

Path Analysis of Causal Relationship Influencing the Marketing Efficiency Development to Create Value-Added for Product and Service of Community-Based Tourism; Phatthalung Province, Thailand

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Abstract:

This study aims to examine the hypothesis and to carry out the path analysis of casual relationship influencing the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand. The findings are as follows. First, the hypothesis model matched with the empirical data by considering the value of CMIN/df = 1.596, p-value = .768, GFI = .976, AGFI = 0.972. RMR = 0.000, RMSEA = 0.005, NFI = 0.991, TLI = 0.998 and CFI = 0.999, respectively. The total effect of the causal variable having most effect towards the marketing efficiency development is the entrepreneurial orientation and all compositions explained the marketing efficiency' s variance accounting for 71.90%. Second, the conceptual model of the causal relationship having effect towards the marketing efficiency development consists of one direct effect variable – the entrepreneurial orientation whereas there are 3 direct and indirect effect variables having effect towards the marketing competency; risk appetite, proactive operation and innovation capability.

Keywords: Marketing Efficiency; Value-Added; Community-Based Tourism.

JEL Classification: M31, Z32.

Introduction

According to Thailand's 20-Year National Strategic Plan between years 2017-2037 under the concept of Thailand 4.0 aiming at creating competitiveness by concentrating on development of manufacturing and service sectors. The Tourism Authority of Thailand has launched the campaign called "Unique Thai Local Experience" to boost local tourism community through community-based tourism. Community Based Tourism (CBT) is tourism activity that empowers local community to generate economic benefits through offering local products and services to tourists while emphasizes on preserving local wisdoms, environmental and cultural originalities [1]. Phatthalung Province is situated in the lower southern of Thailand. Its geography is full of hill plain and coastal plain [2]. It is the original town of the well-known performing arts Manora and Nang Talung, the long-time Southern cultural heritage. Apart from the distinctive culture as existed in this province, there are also significant natural resources i.e., Thale Noi or the wetland, and freshwater lake. Referring to the 4-Year Plan (2017-2021) of the Province, the management and development of the province were defined by focusing on being an agricultural sustainable town with remarkable conservative tourism. Realizing the abovementioned significance, the authors therefore are of interest to explore

the marketing efficiency for value-added products and services of community-based tourism in Phatthalung Province in view of encouraging development and meeting tourist's need effectively.

1. Literature Review

A successful organization focuses on risk appetite, proactive operation and innovation capability as they are the features of entrepreneurs that drives the organization to have competitive advantages [3 p.873-894]. Baker and Sinkula [4] created a measure of entrepreneurial orientation applying from a review of the literature who studied the focus on entrepreneurship and improvement of its leadership in technology and innovation, service, management techniques, and responsiveness to competitors. Moreover, Clercq *et al.* [5 p. 95] created a measure of entrepreneurial orientation, adapted from Miller, D. [3 p.873-894], using a collective question that is not individually isolated but still conceptual of the elements in three areas: risk appetite, proactive operation and innovation capability. While, Nasution *et al.* [6 p. 336-345] created a measure of entrepreneurial orientation with separate questions such as self-esteem, risk appetite, experience of learning, and proactive operation. Therefore, this study applies a method based on Miller's concept that measured the composition of entrepreneurial orientation in three dimensions: risk appetite, proactive operation and innovation capability.

Market orientation impacts long-term decision-making and good profits of the organization. It is a strategic concept related to an integration of internal resources and leading behavior of people in the organization which results in the creation of value for customers by now and in the future. Moreover, it is also based on marketing concept which involves business interests of the company [7 p. 326-337] by focusing on customer satisfaction management as the main goal of the business [8 p. 248-267]. Narver and Slater [9 p. 20-35] claimed that market orientation is an organizational cultural concept with three behavioral elements: customer orientation, competitor orientation, and inter-functional coordination, and two decision-making elements: long-term results orientation and profitability orientation. Many studies from scholars such as Li, *et al.* [10 p. 1-18], Jaw *et al.* [11 p. 265-277], Cheng and Krumwiede [12 p. 161-171], Zang and Duan [13] cited by Norris, D., and Ciesielska, M. [14 p. 123-144], and Nasution *et al.* [6 p. 336-345] have created a market orientation measurement based on the concept of Narver and Slater [9 p. 20-35] as well as this study that applied the abovementioned measurement.

