

# AN EXPLORATORY RESEARCH REGARDING CUSTOMER ORIENTATION AND PERFORMANCE IN HOSPITALITY INDUSTRY

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## Abstract

*The main objective of this research is to present the importance of the customer orientation from the managerial perspective and to analyze the influence of customer orientation over the performance indicators in the hotels from Mures county (Romania). For achieving this objective, the data have been collected by means of 42 surveys addressed to managers and owners who are active in the industry of hospitability, and the results indicated a partial confirmation of the tested hypotheses and the results from previous international research. The conclusions of the study present importance for the decisional authorities associated with hotel units which desire to achieve the satisfaction of the customers, gaining the brand loyalty and implicitly the desired economic efficiency and add to the international literature aspects referring to the industry of hospitality from Romania.*

**Keywords:** customer orientation, performance, hospitability industry, Romania

**JEL Classification:** L10, C10, L83

## 1. Introduction

Taking into account the competitive environment in which the hotel units activate, customer orientation has become a necessity. At the same time, to get and keep the competitive advantage, the hotel units have to exploit new opportunities, to develop new services and new products (Berthon et al, 2004; Yang, 2008) and to place the customer orientation in the heart of the company's competitiveness [10].

Customer orientation starts from the front-office service, respective from the services provided by the staff placed in direct contact with all the customers of the hotel unit. Front-office is placed at the access level of the tourists in hotel, the central point towards all the services in hotel converge [4]. Thus, a big number of previous studies focused on employees who are in the first line of the organization [10], mentioning the main variables which determined the customer orientation through services performed by the staff of the hotel units [2]:

- always willing to help;
- effectiveness of employees when problems arise;
- understands individual needs;
- courteous employees who are consistently pleasing;
- caring and individual attention freely offered;
- service delivered when promised.

Some other empirical researches have analyzed the services performed by the staff of the hotel unit as dimensions of hospitability through the following variables [1]:

- the staff of the unit know the name and the nationality of the customers (Martin, 1986),
- the staff of the unit treat the customers respectfully (Gober and Tannehill, 1984),
- the staff of the unit give a special importance to the customers (Nouwen, 1975),
- the staff of the unit is helpful for solving the problems of the customers.

The biggest part of front-office activities is recorded at the hall level compartment, respective concierge compartment, concierge staff being capable to provide the most diversified information (booking for shows, means of transport etc.) [6]. Besides this aspect, we wish to mention that the work relations between the staffs of hotel units (relations between front-office and back-office) are especially important, being necessary to create the feeling that the staff form a real team [6]. The role held by the front-office staff is extremely important, being considered in special literature as the main service provider of hotel services [9], having different ways and perspectives of service providing, based on the experience, the relation and the role within the hotel units [3].

Concerning the importance of the services provided by the staff of the hotel units, as well as the variables which formed the customer orientation in special literature studies [1] [2], we wish to mention the fact that in our research, the dimension of customer orientation is designated through the variables included in the category of services performed by the front-office and back-office staff.

The purpose of this research is to offer the hotel units managers and owners the possibility to develop new conceptions and new services orientated towards the customer. Thus, the first objective of the study is to analyze the importance level of the customer orientation for the managers of the hotel units, and the second objective is to analyze the influence of the customer orientation dimension on performance indicators. In this context we wish to present the structure of the paper under the following shape:

- theoretical background and hypotheses
- research methodology
- results, *and*
- conclusions.

This study is integrant part of a bigger quantitative research which has as objective the training of services management in hotel units from Mureș county, where there have been included the following elements: services provided by the front-office and back-office, food and beverage services, entertainment, supplementation and personalization, alongside managerial practices (services strategy, the management of quality in services, human resources and the informational technology.)

## 2. Theoretical background and hypotheses

According to Ruekert, the customer orientation is defined in the following way "degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs and implements that strategy by being responsive to customers' needs and wants" [10]. In accordance with this definition, Tajeddini (2010) mentions the fact that "the customer is the most critical external environmental factor in developing a market orientation, and organizations should develop a customer-focused strategy" [10].

Some other studies mention that the level which the employee from the first line are orientated towards the customers, is an important indicator for the success of the providing service units (Henning-Thurau, 2004; Sergeant and Frenkel), determining the formation of the customer's trust over the service offered together with managing and controlling the experience felt by the customer over the respective service [10]. Also, the quality of the interactions between the front-office staff and customer as well as the atmosphere created in the hotel unit determines the emotional value, and the satisfaction of the customer will be generated by the quality of the emotional value [1].

