Determinants of Hotel’s Service Standard: Reputation and Relationship Orientation

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Abstract

The Hotel industry of Pakistan is thriving for excellence in the arena of competitiveness. Management of hotels is striving hard to improve the service standard to satisfy the needs of customer and subsequently build and maintain long-term relationship with them. This study endeavors to investigate the influence of the relationship orientation on "Reputation" and "Service standard" and the interrelation between "Reputation" and "Service standard". Convenience sampling method was used. The data has been collected through survey questionnaires from 300 respondents. Statistical Package for the social sciences (SPSS) software was used to examine the hypothesized relationships in the research model. The findings revealed that the Relationship orientation and Mutual disclosure positively affect the hotel Reputation and Service standard, the hotel’s functional image perception; the hotel’s physical equipment, decor and environment; and the hotel’s response to customers, all are mutually related and emphasized in our variables that are significantly related to each other; therefore, they are useful for hotel management to achieve long-term growth in the hotel industry of Pakistan.

Keywords: Service standard; Reputation; Relationship orientation; Mutual disclosure

Introduction

Pakistan offers plethora of natural scenery that attracts domestic as well as international tourists, visitors and adventure seekers and it opens new business opportunities specially hotel business which substantially contribute in national economy. According to "Pakistan hotel association" Pakistan has emerged as an important investment destination for new hotels. Today, hotels are constantly increasing their work processes and use a range of equipment to make services unique such as conference equipment, swimming pools, cleaning services, and airport pickup services and other re-creational activities to attract customers. Moreover, competition in the hotel industry is high and it put stress on top management to adopt different strategies to get competitive edge and diversify their business; for instance, tourism hotels, motels, guest house, conference halls for different events, meetings and other services like accommodation, restaurant and recreational facilities. Thus, the major concern for the hotel managers’ is to beat the competitor and excel in hotel industry.

Today, firms are using Customer Relationship management tool which lead to economic and noneconomic benefits like reduce attraction and retention cost and increase existing customer contribution, improving positive word of mouth, and gain a favor of customers. [1] Stated that the increase in competitive gain of a firm in terms of ability to create value for the customer is achieved by relationship orientation and also at the same time supplements the company’s market opportunity and helps in achieving higher customer retention rates. Therefore, Hotel management is applying best marketing strategies which consist of sending birthday cards and offer discounts for dining and accommodation in order to build long-term affiliation with customer and keeping their sales staff busy in doing surveys regarding the satisfaction of customers by continuously receiving their feedbacks. Many researchers have proved that customer satisfaction is the important goal of the firm. It is one of the most basic and inevitable business element that cannot be avoided in modern times, growing importance of customer satisfaction, customer retention, increase in the customer knowledge, changes in market demand and the competition has shifted concern from transactional marketing to relationship orientation from [2]. Result of relationship orientation includes customer satisfaction, loyalty, profitability, and retention [3,4].

Reputation is defined as "to occupy distinctive place in the customers’ minds; as a result of combine ideas, feelings, behaviors and involvements with organization [5]. Reputation is considered as asset which helps organization differentiate itself in industry, maximize their market share and profits, attracting new customers, retaining existing ones, neutralizing the competitors’ action plans and most importantly; success and survival in the market [6]. Corporate culture and different operational style affect the traveler decision making in first contact with hotel and inspire them in many ways. Resultantly, reputation is built in customers’ minds. Moreover, customer perception in the form of Reputation helps to reduce financial as well as psychological costs and better understand the specific product or service when customer hear the organization name, it directly affect the perception and mind [7]. So, the main factor which affect the consumer’s decision making are reputation and it also increase the efficiency of consumers’ decision making.

Researchers has also intensified the worth of reputation and hold beliefs that it signifies the repute of enterprises and has a major influence on the guests' assessments of hotels. [8] Believed that the business market share is equivalent to the market share of reputation. Thus, price war as found in traditional business competition is not effective in today’s industry of hotels. Presently, the major challenge is to understand the customers’ demands and improving the reputation from the standpoint of customers.