The study of Desouza *et al.* [15 p. 35-44] that cited by Chen *et al.* [16 p. 1331-1346] indicated that the service co-production or external innovation from outside businesses, customers, and partners are considered to be the basic resource of new products and services. It could be utilized in business quickly as it is offered without time and geographic characteristics. The findings by Pralahad and Ramaswamy [17] that cited by Auh *et al.* [18 p. 359-370] also pointed that service co-production plays an important role in creating value for the service based on personal experience and ability. Therefore, the co-production is directly involved in customizing and delivering services. Meanwhile, the study of Zeithaml and Bitner [19 p. 322] that cited by Bowen *et al.* [20 p. 394-401] implied that customers are engaged in sharing ideas and information with companies which in line with Guo *et al.* [21 p. 549-563] who claimed that service co-production is meant to contribute to customer engagement, influence customer satisfaction levels, and add value to the product so that it helps service providers preparing recommendations in order to improve service processes. In other words, service co-production means a valuable interaction process between organizations and external contributors; customers and partners are fundamental resource of creativity from outside the organization. Chen *et al.* [16 p. 1331-1346] created a service co-production measurement which degrees the features of the joint production in four characteristics: the interpretation of the creation and delivery of services, the service processes collaboration and support, the collaboration on building relationships and the openness to the claims. Therefore, this study applies Chen *et al.*'s measurement because it could be used with the context of tourism. Thus, the service co-production could be divided into two dimensions: co-production with customers and co-production with partners.

Service innovation is a strategic concept that has been in the spotlight and has been discussed recently, starting in the late 1970s and early 1980s or about 30 years ago because it has considered as a tool to create competitive advantages [22 p. 98-112]. Most of the past tourism innovation studies have been conducted based on the concept of Schumpeter's innovation theory [23 p. 218] who claimed that innovation is a key in economic development and growth. In the theory referred to the importance of service innovation in five aspects: product development, creating or introducing new production processes, creating new markets, developing of new markets, and restructuring or development of organization. Schumpeter's innovation organization theory has attracted the attention of many scholars for application in innovation studies such as Kirton, J. J., and Cooper, A. F. [24 p. 309-331]; OECD [25 p. 123-131]; Hall and Williams [26]; Hjalager, A.M. [27 p. 1-12]; Hjalager, A.M. [28 p. 192-216]; Camison and Monfort-Mir [29 p. 776-789]. However, based on limited studies and evidences of service innovation in the tourism context [30 p. 1125-1127], especially in Thailand. Yet, there is tendency of greater interest in tourism education. In this

study, the review of literature led to the measurement of service innovation in four stages: the importance of measuring service innovation, measurement service innovation in Thailand's tourism business, components of tourism service innovation, and measurement of components of tourism service innovation. Then the researchers combine the components of tourism service innovation and synthesize to seven variables which are product, process, employee performance, personal learning, employee compensation, acceptance of information technology, and strategic planning as summarized in the table 1.

