The Impact of Sustainable Development and Competitiveness on Loyalty: An Empirical Examination in Vietnam

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Abstract
Attracting and retaining talented residents are paramount to the success of any district, city, or province in a country. This paper explores the impact of sustainable development and competitiveness on loyalty of residents. The authors interviewed 12 experts and surveyed 688 residents living in Binh Duong province, one of the most successful industrialized provinces in Vietnam. The results show that sustainable development and competitiveness have a positive impact on loyalty. In addition, differences in demographic characteristics such as gender, age, income are found to have an effect on the relationship between competitiveness, sustainable development and loyalty of the population.

Keywords: Competitiveness; Loyalty; Sustainable development; Vietnam

1. Introduction

All social classes, from manual to high skilled laborers, from proletarians to wealthy investors, contributed to the formation and the development of their residence (Kotler et al., 1993; Ward, 1998). According to Royce (1908), residents will be loyal to their place when they decide to live there permanently. They consider it as their home and are willing to do many things to make their place more spacious and sustainable. Thus, the loyalty of residents is a valuable resource that a place needs to maintain and strengthen. However, the topic of place loyalty has only been researched since 2010 with the limited amount of available papers (e.g., Florek, 2010; Gilboa & Herstein, 2012; Jaafar, 2012; Pappu & Quester, 2010; Phu, 2015). Previous studies identified several components which contribute to place loyalty, such as consistency of behavior (Florek, 2010), happiness and respect (Gilboa & Herstein, 2012), life satisfaction and place image (Phu, 2015), and satisfaction (Jaafar, 2012), and the attachment (Florek, 2010; Jaafar, 2012; Phu, 2015). However, there has been very few studies on the impact of competitiveness and sustainable development on place loyalty even though these two factors are critical to the decisions of place selection.

As a result, this study is conducted in order to examine specifically the impact of these two factors on place loyalty. It also studies the impact of several demographic variables including gender, age, education and income on these relationships between these two factors and place loyalty. Binh Duong province, one of the most successful industrialized provinces in Vietnam, is selected as the site of this study. This study is significantly important since it is among the first studies, if not the first, conducted in Vietnam, a new research site. In addition, Vietnam is an emerging economy where many industrialized provinces may have to face the challenge of retaining their residents for economic growth purposes.
2. Literature Review

Place Loyalty

The concept of loyalty appears from the beginning of 20th century through Royce's study (1908). Throughout the 1940s, more studies have been conducted on a variety of loyalty concepts such as brand loyalty, customer loyalty, and store loyalty (Brody & Cunningham, 1968; Brown, 1952; Churchill, 1942; Cunningham, 1956). Gilboa and Herstein (2012) link place attachment with place loyalty. Strowski (2002) believes that places are fluid and changeable contexts of social interactions and places of reference for memories. Researchers believe that place attachment describes a positive emotional bond between individuals or groups and their environment (Altman & Low, 1992; Budruk, 2010; Jorgensen & Stedman, 2001; Williams et al., 1992).

In-depth research on place loyalty has only been conducted since 2010, therefore, the definition and scale of place loyalty are still underexplored. Pappu and Quester (2010) identify place loyalty as a trend which people become loyal to an area, as evidenced by the intention of purchasing products from this area as their primary choice. Based on You and Douthu (2001)'s brand loyalty concept, Gilboa and Herstein (2012) defined place loyalty as “an inhabitant’s choice to continue living in a designated place over all others.” (p.143) Phu (2015), also based on Royce's (1908) perspective of loyalty, states that “loyalty is the willing and practical and thoroughgoing devotion of a person to a cause” (Royce, 1908, p. 17) and “a cause may be one’s home, neighborhood, club, university, company, and/or country.” (p.4). By referring Royce’s (1908) perspective, place loyalty should be interpreted as “the willingness, reality and dedication of one person to a place” (Chen & Gursoy, 2001; Yoon & Uysal, 2005). Manifestation of loyalty towards a place is acquired through picking long-term residencies in a desired area, contributing to the community’s development, speaking highly of the community, and encouraging friends and family to move to the community (Royce, 1908). Researchers confirm that there is a correlation between length of residency and community attachment (Goudy, 1982; Sampson, 1991), as well as the sense of belonging (Carson et al., 2010; Puddifoot, 2003) and the sense of community (Prezza et al., 2001). Individuals who feel they are living in high-status communities tend to feel loyal to those communities (Gilboa & Herstein, 2012).