The empirical researches in the field have analyzed the impact of customer orientation over the performance of the hotel units, by means of quantitative studies. The results of these studies have emphasized the fact that the managers of the hotels who consider customer orientation a priority, manage to gain the profit and the desired sales together with the profitability of the investment [10].

The customer orientation represents a vital element for the industry of hospitability from Romania because the access of the great international hotel trusts/companies on the Romanian hotel market coordinated with remarkable changes in the process of management development (research - development, innovation, informational technology, human resources, strategy) has led to the enhancement of the competition. In this context, we wish to mention the fact that in the period after 2001, the hospitability industry in Romania recorded a positive tendency, materialized in the privatization of almost all hotel units which were placed in the state heritage and in the increase of the investments volume for modernizing the hotel units. According to data provided by the National Institute for Statistics (INS), period 2006-2011 was characterized by the increase of the number of hotel units with a medium annual rate of rise of 4,3% as well as the rise of hotel units number placed in private ownership with a medium annual rate of rise of 6,9%, the last one representing in 2011 - 94,5% from the total number of the hotel units [12].

Starting from these theoretical and practical reasons, we formulate the following hypotheses:

*H<sub>1</sub>: At least 50% from the hotel units included in the study have indicated the dimension of customer orientation through services provided by front-office staff as being important or very important;*

*H<sub>2</sub>: At least 50% from the hotel units included in the study have indicated the dimension of customer orientation through services provided by back-office staff as being important or very important;*

*H<sub>3</sub>: The dimension of customer orientation through services provided by front-office staff is at least medium correlative with the dimension of the performance indicators;*

*H<sub>4</sub>: The dimension of customer orientation through services provided by back-office staff is at least medium correlative with the dimension of the performance indicators.*

## 3. Research methodology

The research method of the study for collecting the data was the inquiry and the tool was the questionnaire. The population researched is formed from 42 hotel units placed in Mureș county and the data of the respondents were taken from the report "The list of the tourism structures with classified accommodation functions" presented by the Minister of Regional Development and Tourism from Romania. The researched population is of small scale, thus the study was made by means of total observation. The collecting data period was done between June - September 2012.

Beforehand, it was made the pretesting of the questionnaire, which took place in May 2012, in which were involved 15 hotel units, to be sure of the clarity of the variables included in the research and the validity of the scales used. As a result, after this phase there were brought variables formulating modifications.

Collecting data requires the use of a measurement scale, respective nominal, ordinal, interval or report scale. In our research, I used an ordinal and an interval scale. For measuring the dimension of the customer orientation, the respondents were asked to describe the degree of importance of the attributes, using a scale of Likert type, from 1 (less important) to 5 (very important). The variables which formed the dimension of the customer orientation were taken over from previous researches [1] [2] [6] [10] [11]. For measuring the performance of the hotel units included in the study, the respondents were asked to mention the efficiency degree of the indicators using the interval scale (from very small - under 20% to very big - over 80%) and to indicate the value of the incomes and spending for the year 2011, also using the interval scale (from less than 0.5 million to over 15 million RON). The indicators presented in the research are the general indicators used in the performance evaluation, respective: the turnover for each category of activity, market share, occupancy related to the number of rooms available, the value of the incomes and the value of the spending in the hotel [7].

The statistical methods used to analyze and construe the data are:

- **The Pearson correlation coefficient**, for measuring the intensity of a linear relation between two quantitative variables [8], and
- **The binomial test**, which uses the data of the study for testing the hypotheses of the research which refers to the binomial distribution,  $p$  and  $q$ , for a collectivity [5].

#### 4. Results

Testing H1 and H2 hypothesis will be made by means of binomial test, verifying if 50% from the hotel units included in the research consider the customer orientation important or very important (table 1; table 2)

**Table no. 1 The results of the binomial test for the variables which define customer orientation through front-office services**

Variables	Results	Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
The staff satisfy in an operative and creative way the requests of the customers	Group 1	$\leq 4$	19	.45	.50	.644 <sup>a</sup>
	Group 2	$> 4$	23	.55		
	Total		42	1.00		
The staff know the name and the nationality of the customers	Group 1	$\leq 4$	32	.78	.50	.000 <sup>a</sup>
	Group 2	$> 4$	9	.22		
	Total		41	1.00		
The activities check in and check out are performed in the shortest time possible	Group 1	$\leq 4$	26	.62	.50	.164 <sup>a</sup>
	Group 2	$> 4$	16	.38		
	Total		42	1.00		
The staff offer special offers and discounts to the loyal customers	Group 1	$\leq 4$	20	.48	.50	.878 <sup>a</sup>
	Group 2	$> 4$	22	.52		
	Total		42	1.00		
The staff give supplementary attention to the new customers	Group 1	$\leq 4$	30	.73	.50	.004 <sup>a</sup>
	Group 2	$> 4$	11	.27		
	Total		41	1.00		
Concierge staff offer information concerning the providing of certain services (booking tickets for shows, means of transport, etc)	Group 1	$\leq 4$	35	.83	.50	.000 <sup>a</sup>
	Group 2	$> 4$	7	.17		
	Total		42	1.00		
The customer information center is available non -stop	Group 1	$\leq 4$	24	.57	.50	.441 <sup>a</sup>
	Group 2	$> 4$	18	.43		
	Total		42	1.00		

