

## THE EFFECT OF MARKET-ORIENTED AND BRAND-ORIENTED SERVICE IMPROVEMENT ON HOTEL PERFORMANCE

Serhat Adem SOP <sup>1</sup>

*School of Tourism and Hotel Management, Burdur Mehmet Akif Ersoy University, Turkey*  
ORCID: 0000-0001-9096-9496

### ABSTRACT

This study tests a holistic model covering the antecedents and consequences of service improvement within the context of the hospitality industry. Market orientation and brand orientation are considered among the antecedents of service improvement. Consequences of service improvement, on the other hand, are the sub-dimensions of hotel performance. Data were collected from 121 hotel managers via online questionnaire technique. The research model was tested with PLS-SEM method. Findings related to the direct effect hypotheses show that customer orientation has positive effects on brand orientation and service improvement. While competitor orientation affects brand orientation positively, it does not have a direct effect on service improvement. There is a positive relationship between brand orientation and service improvement. Service improvement enhances the customer performance of a hospitality enterprise while not having a direct effect on the economic performance of the enterprise. On the other hand, customer performance of a hotel increases the economic performance and economic performance enhances its financial performance. Hypotheses concerning the indirect effect indicate that competitor orientation affects service improvement behavior through brand orientation. Similarly, service improvement and economic performance relationship is mediated by customer performance, and customer orientation and economic performance relationship by brand orientation.

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<sup>1</sup> Address correspondence to Serhat Adem SOP, School of Tourism and Hotel Management, Burdur Mehmet Akif Ersoy University, TURKEY. E-mail: serhatademsop@gmail.com

## INTRODUCTION

Operating under the conditions of global competition, hospitality enterprises have to analyze their customers and competitors and renew their services in line with the information they obtain (Tang, 2014). Renewal of the services is usually done by choosing one of the two opposing strategies; service development and service improvement (Martínez-Ros & Orfila-Sintes, 2009; Ottenbacher & Gnoth, 2005; Tang, 2014). This is because either strategy requires different actions from each other in terms of such administrative matters as decision-making, implementation and source management (Tang, 2014). Service renewal is vital for hotel enterprises either through re-development or improvement as renewing services brings a lot benefits for the enterprise in many aspects like understanding changing customer demands, promoting product quality, reducing costs, increasing market share and differentiating from competitors (Chang et al., 2011; Martínez-Ros & Orfila-Sintes, 2009; Orfila-Sintes & Matsson, 2009; Ottenbacher & Gnoth, 2005). However, since the rate of return of the expenses to be made to create new services could remain much below the expectations (Nicolau & Santa-María, 2013), service development strategy is considered riskier in comparison to service improvement in the hospitality industry (Cegarra-Navarro & Martinez, 2010; Tang, 2014). It can be said that service improvement strategy is more commonly preferred by the hospitality industry for renewing services since it requires smaller arrangements instead of radical innovation (Chang et al, 2011; Nicolau & Santa-María, 2013) and is found less risky (Cegarra-Navarro & Martinez, 2010). Therefore, the present study focuses on the service improvement strategy and examines the antecedents and consequences of service improvement.

Service improvement is a renewing strategy which is usually applied in the direction of customer orientation (Lages & Piercy, 2012). Hotel enterprises which try to understand their existing and potential customers' needs and requests, aim to offer better services to them and enhance customer satisfaction improve their services in this respect (Griseemann et al., 2013; Tang, 2014). However, as another component of the market, competitors can also affect the service improvement behavior of an enterprise (Tang, 2014). For instance, a developing hotel brand may decide to improve its services in a competitive oriented manner instead of focusing on customers. The services offered by the competitors could be compared with the existing services of the enterprise and actions to be taken to improve service quality can be decided on accordingly (Hilman & Kailappen, 2014). Hence, service improvement in hospitality enterprises is

theoretically related to the degree of market orientation (customer and competitor) of the enterprise. Moreover, since market-oriented enterprises can turn into brand-oriented ones over time (Reid et al., 2005; Urde 1999; Urde et al., 2013), brand orientation may as well be effective on the service improvement decisions of the enterprise. However, although some studies examine the effects of customer orientation on service improvement, no study has been found to investigate the effects of competitor orientation and brand orientation in a holistic way. In this regard, the primary aim of the present study is to discover how market orientation and brand orientation built upon it (Urde, 1999) affect service improvement in hospitality enterprises. The fact that the effects of these variables on service improvement have not yet been investigated holistically supports the uniqueness of the present study.

