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Effect of Customer Focus on the Performance of the Hotel Industry in Kenya

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Abstract: Customers are important constituents in the hotel industry. In business environment where competition is fierce and customer preferences shifting, organizations come under pressure to pay attention to customers to achieve competitive performance. The purpose of the study was to investigate the effect of customer focus on hotel performance in Kenya. The study concentrated on high standard or four and five star hotels in Nairobi and employed a quantitative research design to determine the effect. A sample of 146 respondents comprising of senior managers including Chief Executive Officers, Line Managers (ICT, HR, Marketing, Food and Beverage and Room) out 234 target population in 39 hotels were aimed at but only 105 questionnaires were returned. Data was collected, classified and tabulated according to research objective. Afterwards, descriptive statistics using central tendency, measure of variability and standard deviation was utilized. Inferential statistics was used to find out level of association between independent and dependent variables. The study concludes that customer focus has positive effect on the performance of star rated hotels. Consequently, hotel needs to strategically align its processes to customer needs and develop a culture that attracts and retains them. The study recommends that hotel targets customer satisfaction as a matter of priority through developing an innovative system that connects it with customers, awards credit or points for use of facility and provide updates and feedback. It also recommends that hotel invests in developing capacities of staff for them to have competence to manage customers effectively.
Keywords: Effect, Customer Focus, Performance, Star Rated, Hotels, Kenya.

INTRODUCTION

Customers are important constituents in the hotel industry. In business environment where competition is fierce and customer preferences shifting, organizations come under pressure to pay attention to customers to achieve competitive performance. Businesses have become increasingly aware that poorly managed customer relationship causes disconnected sales.

Running any business effectively and efficiently requires understanding of key drivers of performance. Researchers believe improvements in hotel performance can be achieved using different approaches including customer focus. Customers are generally agreed to be essential assets of an organization [1] and that they are pivotal to achieving sustainable performance [2].

Hotel is a major enterprise in modern economy and in Kenya, it was considered one of the leading sectors that create jobs and increase foreign exchange earnings. In Kenya, the industry was vibrant because it is a regional business hub with good game parks. As a result, many luxury hotels came up to offer services in the growing hospitality industry. The industry supports the economy through foreign exchange earnings, employment, contribution to tax revenue base and other related sectors of the economy. Customers are central to the performance of hotels and according to European Centre for Business Excellence, there is a link between customer focus and business performance [3].

Trends in the hotel industry in Kenya in the last few years show a drop in bed-night occupancy. Consequently, hotels operated at 40.3% which was below optimal level (Kenya Institute of Public Policy and Research Analysis [4]. Similarly, Price water house Coopers [5] outlook showed Kenya's hotel industry declined for three consecutive years by 6.6% in 2012, 2.6% in 2013 and 5.3% in 2014. The industry was sliding into slump and required strategies to revamp it back to optimal performance and if it had to remain operational it must adapt practices that lead to sales growth and improve service delivery. This paper examines the effect customer focus (CF) have on the performance of hotels in Kenya.

OBJECTIVE OF THE STUDY

To examine the effect of customer focus on the performance of the hotel industry in Kenya.

Hypothesis

Ho: Customer focus has no significant effect on the performance of the hotel industry in Kenya.

Theoretical Framework

Customer behavior theory was used to guide this study. Customers are assumed to be rational in decision making and their resolutions are based on hierarchy of needs as described by Maslow [6]. Schiffman and Kanuk [7], explained consumer behavior as the conduct consumer displays in searching for, purchasing, using, evaluating and disposing products and services that satisfy their needs. The theory posits that consumer behavior is driven by carefully reasoned action [8], but Stern [9] brings in elements of impulse buying that is sudden and influenced by external stimuli. Accordingly Kotler *et al* [10], contend that external forces such as social, situational, psychological and market factors influence consumer behavior. Whereas external factors affect consumer behavior, consumers also influence and shape market forces of demand and supply, hence understanding dynamics involved in consumer behavior assist enterprises develop appropriate corporate strategies.

Empirical review

Ongori, Iravo and Munene [11] investigated why hotels and restaurants in Kisii County, Kenya were drastically declining in performance and even closing down at an alarming rate. The study reviewed strategic plans, employee skills and knowledge and customer satisfaction. The findings show that future direction of organizations was determined by how people working in that organization interact and collaborate with each other, with customers and stakeholders. The study signified the importance of training and customer interaction to the performance of organizations. With regards to customer interaction, Mokhtar [2] noted the practices of customer focus were identified as pivotal for any organization seeking to reach a level of sustainable performance.