Competitiveness

Despite the importance of competitiveness in economic development, researchers have not come to a common definition of competitiveness (Buckey et al., 1990; Lee, 2009). There can be multiple levels and scales of this concept. Competitiveness, at one level, can equate to the performance of an economy and at another level, it can relate to city competition (i.e. cities undercutting their rivals or offering better values for their consumers money), meaning competitiveness is used to secure or defend market-share (Begg, 1999).

At the country level, the World Economic Forum (WEF, 2013) defines the competitiveness as the combination of institutions, policies, and factors affecting the prosperity of the nation. The Institute for Management Development (IMD, 2014, p.502) defines the competitiveness as "the ability to create and maintain an environment that sustains more value for its business and more prosperity for its people.”

At the place level, Newall (1992) argues that in order to build competitiveness, the place needs to focus on human development, while also focusing on the development and improvement of the quality of life. Lengyel (2007) proposes a three-tiered pyramid model to determine the competitiveness factors that affect the quality of people’s lives; business development, innovation, and the adaptability of the economy. So and Shen (2004) evaluate the urban competitiveness through a number of criteria that impact on economic development, the quality of life, and sustainable
development. Webster and Muller (2000) emphasize the drivers of economic development in which four main groups are determined as economic structure, territorial resources, human resources and institutional environment.

In order to improve place competitiveness, the economic environment of that place needs to be effective and sustainable with improving labor quality and sufficient labor forces (Lengyel, 2007; Newall, 1992; So & Shen, 2004). People expect to have a prosperous, high quality of life. A city’s competitiveness depends on its attributes such as the location and the strengths and weaknesses of companies and other economic components (Begg, 1999). There are systematic differences in the attractiveness of cities which transcend relative cost differentials (Cheshire & Hay, 1989). Researchers have noticed that the competitiveness between cities is primarily between investments and promoting themselves (Cheshire & Gordon, 1995; Jensen-Butler et al., 1997). The increase in spatial competition is explained through a wide range of policy areas which all point to facets of cities that affect performance and competitiveness (Jensen-Butler, 1997). Gordon and Cheshire (1998) suggest that “territorial competition may be conceived of as involving attempts by agencies representing particular areas to enhance their locational advantage by manipulating some of the attributes which contribute to their area’s value as a location for various activities.” Competitiveness is also accepted as a concept at the level of the firm which seeks to outdo their rivals through positive gains in market share (Begg, 1999).

**Sustainable Development**

According the World Commission on Environment and Development (WCED, 1987), sustainable development is development without harming the developmental capability of future generations. The United Nations Conference on Environment and Development (UNCED, 1992) identifies that sustainable development must be considered by three dimensions: society, economy and environment. The United Nations Conference on Sustainable Development (UNCSD, 2000) adds institution as the fourth dimension in emphasizing the important role of institutional measurement in ensuring the sustainable development.

Social sustainability and the sustainable community is reinforced by factors such as social equity and social justice (Dempsey et al., 2011). These communities provide settings for long-term human activity and interaction that is relatable (Dempsey, et al., 2011). Social sustainability is a multi-dimensional concept that poses the question of what the social goals of sustainable development are with no agreement to how the goals are defined (Hopwood et al., 2005; Littig & Greissler, 2005). Sustainable development has become more defined in the role of cities due to growing urban population (Darlow, 1996). Sustainability of community involves social interaction between community members “the relative stability of the community, both in terms of overall maintenance of numbers/balance (net migration) and of the turnover of individual members; the existence of, and participation in, local collective institutions, formal and informal; levels of trust across the community, including issues of security from threats; and a positive sense of identification with, and pride in, the community” (Dempsey, et al., 2011). This is linked to social capital and social cohesion as concepts that incorporate social networks, norms of reciprocity, and facets of social organization (Coleman, 1988). Social networks and social interaction are important aspects of social capital (Forrest & Kearns, 2001). Without this communication amongst people in a given area, the community would no longer be described as a community and would simply be a group of individuals living separate lives; with no sense of community, pride, or place attachment (Dempsey, 2006).