Table 1 - Sources of components of tourism service innovation

Components of tourism service innovation	Sources
Product	Schmookler [31 p.1-20], Myers and Marquis [32], Mowery, D.C. and Rosenberg N. [33 p.29-75], Damanpour and Gopalakrishnan [34 p.45-65], Oke [35 p.564-587], Chen and Tsou [36], Camison and Monfort- Mir [29 p. 776-789]
Process	Rogers [37 p.416-429], cited in Sanyawiwat, S. [38], Sundbo [39 p.432-455], Alam [40 p.468-480], Chen and Tsou [36], Camison and Monfort- Mir [29 p. 776-789]
Employee performance	Sanyawiwat, S. [38], Sundbo [39 p.432-455], Damanpour and Gopalakrishnan [34 p.45-65], Oke [35 p.564-587]
Personal learning	Nontapattamadul, K. [41], Xuto, N. [42], Podhisita, C. [43], Arundel <i>et al.</i> [44 p.127-141], Cowan and Foray [45 p.211-253], Rogers [37 p.416-429], cited in Sanyawiwat, S. [38], Damanpour and Gopalakrishnan [34 p.45-65], Chen and Tsou [36], Camison and Monfort- Mir [29 p. 776-789]
Employee compensation	Sanyawiwat, S. [38], Sundbo [39 p.432-455], Chen and Tsou [36], Camison and Monfort- Mir [29 p. 776-789]
Acceptance of information technology	Luangpirom, N. [46], Mowery, D.C. and Rosenberg N. [33 p.29-75], Rogers [37 p.416-429], cited in Sanyawiwat, S. [38], Alam [40 p.468-480], Chen and Tsou [36], Camison and Monfort- Mir [29 p. 776-789]
Strategic planning	Sanyawiwat, S. [38], Mowery, D.C. and Rosenberg N. [33 p.29-75], Chen and Tsou [36], Camison and Monfort- Mir [29 p. 776-789]

After review the literatures related to the marketing efficiency development then researchers carry out the path analysis of casual relationship influencing the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand. Therefore, three independent variables are entrepreneurial orientation, market orientation, and service co-production affects dependent variable which is the marketing efficiency development. The theoretical framework of the study is thus drawn as illustrated in figure 1 as follows.