The related literature includes many studies concerning the relationship between market orientation and hotel performance (Alnawas & Hemsley-Brown, 2019; Qu, 2014; Sampaio et al., 2019; Tse et al., 2005; Zhou et al., 2009). Similarly, there are studies revealing the effect of brand orientation on enterprise performance as well (Laukkanen et al., 2016; Liow et al., 2019; Tajeddini & Ratten, 2020; Wong & Merrilees, 2007). However, the lack of studies on the relationship between service improvement and enterprise performance is interesting. Although hotel performance is approached from different perspectives (e.g. economic, financial etc.), the effect of service improvement on performance could not be designated comprehensively. Tang (2014), for example, examined the effect of service improvement in hotels on market performance alone. On the other hand, considering that a hotel enterprise is evaluated in terms of such indicators as customer performance (Turner et al., 2017), economic performance (Campo et al., 2014) and financial performance (Turner et al., 2017), it is seen that these limited number of studies investigating the effect of service improvement remain insufficient in terms of content, too. Based on these facts, another aim of the present study is to explain the relationship between service improvement and hotel performance in detail. Thus, the present study will make a unique contribution to the literature with filling this critical gap.

In this respect, the primary aim of the present study is to test a holistic model covering the antecedents (market and brand orientation) and consequences (stages of business performance) within the context of the hospitality industry. In the following sections of the study, variables are defined, research hypotheses revealing the relationships between the variables are established and the theoretical model is developed. The

findings obtained are discussed considering the related literature. Theoretical and practical implications, limitations, and future research ideas are presented in the final section.

## THEORETICAL FRAMEWORK

Service improvement is the action of planning and implementing the practices or methods which improve service quality (Peccei & Rosenthal, 1997; Tang, 2014). In this respect, the ability of the enterprise to improve its services in-hand in a planned way is also defined as service improvement (Tang, 2014). During the service improvement process, the information pertaining to the enterprise should be focused on to reorganize service characteristics as well as responding to customers and competitors (Martinez-Ros & Orfila-Sintes, 2009).

Hotel enterprises apply the service improvement approach frequently (Tang, 2014). According to Cegarra-Navarro and Martinez (2010), hotel managers generally choose to improve existing services so as to avoid the risk to be brought by developing a new service (service innovation). The most critical factor that affects service improvement decisions of hotels is customers. Therefore, customers' evaluations of service quality and their level of satisfaction should constantly be analyzed. Information obtained through this analysis is used by managers at the stages of making the decisions to improve existing services and to improve new services (Cheng et al., 2012; Ro & Wong, 2012). Therefore, it can be asserted that there is a relationship between service improvement behaviors of hospitality enterprises and their customer orientation levels. In this context, customer orientation refers to all activities of the enterprise aiming to acquire information about the customer and disseminating this information throughout the business (Narver & Slater, 1990). In other words, it means planning the decisions and practices of the enterprise, staff behavior, products and services offered in a way that would satisfy the customer (Odabaşı, 2017). At this point, it is necessary to state that customer orientation is a strategy that covers not only the existing customers but also potential customers in the market (Dev et al., 2009). Using the information, they acquire through customer feedbacks and market research, businesses can understand the existing potential customers' needs and requests and develop services to meet them (Theoharakis & Hooley, 2008). In this regard, customer orientation is an enterprise's caring the customer and displaying an attitude and behavior that prioritize their interests, tastes, needs, and

requests (Rindfleisch & Moorman, 2003). Within the scope of this theoretical framework, the first hypothesis of the study is as follows:

H<sub>1</sub>: *Customer orientation affects service improvement positively.*

The concept of customer orientation is sometimes addressed as market orientation as well (Nwankwo, 1995). However, it is only possible to mention market orientation when enterprises display competitor-oriented behavior along with customer orientation (Hilman & Kailappen, 2014). Therefore, customer orientation and competitor orientation are accepted as sub-components of market orientation (Campo et al., 2014; Hilman & Kailappen, 2014; Narver & Slater, 1990; Zhou et al., 2009). According to Narver and Slater (1990, p. 21-22), competitor orientation is the enterprise's struggle for understanding its existing and potential competitors' strategies, activities, strengths and weaknesses. Dev et al. (2009, p. 19), on the other hand, define competitor orientation as the process of "*observing, managing and triumphing over competitors*". The authors consider competitor orientation as an approach that works well particularly in developing markets. In this regard, exhibiting a competitor oriented business approach instead of a customer-oriented one gives more advantage to hospitality enterprises operating in a developing market (Dev et al., 2009). Zhou et al. (2009), state that in a hotel enterprise which thinks customers are price-responsive, a competitor-oriented approach would be adopted. Thus, some hotels may decide to improve their services by taking their competitors' behaviors into consideration (Tang, 2014). As a matter of fact, service improvement decisions and actions in hospitality enterprises are also affected by competitor orientation, which is another indicator of market orientation as well as customer orientation.