**The relationship between competitiveness, sustainable development and place loyalty**

Previous studies have shown that enhancing place competitiveness would lead to place economic development and a prosperous, high quality life for residents (IMD, 2014; Lengyel 2007; Newall
1992; So & Shen 2004). This is the basis for people to feel comfortable living in the place, thereby building up and strengthening their place loyalty.

Phu (2015) concludes that the improvement of a country's specific attributes, such as traffic and environmental elements, could have positive effects on country attachment, life satisfaction, and country loyalty. Jenes (2012) demonstrates that country image with competitiveness as an influential factor has positive impacts on country loyalty. Mechina et al. (2010) state that the effect of competitiveness on visitor loyalty varies amongst visitors. With that being said, the authors propose the following hypothesis:

**H1: Place competitiveness has a positive impact on place loyalty**

In the globalized environment, strategic locations always attract a fierce competition. Information systems and socio-cultural developments and the like make a difference in the perception of superior places. Place authorities are under great pressure to continuously invest in creating a good place image to maintain and improve their competitive advantages and their customers’ loyalty (Gordon & Cheshire, 1998; Jensen-Butler, et al., 1997). However, to be successful, the place has to offer values that must be truly sustainable so the residents can believe in its sustainability enough to put their trust and their attachment to the place. Kotler et al. (1999), and Zenker et al. (2009) believe that sustainable development is an aspect to improve the quality of life, especially in terms of the environmental aspect. Kotler (2001) concludes that “the most successful places are where they can form and maintain a sustainable value.” (p. 90). Zenker et al. (2009) confirm that the environmental sustainability and the planning sustainability impact the of residents’ satisfaction. Crouch and Ritchie (2000) argue that a competitive destination must bring happiness to people regarding the sustainability of economy, culture, society, ecology, and politics to attract and retain visitors successfully. With that being said, the authors propose the following hypothesis:

**H2: Sustainable development has a positive impact on place loyalty.**

The impact of demographic characteristics on the relationship between competitiveness, sustainable development and place loyalty

By using the MARS model, McShane et al. (2004) determine that demographic characteristics have indirect impacts on individual behaviors. Several studies show that gender, family status, age, and education could influence people’s perception, the evaluation of competitiveness, and sustainable development (Baloglu & McCleary, 1999; Harahsheh, 2009). Jenes (2012) suggests that personal attributes could influence the destination loyalty of a country through the recognition of country image. Baloglu and McCleary (1999) state that the destination image is influenced by psychological and social factors (age, education, etc.). In other words, the destination image embodies the elements of competitiveness and sustainability. With that being said, the authors propose the following hypotheses:

**H3: Demographic characteristics like age, income, gender, education can influence the relationship between competitiveness and loyalty.**

**H4: Demographic characteristics like age, income, gender, education can influence the relationship between sustainable development and loyalty.**