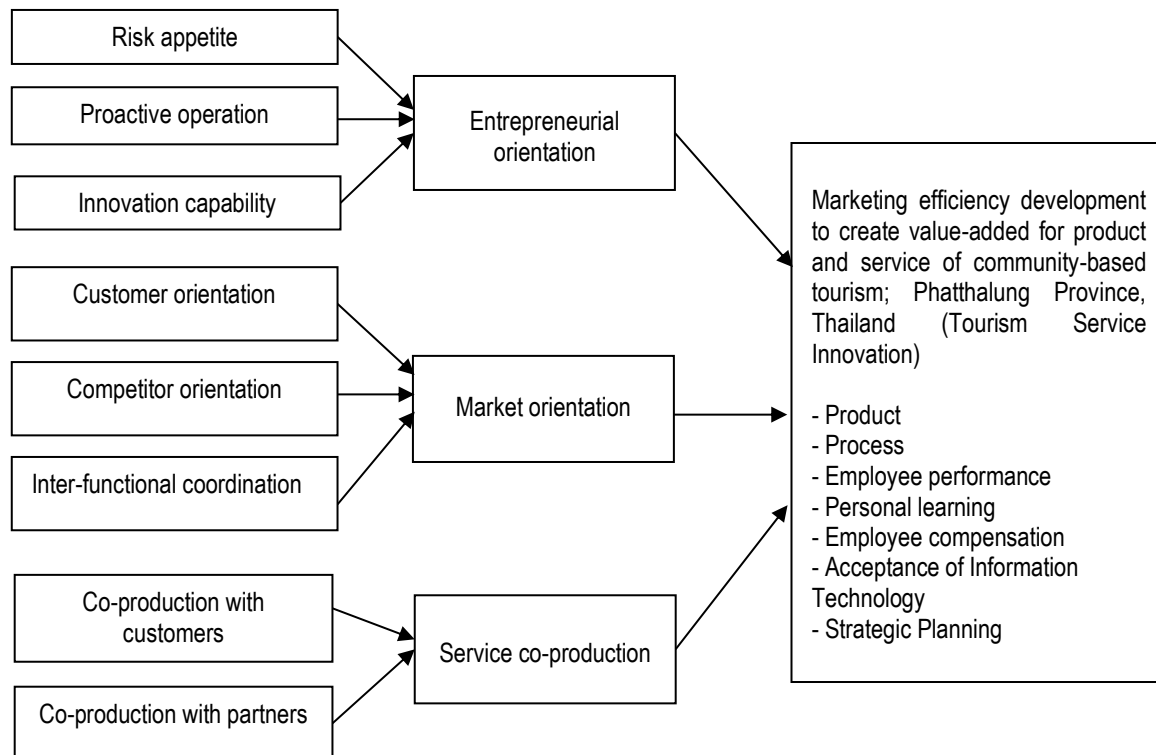


Figure 1 – Theoretical Framework

2. Methodology

This research study has 2 objectives; 1) to examine the hypothesis of causal relationship affecting the marketing efficiency development and 2) to carry out the path analysis of casual relationship influencing the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand.

Research Hypothesis is as follows;

Hypothesis 1: It is testing of the hypothesis model to examine whether the model created according to the theory is in line with the empirical data.

Hypothesis 2: The casual variables, influencing the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand, are entrepreneurial orientation, market orientation and service co-production divided into 3 items as follows:

Hypothesis 2.1: Entrepreneurial orientation comprising risk appetite, proactive operation and innovation capability are the factors influencing the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand.

Hypothesis 2.2 Market orientation comprising customer orientation, competitor orientation and inter-functional coordination are the factors influencing marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand.

Hypothesis 2.3 Service co-production comprising co-production with customers and co-production with partners the factors are the factors influencing the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand.

The population used for this research are representative of 1,104 registered community enterprises in Phatthalung Province as of 2019 [47], and 650 of them was selected as the sampling group. The 65 casual variables (research question) marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand was found and the sampling size was 10 times of variables [48], The stratified random sampling was designed for field data collection on proportional stratified random sampling basis with regards to those gained from each group of population at appropriate numbers. The sub-group was selected from each division of population as a sampling unit for data collection through questionnaires distributed among the sampling group of 650 representatives of community enterprises. The questionnaires were utilized for data collection, content validity and correctness of language expression and the developed questionnaires were later

experimented with the try-out group for reliability analysis. The reliability was calculated by the α -Coefficient method of Cronbach [49] and the result of content validity accounted for 0.96 over than .50 (IOC > .50) and Alpha Coefficient of .945 over than the criteria of .70 that was acceptable. For the path analysis, the statistics were applied by synthesizing the study on aspect basis with content validity technique and statistics consisting of percentage, mean, standard deviation and structural equation modelling (SEM). The path analysis was undertaken by Amos version 21 Program with the maximum likelihood (ML) technique for estimation of path coefficient in order to examine how much the direct and indirect effect had towards dependent variables.

3. Data Analysis

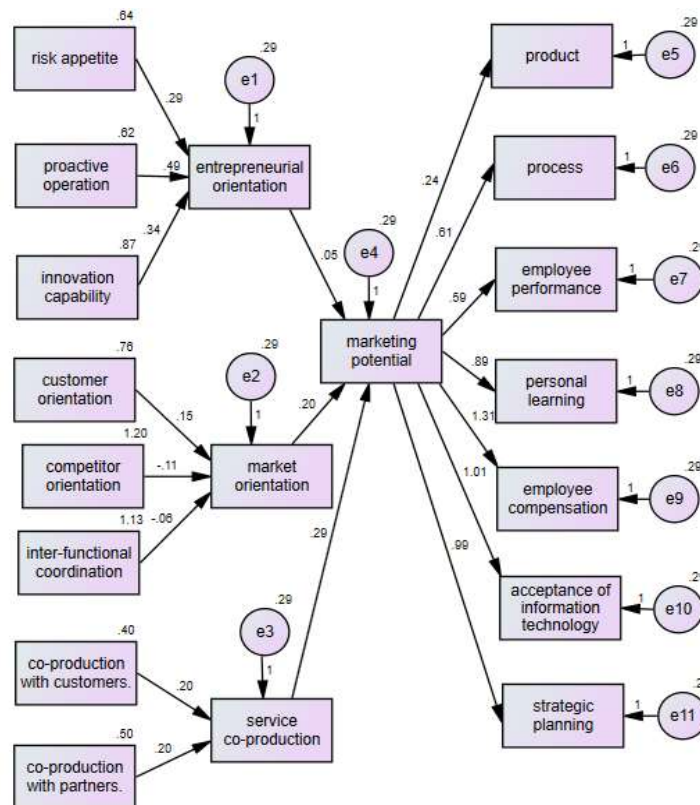
The researchers then carry out path analysis and measure of the model fit between hypothesis model and empirical data by analysis of direct and indirect effects of variables influencing the marketing efficiency development with the maximum likelihood estimation = ML, the concluded data were gained in sequence as follows:

- 1.) Over identified model of the path analysis of causal relationship or model specification
- 2.) Measures of the model fit
- 3.) Parameter estimation of the model or estimation of coefficients
- 4.) Calculation result of direct effect, indirect effect, and total effect

1.) Over identified model of the path analysis of causal relationship or model specification:

The authors defined the over identified model with the measurement model of exogenous and endogenous latent variables consisting of the marketing efficiency development (Y), product (Y1), process (Y2), employee performance (Y3), information technology acceptance (Y6), strategic planning (Y7), entrepreneurial orientation (X1), risk appetite (X11), proactive operation (X12), innovation capability (X13), market orientation (X2), customer orientation (X21), competitor orientation (X22), inter-functional coordination (X23), service co-production (X3), co-production with customers (X31) and co-production with partners (X32) as illustrated in figure 2.

Figure 2 – A causal relationship model before modification



Chi-square = 185.064 Chi-square/ df = 1.135 df = 163 p-value = .528 GFI = .961
RMSEA = .037 NFI = .310 TLI = .279 CFI = .334

As per path coefficient analysis on the over identified model of causal relationship, it was found that the relationship between variables were irrelevant and there were 8 path coefficients with no statistical significance.

Consequently, the model was required to be adjusted, to obtain the best relevant one, by pulling out those with no statistical significance from the over identified model.

2.) The result of measures of the model fit:

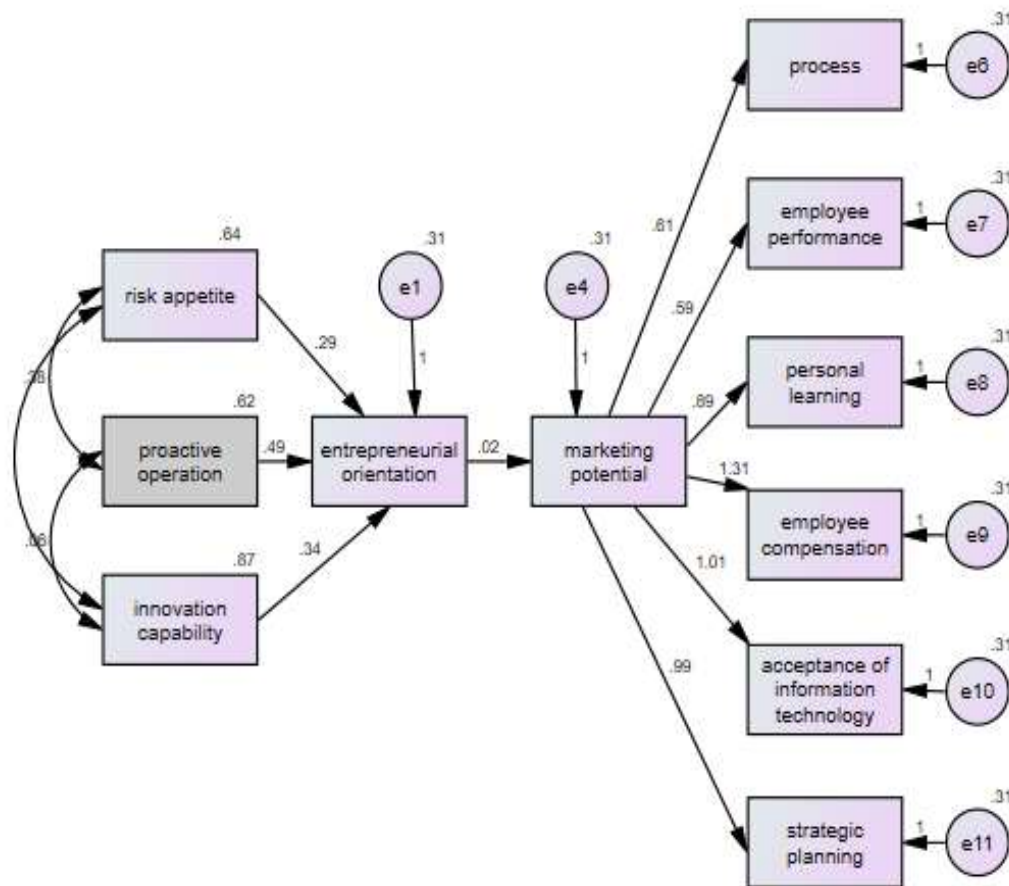
Hypothesis 1 which is the hypothesis model testing to find out whether the model created according to the theory matches with the empirical data.