H<sub>2</sub>: *Competitor orientation affects service improvement positively.*

While addressing the relationship between market orientation and service improvement, one should also consider how brand-oriented the business is. According to Urde et al. (2013), market orientation and brand orientation are two separate options. Urde (1999) uses the term "*market orientation plus*" to define brand orientation (Urde, 1999, p. 118). According to the author, market orientation is a short-term and basic level action. While enterprises that have only market-oriented activities are still discussing products and markets, brand orientation which is built upon it takes the business to a sophisticated level (Urde, 1999). In this context, brand-oriented enterprises meet the customer's needs and requests within the scope of the limits of the brand's self-identity. In short, the main factor affecting the decisions of the enterprise in the brand identity (Urde et al.,

2013). In this respect, brand orientation is an approach applied by enterprises which take their brands as the main source and core strategy (Baumgarth et al., 2013; Gromark & Melin, 2011; Urde et al., 2013). While market orientation requires conducting market research to understand customer behaviors, brand orientation involves efforts to establish, protect and improve a business-specific brand identity (Tajeddini & Ratten, 2020). Hence, market orientation is positively related to brand orientation (Laukkanen et al., 2016). Similarly, it is also claimed that brand orientation is an approach that can be built upon market orientation (Reid et al., 2005; Urde, 1999; Wong & Merrilees, 2007). Thus, market (customer and competitor) orientation may cause a business to turn into a brand-oriented one over time. Studying the importance of brand orientation in hospitality enterprises, Liow et al. (2019) concluded that brand orientation enhances organizational performance. The study conducted by Liow et al. (2019) and Urde's (1999) assumptions that brand orientation is built upon market orientation reveal that brand orientation, like market orientation, would affect service improvement behavior positively. Since market orientation affects brand orientation positively (Laukkanen et al., 2016), the mediating effect of brand orientation can be observed in the relationship between market orientation and service improvement. In this respect, the following hypotheses can be formulated:

H<sub>3</sub>: *Customer orientation affects brand orientation positively.*

H<sub>4</sub>: *Competitor orientation affects brand orientation positively.*

H<sub>5</sub>: *Brand orientation affects service improvement positively.*

H<sub>6</sub>: *Brand orientation mediates the relationship between customer orientation and service improvement.*

H<sub>7</sub>: *Brand orientation mediates the relationship between competitor orientation and service improvement.*

Services improved in line with customer, competitor and brand-oriented approaches could have positive effects on business performance. Nevertheless, this proposition needs to be tested empirically. Tang's (2014) study shows that, in hospitality enterprises, customer orientation has positive effects on service improvement behavior and service improvement on the market performance of the hotel. However, business performance should be considered as a multidimensional structure. For example, Turner et al. (2017), divide the performance of a hotel enterprise into two as customer performance and financial performance. Alnawas and Hemsley-Brown (2019), evaluate hotel performance over economic and financial performance. Campo et al. (2014) refer the market performance of an enterprise as the antecedents of economic and financial performance. These

studies show that it is possible to divide hotel performance into three as customer performance, economic performance, and financial performance. In this regard, customer performance of a hotel is approached over service quality, customer retention rate, and customer satisfaction level (Turner et al., 2017). Economic performance is estimated through considering the growth in sales, market share, occupancy rates, online reservation rates and revenues from foreign customers (Alnawas & Hemsley-Brown, 2019; Campo et al., 2014). Financial performance, on the other hand, is an indicator covering the return on hotel investment, rate of return and gross income (Turner et al., 2017). In the circumstances, it appears that a causal relationship can be built among these three indicators because the economic performance of an enterprise depends on its customer performance. And economic performance is the main source that supports financial performance. In this regard, it can be assumed that services improved in a hospitality enterprise can have direct effects on customer performance and economic performance. In addition to this, it also seems possible that service improvement could have indirect effects on economic performance through customer performance. Since these assumptions have not yet been tested in the literature, the present study seeks answers to the following hypotheses as well:

H<sub>8</sub>: *Service improvement affects customer performance positively.*

H<sub>9</sub>: *Service improvement affects economic performance positively.*

H<sub>10</sub>: *Customer performance affects economic performance positively.*

H<sub>11</sub>: *Customer performance mediates the relationship between service improvement and economic performance.*

H<sub>12</sub>: *Economic performance affects financial performance positively.*

## METHOD

The present study responds four main questions. The first one of these is whether the relationship between market orientation and brand orientation is valid for hospitality enterprises. The second is how market orientation and brand orientation affect service improvement approaches in hospitality enterprises. The third question is the effect of service improvement in line with market-oriented and brand-oriented approaches on hotel performance. The fourth question investigates the correlation among the sub-dimensions of hotel performance. To this end, the present study is quantitative research applying the regression model so as to test the hypothesized model given in Figure 1.

