

**THE ANTECEDENTS OF E-RELATIONSHIP QUALITY
IN ONLINE TRAVEL AGENCY (OTA) AT KOTA
KINABALU**

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DECLARATION

I hereby declare that the material in this dissertation is my own expect for quotation, excerpts, equations, summaries and references, which have been duly acknowledged.

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ABSTRACT

THE ANTECEDENTS OF E-RELATIONSHIP QUALITY IN ONLINE TRAVEL AGENCY (OTA) AT KOTA KINABALU

The purpose of this study is to examine the relationships between antecedents of e-relationship quality, e-satisfaction, e-trust and e-loyalty in the context of Online Travel Agency (OTA) website services. The study also examines the mediating effect of e-satisfaction and e-trust on the relationship between antecedents of e-relationship quality and e-loyalty, as well as the mediating effect of e-satisfaction and e-trust. In this study, the antecedents of e-relationship quality are consists of communicational function, transactional function and relational function. Data from 191 respondents were used by analyzed with SPSS version 22. Multiple regressions analysis has been done and the result showed all of dimensions in antecedents of e-relationship quality have relationship with e-satisfaction, e-trust and e-loyalty. Furthermore, e-satisfaction and e-trust has significant with e-loyalty. The hierarchical regression analysis results indicated that e-satisfaction and e-trust mediated the relationships between antecedents of e-relationship quality consists of communicational function, transactional function and relational function and e-loyalty. E-satisfaction and e-trust also partially mediates the relationship between communicational function, transactional function and relational function and e-loyalty. Thus, as marketers and Online Travel Agency (OTA), they need to take suitable marketing plan in order to achieve e-satisfaction and e-trust and loyalty. Limitation of the study and future research recommendation also been done.

ABSTRAK

Tujuan kajian ini adalah untuk mengkaji hubungan latar belakang kualiti e-hubungan, e-kepuasan, e-kepercayaan dan e-kesetiaan dalam konteks Agensi Pelancongan dalam talian (OTA) perkhidmatan laman web. Kajian ini juga mengkaji kesan pengantara e-kepuasan dan e-kepercayaan pada hubungan latar belakang kualiti e-hubungan (pembolehubah bebas) dan e-kesetiaan (pembolehubah bersandar), dan juga kesan perantara e-kepuasan dan e-trust. Dalam kajian ini, latar belakang kualiti e-hubungan konsep membina sebagai pelbagai dimensi yang terdiri daripada fungsi komunikasi yang, fungsi transaksi dan fungsi hubungan. Data daripada 191 responden telah digunakan oleh dianalisis dengan SPSS versi analisis 22. terurus Berbilang telah dilakukan dan hasilnya menunjukkan semua dimensi dalam latar belakang kualiti e-hubungan mempunyai hubungan dengan e-kepuasan, e-kepercayaan dan e-kesetiaan. Tambahan pula, e-kepuasan dan e-amanah mempunyai signifikan dengan e-kesetiaan. Hierarki keputusan analisis regresi menunjukkan bahawa e-kepuasan dan e-amanah pengantara hubungan antara latar belakang e-hubungan yang berkualiti terdiri daripada fungsi komunikasi yang, fungsi transaksi dan fungsi hubungan dan e-kesetiaan. E-kepuasan dan e-amanah juga sebahagiannya menjadi pengantara hubungan antara fungsi komunikasi yang, fungsi transaksi dan fungsi hubungan dan e-kesetiaan. Oleh itu, sebagai pemasar dan Agensi Pelancongan dalam talian (OTA), mereka perlu mengambil pelan pemasaran yang sesuai untuk mencapai e-kepuasan dan e-kepercayaan dan kesetiaan. Had kajian dan cadangan kajian akan datang juga telah dilakukan.