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Received December 02, 2016; Accepted December 30, 2017; Published January 06, 2017


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In industry of hotels, the service standard has continuously been a chief indicator and plays pivotal role in selecting hotel for accommodation and has significant influence on customer’s desire. According to [9] Service standard results from dissimilarity of views of customers about service encounter with their views of hotels. [10] Argued that in growing competitive environment; improving service standard is the best strategy for success, moreover survival is major interest in over the years. Therefore, many hotels’ striving hard and put maximum efforts to improve the service standard. However, service standard is the outcome of previous anticipations and customer’s perception. [11] Investigated the satisfaction, relationship quality, awareness and behavior intention, and also found that customers’ behavior intention and tourism are affected by service standard.

The quality of a service, as perceived by the customer is an output of a comparison between the expectations of the customer and his real-life experiences. Similarly, reputation influence service standard because of tourist anticipations concerning service standard of hotels. Mostly tourists anticipate well accommodations and service standard from first-class hotels particularly five-star and worldwide tourism hotels than from ordinary tourism hotel. Though, few studies have proven that reputation is influenced by service standard in a positive manner.

However, handful of studies discovers the contrasting effect of reputation on service standard. From the viewpoint of the hotel proprietors, this research examined the strategies and activities integrated into hotels’ relationship orientation, while from hotel customer’s viewpoint; this research observed the behavior of consumers and their perceptions of hotels’ service standard and reputation. The research objectives are to (a) to investigate the influence of relationship orientation on reputation and service standard, (b) to investigate the interrelation between reputation and service standard in the hotel industry.

Literature Review

Various perspectives about the sources of relationship orientation exist in the literature, however most researchers usually ascribe the origin of concept to berry [12], who first proposed it with regards to Service Marketing. [12] Explained how organizations offer multiple services in order to attract, maintain and improve relations with customers. This differs from “transactional” marketing, which focuses on attracting and satisfying new clients, as opposed to building relationships [12]. Relationship orientation is not new but approaches from the past to deal with marketing [13]. An approach of marketing is relationship orientation is aimed at developing and managing long-term and trustworthy relationships with suppliers, customers and every actor in the business market [14]. Except ability of understanding the customers’ desires, the marketing strategy can also lead towards cost reduction and customer loyalty [3].

In hotel industry, practices of the relationship-marketing have a substantial and favorable influence on loyalty of customers. Research found that relationship orientation provides value for customers and is a key strategy for achieving customer loyalty. This study also shows that relationship orientation has important impact on customer behavior [15]. Ward and Dagger [1] likewise noticed that relationship orientation does not only enhance a firm’s competitive advantage in terms of “ability” to offer customer value, but also enhance firm’s market opportunity and results in high customer-retention rates. According to Ann Suwaree [16] to improve brand image and attract customers; businesses design marketing activities to promote and maintain good relationship with customers. In Thailand, a survey was conducted from hotels, it showed that such measures was taken by hotels in order to sustain long-term relationships with customers, like excellent interactions among employees and customers, may well build an affirmative reputation of a hotel. Therefore this study proposes following hypothesis:

H1: The relationship orientation of hotels to maintain customer relations positively influence the customer’s perception of the reputation.

Development of strong brands in the service oriented companies may be achieved by service personnel and specifically the frontline employees’ communication with customers. Because the behaviors, skills, attitudes, and well-behaved frontline employees can influence the perception of customers about service standard [17], moreover, in past literature [18] found a positive relationship between employees’ cooperative behavior and customers’ service standard perceptions. Therefore this study proposes following hypothesis:

H2: The relationship orientation of hotels to maintain customer relations positively influence the customer’s perception of service standard.