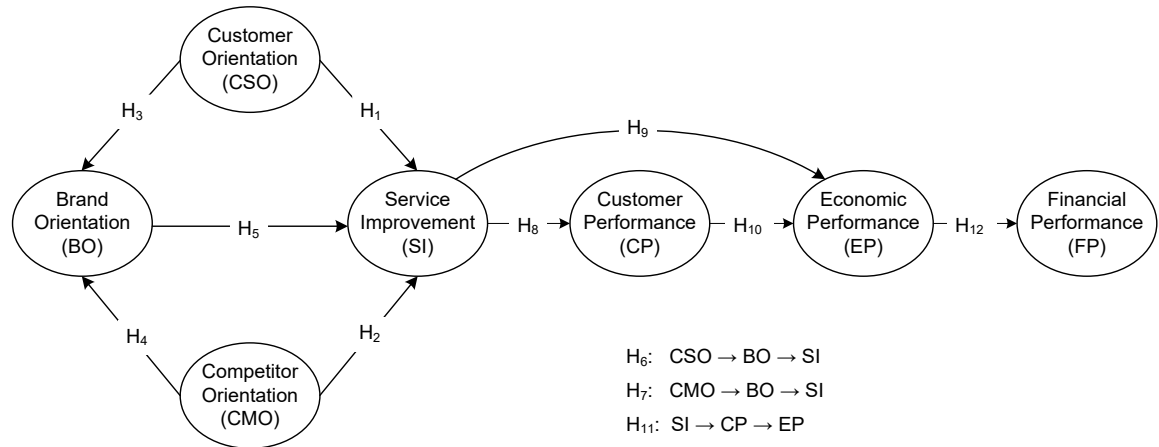


Figure 1. *The Hypothesized Model*

The data collection period of the study was held between 22 October and 18 November 2019 through filling out questionnaires. The reason behind collecting the data at the end of the season is to examine hotel performance variable accurately. It was assumed that the existing season had to close for managers become able to evaluate the performance of the hotels they manage. Variables related to hotel performance were measured with subjective approach (evaluating participant responses) instead of objective approach (using enterprise data) because hotels do not share the data concerning hotel performance indicators with third parties (Tse et al., 2005). Besides, working with such data may sometimes put researchers into a difficult situation against enterprises (i.e., the researcher can be blamed with sharing the private data of the hotel when a competitor somehow finds out any relevant information). In this regard, hotel managers from different regions of Turkey participated in the questionnaires carried out online. Approximately 300 managers selected with convenience sampling were sent an email or a private message through social media platforms and they were invited to the online questionnaire. However, 121 managers responded to the calls in the given period. The managers who participated in the study were distributed by their titles as follows: General manager (n= 22), deputy general manager (n= 7), department manager (n= 46), deputy department manager (n= 16) and chief of department (n= 30). As for departments, the managers were distributed as follows: Front desk (n= 32), food and beverage (n= 30), sales and marketing (n= 10), accounting (n= 10) and other departments (n= 10).

The questionnaire form consisted of seven scales related to the study variables. These, all of which were developed for hospitality enterprises by different researchers, are customer orientation (Zhou et al., 2009),



competitor orientation (Zhou et al., 2009), brand orientation (Laukkanen et al., 2016), service improvement (Tang, 2014), customer performance (Turner et al., 2017), economic performance (Campo et al., 2014) and financial performance (Turner et al., 2017) scales. A total of 27 scale items were adapted into Turkish using the method of translation/back-translation suggested by Brislin (1970) and McGorry (2000). For translation, three experts with good command of English and Turkish were consulted.

Table 1. *Mardia's Multivariate Normality Test Results*

Univariate Skewness and Kurtosis				
	Skewness	SE_Skew	Kurtosis	SE_Kurt (B)
CSO1	-2.0359387	0.2199858	3.7196790	0.4365851
CSO2	-0.4800712	0.2199858	-0.8215988	0.4365851
CSO3	-1.6194373	0.2199858	2.0240843	0.4365851
CSO4	-1.3254873	0.2199858	1.2683105	0.4365851
CSO5	-1.1397039	0.2199858	0.8186483	0.4365851
CSO6	-1.3117171	0.2199858	1.1809418	0.4365851
CMO1	-0.5531517	0.2199858	-0.7845722	0.4365851
CMO2	-0.3658635	0.2199858	-0.6197720	0.4365851
CMO3	-0.6885631	0.2199858	-0.2578838	0.4365851
BO1	-1.4705716	0.2199858	1.6607396	0.4365851
BO2	-0.9572596	0.2199858	0.2505339	0.4365851
BO3	-1.1276032	0.2199858	0.6878560	0.4365851
BO4	-1.3785239	0.2199858	1.2643980	0.4365851
SI1	-1.4937915	0.2199858	1.7663615	0.4365851
SI2	-1.3940596	0.2199858	1.4697575	0.4365851
SI3	-1.1387644	0.2199858	0.8037848	0.4365851
CP1	-1.1807872	0.2199858	2.1339104	0.4365851
CP2	-1.3816677	0.2199858	2.7528641	0.4365851
CP3	-1.3613340	0.2199858	3.1887622	0.4365851
EP1	-1.0716732	0.2199858	1.3947961	0.4365851
EP2	-0.9238355	0.2199858	1.2089481	0.4365851
EP3	-1.4066682	0.2199858	2.5191450	0.4365851
EP4	-0.7779347	0.2199858	0.9402267	0.4365851
EP5	-1.3364974	0.2199858	0.9890731	0.4365851
FP1	-0.5672247	0.2199858	-0.2911473	0.4365851
FP2	-0.8781190	0.2199858	0.9394878	0.4365851
FP3	-0.9260512	0.2199858	1.1545246	0.4365851

Mardia's Multivariate Skewness and Kurtosis			
	$\beta$	z	p
Skewness	302.2756	6095.89119	0
Kurtosis	911.4097	17.84698	0

Before testing the theoretical model of the study, the data were examined for multivariate normal distribution to decide on the analysis technique to be employed. Based on Merli et al.'s (2018) suggestion,

skewness and kurtosis values of the variables were calculated using *Mardia's Multivariate Normality Test*<sup>2</sup>. Multivariate skewness of the data set was found as  $\beta = 302.2756$  ( $p < 0.01$ ), and kurtosis as  $\beta = 911.4097$  ( $p < 0.01$ ) (Table 1). It was seen that the data set did not have a multivariate normal distribution.