Figure 1 shows the conceptual model of this study.
3. Methodology

Data Collection Procedures and Sample

The survey was conducted in Binh Duong, a province in Southern Vietnam, one of the most successful industrialized provinces in creating a dynamic business environment (VCCI, 2017) and successfully attracts and retains their labor forces (GSO, 2013; 2017). Since 2006, the province has introduced many policies to attract high quality human resources and a lot of amendments and actions have been done to implement these policies (People’s Committee of Binh Duong Province, 2006; 2011; 2014). Target audience was Vietnamese people who are 17 years old or more and have lived and worked full-time in Binh Duong over 3 years. 688 out of 1000 surveys were received and used for data analysis. The study used a convenient sampling method with the assistance of two faculty members from local universities and 3 social work groups in the province to collect data. The usable sample included 302 males (43.9%) and 386 females (56.1). 270 came from the 18 to 30 years age group (39.2%); 280 people from 31 to 45 years age group (40.8%); and 138 people from 46 to over 60 years age group (20%). In terms of education, 262 people completed intermediate education level (38%); 306 people achieved college degrees (44.5%); and 120 people finished a master’s degree (17.5%). Regarding income, 205 people had a monthly income of 5 million VND or less (29.8%); 364 people had a monthly income of 5-10 million VND (52.9%); 98 people had a monthly income of 10-18 million VND (14.2%); and 21 people had a monthly income of 18 million VND or more (3%).

Measures

The paper used a five-point Likert scale to measure all items with 1 being “strongly disagree” and 5 being “strongly agree.” For Competitiveness, the authors measured through 21 observed variables, separating into 4 sets of components: infrastructure (CSHT), human capital (VNL), quality of life (CLCS), and management capacity (NLL). The scale was based on WEF (2013), IMD (2014), Webster and Muller (2000), Lengyel (2007), and So and Shen (2004). For Sustainable Development, the authors measured through 17 observed variables, separating into 4 sets of components: society (DTXH), economy (DTKT), environment (DTMT), institution (DTTC). The scale was based on Lee (2002), Zenker et al. (2013), UNCSD (2000), Lee & Rhee (2008), and Jaafar (2012). For Loyalty
(TT), the authors measured through 5 observed variables. The adjusted scale was based on Gilboa and Herstein (2012), Jaafar (2012), and Royce (1908).

4. Data Analysis

Collected data was evaluated by using Cronbach’ Alpha method, Exploratory Factors Analysis EFA, Confirmed Factors Analysis CFA and SEM were used to validate the measurements and the conceptual model.

Measurement Validation

The Cronbach’s Alpha test indicates that these scales met the requirement of scale reliability (>0.7). The components of DTXH had the lowest factor loading (0.718) and the components of DTTC had the highest factor loadings (0.813). All items have a variable coefficient of over 0.3. EFA results of 38 independent variables receive an acceptable fit to the data: KMO=0.946>0.5 and Sig=0.000; eight of them were removed at a break point of 1.011 with a total deviation of 57.547>50%. It also indicates that the scales were satisfactory to explain over 50% of all variables of the data. Seven variables were deleted due to their low weight (<0.4), including CLCS6, DTXH1, DTXH5, DTXH2, CSHT5, CSHT1, VNL4.

EFA test of 5 variables for loyalty evaluation receives KMO=0.818>0.5 and Sig. =0.000. One component was removed at a break point of 3.310 with a total deviation of 59.420>50%. Hence, the scales met the requirement to explain over 50% of all variables of the data. All variables have factor loadings from 0.735 to 0.825 (>0.4).

CFA results for scale verification show CMIN/DF=2.325; TLI=0.920; CFI=0.928; RMSEA=0.044. In addition, the scales were a standardized weight of over 0.5 and were statistically significant (p<0.05); Correlation coefficients between conceptual components and conceptual pairs were not 1 and statistically significant (p = 0.000); the composite reliability and the categorical deviation of concepts were substantial (CR≥0.6; AVE≥0.5). Thus, the scales are satisfactory with the requirement of the convergent validity, discriminant validity, aggregate reliability, and total deviation.

