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## THE ROLE OF PROCESS STANDARDISATION AND CUSTOMISATION IN HOTEL MANAGEMENT

The dilemma of standardisation and customisation is often the topic of great strategic debates in companies and issue of academic discussions. Especially for a service company, quality is one of the main goals to reach and maintain, but considering many of them it is not an easy task to accomplish. Standardisation can be the solution for this 'problem' with its rules and regulations, although it has to be considered that the service industry is very much customer centred and the guests want novelty and special treatment, so customisation is essential as well. However, not only quality plays a significant role in the operation of different firms. Productivity, efficiency, cost reduction, more revenue and better image can be listed as well. Some of them can be easily reached by standardisation, some of them by customisation. Instead of choosing from the two it would be the most advantageous to combine the two concepts and exploit the benefits of both.

The object of the research is the Hungarian hotel sector. The Hungarian tourism industry is a very successful source of revenue for the Hungarian economy. In 2012 the balance of tourism export and import was 2243 million euros, which could not have been accomplished without the Hungarian hotel sector. The role of Hungarian hotels can be explained by the revenues produced by all the accommodations, which was 270.8 billion forints (approximately 903 million euros), and the hotel sector's contribution to this number is 89.5% (Hungarian Hotel and Restaurant Association, 2012). This number makes hotels the most important accommodation providers in Hungary.

This paper is discussing the role of standardisation and customisation in the hotel management of Hungarian hotels. The following questions are going to be answered at the end of the article:

How can the level of standardisation and customisation be measured?

Is there any relationship between standardisation and customisation or are they independent from each other so hotel managers have to choose?

What kind of performance indicators are there in hotels? How their relations look like?

Do standardisation and customisation help hotels increase their performance?

At first the two concepts are being introduced and discussed. Then the assumptions and results are explained. At the end of the paper the conclusion and the managerial implications are being detailed.

## Introduction

Although hotels are significant in the Hungarian economy, they have to face several problems lately. These issues have a standardisation, customisation perspective and the analyses of these concepts can provide a solution for hotels. In this paper the pricing and the human resource problems are highlighted from the list Gyórfy (2010) defines.

The prices of Hungarian hotels can be claimed to be low comparing all the costs in connection with the operation. The low level of prices mean that there is a slight difference between the price of a 4 or 3 star hotel but guests expect higher quality in a 4 star establishment. The reason for the low room rates and packages is to increase the occupancy rate, although it is only about 50% (KSH.hu, 2013). The consequence of the decreased prices is that there is no money left for maintenance which results that hotels cannot provide quality equipment for the guests or work with any. It makes it even harder for the staff to satisfy the guest needs because they have to make up for the mistakes and deficiencies of the intangibles (Gyórfy, 2010). In long run price reduction leads to quality problems which is a vicious circle reducing the revenue and the number of satisfied guests. Gyórfy (2010) also suggests that the staff has to be provided with a plan for the future to make it easier for them to accomplish the goals of the company. Nowadays there is a new trend among hotel managers: they keep as little contact with the guests as possible, which worsens the atmosphere at the workplace. Since hotels need to reduce their costs to be able to work, some of them use outsourcing as a tool, although this method can also have a negative effect on quality and atmosphere in the hotel.

For measuring the hotels' success eight performance indicators have been chosen. Some of them are measured by the Hungarian Statistics Office (KSH) (revenue per available room, average room rate, occupancy rate, star rating), the others are suggested by the Hungarian Hotel and Restaurant Association (foreign guest percentage), the rest aims to show the guest satisfaction (Tripadvisor evaluations, Booking.com evaluations, loyal guest percentage).

## Standardisation

Standardisation is the situation where the service product is the same every time (for example the hamburger at McDonald's). According to Sundbo (2002) standardisation is a way to decrease costs, at the same time to increase productivity and lower prices. Standardisation can be explained in terms of classic economic logic, which may be characterised as an economy of productivity (Sundbo, 1994). Within this logic, only prices and quantities are essential and consumers are supposed to assess the quality of a product and compare the price of it

with the price of similar products. Individual customer care is useless according to this logic because the customers have the knowledge to classify the product or service according to the type and quality, and when they have done so, only the price matters (Sundbo, 1994).

