

DOES AN SME HOTEL ADOPT CUSTOMER ORIENTATION? (A Case Study in an SME Hotel in Solo, Central Java, Indonesia)

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Abstract

The adoption of customer orientation by an SME hotel trying to fight for excellence in a robust competition has drawn the writer's interest. The research question to answer is: How the SME hotel adopts the customer orientation to respond to the competition and the changing environment. The research approach is qualitative. The informants are members of the hotel management staff having hands on managerial and supervisory responsibilities. Besides interviews, the writer conducted observation and triangulation. The result of this research shows that the hotel adopts customer orientation informally. They collect, distribute and respond to the information in line with their limited knowledge and capability in a financial constraint. A unique work culture of 'gotong royong' is created where efforts are aimed at responding to customers' interest, satisfaction and value. The inductive process in this research enables the writer to construct a mini theory which should be proved true by quantitative researches.

Keywords: *customer orientation; knowledge constraints; financial constraints; work culture*

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Introduction

The rush of globalization, especially the South East Asia Economic Community commencing January, last year, has, for a while, been encouraging for businesses in general in Indonesia. Along with it come, among others, international hotels, playing not only in the high end market, but also in the down under, around the SME hotel arena. Some local SME hotels do not have enough arsenal for competing with those, and they are content with serving the locals, and a few international backpackers, not because they are forced to move to the margin, but rather because this individual market has been untouched or overlooked by most players in the competitive market. Prior to this new wave of giant hotels thrusting with their sophisticated system and management, the SME hotels were happy playing on their captive MICE market. Unfortunately, the government regulation which forbade meetings in hotels for all government officials was stipulated as the Ministry regulation number 6, 2015. The regulation was meant for efficiency but it was a negative stake for hotels. Facing these double stabs right into the heart, SME hotels started to change their strategy.

They have changed their orientation to the MICE (Meetings Incentives, Conference, and Exhibition) captive market to the more challenging individual customers, while still knocking at the doors of small MICE customers of the private businesses. Customers have since then been the focus of their attention. They have to compete not only in promoting their hotels, but more importantly is to create good customer experience by excellent services, and, to retain the existing while attracting the new. This is a new attractive and useful field research for the writer, wishing that the result would be a positive contribution to both the practitioner as well as the service marketing science.

Market orientation as a philosophy and practice in marketing products and services has been adopted by many, since its first introduced by Kohli and Jaworski in 1990, followed by Narver and Slater in the same year. The writers agree on market orientation with its three components, i.e. Customer Orientation, Competitor Orientation, and Inter-Functional Coordination. The writer decides to focus on the customer orientation, in the hope that both service people in the operational as well as the high rank decision makers realize the importance of good and even excellent customer-staff interaction in gaining new and retaining profitable customers. Consequently, the research question to answer in this research is: How the SME hotels adopt the customer orientation to respond to the competition caused by the changing environment.

Literature Review

Kohli and Jaworski (1990) state that *“to be customer oriented implies that a firm is actively engaged in the organization-wide generation, dissemination of, and responsiveness to, market intelligence.”* Indeed, from the information that the organization always tries to access, and its dissemination, an organization can determine what activities to be performed to satisfy the customers and give them value. Deshpande et al. (1993) give a special attention on the creation of value for the customers and also all stakeholders in his definition of customer orientation, i.e. *“the set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders in order to develop a long-term profitable (viable) enterprise.”* Information appears to be the starting point of all the service activities along the “Service Blue Print” (Bitner et al., 2007). Customer orientation is the final result of the whole process to become “a way of thinking and business practice where each decision of the company is in sync with customer’s requirements.” (Bauer-Beracs, 2006).

Kennedy et al. (2003) conclude their research results that customer orientation can only be implemented if the entire levels in the organization put the customers’ interest and satisfaction as their number one goal in their activities. The value creation as proposed by those writers comes from the staff voluntarily, out of their caring heart to make the customers happy. Customer orientation is not customer satisfaction built on the staff “misery”, but rather, it is mutual happiness, which takes place because of both parties’ endeavor.