Model Validation and Hypothesis Testing

Evaluating the effects of competitiveness and sustainable development on loyalty

SEM results show that conceptual model received an acceptable fit to data: CMIN/DF= 2.325; TLI=0.920; CFI=0.928; RMSEA=0.044. Table 1 shows the unstandardized structural coefficients and Figure 2 illustrates the standardized structural coefficients. Results indicate that NLCT positively affect TT and thus, H1 was supported. The results also show that PTBV were found to be positively associated with TT (γ = 0.58). Thus, H2 was supported.
Table 1: Unstandardized Structural Coefficients

<table>
<thead>
<tr>
<th>Paths</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NLCT → CSHT</td>
<td>1.498</td>
<td>.164</td>
<td>9.153</td>
<td>***</td>
</tr>
<tr>
<td>NLCT → VNL</td>
<td>1.125</td>
<td>.126</td>
<td>8.950</td>
<td>***</td>
</tr>
<tr>
<td>NLCT → CLCS</td>
<td>1.009</td>
<td>.119</td>
<td>8.462</td>
<td>***</td>
</tr>
<tr>
<td>NLCT → NLCT</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PTBV → DTXH</td>
<td>1.023</td>
<td>.074</td>
<td>13.808</td>
<td>***</td>
</tr>
<tr>
<td>PTBV → DTKT</td>
<td>.938</td>
<td>.067</td>
<td>13.933</td>
<td>***</td>
</tr>
<tr>
<td>PTBV → DTMT</td>
<td>.912</td>
<td>.077</td>
<td>11.918</td>
<td>***</td>
</tr>
<tr>
<td>PTBV → DTTC</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NLCT → TT</td>
<td>.210</td>
<td>.080</td>
<td>2.617</td>
<td>***</td>
</tr>
<tr>
<td>PTBV → TT</td>
<td>.557</td>
<td>.062</td>
<td>8.918</td>
<td>***</td>
</tr>
</tbody>
</table>

***: p<0.001

Figure 2: Structural Result (Standardized Estimates)

Evaluating the effects of demographic characteristics on loyal relationships

The study applied a SEM analysis to test the effect of demographic characteristics on loyal relationships. Each demographic variable will be divided into two specific groups, i.e., gender groups with male and female groups, age groups with young (under 35 years old) and older groups (35 years or more), income levels with low income (5 million VND or less) and higher income groups (5 million VND or more), education levels with undergraduate and graduate groups. The invariance was applied to both loadings and regression weights between constructs (Bollen, 1989).

As seen in Table 2, the difference in terms of gender was found to be statistically significant: $\Delta \chi^2 = 61.777; \Delta df = 35; p = 0.003$. The impact of competitiveness on male loyalty was higher than females ($\lambda_{\text{male}} = 0.177, p = 0.01$, while $\lambda_{\text{female}} = 0.129, p = 0.029$). However, the impact of sustainability on female loyalty was higher than male ($\lambda_{\text{female}} = 0.632, p < 0.001; \lambda_{\text{male}} = 0.531 (p < 0.001)$.

The difference in terms of age groups was also found to be statistically significant: $\Delta \chi^2 = 50.473; \Delta df = 35; p = 0.044$. While the impact of competitiveness on the older group was not significant ($p = 0.114$), it was significant in the young group ($\lambda_{\text{young}} = 0.196, p = 0.002$). The impact of sustainable
development on loyalty of young groups was found to be higher compared to the older group ($\lambda_{\text{young}} = 0.627$, $p < 0.001$ and $\lambda_{\text{older}} = 0.549$, $p < 0.001$).

In term of education levels, the difference was not significant: $\Delta \chi^2 = 44.245$; $\Delta df = 35$; $p = 0.136 (>0.05)$. Therefore, the difference in term of education does not affect the relationship between competitiveness, sustainable development and loyalty.

In term of income levels, the difference was within-boundary significant: $\Delta \chi^2 = 49.483$; $\Delta df = 35$; $p = 0.053$ ($p = 0.053 < 0.05$). The impact of competitiveness was found to be significant in the higher income group ($\lambda_{\text{higher income}} = 0.187$, $p < 0.001$). However, this impact was not significant in the low income group ($p = 0.983 > 0.05$). The impact of sustainable development in the low income group was higher than the higher income group ($\lambda_{\text{low income}} = 0.746$, $p < 0.001$; $\lambda_{\text{higher income PTBV}} = 0.529$, $p < 0.001$).