Service standard and reputation are known to be prerequisite to customer satisfaction and trust in order to build customer loyalty in service centers. Reputation refers to the subjective overall attitude and impression that consumers develop based on the products and services provided by the enterprises and/or on the associated experience and information attained from the consumers’ participation in related societal actions. Moreover, Nesset et al. [19] suggest that when reputation is considered as “the way in which a firm is defined in a shopper’s mind”, it is assumed to be a determinant of customer satisfaction, while when reputation is considered as “the total of what consumers think about a particular firm”, there are strong arguments for reputation to be considered an outcome of customer satisfaction. From the perspective of marketing, the impact of reputation on consumer behavior is well-recognized, despite the lack of empirical evidence [20].

Good reputation may stimulate the customers’ mood and purchasing behavior toward a company by simplifying their decisions. A general assumption is that a positive reputation will have a positive impact on consumers’ behavior towards the brand; such as the opportunity to command premium prices. Buyers who are more loyal have positive word-of-mouth of Company’s reputation [21,22]. Emphasized that not every disappointed customer apparently raise their voice about displeasing experiences by protesting to the firm, and as an alternative, they stop patronizing. However, they found that the most influencing factors affecting customers raise their voice and complain about their dissatisfaction is reputation. Customer-perceived quality directly affects the perception of reputation [23]. Favorable image of the company develop by the customers who anticipate service standard over continuous service experience, and this image helps form an emotional attachment [24]. Therefore, how to shape a positive image in consumer’s minds has turned to be a foremost management concern.

Recently, few studies indicated that food, physical environment, and service should be functioned as vital components of restaurant experience in forming the perceptions of the restaurant service standard in the restaurant industry [25]. Service standard is normally observed as a total assessment of the services delivered [26]. Some researchers defined service standard as the contrast between service perception and customer expectations. They believe that assessing service
standard as (the dissimilarity among expectations and perceptions) is authentic and permits for the identification of gaps in services which are provided to customers [27]. Every person in service providing firm interact with the clients and communicate the aspects which are associated to the behavioral and physical attributes of a company like architecture, business name, services and impression of quality and, variety of products [28].

A positive image represents an asset to the service provider, and customers often trust that the provider will not jeopardize this by decreasing its service standard level [29]. Customers nowadays are reluctant to compromise on service standard, and therefore service standard has turn out to be the key to customer acknowledgement. A firm can attain competitive advantage by offering unique perceived value that often proves challenging for the rivalry to compete with consequently increasing customer loyalty [30]. The literature shows that the relationship concerning customer satisfaction and image can go both ways, which may collectively create a collaborative influence over loyalty of customers. In other words, Greater the positive image will be expected of hotel if customers are satisfied. Possibly, customers who formed the positive images of a hotel regarding their past experiences might experience more satisfaction level throughout following visits. In San Francisco, the research of hotel guests was conducted by [31] they concluded that hotels’ service standard perception by customers is influenced by reputation. Therefore, this study proposes following hypothesis:

H3: The hotel’s reputation positively influences the customer’s perception of service standard.

As the service standard is becoming an important part of business practice in the tourism and hotel industries, it is necessary to describe clearly the quality of hotel services and develops a psychometrically sound measurement tool [32]. In response to the cut-throat competition in the restaurant industry and customers’ changeable and strict demands; promoting service standard is a necessity to maintain customer loyalty and repeat patronage [33]. The service standard has favorable impact on customer satisfaction, reputation, and loyalty of customers. Another important factor is the reputation which is dealing with the gap in the integration model of the customer loyalty, customer fulfillment, and the perceived service standard. The evaluation process of reputation consists of the customer’s perception, company reputation, the quality of the services, and the services which firms are providing. On the other hand, the association among perceived service standard and reputation is hard to examine, because of the services given by hotels comes under untouchable [34]. Consequently, many hotels’ management urge upon the betterment of hotel’s ambiance and improving the individual contact in order to convey the advantages provided by hotel, which directly build perceivable and favorable images for customers [35]. As stated by, [36] in order to resolve effectively; Effective systems should be implemented by hotel operators in order to continuously observe the customer’s desires and perception of service standard. The guests will be impressed and level of satisfaction will be raised by such kind of systems. Resultantly, additional favorable perception of hotel’s reputation will be made when customers are highly satisfied. Therefore this study proposes following hypothesis (Figure 1).