The staff offer questionnaires for testing the opinion of the tourists concerning the quality and the satisfaction of the services offered	Group 1	<= 4	23	.58	.50	.430 <sup>a</sup>
	Group 2	> 4	17	.43		
	Total		40	1.00		

a. Based on Z Approximation.

**Table no. 2 The results of the binomial test for the variables which define the customer orientation through back-office services**

Variables	Results	Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
The professionalism of the staff is compulsory for performing the activity	Group 1	<= 4	23	.55	.50	.644 <sup>a</sup>
	Group 2	> 4	19	.45		
	Total		42	1.00		
The staff give special attention to the customers service processes	Group 1	<= 4	19	.45	.50	.644 <sup>a</sup>
	Group 2	> 4	23	.55		
	Total		42	1.00		
The staff is never too busy to fulfill the requests of the customers	Group 1	<= 4	19	.45	.50	.644 <sup>a</sup>
	Group 2	> 4	23	.55		
	Total		42	1.00		
The staff understand and know the consumption reactions of the customers	Group 1	<= 4	34	.81	.50	.000 <sup>a</sup>
	Group 2	> 4	8	.19		
	Total		42	1.00		
There are good communication relations between back-office and front-office staffs	Group 1	<= 4	23	.55	.50	.644 <sup>a</sup>
	Group 2	> 4	19	.45		
	Total		42	1.00		

a. Based on Z Approximation.

Starting from the results of the binomial test, the hypotheses H1 and H2 are infirmed. The results indicated statistical significance only for the variables: *The staff know the name and the nationality of the customers* (22% percent); *The staff give supplementary attention to the new customers* (27% percent); *Concierge staff offer information concerning the providing of certain services (booking tickets for shows, means of transport, etc)* (17% percent) and *The staff understand and know the consumption reactions of the customers* (19% percent).

Testing the hypotheses  $H_3$  and  $H_4$ , it would be done by means of Pearson parametric correlation, the afferent results being presented in table 3 and table 4.

**Table no. 3 The results of The Pearson correlation between the services provided by front-office staff and the performance indicators of the hotel units included in the study.**

VARIABLES		Occupancy	Turnover for accommodation services	Turnover for food services	Turnover for other services	Market share	Incomes	Spending
The staff satisfy with promptitude and creativity the requests of the customers	Correlation variable	.568**	.516**	.594**	.598**	.574**	.642**	.667**
	Significance level	.000	.001	.000	.000	.000	.000	.000
	N	42	42	42	42	42	41	42
The staff know the	Correlation	.359*	.474**	.442**	.584**	.484**	.513**	.531**

name and the nationality of the customers	variable							
	Significance level	.021	.002	.004	.000	.001	.001	.000
	N	41	41	41	41	41	41	41
Check in and check out activities are done in the shortest time possible	Correlation variable	.303	<b>.422**</b>	.243	.296	<b>.467**</b>	<b>.380*</b>	<b>.423**</b>
	Significance level	.051	.005	.121	.057	.002	.013	.005
	N	42	42	42	42	42	42	42
The staff offer special offers and discounts to the loyal customers	Correlation variable	<b>.356*</b>	<b>.306*</b>	<b>.306*</b>	<b>.345*</b>	<b>.327*</b>	.267	.192
	Significance level	.021	.049	.049	.025	.034	.087	.223
	N	42	42	42	42	42	42	42
The staff offer supplementary attention to the new customers	Correlation variable	.215	.215	.265	.202	.307	<b>.403**</b>	<b>.382*</b>
	Significance level	.176	.176	.094	.206	.051	.009	.014
	N	41	41	41	41	41	41	41
The concierge staff offer diverse information concerning the providing of different services	Correlation variable	.054	.175	.135	.189	.054	<b>.438**</b>	<b>.474**</b>
	Significance level	.734	.267	.395	.230	.734	.004	.002
	N	42	42	42	42	42	42	42
The customer information center is available non -stop	Correlation variable	.209	.145	.209	.262	<b>.348*</b>	<b>.314*</b>	<b>.343*</b>
	Significance level	.185	.359	.185	.093	.024	.043	.026
	N	42	42	42	42	42	42	42
The staff offer questionnaires for testing the opinion of the tourists concerning the quality and the satisfaction of the services offered	Correlation variable	.064	.146	.146	.230	.293	<b>.350*</b>	<b>.375*</b>
	Significance level	.696	.368	.368	.154	.067	.027	.017
	N	40	40	40	40	40	40	40