H0: Theoretical Path Model = Empirical Model

H1: Theoretical Path Model \neq Empirical Model

The measures of the model fit between the theoretical path model and empirical model were conducted with AMOS program and data collection of variables was proceeded according to the actual circumstances. The findings revealed that the theoretical path model matched with the empirical data by considering Chi-square = 78.198 Chi-square/ df = 1.596 df = 49 p-value = .768 GFI = .976 RMSEA = .000. The total effect of the causal variables causing most effect towards the marketing efficiency was the entrepreneurial orientation and all factors could explain the variables of the marketing efficiency development accounting for 71.90 %. In addition, p-Value was applied for evaluation of data model fit between the empirical model and theoretical path model requiring the statistical significance (Sig.) of $p > .05$ that could be deemed that the model matches with the empirical data since in case of $p > .05$, there would be no Sig. This then meant that no difference but coherence since the value calculated from the research findings was $p > .768$ as illustrated in figure 3 and Table 2.

Figure 3 – A causal relationship model after modification



Chi-square = 78.198 Chi-square/ df = 1.596 df = 49 p-value = .768 GFI = .976
 RMSEA = .000 NFI = .991 TLI = .998 CFI = .999

Table 2 –summary of model goodness of fit test with empirical data

Index	Criteria	Before adjusting model		After adjusting model	
		Statistics	Result of Consideration	Statistics	Result of Consideration
CMIN-p	$\rho > .05$.528	qualified	.768	qualified
CMIN/df	< 3	1.135	qualified	1.596	qualified
GFI	> .90	.961	qualified	.976	qualified
RMSEA	< .08	.037	qualified	.000	qualified
NFI	> .90	.310	unqualified	.991	qualified
TLI	> .90	.279	unqualified	.998	qualified
CFI	> .90	.334	unqualified	.999	qualified

3.) The result of parameter estimation of the model or coefficient estimation:

Hypothesis 2: The causal variables influencing the marketing efficiency development consisted of entrepreneurial orientation (X1), market orientation (X2) and service co-production (X3) that were divided into 3 items as follows:

Hypothesis 2.1: The entrepreneurial orientation (X1) consisted of 3 variables; risk appetite (X11), proactive operation (X12) and innovation capability (X13) that had effect towards the marketing efficiency development.

Hypothesis 2.2 The market orientation (X2) consisted of 3 variables; customer orientation (X21), competitor orientation (X22) and coordination within an organization (X23) that had effect towards the marketing efficiency development.

Hypothesis 2.3 The service co-production (X3) consisted of 2 variables; co-production with customers (X31) and co-production with partners (X32) that had effect towards the marketing efficiency development.

It was also found that the entrepreneurial orientation (X1) variables comprise 3 variables; risk appetite (X11), proactive operation (X12) and innovation capability (X13) that also had effect towards the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand.