Research gaps

The hotel industry in Kenya operates in a turbulent business environment. A number of studies on the performance of the hotel industry identified gaps that need a study. For instance, Wadongo *et al* [12] investigated performance indicators selecting managerial roles and choice of performance measures. Among the gaps identified include human resource management. Shikuri and Chepkwony [13] studied entrepreneurial challenges facing hospitality industry in Kericho County, Kenya and found out shortage of competent manpower as the main challenge. Incompetent manpower handles customers inappropriately and impacts them negatively. Similarly, Ongori *et al* [11] studied factors affecting performance of hotels and restaurants in Kenya with specific reference to Kisii and established gaps in customer satisfaction among other factors. Customer satisfaction and competent manpower are twin gaps considered to have great bearing on the performance of the hotel industry.

Critique of the literature relevant to the study

Customer focus which is synonymously used as customer orientation is charged to have conceptual and methodological problems. Bhardwaj [14] reviewed a number of studies and established customer orientation is used as behavioral construct that examines generation of information about the buyer. The review revealed information collected may not be shared with customer, therefore biased subjectively towards the vendor's view about the customer. To validate information about the customer it needs to be shared with source. Customers have varied background and rich experiences producing differentiated narratives and world view, but Bhardwaj [14] presents a an argument that data collection is tangent on the vendors plan and what is important and relevant to be collected and not customer's view of what is significant prompting loss of valuable but intangible information.

Organizational Performance

Performance is explained by Owiti [15] as the ability of an organization to fulfil its mission through sound management, strong governance and persistent rededication to achieve results. For Lebans and Euske [16] organizational performance is a set of financial and non-financial indicators which offered information on the degree of achievement of objectives and result. However, Gavrea *et al* [17] contends that the concept of organizational performance is difficult to explain because of its many meanings and that there wasn't a universally accepted definition of the concept of organizational performance. Nevertheless, academics use indicators to measure organizational achievement of its objectives and results. For instance, Odhiambo [18] described organizational performance in three broad terms. a) Goal approach: Achieving definite identifiable goals. b) Systems approach: Creating relationship between the organization and its environment and ability to secure limited and valued resources in the environment. c) Process perspectives which defined performance in terms of efficiency of the process of an organization, and outcome of transformation.

There are a number of indicators in measuring organizational performance, such as financial (profitability, turnover, sales and liquidity) and non-financial indicators (competitiveness, quality of service, resource utilization and innovativeness). Wadongo, Odhuno, Kambona and Othuon [12] hold a view that financial performance should not be used in

organizational performance because financial measures are associated with a number of weaknesses, including their accuracy, neutrality, summarized and irrelevant due to the accounting period delay. Accordingly, the authors (ibid) said non-financial measures were deemed to be more effective. Since performance is a multidimensional construct this study examine customer focus in terms of employee satisfaction and innovations as constructs that contribute to hotel performance.

Customer focus and performance improvement

In a business environment where competition is growing fierce and customer preference shifting by the day, organizations come under pressure to adjust and manage environmental variations thoughtfully. An area of great concern is the management of the customer because customers are considered essential assets in any organization [1]. A number of studies show existence of a positive correlation between customer focus and organization performance. For instance, Mokhtar [2] noted that the practice of customer focus was identified as pivotal for any organization seeking to reach a level of sustainable performance. Similarly, Verhoef and Lemon [19] observed that firms with strong practice of customer focus move beyond the objective of dealing with products and services that met customer expectation. Consequently, they argue that when customer expectations are exceeded, they get satisfied causing repeat business and refer potential customer to the firm.

European Centre for Business Excellence examined the link between business excellence practices, customer focus and business performance and concluded that nurturing a culture that focuses and services customer needs improves competitive performance [3]. Alam [20] corroborates the findings and suggests the practice has a positive impact on the organization; such as employee satisfaction, innovation and cost benefits on performance measures. It is appreciated here that hotel collects a lot of information on customers, which information is used to recognize customer behavior with respect to expectations and the market. Such information includes data collection and data analysis which give insights into the dynamics of customer requirement and complaint management. Rigby [21] observed that information collected through customer interactions support effective customer service programs, generate more reliable sales forecasts, provide feedback on customer preferences and problems to product designs, assist gather market research on customers, enable sales representative to see financial impact on different configurations before they set prices and improves customer retention. Otherwise, customer ambiguities can lead to different interpretations engendering wrong response resulting in missed opportunities and weak competitiveness.