When the data is not distributed statistically normal it is recommended that the partial least squares method be used to test a structural model (Ali et al., 2018; Hair et al., 2014). Accordingly, it was decided that the theoretical model of the present study would be tested using variance-based partial least squares structural equation modelling (PLS-SEM) instead of covariance-based structural equation modelling. Another factor supporting the use of PLS-SEM method in the study is the relatively small size of the sample [ $n = 121$ ] (Hair et al., 2014; Sarstedt et al., 2020).

Table 2. *Discriminant Validity Analyses*

		CSO	CMO	BO	SI	CP	EP	FP
<i>Fornell-Larcker Criteria</i>	CSO	0.894						
	CMO	0.651	0.876					
	BO	0.773	0.612	0.932				
	SI	0.843	0.622	0.786	0.938			
	CP	0.620	0.459	0.452	0.561	0.881		
	EP	0.456	0.290	0.384	0.483	0.654	0.897	
	FP	0.367	0.259	0.330	0.381	0.490	0.780	0.898
<i>Heterotrait- Monotrait ratios</i>	CSO	-						
	CMO	0.731	-					
	BO	0.811	0.680	-				
	SI	0.892	0.701	0.834	-			
	CP	0.688	0.533	0.501	0.626	-		
	EP	0.499	0.331	0.418	0.531	0.750	-	
	FP	0.403	0.299	0.360	0.420	0.557	0.885	-

The study used Anderson and Gerbing's (1988) two-step approach. The measurement model was tested accordingly, construct validity and reliability of the variables were examined and the results obtained are presented in Annex A. It is seen that factor loadings (FL) of all the observed variables are greater than 0.7. Cronbach's alpha (CA) and composite reliability (CR) coefficients of the latent variables are much higher than 0.7. Average variances extracted (AVE) are greater than 0.5. These criteria reveal that construct validity was attained in the present study (Fornell & Larcker, 1981; Hair et al., 2014). Discriminant validity of the study was tested using

<sup>2</sup> <https://webpower.psychstat.org/models/kurtosis>

the Fornell-Larcker Criteria (FLC) and the Heterotrait-Monotrait ratios (HTMT) of the correlations. According to the FLC, square root of the AVE value of each component in the measurement model should be higher than the coefficient of correlation between this component and others (Bagozzi & Yi, 1988; Hair et al., 2014). Additionally, HTMT values between the components in the measurement model should not exceed 0.90 (Henseler et al., 2015; Rodríguez-Victoria et al., 2017). According to Table 2 which shows the results of the FLC and HTMT analyses, the present study contains no discrimination validity issue.

After meeting the reliability and validity criteria, VIF values were calculated between the constructs in the measurement model and the data set was checked for any problems about common method variance (Hair et al., 2014; Kock, 2015). Since VIF values among constructs are lower than 3 [1.000-2.842] (Kock, 2015), it was assumed that the present study has no problems with common method variance. As a result of the analyses conducted on the measurement model, composite reliability, construct validity and common method variance, it was concluded that the necessary criteria were met to test the structural model. Based on these findings, the study moved onto the second step suggested by Anderson and Gerbing (1988) and the theoretical model representing the hypotheses of the study was tested with path analysis.

## RESULTS

The theoretical model of the study was tested using the bootstrapping technique through resampling with 5000 iterations. First, the SRMR and NFI values were examined for the goodness of fit (SRMR= 0.05, NFI= 0.819). In addition to these,  $R^2$  values of the exogenous variables, Cohen's effect size coefficient [ $f^2$ ] (Cohen, 1988) and Stone-Geisser's predictive relevance value [ $Q^2$ ] were calculated (Henseler et al., 2009). Since  $R^2$  values were in the 0.315-0.757 range, it was concluded that the exogenous variables were explained at an acceptable degree (Hair et al., 2014).  $f^2$  values showing the effects of the variables were found in the 0.010-0.636 range.  $Q^2$  values calculated with *blindfolding* analysis were in the 0.221-0.612 range. These values show that predictive relevance was achieved for the model (Ali et al., 2018; Hair et al., 2014). Finally, the goodness of fit and model quality were decided as sufficient for moving onto the path analysis.