TABLE OF CONTENT

| | Page |
|-------------------------------------|------|
| TITLE | i |
| DECLARATION | ii |
| CERTIFICATION | iii |
| ACKNOWLEDGEMENT | iv |
| ABSTRACT | v |
| <i>ABSTRAK</i> | vi |
| TABLE OF CONTENT | vii |
| LIST OF TABLES | x |
| LIST OF FIGURES | xii |
| LIST OF APPENDICIES | xiii |
| CHAPTER 1: INTRODUCTION | 1 |
| 1.1 Introduction | 1 |
| 1.2 Background of Study | 1 |
| 1.3 Problem Identification | 6 |
| 1.4 Problem Statement | 8 |
| 1.5 Research Questions | 8 |
| 1.6 Research Objective | 9 |
| 1.7 Significance of Study | 9 |
| 1.8 Scope of Study | 9 |
| 1.9 Definition of Variables | 10 |
| 1.10 Outline of this Study | 12 |
| 1.11 Summary | 13 |
| CHAPTER 2: LITERATURE REVIEW | 14 |
| 2.1 Introduction | 14 |
| 2.2 E-Relationship Quality | 15 |
| 2.2.1 Communicational function | 16 |
| 2.2.2 Transactional function | 17 |
| 2.2.3 Relational function | 19 |
| 2.3 e-Satisfaction | 20 |
| 2.4 e-Trust | 21 |
| 2.5 e-Loyalty | 22 |
| 2.6 Summary | 24 |



| | |
|--|---------------|
| CHAPTER 3: RESEARCH FRAMEWORK AND METHODOLOGY | 25 |
| 3.1 Introduction | 25 |
| 3.2 Theoretical Framework | 25 |
| 3.3 Research hypotheses | |
| 3.3.1 Relationship between antecedents of e-relationship quality and e-loyalty | 26 |
| 3.3.2 Relationship between antecedents of e-relationship quality and e-trust | 26 |
| 3.3.3 Relationship between antecedents of e-relationship quality and e-satisfaction | 27 |
| 3.3.4 Relationship between e-relationship quality and e-loyalty | 27 |
| 3.3.5 The mediating effect of e-satisfaction between antecedents of e-relationship quality and e-loyalty | 28 |
| 3.3.6 The mediating effect of e-trust between antecedents of e- relationship quality and e-loyalty | 28 |
| 3.4 Research design | 29 |
| 3.5 Sampling Design | 29 |
| 3.6 Sample Size | 30 |
| 3.7 Instrument development | 30 |
| 3.7.1 Communicational function | 31 |
| 3.7.2 Transactional function | 31 |
| 3.7.3 Relational function | 32 |
| 3.7.4 E-satisfaction | 33 |
| 3.7.5 E-trust | 34 |
| 3.7.6 E-loyalty | 34 |
| 3.8 Data collection method | 35 |
| 3.9 Data analysis method | 35 |
| 3.9.1 Descriptive Statistics | 35 |
| 3.9.2 Factor Analysis | 36 |
| 3.9.3 Reliability Analysis | 36 |
| 3.9.4 Correlation Analysis | 36 |
| 3.9.5 Multiple Regression Analysis | 36 |
| 3.9.6 Hierarchical Regression Analysis | 36 |
| 3.10 Data analysis method summary of statistical method hypothesis testing | 37 |
| 3.11 Summary | 37 |
| CHAPTER 4: DATA ANALYSIS AND FINDINGS | 38 |
| 4.1 Introduction | 38 |
| 4.2 Data Collection and Response Rate | 38 |
| 4.3 Profile of Respondents | 39 |
| 4.4 Factor Analysis | 41 |
| 4.4.1Antecedents of e-relationship quality | 42 |
| 4.4.2E-Satisfaction and e-Trust | 44 |
| 4.4.3E-Loyalty | 46 |
| 4.5 Reliability Analysis | 46 |