According to Spanjol, Qualls and Rosa [22] customer orientation which is sometimes used interchangeably with customer focus have a positive influence on new product ideation which is used for generating new product ideas. In essence, customer focus is a platform or a business philosophy for aligning hotel's offer to customer need. The basic assumption is that meeting a customer's need provides notable customer value that results in superior performance and hotel profitability.

METHODOLOGY

The study applied quantitative research design to determine effect of customer focus on the performance of hotels in Kenya. Quantitative approaches are used to establish associations among study variables and are also used to determine reliability and validity of data to test hypothesis of the study [23]. Arasa and K'Obonyo [24] argue that analytical quantitative approach is the most appropriate method of addressing research objectives.

The target population of the study was 234 respondents comprising of senior managers of star rated hotels in Nairobi. These managers were; Chief Executive Officers (CEOs) and Line Managers (Food and Beverage, ICT, Marketing, Human Resource, Room). These managers were targeted because the CEOs were in-charge of Policy and Operations of the hotel. The position made the holder cognizant of the importance of customer focus in enhancing performance at the hotel. Line managers were technical officers who run departmental operations and advised the CEO on improving performance. A sample of 146 respondents were selected but only 105 returned the questionnaires.

Data was collected through self-administered questionnaire to get perceptions and opinions of the respondents in the performance of the hotel industry. It was examined to check whether it described associations and effect of the independent variable on the dependent variable (CF). Data was analyzed to compute coefficient of correlation and for systematic variance in the dependent variable due to the independent variable.

In analyzing the quantitative data, a simple linear regression model was used to check the effect of customer focus on the performance of hotels in Nairobi. Mugenda and Mugenda [25] state that relationships and predictions among variables are best determined using correlation and regression techniques.

RESEARCH FINDINGS AND DISCUSSION
Demographic analysis

In the demographic analysis, more male than female were found to be managers which suggest the industry was dominated by men. The managers were

youthful with high academic qualifications that were considered positive and significant in leadership preparations. A great number of managers had four years and above in their position which was viewed to give institutional memory to reflect on hotel's management practices. Managerial experience was regarded as an essential factor in the performance of hotels. The majority of hotels operated over ten years and with a bed capacity between 100 to 150 and accommodation stood out as the main offer. Hotels were patronized by international travelers and non-governmental organizations. Staff layoff was low despite dropped in bed occupancy.

Quantitative results

The study had customer focus the single independent variable which was used to find out the effect it had on hotel performance. The following statistical model was used.

$$Y = \beta_o + \beta_1 X_1 + \varepsilon,$$

Where,

Y = Dependent variable (Hotel Performance)
β_o = the constant (the predicted value of Y when X = 0)
β_1 = regression coefficient of the independent variable (the number of points Y changes on average for each one point change in X)
X_1 = Independent variable (Customer Focus)

ε = error term or stochastic term.

Hypothesis Statement

Ho: Customer Focus (CF) has no significant effect on the performance of star rated hotels in Kenya.

Hypothesis testing

Pearson's zero order coefficient of correlation (Beta test).
Ho: $\beta_1 = 0$
Ha: $\beta_1 \neq 0$

Conduct a t-test to examine significance of the effect of Customer Focus on the performance of hotel. Conduct F-test (ANOVA test) to check overall significance of the simple linear regression model

Decision rule

Reject the Ho: if p-value is ≤ 0.05. Otherwise fail to reject. If not, reject p-value is ≥ 0.05.

Hotel Performance (HP) = α+ B_1CF + ε

Where;
HP = aggregate mean score of hotel performance
α = y- intercept
β_1 = Regression Coefficient (Beta)
CF = Customer Focus
ε = error term random or stochastic term.

Table 1: Correlations

		Hotel Performance	Customer Focus
Pearson Correlation	Hotel Performance	1.000	.480
	Customer Focus	.480	1.000
Sig. (1-tailed)	Hotel Performance	.	.000
	Customer Focus	.000	.
N	Hotel Performance	105	105
	Customer Focus	105	105

Pearson correlation was used to show the relationship between independent variable (customer focus) and the dependent variable (hotel performance) in Kenya. Hotel performance was reported to have a positive and moderate relationship (.480) with customer focus with p-value < 5% as shown in table 1. Since customer focus is vital to the success of business, paying attention to customer's need are important. The findings are in agreement with other studies. For instance, Mokhtar [2] note that the practice of customer focus was identified as pivotal for any organization seeking to reach a level of sustainable performance. Similarly, Verhoef and Lemon [19] show that firms with strong practices on customer focus moved beyond the objectives of delivering products and services that meet customer expectation.