Findings concerning the path analysis of the direct effects are illustrated in Figure 2. All of the results concerning the direct and indirect effect hypotheses are given in Table 3 in a detailed way. Findings obtained

from testing direct effects indicate that customer orientation has positive effects on brand orientation ( $\beta=0.650, p<0.05$ ) and service improvement ( $\beta=0.554, p<0.05$ ). While competitor orientation affects brand orientation positively ( $\beta=0.189, p<0.05$ ), it does not have a direct effect on service improvement ( $\beta=0.068, p>0.05$ ). Service improvement enhances the customer performance of a hospitality enterprise ( $\beta=0.561, p<0.05$ ), but does not have a direct effect on the economic performance of the business ( $\beta=0.170, p>0.05$ ). On the other hand, customer performance of the hotel increases the economic performance of the enterprise ( $\beta=0.559, p<0.05$ ) while economic performance strengthens the financial performance of the hotel enterprise ( $\beta=0.780, p<0.05$ ).

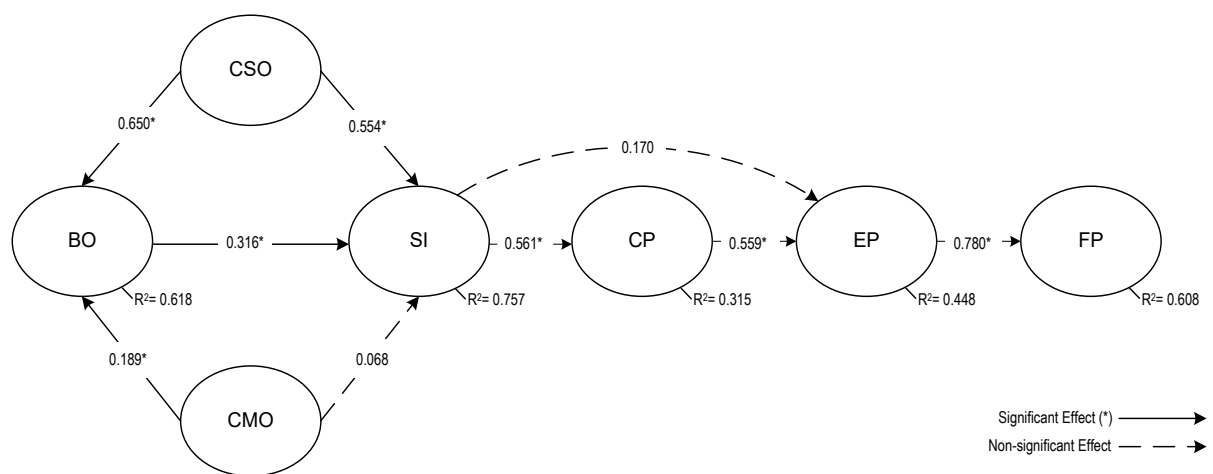


Figure 2. Path Analysis Results (Direct Effects)

Hypotheses concerning the indirect effects were analyzed using the bootstrapping technique because  $p$  or  $t$  values reported when finding the effect of the mediator variable can be misleading, which requires calculating confidence interval instead (MacKinnon et al., 2007; Nitzl et al., 2016). This came out during the decision-making process about H<sub>7</sub>. According to the calculations done in the 95% confidence interval via 5000 times bootstrapping, competitor orientation affects service improvement behavior indirectly through brand orientation ( $\beta=0.06, CI= [0.004; 0.127]$ ). While the relationship between competitor orientation and service improvement is not significant (H<sub>2</sub>:  $\beta=0.068, p>0.05$ ), this finding indicates brand orientation has the *indirect-only mediation* role between these two variables (see. Zhao et al., 2010). Similarly, customer performance has the effect of *indirect-only mediation* in the relationship between service improvement and economic performance ( $\beta=0.314, CI= [0.130; 0.486]$ ). In the relationship between customer orientation and service improvement, brand orientation has a *complementary mediation* effect ( $\beta=0.205, CI= [0.020; 0.355]$ ).

Table 3. Hypothesis Test Results

<i>Direct Effects</i>		$f^2$	$\beta$	$sd$	$t$	$p$	Result	
H <sub>1</sub> :	CSO → SI	0.446	0.554	0.116	4.771	0.000	Supported	
H <sub>2</sub> :	CMO → SI	0.010	0.068	0.063	1.081	0.280	Not Supported	
H <sub>3</sub> :	CSO → BO	0.636	0.650	0.078	8.282	0.000	Supported	
H <sub>4</sub> :	CMO → BO	0.054	0.189	0.075	2.502	0.012	Supported	
H <sub>5</sub> :	BO → SI	0.157	0.316	0.135	2.344	0.019	Supported	
H <sub>8</sub> :	SI → CP	0.459	0.561	0.099	5.669	0.000	Supported	
H <sub>9</sub> :	SI → EP	0.036	0.170	0.096	1.772	0.076	Not Supported	
H <sub>10</sub> :	CP → EP	0.388	0.559	0.108	5.177	0.000	Supported	
H <sub>12</sub> :	EP → FP	1.551	0.780	0.050	15.482	0.000	Supported	
<i>Indirect Effects</i>		BootLLCI	BootULCI	$\beta$	$sd$	$t$	$p$	Result
H <sub>6</sub> :	CSO → BO → SI	0.020	0.355	0.205	0.087	2.370	0.018	Supported
H <sub>7</sub> :	CMO → BO → SI	0.004	0.127	0.060	0.032	1.863	0.063	Supported
H <sub>11</sub> :	SI → CP → EP	0.130	0.486	0.314	0.092	3.423	0.001	Supported