Supportive to Kennedy et al. (2003), Karniven and Bennett (2003) suggest an integrated customer orientation in which the individual service to the customer is a reflection of what happens on the back stage. This notion is confirmed by many in the service industry (Ciric et al., 2014; Consuegra et al., 2006; Mignon and He, 2005; Hilman and Kaliappen, 2014). Kandampully (2006) and Punz et al. (2010) also put much emphasis on the back stage process in the creation of value and customer satisfaction, way far back to the service planning using the relevant information including information on the business environment and changing wants of the customers.

The conclusion of all the above-mentioned, is that the adoption of customer orientation should include:

- (a) making information actively available, disseminated, and responded by all the staff in all levels of management and operational of the organization
- (b) having a set of beliefs to put the customers’ interest as the most important issue

- (c) deciding upon sustainable profitability as the organizational goal
- (d) always trying to create a work culture transformation
- (e) enhancing the back stage process to create value to the customers
- (f) motivating all the staff and train them to care for the customers, creating satisfaction
- (g) never losing track of the business environment changes.

On stage customer service in a customer oriented hotel will yield customer satisfaction (Ye and Liang, 2010). In this case the writers insist on the need of the front liners' skills both technologically and communicatively. It involves not just their brain but also their personality, behavior, and motivation, which also depend on the personal characteristics. Those characteristics create trust and because of trust, there is repeat purchase. Persulesy (2008) found out that promotion is one strong factor that influences purchase. However, those on stage customer service must be supported by the back stage process in the form of organizational commitment to train and assure the availability of the overall compensation and remuneration for the wellbeing of the front liners (Noor et al., 2010; Mayasari, 2002; Heiko and Kowalkovski, 2012; Hechanova et al., 2006). When a hotel adopts the customer orientation, it must focus on value creation for the customers, which starts from the management, down to the operational staff commitment. Wisaksono (2014) confirms that organizational commitment is influenced by job involvement.

Method

The method used in this descriptive research is qualitative case study. Qualitative research is inductive in nature, where everything starts from the empirical observation (Sekaran and Bougie, 2009). Sekaran and Bougie (2009) also states that a qualitative research is explorative in nature, it is necessary to explore because there is an unknown situation and there is no information available. As Yin (2003) states, this research focuses on the questions of "how" and "why". Beside observation, guided in depth interviews are conducted. In this case the writer cannot manipulate the behavior of the informants. Instead, the writer describes the contextual condition because she believes that the condition has (in a way or the other) a connection with the phenomena researched upon. As the researcher's subjectivity in this case is most of the time present, the writer tries to minimize it by employing the triangulation technique. Beside data from the research objects obtained from the designated informants, the writer interviewed the hotel guests on site and noted the guests' comments in the hotel and travel agencies' websites. Answers to the research

questions are then, presented. The data obtained is, afterwards, coded and categorized (Bendasoli, 2013).

From the categories, the writer extracts some ideas, which then creates themes. Some themes are one way or the other, connected with each other. All the connections create propositions, and from those propositions, the writer constructs a model and infer a theory. Writers calls this as mini theory (Ihalauw, 2016; Bendassolli, 2013; Torraco, 2002). Theory built in this process should be further proved true in other researches, especially, quantitative ones.

The object of the research is a two-three starred hotel located in the heart of Surakarta (Solo), which is a city with two Javanese Kingdoms, Kesultanan Mangkunegaran and Kesultanan Paku Buanan. The municipality promotes the city as a destination for business, cultural and shopping tourism. The informants are determined on the following criteria as suggested by Marshall (1996): Role in community, Knowledge, Willingness, Communicability, Impartiality. The role in community criteria in this research translates into the role in the hotel business. Using the criteria, the writer determines three groups of informants, who are the hotel staff, some informants the writer met on site and on line comments of users. They are specifically:

1. The Sales Executive
2. The Front Office Supervisor
3. The Human Resource Manager
4. On site users
5. On line users

Findings

The hotel is located on the second main street of the city. Around the hotel, there are a busy shopping area, a unique and traditional flower market, serving buyers of bouquets, flowers and incense for offerings, a market where they sell antiques, and the big old traditional market. The hotel belongs to a conglomerate corporation. Meetings were then getting more and more frequent in the individual company in the corporation, as well as ones conducted by the corporation. The need for accommodations and appropriate venues for meetings was urgent. There was a pressing need to have a corporation owned hotel for effectiveness and efficiency, and so the hotel (the research object) was established. This is the reason why the hotel has a strong captive market. However, the market of individual

travelers is equally attracting to compensate for the loss of the government MICE market. This two-star hotel is trying to act like a three-star by struggling to serve the customer with items like laundry service, special food of Solo, spa, etc. by outsourcing. It is very hard for them to expand both physically and in terms of facilities. There is no space left, and the budget is limited.