H4: The customer’s perception of service standard positively influences hotel’s reputation.

Based on above literature review; this study develops conceptual framework proposed by Wen-Jung Chen & Mei-Liang Chen for study. In figure below, the main variable of the study are relationship orientation, reputation and service standard.

Research Methodology

Sampling and data collection

The objective of the study was to investigate the influence of relationship orientation on service standard and reputation and interrelationship between reputation and service standard in the hotel industry of Pakistan. The target population of this study was the tourists, visitors and adventure seeker who had stayed in the hotels. Total 300 questionnaires were distributed among the respondents in different cities of Pakistan, 227 were returned. The respondents were selected conveniently and asked to complete questionnaire. The valid response rate was the 75.67%, male respondents were 81.5% (141) and female 18.5% (41). The first part of the questionnaire contained nine questions relating to Relationship orientation dimension (relationship orientation and mutual disclosure). The second part of the questionnaire contains 10 questions related to the reputation dimension (operational image and functional image). Another section includes items related to service standard dimension (reliable and earnest services, physical equipment, decoration and environment, personal concern and response to customers).

Measures

The variables in this study were measured with scales obtained from the literature. Five point Likert-type questions were used (1=strongly disagree and 5=strongly agree.) Relationship orientation was measured according to the dimensions [37] and its Cronbach alpha is 0.89.
The instrument used to measure reputation dimension (operational image and functional image) has been adapted from [38-40] and its Cronbach alpha is 0.87. The items suggested by [9] to cover service standard dimension (reliable and earnest services, physical equipment, decoration and environment, personal concern and response to customers and its Cronbach alpha is 0.90.

Data analysis

Statistical package for social sciences software was used for data analysis. To measure the internal consistency of scales reliability analysis was conducted by computing the Cronbach alpha in the analysis process. A descriptive statistical analysis was performed to gather demographic information of the respondents. Correlation analysis was conducted to check the relationship among the variables of the study. A hierarchical regression analysis was performed to know the best influence of relationship orientation on service standard and reputation moreover a simultaneous regression was also performed to know the interrelationship between service standard and reputation.

Results and Discussion

The Figure 2 presents the descriptive statistics of research variable dimensions which highlights lowest to highest means ranged from 3.491 to 3.936 respectively and standard deviations ranged from 0.511 to 0.729 respectively. In relationship orientation; mutual disclosure dimension has the highest mean score which is 3.665. In reputation, the operational image dimension has the highest mean score is 3.745. The dimensions of service standard consist the decoration, physical equipment and environment has top scored mean which is 3.937. Moreover, to see the relationship among the research variables; correlation analysis was performed which has also been showed in Figure 2, that clearly indicate the research variable dimensions are highly correlated to each other. This research furthermore investigates that relationship orientation, service standard, and reputation are highly correlated with each other. So, hierarchical regression has been performed to find the influence of these variables on each other, results are presented in Figure 3.

At first level; basic personal data, the reputation by gender’s explanatory influence (β=0.047, t=1.384, p=0.168) is larger than other variables in basic personal data, signifying that high income leads customer to experience the hotel service and they build reputation higher than those who have less income. At second level, the mutual disclosure’s explanatory power (β=0.277, t=4.299, p=0.00) is larger than relationship orientation. At third level, response to customers (β=0.45, t=6.788, p=0.00) has the greatest explanatory-power on reputation, and reliable and earnest services (β=0.21, t=3.714, p=0.00) has the second greatest influence (Figure 4).

Hence, H1 in the research maintains customer relationships by relationship-marketing activities of hotels has positive influence on perception of customers about reputation, is proved. For hypothesis 2, results are presented in blow Figure 4. At first level, basic personal data; the service standard by explanatory-power of education attainment (β=0.083, t=0.117, p=0.117) stands bigger than rest of variables in personal basic data, thus signifying that the higher the education level, greater the score for service standard. At second level, the mutual disclosure’s explanatory-power (β=0.287, t=4.583, p=0.00) is bigger than relationship orientation. The functional image at third level (β=0.213, t=3.678, p=0.002) has larger explanatory power on service standard than operational image. Hence as research of H2, the hotels maintain customer relations by relationship orientation actions has positive influence on perception of service standard by customer’s, is proved.