Table 3- Standardized coefficient estimates

Relationships			Estimate	S.E.	C.R. (t-Value)	P-Value	statistical significance (Sig.)
X1	←-	X11	.290	.108	2.689	.007	yes
X1	←-	X12	.487	.109	4.447	***	yes
X1	←-	X13	.342	.092	3.700	***	yes
Y	←-	X1	.017	.110	2.155	.008	yes
Y2	←-	Y	.613	.154	3.973	***	yes
Y3	←-	Y	.588	.154	3.815	***	yes
Y4	←-	Y	.887	.154	5.751	***	yes
Y5	←-	Y	1.308	.154	8.476	***	yes
Y6	←-	Y	1.011	.154	6.554	***	yes
Y7	←-	Y	.989	.154	6.411	***	yes

Note: Significance at * $p < .05$, ** $p < .01$, *** $p < .001$

According to the table 2, it shows that the entrepreneurial orientation (X1) that consists of 3 variables; risk appetite (X11), proactive operation (X12) and innovation capability (X13) have direct effect towards the marketing efficiency development.

4.) Calculation result of direct effect, indirect effect, and total effect:

The result of calculation on direct effect and indirect effect as well as total effect revealed that considering the total effect, there was only one independent variable having effect towards the marketing efficiency development- the entrepreneurial orientation (X1) of which the total effect = .017 (direct effect plus indirect effect) and the direct effect was the entrepreneurial orientation (X1) = .017 and no indirect effect. Consequently, the findings reflected the

variable having most effect towards the marketing efficiency development was the entrepreneurial orientation and this also meant that the difference of risk appetite, proactive operation and innovation capability had different effect towards the entrepreneurial orientation.

Table 4- Summary of direct effects, indirect effects, and total effects of predictor variables

Dependent Variables	Effects	Predictor Variables				
		X ₁₃	X ₁₂	X ₁₁	X ₁	Y
X ₁	Direct Effect	.342	.487	.290	.000	.000
	Indirect Effect	.000	.000	.000	.000	.000
	Total Effect	.342	.487	.290	.000	.000
Y	Direct Effect	.000	.000	.000	.017	.000
	Indirect Effect	.006	.008	.005	.000	.000
	Total Effect	.006	.008	.005	.017	.000
Y ₂	Direct Effect	.000	.000	.000	.000	.588
	Indirect Effect	.004	.005	.003	.010	.000
	Total Effect	.004	.005	.003	.010	.588
Y ₃	Direct Effect	.000	.000	.000	.000	.613
	Indirect Effect	.003	.005	.003	.010	.000
	Total Effect	.003	.005	.003	.010	.613
Y ₄	Direct Effect	.000	.000	.000	.000	.887
	Indirect Effect	.005	.007	.004	.015	.000
	Total Effect	.005	.007	.004	.015	.887
Y ₅	Direct Effect	.000	.000	.000	.000	.989
	Indirect Effect	.008	.011	.006	.022	.000
	Total Effect	.008	.011	.006	.022	.989
Y ₆	Direct Effect	.000	.000	.000	.000	1.011
	Indirect Effect	.006	.008	.005	.017	.000
	Total Effect	.006	.008	.005	.017	1.011
Y ₇	Direct Effect	.000	.000	.000	.000	1.308
	Indirect Effect	.006	.008	.005	.017	.000
	Total Effect	.006	.008	.005	.017	1.308

Conclusion

It found out that the hypothesis model matched with the empirical data by considering the value of CMIN/df = 1.596, p-value = .768, GFI = .976, AGFI = 0.972, RMR = 0.000, RMSEA = 0.005, NFI = 0.991, TLI = 0.998 and CFI = 0.999, respectively. The total effect of the causal variable having most effect towards the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand was the entrepreneurial orientation and all compositions explained the marketing efficiency' s variance accounting for 71.90 %.

