue from which consumers make inferences about products/services and product/services attributes. In brief, the country image cue triggers a global evaluation of quality, performance, or specific product/service attributes, customer satisfaction and customer loyalty. Consumers infer attributes to the product/services based on country stereotype and experiences with products/services from that country. Country image has been observed to operate in two ways. First, consumers simply use the country image cue as an additional variable to form product/service evaluations. Alternatively, the country label may be viewed as a form of halo effect whereby it impacts consumers’ attention and evaluation of other product/service attributes. Second, the country image cue may be conceptualized as a form of country stereotyping which consumers use when other product/service specific information is not easily available. Consumers’ evaluations are based on their assessment of product cues, which may be intrinsic (taste, design, performance) or extrinsic (brand name, country of origin). Buyers often make judgements about product/services quality and purchase value on the basis of extrinsic cues, particularly when it is not easy to assess the intrinsic value of a product/services. Services are intangible and complex construct so it is not easy to evaluate services. Therefore people sometimes use extrinsic cues like country image for services evaluation.

There is an important relationship between a country’s general image and that country’s customers’ loyalty. To the extent that a consumer has a negative image of a given country, he or she is likely to develop a similar image of the people of that country and vice versa, which in turn influences his or her attitudes towards products/services originating from that country in the same direction.
Customer loyalty has been the subject of extensive marketing research in recent years. In both consumer and business markets, loyal customers are more likely to engage in repeat purchases from a supplier or increase their “share” of purchases from a particular supplier. They may also provide referrals of business to suppliers or engage in word of mouth promotion. Customer loyalty can lower costs and/or increase profitability, as the cost of recruiting a new customer is said to be five times more than the cost of retaining an existing customer. The costs of customer retention are substantially less than the relative costs of customer acquisition, and loyal customers, if served correctly, are said to generate increasingly more profits each year that they stay with a company. Given the claimed benefits for businesses of loyal customers, it is not surprising that many businesses have invested substantial amounts in developing customer retention and cross-selling programmes in an attempt to retain customers and to obtain a higher percentage of their business. In order for firms to develop effective loyalty or customer retention strategies, they must understand the specific drivers of customer loyalty. However, there is no research into the determinants of spas customer loyalty. This paper addresses this gap in the literature through qualitative study that investigates the extent of, and the key determinants especially country image factor for customer loyalty within the spas in Turkey.

There is no past research (not only spas subject but all study area) about the effect of country image on customer loyalty. We empirically validated country image effect on customer loyalty model within the context of spas, investigating the direct and indirect effects of country image on perceived quality, customer expectation, perceived value, customer satisfaction, customer loyalty and word of mouth. The integration of these perspectives, and the empirical examination of the factors that build customer loyalty in health tourism, advanced our understanding of these constructs and their linkage to repeated spas purchase behavior. In our research, country image was found an important factor that determines customer loyalty ($r_{sum} = .858$) and word of mouth ($r_{sum} = .760$).

Customer satisfaction is defined as a customer’s overall judgment on disconfirmation between the expected and perceived service performances. If the perceived performance meets or exceeds the expectation, the customer is satisfied; otherwise, dissatisfied. Customer satisfaction is a transaction-specific measure. This means that a customer evaluates his/her perception of performance relative to expectation in each service encounter, independently of the other occasions. Simply stated, customer satisfaction is a customers’ evaluation of their purchase and consumption experience with a product, service, brand, or company and determines customer loyalty. In our research, it is found that country image affects customer satisfaction ($r_{sum} = .554$) and customer expectation ($r_{sum} = .601$).

It is recognised that merely satisfying customers is not sufficient to secure customer loyalty. Studies have shown that satisfied customers also express a tendency to switch to competitors. In the past decade, quality has been recognised as a strategic tool to strengthen a firm’s competitive position and improve its profitability. However, as customers become more demanding, competition further intensifies, and economic and industrial growth slows down, quality might not be an adequate source of a competitive advantage. Customer value is the next underlying source for competitive advantage. Consistent with this view, customer value is the strategic driver that differentiates a firm’s offering in the crowded marketplace. Beside this, perceived quality and perceived value determine customer loyalty. In our research, we find that country image influences perceived quality ($r_{sum} = .942$) and perceived value ($r_{sum} = .584$).

**Limitation**

The study was conducted in only one country and only one sector (tourism). The generalizability of the study should also be tested for other consumer groups, including consumers in other countries and other sectors. Sample size was also relatively small; however, the results, despite the sample size, were highly significant, thus providing evidence of high statistical power. The sample, therefore, is essentially of an explorative nature, and the results may not be generalizable to all Turkish companies or to companies originating from other countries. In spite of these limitations, the study has interesting implications and suggests that it would be worthwhile to replicate this study in other countries, and with larger and more representative samples.
References


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139. (www.1911encyclopedia.org).

Appendix A. Survey constructs and items used in the study

<table>
<thead>
<tr>
<th>Country Image (Bradley, 2001)</th>
<th>Perceived Quality (Stafford, 1996)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Reputation</td>
<td>- Atmosphere</td>
</tr>
<tr>
<td>- Acceptability</td>
<td>- Relationships</td>
</tr>
<tr>
<td>- Citizens Characteristic</td>
<td>- Available Services</td>
</tr>
<tr>
<td>- General Prices</td>
<td>- Convenient Service</td>
</tr>
<tr>
<td>- Reliability</td>
<td>- Reliability</td>
</tr>
<tr>
<td>- Professionalism</td>
<td>- Honesty</td>
</tr>
<tr>
<td></td>
<td>- Tellers</td>
</tr>
<tr>
<td>Expectation (Ehigie, 2006)</td>
<td>Perceived value (Cronin et al., 2000)</td>
</tr>
<tr>
<td>- Workers Required Skill</td>
<td>- Good Value for Money</td>
</tr>
<tr>
<td>- Workers Knowledge And Experience</td>
<td>- Acceptable Price</td>
</tr>
<tr>
<td>- Friendless</td>
<td>- To be a Good Buy</td>
</tr>
<tr>
<td>- Safety</td>
<td>Word of Mouth</td>
</tr>
<tr>
<td>- Understanding Customer Needs</td>
<td>- Intent to Recommend</td>
</tr>
<tr>
<td>- Listening To Customer</td>
<td></td>
</tr>
<tr>
<td>- Fast And Efficient Service</td>
<td></td>
</tr>
<tr>
<td>Customer Satisfaction (Ryan et al., 1995)</td>
<td>Customer Loyalty (Juhl et al., 2002)</td>
</tr>
<tr>
<td>- Generally Satisfied</td>
<td>- Resubscription Intention</td>
</tr>
<tr>
<td>- Fulfill Expectations</td>
<td>- New Services Subscription Intention</td>
</tr>
<tr>
<td>- Perfect in All Aspects</td>
<td></td>
</tr>
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</table>