Customer orientation was too scientific and alien word for the management and the staff, but they cared for the customers and tried very hard to create value for them. They do it out of their own commitment to be acceptable in the working environment. They would say that customer service is important. To have repeated buyers is good. Observation on how they actually work spurs out the writer's curiosity as to how they automatically do their work with nobody supervising. It can be seen that they do anything needed doing to please the customers. They work without considering who or what position they are in. They support each other in the spirit of "Gotong Royong," which is the inner characteristic of the Javanese work and life culture. Leading by example is common. Multitasking is their habit. The Human Resource Manager confirmed that it was their work/organizational culture, where trust, objective directed behavior, and empowerment were their everyday drive to work. The merits of organizational culture are almost innate. Job involvement created by the multitasking and cooperation (gotong royong) in the hotel results in organizational commitment.

The front office supervisor admitted that the operational staff were trained in using the front desk speech scripts in Indonesian and English. However, this is not that strict. Creativity is more appreciated. They adapt to the culture of the customers. They are trained to speak Bahasa Indonesia (Indonesian), as the lingua franca. However, most of the time they switch codes from Indonesian to Javanese, just because the customers are Javanese. They switch codes also from the formal, high rank Javanese to everyday Javanese when they get familiar with each other. "This enhances the relationship," said the sales executive and of course, it makes the customers feel easier. Scripting in the flow of tasks in the back stage process is also given in the training session. This too is flexible. They try to help each other where completion of tasks seems to get stuck.

Apart from the customers coming through the front desk, the hotel tries proactively visit existing loyal MICE customers and those considered potential customers. They also create relationship with both individual frequent customers and new customers by sending them birthday cards and special offers. They always take part in the (weekly) Solo Car Free

Day, distributing brochures and talking to the participants to get to know them, especially their needs and wants for hotel services. They also get in some of the brand communities of motorists to offer their service. All the efforts give them good sales results, and increase their occupancy rate up to 60% (the average occupancy rate for the city is 40%).

Unfortunately, in the interviews the writer found an attitude and expression of resentment concerning the compensation for the operational staff. They perceived unfair compensation in the company policy. They worked their best but in their heart they were not contented. As confidential as it was, they talked about tips from guests that went to the company not to them. This explains about the high turn over of the operational staff.

The owner of the hotel relies fully on the manager concerning the management of the hotel, but they have monthly meeting where everybody reports to her. All the discussions in the meeting end with whether one action yields values and profits for the company. Profit is the owner's only concern. Investments, as simple as window curtains, are under the owner's discretion. New ideas for service innovations are hard to execute.

They do not have special programs or activities reflecting their anticipation of the hotel business environmental changes, but they follow what their counterparts in the Hotel Marketing Association do. Copying from each other in what they do in the association is common. They react to service innovation by doing what they can afford to do, since budgets are tight. They try to obtain information from various sources, among others, from the municipality, from the Hotel Marketing Association, the written and verbal customer expressions of satisfaction and complaints. This information is disseminated throughout the management only. Most of the time it helps them innovate and improve their service. The necessary responses to the information is changes in the operational aspects of the service, which are communicated in the morning briefing.

Communication at the back stage is enhanced by the availability of local area network system. Weekly meetings especially look into the problems encountered between operational staff, and problems arising from customers' complaints. They have a unique coordination style where there is almost no limitation coming from the designated titles. If one encounters a problem, and he can solve it quickly as to create value to the customers, he will solve it. Trouble with the air-conditioner, does not always handled by the technician, if the technician is busy with other things. Even the manager or supervisor at hand will do it. Multitasking is very much obvious. The back stage supports are there, but not in the compensation system.