This statement is supported by the fact that standardised services tend to arise in price sensitive markets where there are economies of scale, and where production is routine, with high costs of adaptation (customisation), and which involve standard or inflexible technologies and a relatively low cost labour force (which is likely to be a labour force with a relatively low level of educational attainment) (Tether et al., 2001). Standardisation implies high production volumes and relatively distant relations with the customer (since little information is required from the consumer to specify the product) (Tether et al., 2001).

Some other phrases for standardisation can be seen on Table 1.

| <b>Author</b>        | <b>Date</b> | <b>Standardisation</b>            |
|----------------------|-------------|-----------------------------------|
| Sasser et al.        | 1978        | Mass production                   |
| Surprenant – Solomon | 1987        | Predictability                    |
| Juran                | 1988        | Meeting customer needs            |
| Lovelock             | 1992        | Operation                         |
| Baalbaki – Malhotra  | 1993        | Globalisation                     |
| Van Mesdag           | 1999        |                                   |
| Upton                | 1994        | Uniformity                        |
| Lovelock et al.      | 1996        | Cycle of Mediocrity               |
| Anderson et al.      | 1997        | Productivity                      |
| Kotler – Armstrong   | 2010        |                                   |
| Silvestro et al.     | 1997        | Mass service                      |
| Irons                | 1997        | Threshold values                  |
| Kurtz – Clow         | 1998        | Cost efficiency                   |
| Grönroos             | 2000        | Technical quality dimension       |
| Ritzer               | 2001        | McDonaldization                   |
| Cloninger – Swaidan  | 2007        | Homogeneous                       |
| Veres                | 2009        | Undifferentiated market influence |
| Nordin et al.        | 2011        | Transferability across markets    |
| Johnston et al.      | 2012        | Commodity                         |

Table 1. Different phrases used for standardisation  
Source: Own compilation

As Table 1 shows the phrases meaning standardisation come from different concepts and perspectives. There is an international way of thinking (Baalbaki – Malhotra, 1993; Van Mesdag, 1999; Upton, 1994; Ritzer, 2001; Cloninger – Swaidan, 2007; Nordin et al., 2011) about standardisation which is supported by the uniformity and transferability as the benefits of the concept. It means that with the help of standardisation the different cultural characteristics of different countries the company wants to expand to can be got rid of or eased. The other aspect is the quality perspective of standardisation (Surprenant – Solomon, 1987; Juran, 1988; Lovelock et al., 1996; Irons, 1997; Grönroos, 2000). Quality assurance is one of the most important issues of this paper and it is essential to emphasise its role in customer satisfaction and meeting customer expectation as well as the rules or procedure standards to make processes more effective and suitable for customers and the staff as well. This kind of thinking leads to the next aspect, the effective operation of the companies (Sasser et al., 1978; Lovelock, 1992; Anderson et al., 1997; Kotler – Armstrong, 2010; Silvestro et al., 1997; Kurtz - Clow, 1998; Veres, 2009; Johnston et al., 2012).

The tool of standardisation is the standard itself. Service providers need to establish standards to provide guest satisfaction (Lovelock – Wirtz, 2007) and they can help management to control in service and manufacturing firms (Kullven – Mattsson, 1994). Standards show the appropriate ways for employees and help managers measure their performance (Kullven – Mattsson, 1994; Woodruffe, 1995). Service standards could include the time parameters, the script for the correct performance, and prescriptions for appropriate style and behaviour (Lovelock – Wirtz, 2007). Hard and soft standards are both used, but as the size of the company grows, standards are likely to be more formalised. Service quality and productivity are two sides of the same coin (Lovelock – Wirtz, 2007). They cannot focus on only productivity or quality because in this case operation and marketing are separated and there is no long term benefit in that strategy, they have to cooperate (Lovelock – Wright, 2002). Improving productivity means saving time and costs, although in the front stage it can cause large problems in the long run, if there are not enough employees processes are slower and not proper enough (Lovelock et al., 1996).