\*\* Correlation is significant at the 0,01 level (2-tailed)

\* Correlation is significant at the 0,05 level (2-tailed)

The results of Pearson correlation analyses from the services provided by the front - office staff and the performance indicators of the hotel units included in the study, emphasized the fact that all the variables from the *services performed by the front-office staff* category **are positively correlated**, but only for the following variables there were recorded statistical values significant for the study, thus:

- with validity  $p < 0,01$ , the variables which recorded positive correlations of medium intensity towards powerful are the following:
  - *The staff satisfy with promptitude and creativity the requests of the customers* with the indicators: *The residence degree* (0,568), *The turnover for accommodation service* (0,516), *The turnover for food providing services* (0,594), *The turnover for other services* (0,598), *Market share* (0,574), *Incomes* (0,642) and *Spending* (0,667);
  - *The staff know the names and the nationality of the customers* with the indicator *The turnover for other services* (0,584), *Incomes* (0,513) and *Spending* (0,513);
- with validity  $p < 0,01$ , the variables which recorded positive correlations of medium intensity are the following:
  - *The staff know the names and the nationality of the customers* with the indicators: *The turnover for accommodation services* (0,474), *The turnover for food providing services* (0,442) and *Market share* (0,484);
  - *The check in and check-out activities are performed in the shortest time possible* with the following indicators: *The turnover for accommodation services* (0,422), *Market share* (0,467) and *Spending* (0,423);

- *The staff give supplementary attention to the new customers with the indicator Incomes (0,403);*
- *The concierge staff offer diverse information regarding the providing of some services the indicators Incomes (0,438) and Spending (0,474);*
- with validity  $p < 0,05$ , the variables which recorded positive correlations of low intensity towards medium are the following :
  - *The staff know the names and the nationality of the customers with the indicator The residence degree (0,359).*
  - *The check in and check out activities are performed in the shortest time possible with the indicator Incomes (0,380);*
  - *The staff offer special offers and discounts to the loyal customers with the indicators: The residence degree (0,356), The turnover for the accommodation services (0,306), The turnover for food providing services (0,306), The turnover for other services (0,345) and Market share (0,327);*
  - *The staff give supplementary attention to the new customers with the indicator Spending (0,382);*
  - *The customers information center is available non-stop with the indicators: Market share (0,348), Incomes (0,314) and Spending (0,343);*
  - *The staff offer questionnaires for testing the opinion of the customers with indicators Incomes (0,350) and Spending (0,375);*

**Table no. 4 The results of the Pearson correlation analyses between the services provided by the back-office and the performance indicators of the hotel units included in the study**

VARIABLES		Occupancy	Turnover for accommodation services	Turnover for food services	Turnover for other services	Market share	Incomes	Spending
The professionalism of the staff is compulsory for performing the activity	Correlation variable	.048	.102	.048	.104	.141	<b>.449**</b>	<b>.519**</b>
	Significance level	.764	.521	.764	.510	.372	.003	.000
	N	42	42	42	42	42	42	42
The staff give special attention to the customers service processes	Correlation variable	<b>.456**</b>	<b>.398**</b>	<b>.398**</b>	<b>.413**</b>	<b>.436**</b>	<b>.312*</b>	.266
	Significance level	.002	.009	.009	.007	.004	.045	.088
	N	42	42	42	42	42	42	42
The staff is never too busy to fulfill the requests of the customers	Correlation variable	<b>.615**</b>	<b>.561**</b>	<b>.455**</b>	<b>.574**</b>	<b>.544**</b>	<b>.484**</b>	<b>.415**</b>
	Significance level	.000	.000	.002	.000	.000	.001	.006
	N	42	42	42	42	42	42	42
The staff understand and know the consumption reactions of the customers	Correlation variable	<b>.351*</b>	<b>.464**</b>	.238	<b>.425**</b>	<b>.520**</b>	<b>.534**</b>	<b>.542**</b>
	Significance level	.023	.002	.129	.005	.000	.000	.000
	N	42	42	42	42	42	42	42
There are good communication relations between back-office and front-office staffs	Correlation variable	<b>.405**</b>	<b>.364*</b>	<b>.364*</b>	<b>.441**</b>	<b>.354*</b>	<b>.396**</b>	<b>.347*</b>
	Significance level	.008	.018	.018	.003	.022	.009	.024
	N	42	42	42	42	42	42	42