Interviews with the on-site customers and comments from the users in the online travel operators act as an effort of triangulation. The comments were many, some relevant ones are presented herein. One of the on-site customer expressed her satisfaction with the hotel service, but she complained about the hotel overall building which lacked space for talking with friends from other rooms. A foreign backpacker commented on the excellent service but weak internet signal. One customer from the corporate was there to prepare for a meeting. This corporate officer, as part of the captive market of the hotel, felt very much at home.

Analysis

With no formal education or training on customer orientation, the hotel employees have unconsciously adopted the customer orientation. They try to reach for others outside the hotel to obtain information and share the information with significant others in the organization as mentioned by Kohli and Jaworski (1990). They respond to the information in their specific style, copying or find similar service items to satisfy the customers, for example, outsourcing the laundry service, spa, and food from outside the hotel. Apart from the profit-oriented owner, they use information about the occupancy rates of other hotels of the same star as a challenge and motivation to do better to reach higher occupancy rate.

The employees realized that customer satisfaction and value were two important factors which created profits, just as stated by Ye and Liang (2010). This goal directed behavior was everywhere in the hotel operation and management. Empowerment and leading by example seemed to positively influence the culture and the goal directed behavior. The writer found that profit orientation of the staff was the main drive in the overall back stage process. The back stage process activities are done on cooperative spirit, helping each other, as a reflection of the spirit of “Gotong Royong,” which is in the heart of the Javanese culture. They put aside their position labels and their individual interests, if it meant that at the moment there was something to be done to satisfy the customers. This confirms what is said by Kandampully (2006) and Punz et al. (2010) who put much emphasis on the back stage process in the creation of value and customer satisfaction. Multitasking which was evident in the hotel day to day operation reflected the staff commitment (Wisaksono, 2014) to create customer value. The only drawback was the fact that they did not proactively develop their knowledge of the changes in the environment. They just reacted to the environment when the change is already there. Internally, their perceived unfair compensation results in high turn over. This negative consequence is in line with the

research results of Noor et al. (2010), Mayasari (2002), Heiko and Kowalkovski (2012) and Hechanova et al. (2006), as they say that the hotel has to support the back stage process as well as the on stage, in the form of organizational commitment to train and assure the availability of the overall compensation and remuneration for the wellbeing of the front liners.