Quality standards were originally found out and used in production. They focused on the quality and the right conformance of the product. Now assuring quality does not only contain the operation part of the firm but every other department, for example marketing, as well (Woodruffe, 1995).

According to Blind and Hipp (2003) quality standards are appropriate for making the quality of products and services transparent. They state quality standards are highly needed in services because of the intangibility of services and the information asymmetries between management and the service providers.

Horovitz (2004) states that there should be no more than 50 standards at a company level which results in about 1000-2000 lines for bigger and more complex service providers such as a theme park. The more experienced the staff, the fewer standards they need, although for new employees they still function as great help. He called standards 'a safety net' which explains why they are needed at service companies as much as in manufacturing companies. The most important issues in the case of standards are that they need to be explicit, established by the best employees, everyone in the team needs to know them, they should be used in the induction process, should always have a role in internal communication and they need to be reviewed at least every two years (Horovitz, 2004).

There are different classifications of standards. One of them identifies four types of standards (Schmenner, 1995). The first three are regulated by hotel standards as well and that is why an example was assigned to each (Table 2).

| Type of standards | Definition, examples   |
|-------------------|--|
| Time              | Easy to measure, used in certain situations. A hotel example: Reservation confirmation must be delivered via email/fax no later than 24 hours following the reservation.         |
| Productivity      | Norm, which has to be ready or served or provided at the end of the day. A hotel example: standards help determining the number of rooms has to be cleaned by a room attendant.  |
| Quality           | More subjective, less measurable, the measurement method is audits, reviews. A hotel example: During the entire reservation process the associate must be friendly and spirited. |
| Cost              | The amount of labour costs, inventories.   |
| Demand            | The number of customers in a period of time.   |

Table 2. Type of standards  
Source: Schmenner, 1995

Another grouping of standards is made by Nesheim (1990) who mainly focused on organisational design and wanted to find the most effective coordination mechanism for different service firms.

| Type of standards                           | Hotel example   |
|---|---|
| Standardisation of work processes or output | Room cleaning process and the number of rooms which needs to be done until the end of the day |
| Standardisation of work processes           | Reservation process   |
| Standardisation of output                   | The arrangement of the rooms when the guests arrive   |
| Cultural control                            | The process of welcoming guests on arrival  |

Table 3. Type of standards

Source: Nesheim, 1990

This research concentrates on the second and the fourth categories (Table 3). However, there can be a connection between the standardisation of processes and cultural control; cultural control means the standardisation of the norms and values in the company, which should be the base of standardisation of these processes.

| Author             | Date | Advantage of standardisation  |
|--------------------|------|---|
| Kimes and Mutkoski | 1991 | Efficiency, efficient service delivery  |
| Sundbo             | 1994 | Increased productivity, lower costs, customer satisfaction, systemised innovation, quality assurance, customer satisfaction |
| Ritzer             | 2004 | Efficiency, calculability, predictability, control through nonhuman technology  |
| Heppel             | 2010 | Fast, predictable, perfect service  |

Table 4. The advantages of standardisation

Source: Own compilation

Kimes – Mutkosky (1991) identified two important aims of standardisation efficiency and efficient service delivery. Efficiency is mentioned by Ritzer (2004) as well when he phrased the dimensions of the term McDonaldization. This advantage is listed with others: calculability, predictability and control through nonhuman technology. Predictability which actually is the customer expectation is an advantage because it provides a fast, predictable and perfect service for the customer which is the most important issues in order to deliver high quality service (Heppel, 2010). The last mentioned advantage (Table 4) is productivity increase which has good possibility in a service firm if they are using standardisation (Sundbo, 1994). Bateson (1985) also mentions productivity as one of the most important goals of companies and adds that these firms have to consider the self-service option as well.