<table>
<thead>
<tr>
<th>Paths</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\lambda$</td>
<td>S.E</td>
</tr>
<tr>
<td>NLCT→TT</td>
<td>0.177</td>
<td>0.147</td>
</tr>
<tr>
<td>PTBV→TT</td>
<td>0.531</td>
<td>0.094</td>
</tr>
<tr>
<td>Young</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NLCT→TT</td>
<td>0.196</td>
<td>0.084</td>
</tr>
<tr>
<td>PTBV→TT</td>
<td>0.627</td>
<td>0.081</td>
</tr>
<tr>
<td>Low income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NLCT→TT</td>
<td>0.002</td>
<td>0.076</td>
</tr>
<tr>
<td>PTBV→TT</td>
<td>0.746</td>
<td>0.090</td>
</tr>
</tbody>
</table>

***: $p < 0.001$

Thus, examining the impact of demographic characteristics shows that gender, age, and income have a significant impact on the relationship between competitiveness, sustainable development and place loyalty. Therefore, H3 and H4 were supported.

5. Conclusion and Research Implications

The research has achieved its goal in exploring the relationship between competitiveness, sustainable development and place loyalty and examining the impacts of demographic characteristics on these relationships in Vietnam. The results show that both competitiveness and sustainable development have a positive impact on place loyalty of residents. However, the impact of competitiveness on place loyalty is much lower compared to the impact of sustainable development on place loyalty. This result may reflect the long-term orientation of Vietnamese people (Nguyen & Pham, 2015). The study identifies that demographic characteristics such as gender, age, and income can affect the relationship between sustainable development and loyalty. The impact of competitiveness on loyalty is high in the male, youth and high-income groups. The impact of sustainable development on loyalty is high in the female, young and low-income groups.

The study contributes to the theory extension of place loyalty by examining the relationship between sustainable development, competitiveness and place loyalty in the context of Vietnam. The results
show that the impact of sustainability is much higher compared to the competitiveness for place loyalty. The study allows local authorities identify key policies that build the loyalty of residents, thereby promoting sustainable place economic development. The findings suggest to build place loyalty through improving the competitiveness and sustainable development of the place in order to receive the contribution of residents for place development. In order to ensure the sustainable competitiveness, local authorities must identify the improvement of the place image as a regular and never-ending task. Apart from paying attention to infrastructure development, improving the quality of life of residents and investing human resource development, the places need to improve their administrative capacity such as shortening administrative procedures and supporting residents when they need. To achieve sustainable development, besides obtaining sustainable development on three aspects: society, economy and environment, local authorities need to pay attention to the institution aspect as it ensures the development. Finally, due to the impact of demographics characteristics on the relationship between competitiveness, sustainable development and loyalty, retaining specific resident groups requires a specialized policy to attract and retain those residents effectively.

6. Limitations and Future Research Direction

Despite some contribution the study offers to theoretical framework and practical value, the research still has a number of limitations. First, there is an interference between theoretical systems of competitiveness and sustainable development, so it is comparative as grouping different variables and this may also influence the results of the study. Second, the study used a convenient sampling method, only conducted in one province in Vietnam so the results are only partially accurate and cannot be generalized to other provinces in Vietnam in particular and other countries in general. In order for other places to utilize an effective strategy to build place loyalty, it is necessary to expand the scope of research and invest in further research. Third, the study only analyzed the impact of two factor groups: the impact of competitiveness and sustainable development on loyalty. In order to have an overall picture of the influence of factors affecting loyalty, it is necessary to explore and develop additional elements in future studies. Finally, the process of studying the loyalty of residents shows that this is still a new issue, and also important for place development. Consequently, researching on place loyalty still needs to be continued. The future research can explore more deeply about the loyalty of the whole population or explore the factors that affect the loyalty of strategic groups that the places want to attract and retain.
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