| | | |
|---|--|----|
| 4.6 | Descriptive Analysis | 47 |
| 4.7 | Correlation Analysis | 48 |
| 4.8 | Multiple Regression Analysis | 50 |
| 4.8.1 | The Relationship between Antecedents of e-relationship quality and e-Loyalty | 51 |
| 4.8.2 | The Relationship between Antecedents of e-relationship quality and e-satisfaction | 51 |
| 4.8.3 | The Relationship between of e-relationship quality (e-trust and e-satisfaction) and e-loyalty | 52 |
| 4.8.4 | The relationship between antecedents of e-relationship quality and e-loyalty | 53 |
| 4.9 | Hierarchical Regression Analysis | 53 |
| 4.9.1 | The mediating effect of e-satisfaction between antecedents of e-relationship quality and e-loyalty | 55 |
| 4.9.2 | The mediating effect of e-trust between antecedents of e-relationship quality and e-loyalty | 56 |
| 4.10 | Summary | 59 |
| CHAPTER 5: DISCUSSION AND CONCLUSION | | 60 |
| 5.1 | Introduction | 60 |
| 5.2 | Recapitulation of the Study Findings | 60 |
| 5.3 | Discussion of Finding | 63 |
| 5.3.1 | Identification of the Antecedents of e-relationship quality | 63 |
| 5.3.2 | The Effect of Antecedents of e-relationship quality on e-satisfaction and e-loyalty | 64 |
| 5.3.3 | The Effect of e-Satisfaction on e-Loyalty | 70 |
| 5.3.4 | The effect of e-Trust on e-Loyalty | 70 |
| 5.3.5 | Mediating effect of e-Satisfaction and e-Trust on the relationship between Antecedents of e-relationship quality and e-loyalty | 71 |
| 5.4 | Contribution of Research | 72 |
| 5.4.1 | Theoretical Implication | 72 |
| 5.4.2 | Managerial Implications | 73 |
| 5.5 | Limitation of Study and suggestion for future research | 74 |
| 5.6 | Conclusion | 75 |
| REFERENCES | | 76 |
| APPENDICES | | 85 |

LIST OF TABLES

| | Page |
|--|------|
| Table 1.1 Online consumer spending in Malaysia in 2011 to 2012 (RM million) | 3 |
| Table 1.2 Components of expenditure domestic tourist in Malaysia in 2011 to 2012 (RM million) | 4 |
| Table 3.1 Measurement items for communicational function | 31 |
| Table 3.2 Measurement items for transactional function | 32 |
| Table 3.3 Measurement items for relational function | 33 |
| Table 3.4 Measurement items for e-satisfaction | 34 |
| Table 3.5 Measurement items for e-trust | 34 |
| Table 3.6 Measurement items for e-loyalty | 35 |
| Table 4.1 Profile of respondents | 40 |
| Table 4.2 Factor analysis of antecedents of e-relationship quality | 44 |
| Table 4.3 Factor analysis of e-satisfaction and e-trust | 45 |
| Table 4.4 Factor analysis of e-loyalty | 46 |
| Table 4.5 Reliability analysis on variables of study | 47 |
| Table 4.6 Mean and standard deviation for variables in the study | 48 |
| Table 4.7 Pearson correlation matrix of the study variables | 50 |
| Table 4.8 Regression analysis of antecedents of e-relationship quality with e-loyalty | 51 |
| Table 4.9 Regression analysis of antecedents of e-relationship quality with e-trust | 52 |
| Table 4.10 Regression analysis of e-relationship quality(e-trust and e-satisfaction) and e-loyalty | 52 |
| Table 4.11 Regression analysis of antecedents of e-relationship quality with e-loyalty | 53 |

| | | |
|------------|--|----|
| Table 4.12 | Mediating effect of e-satisfaction on the relationship between antecedents of e-relationship quality e-loyalty | 55 |
| Table 4.13 | Mediating effect of e-trust on the relationship between antecedents of e-relationship quality e-loyalty | 57 |
| Table 4.14 | Summarize results of hypothesis testing | 58 |
| Table 5.1 | The effects of the dimensions of antecedents of e-relationship quality on e-satisfaction and e-loyalty: comparison of hypotheses with actual results | 70 |
| Table 5.2 | Effect of e-relationship quality and e-loyaltyon e-satisfaction and e-trust as a mediator: comparison of hypotheses with actual results | 72 |

LIST OF FIGURES

| | Page |
|------------------------------------|------|
| Figure 1.1 Flow of study | 13 |
| Figure 2.1 Framework of study | 25 |