## Customisation

Customisation is the situation where the service product is created in an actual situation as an individual solution to the customer's specific problem (tailor-made or customised) (Sundbo, 2002). Customisation takes place in an economic logic, which is based on the axiom that a service product cannot be stored and therefore it must be consumed in the moment of production and the consumer must be a co-producer (Sundbo, 2002). The customisation tendency is thus driven by this logic of service marketing, which economically is the logic of old-fashioned servants. This was not rational productivity logic, but the logic of luxury – servants did not produce much that was useful, but they were nice to have and the nobleman could afford this luxury. Contemporary western economies can be seen as luxury economies; there are large surpluses over what is needed just to survive. Therefore, buyers of services can afford, and will look for, quality and the kind of service over price (Sundbo, 1994). The customised service provision will depend on the economies of scope and the costs associated with customisation as well as the extent to which customers are prepared to pay different amounts for different variants which leads to discriminatory pricing. Consequently, when there are significant economies of scope, the cost of customisation is low and where customers are prepared to pay different amounts for the similar service variants, customised services will in general be provided (Tether et al., 2001). Customisation cannot be defined as exactly as standardisation and because of this fact it is hard to base research on this concept (Reisinger – Steiner, 2005).

There are different forms of customisation. The classification below is made according to customisation of the product and the customisation of representation (Gilmore – Pine, 1997):

- Adaptive customisation: Low product and low representation customisation. It is a standard product which can be used in different ways by the customers themselves (choice).
- Transparent customisation: High product and low representation customisation. The product is altered according to researched customer needs but they most likely do not know about it only using it this way.
- Cosmetic customisation: Low product and high representation customisation. Only the product representation, for example the packaging, is changed according to the customers' need.
- Collaborative customisation: High product and representation customisation. Both factors are adjusted to customer needs with customer participation.

Although these are distinct categories, companies can use more of them at the same time to find the fit with the customer and create a unique added value for them (Gilmore – Pine, 1997).

Jin et al. (2012) identified two categories of customisation analysing the product customisation in travel agencies: upgrading and downgrading. They determine that customisation influences loyalty and most customers choose upgrading because it starts with an economy package and continuously gets closer to the luxury package and they can stop in any phase they want to. It proves the price orientation of the customers. Additive and subtractive customisation (Park et al., 2000, Wang et al., 2013) or building up, scaling down processes (Levin et al., 2002) mean the same classification only using different names and they are not only applied for the travel agency industry. However, Levin's (2002) results show that in case of pizza topping customers prefer the scaling down process which provides more revenue for the company as well.

| <b>Advantages of customisation</b> | <b>Disadvantage of customisation</b> |
|------------------------------------|--------------------------------------|
| Higher prices                      | More costs                           |
| Special needs                      | Only a few people                    |
| Added value                        | Higher operational risk              |
| Less strategic and financial risk  |                                      |

Table 5. The advantages and disadvantages of customisation  
Source: Own compilation

The customer is willing to pay more for the service if it provides extra value for them (Sedmak – Mihalic, 2008). It is important to add that customisation only costs a little and it is worth fitting to the customer needs and expectation (Heskett, 1986). Although the risk of high costs needs to be mentioned because of the alteration of the characteristics from time to time (Nordin et al., 2011). There is no argument of customisation being able to satisfy special customer needs and create added value to the customer with finding the exceptions and dealing with them differently (Heppel, 2010), although it is essential to add the danger of only a few people interested in the special service (Ritzer, 2001). This kind of thinking suggests that customisation represents higher operational risk but less strategic and financial risk (Nordin et al., 2011). Too much customisation can be a disadvantage for the company as well, if there are too many choices customers have to consider; in this case they need attributes fitting their needs instead of all the options (Huffman –Kahn, 1998).

**The combinations of standardisation and customisation**

The previous chapters introduced the advantages of the two concepts but since the paper states that it is possible to exploit all the advantages, it is relevant to present the theories used by other authors whose aim was to combine standardisation and customisation.

| Author                   | Date | Theory   |
|--------------------------|------|--|
| Heskett                  | 1986 | Alteration of the product  |
| Hertzberg                | 1987 | Diminishing dissatisfiers and providing satisfiers                                     |
| Johns                    | 1993 | Mixing the design and productivity   |
| Palmer – Cole            | 1995 | Being able to keep standards: high, being able to customise to the guests’ needs: high |
| Lampel – Mintzberg       | 1996 | Segmented standardisation, customised standardisation                                  |
| Silvestro et al.         | 1997 | Service shop   |
| Irons                    | 1997 | Threshold values, incremental values   |
| Sundbo                   | 2002 | Modularity   |
| Van Looy et al.          | 2003 | Standardised process – High degree of client contact                                   |
| Liu et al.               | 2008 | Standardisation and customisation in the middle  |
| Mount – Mattila          | 2009 | Reliability and recovery   |
| Lehrer – Behman          | 2009 | Programmability  |
| Gyurá cz-Németh – Clarke | 2011 | Customisation is based on standardisation  |