## DISCUSSION AND CONCLUSION

Conducted with the participation of hotel managers from different regions of Turkey, the present study aimed at exploring the relationship between market orientation and brand orientation, the effects of market orientation and brand orientation on the service improvement behaviors of hotels, the contribution of service improvement to hotel performance, and the relationships among the indicators of hotel performance. The findings of the study show that customer-oriented approaches of hotels support brand orientation strategy. Hence, a positive correlation exists between customer orientation and brand orientation. Another finding indicates that competitor orientation and brand orientation are significantly correlated. Accordingly, it could be asserted that attempts of hospitality enterprises to observe, manage and triumph over competitors bring about changes in their brand identities. Thus, it is concluded that market (customer and competitor) orientation is an antecedent of brand orientation. This finding supports the definition of brand orientation (*market orientation plus*) introduced by Urde (1999) as well as similar conclusions reported by several other studies (Laukkanen et al., 2016; Reid et al., 2005; Wong & Merrilees, 2007).

Customer orientation was found to have positive effects on service improvement behavior of hospitality enterprises. In other words, while planning practices and method to improve service quality and implementing them systematically, re-defining their existing service

processes and systems (Peccei & Rosenthal, 1997; Tang, 2014), hotel enterprises make use of the needs and requests or the feedbacks of their customers. In short, services which meet the customers' requests and expectations are improved at hotels. This finding indicates why it is important to constantly analyze customers' evaluations about service quality and their satisfaction levels. This is because the information to be acquired from the customer is the main source to be used by managers when making decisions for service improvement and in the process of improving services (Cheng et al., 2012; Ro & Wong, 2012). This finding is similar to the results obtained by Tang (2014). Thus, customer orientation is an antecedent of service improvement. Besides, brand orientation mediates the relationship between customer orientation and service improvement. More clearly, the customer-oriented approach supports the brand-oriented approach in hotels, making it possible to improve services that are appropriate for both customer requests and brand identity. On the other hand, competitor orientation does not affect the decision of improving existing services directly. Thus, it is understood that instead of improving services to respond to competitors' activities directly, services that would appeal to customers' demands are improved at hotel enterprises. However, according to another finding obtained, being competitor oriented could affect the service improvement behavior of a hospitality enterprise indirectly. Here, the mediator role of brand orientation comes out. In other words, although service improvement behavior is not directly competitor oriented at hotel enterprises, branding strategies adopted to respond to competitors shape the hotel's service improvement approach. More clearly, while creating its brand identity, a hospitality enterprise considers its competitors as well and improves its existing services so as to correspond with this identity. Even though Tang (2014) states that existing services are improved according to competitors' behaviors in hotels, the present study does not support this proposition directly. Nevertheless, it contributes to the given study by exploring the mediator role of brand orientation. At this point, the fact that brand orientation has a quite weak mediator effect ( $\beta=0.060$ ) shows that hotels improve their services in a customer-oriented manner rather than competitor orientation.

When the effect of service improvement on hotel performance is questioned in line with customer, competitor and brand-oriented approaches, three findings were obtained. The first finding reveals that service improvement enhances the customer performance of a hospitality enterprise while having no direct effect on the economic performance of the business. Stating that market performance (often customer performance)

can be increased by improving existing services, Tang (2014) also supported this finding partially. However, no study has been found discussing the effect of service improvement behavior on economic performance in the related literature. In this respect, it can be claimed that service quality, repurchase rates and customer satisfaction can be advanced in a positive direction by improving existing services in hotels. However, improving services does not lead to a direct change in the sales, market share and occupancy rates of the hotel. Service improvement affects economic performance indirectly by enhancing the customer performance of the hotel. Hence, it can be said that service improvement activities that do not make any enhancement in customer performance would not affect the hotel's economic performance. Finally, the customer performance of a hotel increases its economic performance and economic performance strengthens the financial performance of a hospitality enterprise. Accordingly, the customer performance of a business will first be enhanced and later its customer performance will turn into the economic performance. An ongoing economic performance, in turn, will strengthen the financial performance of a hospitality enterprise in the long term.

### **THEORETICAL IMPLICATIONS**

Service improvement in hotel enterprises is theoretically related to the level of customer and competitor orientation. Moreover, customer and competitor-oriented enterprises can turn into brand-oriented ones over time (Reid et al., 2005; Urde, 1999; Urde et al., 2013). The current study supports this theoretical framework and claims that brand orientation is developed when hotels are already customer and competitor-oriented because brand-oriented hotels shape their brand identities concerning the knowledge obtained from the market. Therefore, one can claim that Urde's (1999) definition for brand orientation as "market orientation plus" is valid in terms of the hospitality industry.