LIST OF APPENDICES

| | Page |
|--|------|
| Appendix A Questionnaire | 85 |
| Appendix B Frequency <i>B1: Frequency for respondent profile</i> | 95 |
| Appendix C Factor analysis | |
| <i>C1: Factor analysis of antecedents of e-relationship quality</i> | 97 |
| <i>C2: Factor analysis of e-relationship quality (e-satisfaction and e-trust)</i> | 130 |
| <i>C3: Factor analysis of e-oyalty</i> | 135 |
| Appendix D Reliability analysis of antecedents of e-relationship quality | |
| <i>D1: Reliability analysis of communicational function (factor 1)</i> | 138 |
| <i>D2: Reliability analysis of transactional function (factor 2)</i> | 139 |
| <i>D3: Reliability analysis of relational function (factor 3)</i> | 140 |
| Appendix E Reliability analysis of e-satisfaction | 141 |
| Appendix F Reliability analysis of e-trust | 142 |
| Appendix G Reliability analysis of e-loyalty | 143 |
| Appendix H Descriptive analysis | 145 |
| Appendix I Correlation analysis | 146 |
| Appendix J Regression analysis | |
| <i>J1: Regression analysis between antecedents of e-relationship quality and e-loyalty</i> | 147 |
| <i>J2: Regression analysis between antecedents of e-relationship quality and e-satisfaction</i> | 149 |
| <i>J3: Regression analysis between antecedents of e-relationship quality and e-trust</i> | 151 |
| <i>J4: Mediating effect of e-satisfaction and e-trust between antecedents of e-relationship quality and e-loyalty</i> | 154 |
| <i>J5: Mediating effect of e-relationship quality (e-satisfaction and e-trust) on the relationship between antecedents of e-relationship quality perceived value and e-loyalty</i> | 157 |

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

This chapter will be focusing on the issues, rational of the studies, and the brief profile of Online Travel Agency (OTA) at Kota Kinabalu. Apart from that, this chapter will also establish the problem statement, objectives, and the significance of study and also the definitions of the key variables that will be discussed in this chapter.

1.2 BACKGROUND OF THE STUDY

OTA is an abbreviation for Online Travel Agency which is currently perceived as one of the most vital part in travel industry. It is often used as ways to book for accommodation. OTA can be accessed through their specific websites or through mobile applications. Some of the prominent OTA available now are like agoda.com, booking.com, expedia.com, ask.com, and orbits.com. Their main tactics in providing the best deal (discounted price) is by aggressively establishing sales agency as their registered agent to provide good deals for travellers and presumably the prices offered are lower than any other vendors. (Liuyi Ling, Xiaolong Guo and Chenchen Yang, 2014).

Nowadays, the internet has become an important medium of communication for people all over the world. According to internetworldstat.com, as of 2014, it was estimated that the current number of subscribers of internet has increased from 18 million in 2012 to 25 million subscribers. That was an increase of 23 percent in 2 years. At this point the internet has become a necessity in our lives. As mentioned by Ahmad Fauzi Mohd Ayub, Wan Hamzari Wan Hamid, and Mokhtar Haji Nawawi (2014), internet has become part of our daily lifestyle. In the service industry, the internet has gained a considerable foothold as it is now considered as the main strength, which includes the tourism industry (Buhalis & Law, 2008).



The support from the Malaysian Government for internet accessibility has elevated the new media since the first Internet Service Provider (ISP) was introduced in 1992. The internet is currently seen as a formidable force as it significantly penetrated the service industry which was measured at 66 per cent. As the internet evolved and became a medium of communication, tourism industry adapts and developed new tourism services and product, which caused a major chain of events where the demand for travel services increases. In short, the internet has become a medium for a new branch of communication and distribution channel for e-traveller suppliers or travel services and products.

Not only the internet is a great platform for businesses to gain larger audiences, it also provides a significant perk for consumers. Take travel websites for example, it basically gives traveller the power to control over their travel planning and also at the same time provides them with the ease and accessibilities to book for their travel arrangements. Based on the statistics provided by the Department of Statistics Malaysia, in 2013, approximately 20 million adults, 56% of the 17.61 million in the Malaysia used the Internet in 2013 there was roughly around 84% that was considered as travellers, which equivalent to a market of 17.3 million "online travellers."