Table 6. The different theories of combining standardisation and customisation  
Source: Own compilation

Some of the authors listed in Table 6 deal with standardisation and customisation as normally distinct categories but they create a new category which combines the two (Palmer – Cole, 1995; Lampel – Mintzberg, 1996; Silvestro et al., 1997; Van Looy et al., 2003; Mount – Mattila, 2009). Others realised that the operation of companies have changed and the two concepts are applied at the same time (Heskett, 1986; Johns, 1993; Irons, 1997; Liu et al., 2008; Lehrer – Behman, 2009). Some of the researchers’ aim was similar to the current author. Their goal was to try to find the solution to exploit the advantages of both concepts and found out a new theory. One solution is modularity introduced by Davis (1989) and ap-

plied by Sundbo (2002) for services. Modularity is a technique when the parts are standardised but the outcome is customised by the customer or guest themselves since they decide which elements they would like to use to actually produce the final product (Davis, 1989). The essence of modularity can be explained with the following sentence: 'Every buy is customized, every sale is standardized.' (Davis, 1989, p. 18). Modularity is a very commonly used concept in theory and practice as well to mix the advantages of standardisation and customisation. However, according to Bask et al. (2010) the service applications are limited.

The last category contains the idea and model of the current author (Gyurácz-Németh – Clarke, 2011). According to this approach customisation and standardisation are not independent and not opposites. This means that hotels do not have to choose between standardisation and customisation. Also the role of standardisation is not only to replace customisation or vice versa. The opposite of standardisation is no standardisation and nor does standardisation not equal customisation, because if the processes of a hotel are not standardised it does not mean it will operate according to the customers' needs. This way of thinking actually works in the case of customisation as well. If the hotel processes are not customised it does not mean that they are standardised instead, they only do not meet the customers' needs. The result of no standardisation is insecurity and variance which means that the processes are not specified and the employees are trained to execute them properly so this unexpected service is going to be provided to the guests who are once served this way the other time another way. If there is no customisation and guests require the personal touch, they will surely be unsatisfied with the automatic service, which is not different from a machine serving them. This kind of thinking requires a shift in the approach to the topic. If standardisation and customisation are seen in a quality perspective, it is easy to recognise that both of them are needed at the same time. (Gyurácz-Németh – Clarke 2011)

Standardisation in a quality context can provide a minimum quality level to the hotel but no standardisation on the other hand can only provide insecurity and variance as it was mentioned before. According to this theory standardisation is necessary for a hotel to be able to ensure a certain quality level and satisfy their guests' needs. Customisation fits this theory because it represents the 'real' quality in this model. While standardisation stands for the minimum quality the hotel has to provide for the guests not to complain about the hotel service, customisation is something more than that, as the hotel already ensures that the customer is not dissatisfied, customisation is an added value which a hotel can offer to its guests to make them pleased, loyal and frequent visitors: satisfied guests.

As Figure 1 shows there is no customisation without standardisation in a successful firm. The minimum level of quality has to be assured first and then hotels can deal with customisation. It