A model that is simultaneous regression was performed towards examining the interrelationship concerning service standard and reputation which is presented in Figure 5. For H3; functional and operational image as independent variable and service standard as dependent variable results are shown in Figure 5 which indicates that the proposed model is appropriate and results are significant, as R2=0.37 and p=0. However, functional image (β=0.386, t=5.33, p=0.00) have the finest and highest explanatory power, thus reputation of hotel favorably influence the service perception.

Simultaneous regression was performed to examine the interrelationship concerning reputation and service standard presented in Figure 5, for H4 of service standard dimensions comprising reliable and earnest services; decor, physical equipment, décor and environment; response to customers; and personal concern as independent variables and reputation as the dependent variable results are shown in Figure 5 which indicates that the proposed model is fit and results are significant, as R2=0.562 and p=0. However the dimension of service standard reliable and earnest services (β=0.246, t=4.385, p=0.00) response to customer (β=0.538, t=8.307, p=0.001) have the greatest and best explanatory-power. Hence perception of

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Figure 2: Frequency analysis and correlation analysis of research.
service standard by customer has favorable influence on reputation of hotels.

**Conclusion and Recommendation**

This study investigated the influence of the relationship orientation on service standard, reputation and the interrelation between service standard and reputation of hotel industry of Pakistan. This study has revealed some interesting facts, and this research found that the hotel's relationship oriented actions comprising of sustaining long term relationship, associations with customers and voluntary action for creating the functional image of the hotel's assets to leave lasting impression in customers' minds, providing fast and suitable services and response to customer while their interaction with service. All these factors lead to produce good reputation and also have significant influence on the perception of customers and hotel's service standard evaluation. This research adds value to the existing body of knowledge especially in Hospitality Management to recognize the importance of supreme factors that impacts the service standard and hotel image by designing effective model of relationship orientation, reputation and service standard.
As a consequence of the research, the recommendations for hotels’ management are: Firstly, the Hotel staff must recognize customers’ specific needs, wants and communicate with them through valuable interaction with customers in order to make long term relationships; offer discounted dining coupons, send cards on their anniversary or birthdays. Secondly, restaurant services, cleanliness, comfortable and peaceful accommodation should be provided in order to improve performance of service in order to form loyalty and increase the sales. Hotel Management should renew the communication infrastructure like wireless internet connection and additional proper communication tools and services because almost every customer uses laptops, tablets and smart-phones due to pervasiveness of technology customer expect fast Wi-Fi and other necessary service. Thirdly, voluntary actions and providing way out to their problems are essential to customers’ performance of service in order to form loyalty and increase the sales.

Limitations and Future Research

Although this study presented important findings, some limitation must be acknowledged. First, tourism was the main subject of this research; However hotel is not limited to the hospitality management there are motels restaurants and guest house are the part of this industry and they can have multiple needs wants and demands. To be specific, motels can cope up with the changing demands of consumers. Resultantly, tourism hotels are surrounded by such enterprises which are undeniable competitors. For that reason, studies in future can examine interrelation among, service standard, reputation, and relationship orientation of motels and business hotels that have dissimilar operating features and behavior of owners. Second, prospective factors which affect the customers’ service standard and reputation perceptions are customers’ individual traits, reason for travel, and values which were not part of this research but only demographic characteristics of respondents were part of this research. Therefore, prospective research study can discover the potential customers for hotels industry to deliver concrete guidance to the entrepreneurs and owners as they can plot customer relation and marketing strategies to attain maintain and retain customers. Third, sample size is small therefore there is vitality for further research that can be conducted; therefore results may have differential impacts on relationship orientation, service standard and reputation.

References