From Demographics perspective, there has been an increased in male and female internet users within the span of 2010 to 2013. It was recorded that male users has increased from 61% to 68%, while female users increased tremendously from 57% to 66% in that three years. It was indicated that most of the users were from 18-29 years old (86%) in 2005, and followed by those from the age group of 30-49 years old, 50-64, and 65 and above, respectively. It was also mentioned that 89% out of all the online users have a higher education level and it also highlighted that married people tend to go online much more often compared to those unmarried people.

In 2012, it was reported that during the previous year, internet spending trend has experienced an increment of 5.4% (Department of Statistic Malaysia, 2013). Technically, the expenditure is consists of non-travel (retail) and travel expenditure. In terms of online

consumer spending in travel sector, it was reported that consumer spent RM162835 million in 2011, and RM174448 million in 2012. The transition from both years saw an increment of 7.1% in just one year (see Table 1).

Table 1.1: Online Consumer Spending, 2011 and 2012

| SECTOR | 2011 (RM MILLION) | 2012 (RM MILLION) | PERCENTAGE CHANGE |
|---------------------|-------------------|-------------------|-------------------|
| Non-travel (retail) | 42346 | 47778 | 12.8 |
| Travel | 162835 | 174448 | 7.1 |
| Total | 260 | 274 | 5.4 |

Note: Source is (Domestic Tourism Survey, Department of Source is Statistics Malaysia, 2013)

On the other hand, Domestic tourist spent RM22.8 billion on food and beverage, and as well as transportation and accommodation (Table 2). These components comprises of 73.3% of the total spending of domestic tourists. Another component, shopping, comprises of 14.2% which translates as RM4.4 billion. The trend also sees that the expenses before travelling, which includes the purchase of luggage, packages, entrance fees and tickets comprises of 3.3% which translates as RM1.0 billion and lastly other activities such as sports consists of 9.1%, which equates to RM2.8 billion.

Due to the increase in the number of internet user and online spending in the travel industry, the income from online booking has also increased. In 2004, it was recorded that the number of online purchases for accommodation increased from 40% to 52% in 2010 (Kerner, 2010). Based on the data provided by Tourism Malaysia (2013), the online network will someday become a norm for travel purchases. This is because currently, the consumers have the tendencies to book for their accommodations through OTA websites such as agoda.com, booking.com, ask.com, Orbitz, Expedia and Travelocity instead, rather than booking their accommodation through specific hotel owned websites such as hyatt.com. Somehow OTA has created a kind of problem that was quite significant back then but in 2008, hotels started to provide more rooms for consumers via their online websites.

Table 1.2: Components of expenditure domestic tourist, 2011 and 2012

| Components | Total Expenditure (RM million) | | Percentage (%) | Percentage Share (%) | |
|--|--------------------------------|--------|----------------|----------------------|-------|
| | 2011 | 2012 | | 2011 | 2012 |
| Food & Beverage | 7,756 | 9,430 | 21.6 | 28.7 | 30.3 |
| Transport | 7,417 | 7,931 | 6.9 | 27.4 | 25.5 |
| Accommodation | 4,985 | 5,435 | 9.0 | 18.5 | 17.5 |
| Shopping | 3,801 | 4,424 | 16.4 | 14.1 | 14.2 |
| Expenditure before trip/packages/entrance fees/tickets | 801 | 1,025 | 28.0 | 3.0 | 3.3 |
| Other activities | 2,249 | 2,827 | 25.7 | 8.3 | 9.1 |
| Total Expenditure | 27,009 | 31,072 | 15.0 | 100.0 | 100.0 |

Note: Source is (Domestic Tourism Survey, Department of Source is Statistics Malaysia, 2013

There are many classes of traveller. But most of them are those who focus on low prices deal, which means that, they tend to be motivated to book an accommodation that has the best rates. However it is a known fact that consumers or travellers tend to avoid service charges or fees charged by OTA websites, so they have this kind of perception that hotels might be the better choice since they do not charged any services charges or fees for any online bookings made (Tourism Malaysia, 2013). So in order to increase revenue, they concentrated more on customized travel option, website redesign, website optimization and E-CRM which consequently caused OTA to experienced roughly 30% increased of bookings from 2010 to 2013 (Starkov and Price, 2010).