Discovering the mediating role of brand orientation, this study made a unique contribution to the existing literature. According to the results, customer orientation and competitor orientation affect a hotel's service improvement behavior through the level of its brand orientation. Another theoretical contribution of this study is dividing hotel performance as the customer, economic, and financial performance. Alnawas and Hemsley-Brown (2019), Campo et al. (2014), and Turner et al. (2017) indicate that business performance should be considered as a multidimensional structure. Within this context, this study demonstrated that a hotel's

customer performance will directly influence its economic performance, then the economic performance supports the hotel's financial performance in a long term.

### **PRACTICAL IMPLICATIONS**

This study reveals that the level of brand orientation is mainly affected by how hotels are customer and competitor-oriented. Hence, it could be noted that attempts of hotels to observe, manage and triumph over competitors, and follow their customers' needs and requests will bring about changes in their brand identities. So, hotels reflect their brand identities which have been developed by considering the information from customers and competitors to the services they offered. Services which have been improved by following the market knowledge and the brand identity directly affect customer performance of the hotel. However, managers should not think that improving their services will directly influence the growth in occupancy rates, sales or market share. Instead, this study proposes that a hotel's economic performance will increase when its customer performance has been fulfilled with market and brand-oriented service improvement. It can also be said that service improvement behaviors that do not make any enhancement in customer performance would not affect the hotel's economic performance.

### **LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH**

The present study has some limitations. The first one is that the hotel enterprises from which the data were collected were not categorized. The study was participated by a five-star hotel manager as well as the manager of a boutique hotel. Therefore, while the results obtained from the present study represent the hospitality industry in general, the results may be different for a specific class of hotels (five-star hotels, city hotels, boutique hotels etc.). It is recommended that future studies test the model of the present study on different hotel types. Moreover, service innovation which is closely related to service improvement can also be included in the model. This way, it could be possible to find in a more comprehensive manner in which hotels market and brand orientation cause service improvement and in which hotels they bring about service innovation as well as their effects on hotel performance. Another limitation of the study is that the data collection time was short. Conducting longitudinal studies by collecting data in a few periods in the future can make it possible to reach more effective results. So, the results of the study cannot be generalized due to



the cross-sectional data. Measuring hotel performance subjectively is another important limitation. However, it is not very possible to share economic and financial performance indicators with third parties in the hospitality industry (Tse et al., 2005). Therefore, in the present study, it was assumed that the hotel managers responding to the questionnaires are sincere and realistic.

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### Annex A. Measurement Model Results

Measures*	FL	CA	rhoA	CR	AVE
Customer Orientation [CSO] (1: Strongly Disagree – 5: Strongly Agree)		0.949	0.955	0.960	0.799
CSO1. Our hotel believes in total commitment to the customer.	0.909				
CSO2. Our compensation plan rewards employees and managers who are committed to customer satisfaction.	0.772				
CSO3. We regularly measure customer satisfaction.	0.887				
CSO4. We spend a great deal of effort trying to understand customer needs.	0.940				
CSO5. We do whatever it takes to create value for our customers.	0.928				
CSO6. We continuously monitor our customers' needs.	0.918				
Competitor Orientation [CMO] (1: Strongly Disagree – 5: Strongly Agree)		0.847	0.855	0.908	0.768
CMO1. Our sales and marketing people share competitor information with other departments.	0.801				
CMO2. We respond rapidly to our competitors' actions.	0.906				
CMO3. We are constantly looking for opportunities to gain an advantage over our competitors.	0.917				
Brand Orientation [BO] (1: Strongly Disagree – 5: Strongly Agree)		0.949	0.950	0.963	0.868
BO1. Branding is essential to our strategy.	0.930				
BO2. Branding flows through all our marketing activities.	0.934				
BO3. Branding is essential in running this company.	0.935				
BO4. The brand is an important asset for us.	0.928				
Service Improvement [SI] (1: Strongly Disagree – 5: Strongly Agree)		0.932	0.933	0.957	0.881
SI1. We are always working to improve the service we give to customers.	0.927				
SI2. We have specific ideas about how to improve the service we give to customers.	0.952				
SI3. We often make suggestions about how to improve customer service in the hotel.	0.937				
Customer Performance [CP] (Compared to the previous year; 1: Much worse – 5: Much better)		0.855	0.862	0.912	0.775
CP1. Service quality	0.908				
CP2. Customer retention	0.837				
CP3. Customer satisfaction	0.895				
Economic Performance [EP] (Compared to the previous year; 1: Much worse – 5: Much better)		0.878	0.885	0.925	0.804
EP1. Sales growth	0.933				
EP2. Market share	0.899				
EP3. Room occupancy rate	0.856				
EP4. Percentage of earnings from on-line reservations	Dropped				
EP5. Percentage of earnings from overseas customers	Dropped				
Financial Performance [FP] (Compared to the previous year; 1: Much worse – 5: Much better)		0.880	0.884	0.926	0.807
FP1. Return on investment	0.869				
FP2. Profitability	0.904				
FP3. Gross operating profit	0.921				

\*Scale items are presented in English in parallel with the journal's publication language. Please contact with the author for the items in Turkish.