Table 2: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.480[a]	.230	.223	.67474	.230	30.801	1	103	.000
a. Predictors: (Constant), Customer Focus									
b. Dependent Variable: Hotel Performance									

A simple linear regression technique was used with hotel performance as the dependent variable and customer focus as the single independent variable. In a regression with a single independent variable, the R

square is the square of the correlation with the dependent variable. In this study, R square explained that 23% of the variation in hotel performance was by customer focus. Consequently, hotel performance was predicted to increase by 48% when customer focus variable increased by one unit. Since the results show customer focus was different from zero, it had genuine effect on the performance of hotels.

Table 3: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.023	1	14.023	30.801	.000^b
	Residual	46.893	103	.455		
	Total	60.916	104			
a. Dependent Variable: Hotel Performance						
b. Predictors: (Constant), Customer Focus						

Analysis of Variance (ANOVA) was used to develop an explanation for the observed data. The output of ANOVA in table 3 shows the sum of squares was 14.023, the degree of freedom was 1, F test (30.801) and significance level (.000). Since F test was significant, the strength of association between the independent variable (Customer Focus) and the dependent variable (hotel performance) was measured using Omega Squared (ώ).

Omega Square or

$$\acute{\omega}^2 = \frac{SS_B - (K-1)\, MS_W}{SS_T + MS_W}$$

Where;
SS = Sum of Squares
K-1 = Degree of Freedom

MS = Mean Squares

$$= \frac{14.023 - (1-1).455}{60.916 + .455}$$

$$= \frac{14.023}{61.371}$$

$$= 0.228$$

The output of Omega Squares explains that the independent variable (Customer Focus) accounted for approximately 22.8%% of the variance of the dependent variable (Hotel performance). F test was significant and the p-value was less than the threshold (significance level of 0.05), it was therefore concluded that the null hypothesis be rejected.

Table 4: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	2.062	.335		6.157	.000			
	Customer Focus	.424	.076	.480	5.550	.000	.480	.480	.480
a. Dependent Variable: Hotel_Performance									

Table 4 shows t-test gave a positive figure of 5.550 which is greater than the standard variate (1.96) and a p-value of the relationship of .000 which was also less than the alpha value of .05. The results submit that there was a positive relationship between customer focus and hotel performance in Kenya. The findings of the test rejects the null hypothesis that;

'Ho: Customer Focus (CF) has no significant effect on the performance of star rated hotels in Nairobi'. Hotel Performance (HP) = 2.062 (constant) + .424 (Customer focus) which tell us that hotel performance was predicted to increase by .424 when customer focus variable goes up by one unit. The test reveals that customer focus is an important practice in improving the performance of hotel industry in Kenya.

KEY RESULTS

The key result of the study show customer focus have positive effect on hotels performance. The findings suggest data management, employee satisfaction, innovations and internal communications as important ingredients in customer focus. These elements give tips and information on customer satisfaction. Paying attention to them are important indicator in hotel performance because as Racela [26] inferred in customer orientation, the elements are parts of the engine that drives hotel's ability to create and deliver superior customer value, and greater business performance. Customers are hotel's essential assets and attempts to understand dynamics that influence their behavior and respond positively would benefit customers and hotel's performance.

CONCLUSION`

The results reveal customer focus and hotel performance have positive relationship. It advances the argument that customers are at the center of business operations and play important role in hotel performance. Businesses have become increasingly aware that poorly managed customer relationship causes disconnected sales. Consequently, hotel needs to strategically align its processes to customer needs and develop a culture that attracts and retains them. The findings conclude that it is prudent for hotel to recognize customers as solid pillar of its success and cultivate close relationship.

RECOMMENDATIONS

In a business environment where competition is fierce, this study recommends that hotel develops an innovative system that connects it with customers, awards credit or points for use of facility and provides them and hotel with updates and feedback.

To build a strong bond with customers and improve convenience, the study recommends that hotel develops a model of remote service delivery. To maximize on human potentials, hotel invests in capacity development of its staff.

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