Relationship quality seems to be a great deal as so many researcher have discussed about it in recent years. It is considered as a concept that comprises of satisfaction, trust and commitment. Based on a research (Rauyruen, 2012), there is a significant relationship between relationship quality and customer loyalty. This research however focuses on examining the antecedents of e-relationship and exploring the effects of e-relationship quality and e-loyalty.

Firstly, this study focus on the antecedents of e-relationship quality. In recent studies, it has shown that financial service industry (Bejou, Ennew, and Palmer, 2011), as well as in the hotel industry (Kim, Han and Lee, 2010), has shown that communication has become a way to increase satisfaction and trust. Due to the fact that communication has some kind of effects on satisfaction and trust, this study suggests that communication is an antecedent of e-relationship quality. Aside from that, website security (Yoon, 2012) and website design (Srinivasan et al., 2002; Szymanski and Hise, 2000) has come up with the same idea that both aspects has been a driver for e-satisfaction and e-trust. With that in mind, this study suggests that both website security and website design must be measured as the transactional function. Finally, customization, customer orientation, and relational orientation has also been seen as something that promotes satisfaction and trust (Bejou et al., 1998; Kim et al., 2001). Consequently, this study suggests that customization as a way to promote e-relationship quality and categorized it as the relational function.

Secondly, this study suggests that e-relationship quality as a construct that encompassed of e-satisfaction and e-trust, which directly effecting e-loyalty. However, based on offline context, relationship quality consists of trust (Bejou, Wray and Ingram, 2006; Kumar, Scheer and Steenkamp, 2005; Moorman and Zaltman, 2002; Wray, Palmer and Bejour, 2004) and Satisfaction (Crosby et al., 2010; Dwyer and Oh, 2007; Hennig-Thurau and Klee, 2007).

Thirdly, the establishment of loyalty has been seen by researchers (Day, 2009; Dick and Basu, 2004; Oliver, 2009). Adding to the notion, satisfaction has been known to be an important part of loyalty as a whole (Oliver, 2009). According to Rust and Zahorik (2003), there is a significant link between satisfaction and loyalty. Singh and Sirdeshmukh (2000) suggests that trust as a Relational Construct that in a way provide positive significance on customer loyalty. Henceforth, marketing research as a whole sees that, in their perspective, satisfaction and trust have a positive notion to loyalty in general.

According to Taylor and Hunter (2013) and Yang and Peterson (2014), as well as Rodgers, Negash and Suk, (2011) has indicated that the research on satisfaction and trust has grown in becoming a study of loyalty in online context. Based on a study conducted by Anderson and Srinivasan (2003), consumer that is wholly satisfied by the services or products tend to build a good relationship with the service provider which can be further translates as the link between e-satisfaction and e-loyalty. Also, Reichheld, Markey and Hopton (2010) also underlined the significances of e-trust in creating e-loyalty, indicating that when consumers developed a kind of trust to the online retailer, they will obviously willing to disclose their personal information.

1.3 PROBLEM IDENTIFICATION

From the statistics given, the number of internet users worldwide has increase drastically. For the record, most of the research conducted saw a trend that focuses on understanding the important factors of e-relationship quality. By examining on the previous researcher's findings by Alejandro, Thomas Brashear, Souza, Daniela Vilaca and Boles, James (2011), Cater Tomaz and Cater, Barbara (2010), and Lages, Carmen, Lages, Christiana Raquel and Lages, Luis Filipe (2005) have concluded with different antecedents of e-relationship quality which is quite startling and interesting to say the least.

Electronic Relationship Quality (e-RQ) is an important relationship between companies and consumers to purchase of the products or services online (Brun, Rajaobelina and Richard, 2013). A study on e-RQ is imperative in the Online Travel Agency (OTA) as it will help them to better understand the significance, scope and level of influence on travellers. Thorough research will aid outbound and inbound travellers in fully understanding traveller's behavioural patterns and how to monitor and adjust eRQ strategies accordingly. Furthermore, a study on e-RQ would also contribute to the body of literature.