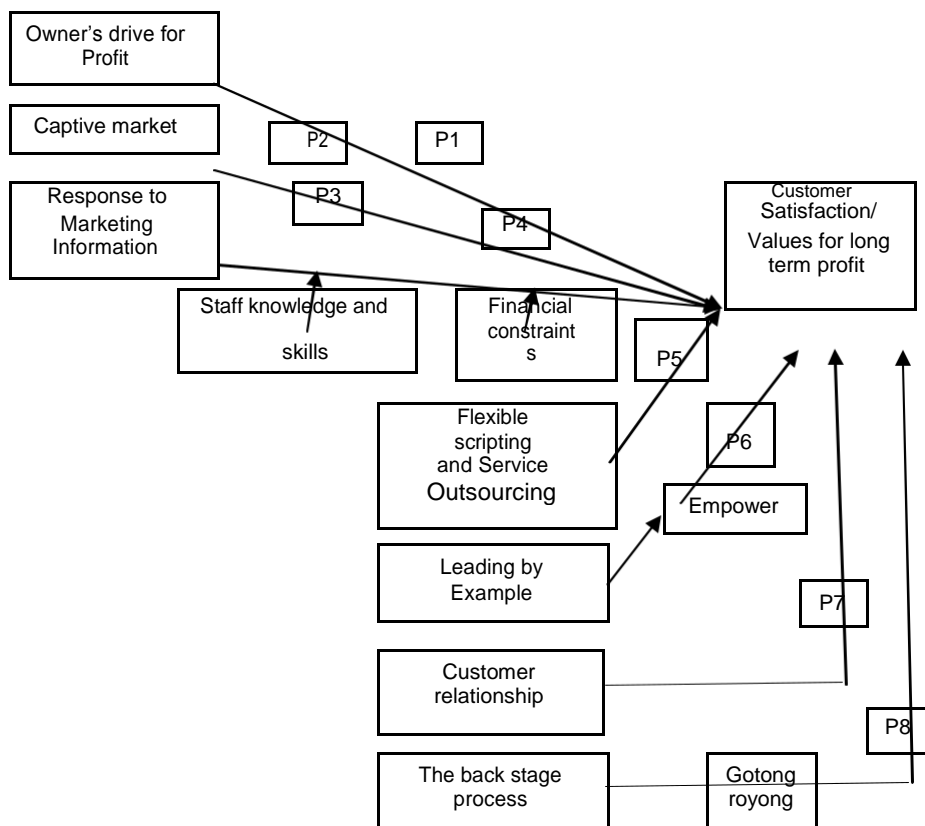
Theory building

The writer coded (codes are not presented in this writing for the sake of parsimony), categorized the findings, and extracted some patterns/themes from the categories as shown in the following table:

Categories	Patterns/Themes	Propositions
Very advantageous location	<ul style="list-style-type: none"> • Autocratic decision on investment and profit oriented vision have resulted in the drive for increasing the occupancy rate and thereby, profit. • Information management is supported by local area network • Reactive response to marketing information • Active response to the government information • Customer satisfaction and values are fought for by flexible scripting and service outsourcing. • Leading by example and empowerment make possible for multitasking. • Perceived unfairness of the compensation • high turn over. • Relationship with outside stakeholders (first time, repeat, and potential customers, Hotel Marketing Association, Municipality). • The back stage process is 	<ol style="list-style-type: none"> 1. Owner drive for profit influences the creation of customer satisfaction and value 2. Captive corporation customer groups influence the creation of excellent customer service 3. Response to marketing information enhances customer values moderated by staff knowledge and capabilities 4. Response to marketing information enhances customer values moderated by financial constraints. 5. Flexible scripting and outsourcing influence positively to customer satisfaction/values 6. Leading by example influences multitasking, mediated by empowerment 7. Relationship with outside stakeholders influences the customer satisfaction and repeat purchase
Captive market		
Drive for profit from the owner – occupancy rate		
Autocratic decision on investments		
Information is gathered from the municipality, the Hotel Marketing Association, and from customer complaints. Then they distributed the information through the Local Area Network, monthly meetings and morning briefings.		
Response to information either reactively or actively.		
Not very strict scripting – code switching		
Service outsourcing		
The importance of customer satisfaction and values		
Leading by example		
Multitasking		
Empowerment from the management to the operational staff		
Perceived fairness of the compensation		
Customer Relationship both individual and groups		
Relationship with fellow marketing staff in the		

Categories	Patterns/Themes	Propositions
municipality	supported by unique coordination style (Javanese “Gotong Royong”)	8. The back stage process supports the customer satisfaction mediated by the spirit of “Gotong Royong”
Relationship with the municipality		
Unique coordination style		

The Mini Theory



Conclusion

The writer concludes that the SME hotel, the research object, adopts customer orientation informally. They do not really have the knowledge of customer orientation, yet they do everything that writers on customer orientation suggest, that is to excel in the whole process to become to have a way of thinking and business practice where each decision of the company is in sync with customer’s requirements. They collect and distribute information, they respond to the information in line with their limited knowledge and capability in financial constraints. They put customers’ interest, the creation of satisfaction and value in their day to day activities, to become their work culture. The profit oriented goal behavior is obvious. They enhance the back stage process by multitasking, which is made possible by empowerment and leading by example. Changes in the environment are not timely

responded, not until competitors strike with their surprising innovation in services as well as facilities.

The owner's drive for profit is obviously brought down to the management as well as the operation staff to create customer satisfaction and therefore long term profit. The role of the corporation results in an advantage along the way with the captive market for MICE. Market information, which starts all the effort to yield value of the services is disseminated and responded by the employees, especially the operational staff willfully although they have limited capability and financial constraints. In the service interactions, code switching is made possible by the flexibility of pre-trained scripts to give way to successful interaction process which creates values to the customer. Empowerment and leading by example seem to be strategically practiced and results in clearly observable multitasking to get things done. Relationship with the customers and potential customers makes them purchase and repurchase. The back stage process which is motored by the spirit of Gotong Royong enhances the creation of customer satisfaction and values.

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