\*\* Correlation is significant at the 0,01 level (2-tailed)

\* Correlation is significant at the 0,05 level (2-tailed)

For the afferent results of the correlation analyses for the category of the services performed by the back-office staff and the performance indicators, we present the following particularities:

- with validity  $p < 0,01$ , the variable *The professionalism of the staff is compulsory for performing the activity* indicates a correlation of medium intensity towards a strong one with the indicator *Spending* (0,519) and a

correlation of medium intensity with the indicator *Income* (0,449), without being statistically significant correlated with the other indicators;

- with validity  $p < 0,01$ , the variable *The staff give special attention to the customers service processes*, presents correlations of medium intensity with the indicators: *Occupancy* (0,456), *The turnover for other services* (0,413), *Market share* (0,436), *Incomes* (0,312) and correlation of low intensity towards medium with the indicators *The turnover for accommodation services* (0,398) and *The turnover for the food providing services* (0,398);
- with validity  $p < 0,01$ , the variable *The staff is never too busy to fulfill the requests of the customers*, records:
  - correlations of medium intensity towards powerful with the indicators: *Occupancy* (0,615), *The turnover for the accommodation services* (0,561), *The turnover for some other services* (0,574) and *The market share* (0,544);
  - correlation of medium intensity with the indicators: *The turnover for the food providing services* (0,455), *Incomes* (0,484) and *Spending* (0,415);
- with validity  $p < 0,01$ , the variable *The staff understand and know the consumption reactions of the customers*, records:
  - connections of medium towards powerful intensity with the indicators: *The market share* (0,520), *Incomes* (0,534) and *Spending* (0,542);
  - connections of medium intensity with the indicators *The turnover for other services* (0,425) and *The turnover for accommodation services* (0,464);
- with validity  $p < 0,05$ , the variable *The staff understands and know the consumption reactions of the customers* records a correlation of low intensity with the indicator *Occupancy* (0,351);
- with validity  $p < 0,01$ , the variable *There are good communication relations between the back-office and front-office staffs* records correlations of medium intensity with the indicators *Occupancy* (0,405) *The turnover for other services* (0,441) and a correlation of low intensity towards medium with the indicator *Incomes* (0,396);
- with validity  $p < 0,05$ , the variable *There are good communication relations between the back-office and front-office staffs* records connections of low intensity towards medium with the indicators *The turnover for the accommodation services* (0,364), *The turnover for the food providing services* (0,364), *Market share* (0,354) and *Spending* (0,347).

To conclude, the hypotheses  $H_3$  and  $H_4$ , are partially confirmed, the majority of the variables which describe customer orientation (the services provided by front-office and back-office staffs) being at least medium correlated, positively, with at least 0.05 statistic significance, with the performance indicators.

## 5. Conclusions

The results of the research done over the activity of hotel units from Mures county, emphasize a positive connection between the majority of the elements which determine the dimension of customer orientation and the performance indicators. The study has as an objective the industry of hospitality from Romania and adds to the results achieved at an international level [10] which have emphasized a tight connection, with strong statistic significance between the dimension of the orientation towards the customer and the results, respective the managers who consider the orientation towards the customer a priority, and who manage to gain the profit, the sales and the desired profitableness.

While in the international studies there has been emphasized a strong connection between the dimension of the orientation towards the customer and the results, in the present research there have been resulted positive correlations, of medium intensity. The elements which recorded the strongest connections in our study are connected to creativity, personalization, promptitude and brand loyalty, and the elements which recorded connections of low intensity are those referring to the information of the customers, testing the opinion of the customers concerning the quality of the services offered, the individualized attention and the professionalism of the staff from the managerial perspective.

In this context, we consider that is extremely important in this field of activity that managers and the owners to give special attention to the dimension of the orientation towards the customer in order to improve the quality of the services offered and to achieve the desired economical efficiency.

The present study presents certain limits as well. We mention to that effect that fact that the population included in the research belongs to one the Romanian counties with a high touristy potential. Thus, we consider that the research should be extended to the level of the Development Region Center the counties which belong to this region are: Braşov, Mureş, Covasna, Alba, Sibiu şi Harghita) or to the level of the historical zone of Transylvania.

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