Numerous studies have been conducted to identify e-RQ on traveller and OTA relationship. Among others, e-RQ has three dimension such as satisfaction, trust and

commitment as an important component (Longmore, Manning, Giordano and Copp, 2014). Despite numerous studies, there are only limited studies in relation to the antecedents of travellers on e-RQ, particularly the trust belief on e-RQ dimensions (Peng Lin, Hui Tsai, Ju Wang and Kang Chiu, 2011). Trust is an important variable in the online environment, as there is an absence of identity, difficulty in evaluating intangible products prior to consumption and a lack of consumer protection (Marquardt, 2013). As the online environment is considered high risk, trust in e-RQ is needed to calm the consumers' uncertainty so they can follow with confidence. This certainty and confidence is especially needed for Online Travel Agency (OTA) products or services, where lack of experience and unknown variables are vast prior to purchase. Due to its intangible nature, the OTA product or service is a high risk purchase, which is why most travellers often rely heavily on e-RQ to make the final decisions.

There has been a lot of studies on e-RQ in Western countries such as the United States (Martin and Lueg, 2011), the Middle East such as Iran (Jalilvand and Samiei, 2012; Jalilvand *et al.*, 2012) as well in the Eastern countries such as China (Cheung *et al.*, 2008; Cheung *et al.*, 2009; Fan and Miao, 2012; Wang *et al.*, 2012) South Korea (Doh and Hwang, 2009) and Thailand (Kangsirikul and Olairiyakul, 2010). However, very little research has been conducted in Malaysia on the matter. A study done by Casaló *et al.* (2011), mostly focused on Spanish speaking travellers, thus vastly limiting the scope of research. Further suggestions were made that future researchers replicate their study across different cultural contexts with more diverse samples and in doing so, help to better understand traveller behaviour across diverse cultures. This has given us the opportunity to adopt this research locally as Kota Kinabalu is a melting pot of cultures encompassing various races such as Malay, Indian, Chinese, Kadazandusun, Bajau, Brunei and Iban.

Apart from the limitations of research mentioned earlier, lack of discrimination between satisfaction and trust, even though this has also been the case for other studies (e.g. Arcand *et al.*, 2010; Vesel and Zabkar, 2010). The researchers stressed that e-trust

and e-satisfaction is an imperative variable in explaining consumer's online behaviour and there is therefore a need to include the variable in this study.

Srivastava and Kumar Rai (2013) conducted a study on the customer loyalty effect on e-RQ credibility and e-RQ acceptance. Their results indicated differences on how each customer loyalty developed trust in e-RQ. The researchers stated that customer loyalty plays an important role in the online environment. However, due to the small sampling size of their study, the validity of their results is questionable. Furthermore this research do not analyse on the data separately (trust, commitment and satisfaction), as to how Srivasta and Kumar Rai (203) have conducted in their study, this current study however consider customer loyalty as a general means of the population in using Online Travel Agency (OTA) products or services. Hence, this study investigates customer loyalty among Kota Kinabalu travellers in trusting e-RQ dimensions.

1.4 PROBLEM STATEMENT

Based on the insufficiencies discussed earlier, this study look into the interrelation e-relationship quality to the e-loyalty. In addition, this study looks into the role of e-satisfaction and e-trust as a mediator.

1.5 RESEARCH QUESTIONS

Thus, based on problem statement that have been mentioned earlier, the research questions of this study would be:

1. What is the relationship between the antecedents of e-relationship quality and e-Relationship Quality?
2. What is the relationship between the antecedents of e-relationship quality and e- loyalty?
3. Does e-satisfaction and e-trust mediates the relationship between antecedents of e-relationship quality and e-loyalty?