The conceptual model of the causal relationship having effect towards the marketing efficiency development to create value-added for product and service of community-based tourism; Phatthalung Province, Thailand consists of one direct effect variable – the entrepreneurial orientation whereas there are 3 direct effect and indirect effect variables; risk appetite, proactive operation and innovation capability.

Thus, it concludes that the most important elements for marketing efficiency model of products and services of community-based tourism is the entrepreneurial orientation whereas the different risk appetite, proactive operation, and innovation capability have different effect towards the entrepreneurial orientation.

The entrepreneurial orientation is therefore an organizational process which is closely related to strategic management and strategic decision process. It focuses on the organizational strategy to which entrepreneurship having effect towards an organization in a form of decision making, practice and implementation. This can be suggested that the entrepreneurial orientation indicates personality and characteristics of entrepreneurs, management styles, performances of employees and executives, and organization engagement building where Na Songkhla, R. *et al* [50] who studied about the mediation effects of organizational engagement in the Pharmaceutical Industry in Thailand suggested that organizational engagement is an important mediator who could be valuable to the organization to look for employee satisfaction. Above all, entrepreneurial orientation is under awareness of self-requirement, initiative, creativity and other proceedings challenging knowledge and capability to respond and match with an organization's goal.

Risk appetite toward new product experiment, uncertainty of product and service and marketing and proactiveness are meant any activities to gain more marketing opportunity than competitors including willingness to change upon market requirement. The proactive operation also has effect towards the service innovation of health tourism in Mae Hong Son Province since the entrepreneurs are one of concerned elements in the innovation, risk activities and proactiveness leading to competition with competitors. The findings are in line with the study of Ratanawong, W. [51] who indicated the antecedent and consequence of service innovation for Southern touring business in Thailand in which the findings revealed that in view of the quantitative result, the operational level of the antecedent, consequence and service innovation in three areas; Andaman Coast area, Thai Gulf area and Thailand Border area were high and the measurement model on antecedent and consequence of the service innovation consisted of 7 latent variables and 17 observed variables concurring with the empirical data at a good level. The development result of antecedent and consequence model for service innovation showed relationship among three exogenous latent variables; entrepreneurial orientation, service co-production and information technology acceptance. Furthermore, the service innovation under Southern touring business context in Thailand needed to collaboratively consider the supporting factors on the following aspects; government policies, service-user satisfaction, and human resource management in tourism. In terms of problem and obstacle significant for service innovation development, it was human resource management within an organization especially service-minded aspect whereas to develop the service innovation for competitiveness, executives and touring entrepreneurs were of the view that the service innovation could draw customer attention and create growth to the business. With respect to the qualitative research findings, it was found that the studied variables were in line with the quantitative data.

In summary, in order to develop marketing efficiency, the authors recommend that Phatthalung CBT community members need to focus on entrepreneurship whether as individuals, groups, or tourism service providers in order to interact directly with tourists and other stakeholders by emphasizing on accepting risks that may arise from investing in resources and uncertain situation. However, it must endeavor to ensure the business risks are appropriately aligned with risk management. In the same time, Phatthalung CBT needs to proactively integrated community management system in many areas, for example, natural resources, culture, human safety, society, service quality, tourist satisfaction assessment system, marketing, etc. Proactive action should be in a way that is superior to any competitor in various fields yet aligns with industry future demand and copes with situational changes by seeking new opportunities. To stimulate proactiveness in the community, it needs networking of participation from all stakeholders. An important information both positive and negative ones should be gathered by community members and to further propose to official and unofficial community leaders, local philosophers, local expertise, community members and interested group as the first priority of tourism management participation. Moreover, community leaders should encourage all level members to generate new ideas regarding new products, experiences and design processes of its history, community, stories, legends, wisdom, cultures, tradition, and natural resource. Innovation competence is, therefore, a fundamental intention and state-of-mind that local people could expose to new things. Thus, CBT community should continue focus on its people by urging locals to open their minds since human capital and learning organization are important aspects in remaining competitive in today tourism business environment.

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