1.6 RESEARCH OBJECTIVES

The aim of this study is to identify the effect of e-relationship quality in online travel agency at Kota Kinabalu, Sabah. Hence, the study seeks to achieve the following objectives:

1. To determine the relationship between the antecedents of e-relationship quality and e-Relationship Quality.
2. To investigate the relationship between the antecedents of e-relationship quality and e-loyalty.
3. To examine whether e-satisfaction and e-trust mediates the relationship between antecedents of e-relationship quality and e-loyalty.

1.7 SIGNIFICANCE OF THE STUDY

The main purpose for this study is to determine the antecedents of e-relationship quality on communicational function, transactional function and relational function between consumers who use this online travel agency particularly in Kota Kinabalu. Aside from that, these respondents will be the key to reliable findings as well as creating solid results.

In addition, this study will contribute to business-to-consumers relationship and E-loyalty literature by providing empirical evidence to support the relationships between dimensions from the academic perspective.

However from the executive perspective, the result of this study would serve as a reference for Online Travel Agency companies such as Agoda.com, Booking.com, Expedia.com, Ask.com, and Orbitz.com to further review on their marketing relationship strategies towards the growth of their sales and at the same time to have loyal supporting consumers in the long run.

1.8 SCOPE OF THE STUDY

The scope of the study for this research is to find out the relationship between the antecedents of e-relationship quality and e-loyalty in online travel agency in Kota Kinabalu, Sabah.

Clearly, those customers who use online travel agency as a mean of getting information and planning their travel are important as they will inadvertently promote the hotel on their behalf. But in order to achieve this, hotels need to develop relationship with their customer by consistently providing a good service online. So from this point of view, it is necessary for this study to be conducted in order to examine whether the e-relationship quality mentioned is significant and their contribution towards e-loyalty. The participant's responses in this study would be able to conclude the correlation of all variables which contribute enough to the e-loyalty.

Throughout the study, e-relationship will be explored thoroughly and will be further defined and categorized. There are 3 categories of the antecedents for e-relationship, and they are communicational, transactional and relational function (Noor Raihan A.H, 2005). As for the other research performed by Ali, Abu Bakar, Azadeh, Seyedhamed (2012), they only focus on two categories of the antecedents for e-relationship and they are e-satisfaction and e-trust which mediate towards business loyalty.

The questionnaires will be designed for respondents that are familiar with online travel agency and resides in the areas strictly within Kota Kinabalu. The questionnaires will be self-administered and via social media method. Researcher will personally meet up with the respondents and questionnaires will then be collected on the spot once the respondents have completed them.

1.9 DEFINITION OF KEY VARIABLES

Descriptions and definitions of terminologies used in this study are illustrated below.

1.9.1 E-RELATIONSHIP QUALITY

The e-relationship quality defines by Dwyer, Schurr and Oh (2007) relationship quality as the transactional exchange of distinct transactions at the beginning with short duration and

ending by performance and relational exchanges from the traces of commencement of earlier agreements with longer duration and reflects an ongoing process.

1.9.2 COMMUNICATIONAL FUNCTION

Based on a definition by Menon, Bharadwaj, Adidam, Phani, Edison, & Steven (2009), they defined communication function as the lasting collaboration amongst parties reproducing the nature of informal and formal communications during strategy making process.

1.9.3 TRANSACTIONAL FUNCTION

Transactional Functions is defined as the ability of internet technology to act as a platform to host transaction between entities. That includes placing orders, checking an order status, and monitoring profile of previous activities (AB Hamid, 2005). To encourage transaction, two primary encouragements must be incorporated. The first encouragement would be the website security. It refers to the security features of the websites in order to install trust among customers. The second encouragement would be the Website Design. A good design and layout will motivate consumers to purchase.

1.9.4 RELATIONAL FUNCTION

Ab Hamid (2005) mentioned that relational function tools may include customized services, personalized webpages, personalized recommendations., which is a value adding features. The study also points out that personalization add a unique features of the internet that requires considerate amalgamation amongst the front end server, database applications and intelligent agents.

1.9.5 E-SATISFACTION

Satisfaction is the cumulative satisfaction experienced after engaging with goods or services offered (Anderson, Fornell and Lehmann, 2014). E-Satisfaction however refer to the satisfaction achieved prior purchasing goods or services on the internet (Rolph and Srini, 2013).

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