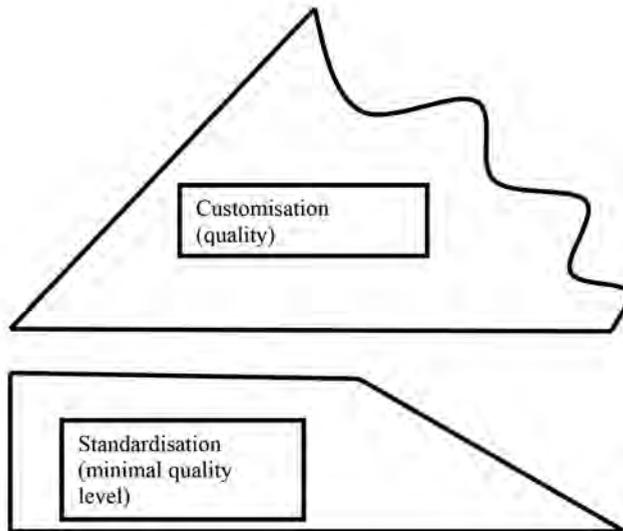


Figure 1. Customisation is based on standardisation  
Source: Gyurá cz-Németh – Clarke 2011

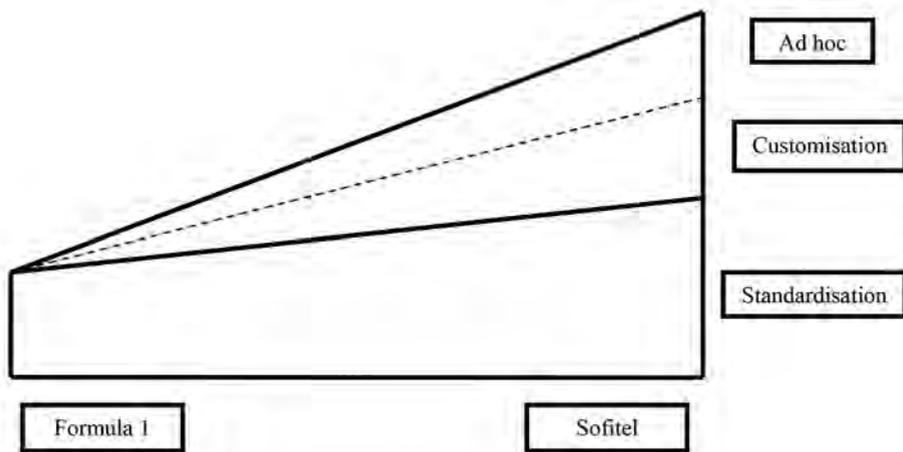


Figure 2. Presenting Accor brands according to the new theory  
Source: Gyurá cz-Németh – Clarke 2011

can mean that they need to organise their own operation before turning to the guests and satisfy their needs. In the Figure 1 it is easy to see that in the cases where the level of standardisation

drops the reliability of customisation decreases at the same time. With a minimum level of quality, the basis of the service (standardisation), is not firm, it is not possible to go on to the next level (customisation).

Since the subjects of this research are hotels, a hotel group example would be appropriate for showing the usage of standardisation and customisation. Accor has hotel chains from different segments. Two extremes are the Formula 1 hotel and Sofitel. Formula 1 is a budget hotel chain providing only basic service mostly accommodation, they are practical, simple and economical (<http://www.accor.com/en/brands/brand-portfolio/hotelf1.html> 13/1/2015). Sofitel is the luxury brand of Accor providing every service the guests can imagine (<http://www.accor.com/en/brands/brand-portfolio/sofitel.html> 13/1/2015). In Sofitel it is clear that customisation has a bigger role than in Formula 1 hotels - given their different target segments - but standardisation is still needed and the level of standardisation could even be larger because these luxury hotels always have much more types of services which should be standardised. It is actually true that in Formula 1 hotels customisation is not needed because of its budget hotel status – although there can be special requests – but it is not correct to think that a luxury hotel does not have to be standardised.

Ad hoc activity means incidental solutions with low awareness where customisation and standardisation questions are not raised. These are random events which do not aim to assure quality or provide customer satisfaction only happen because of the front staff's attitude or mood. This ad hoc section is not going to be examined in this research.

### **Research questions and assumptions**

The role and significance of standardisation and customisation had to be analysed empirically. The following research questions have been formed:

Q1 Is there a relationship between standardisation and customisation? If so, how strongly are they connected?

Q2 Which performance indicators can be brought together to improve the analysis of hotels? What kind of performance groups can be identified?

Q3 Is there a relationship between the standardisation and customisation level of the hotel and the performance indicator it reaches?

The assumptions are built on the research questions and contain the author's assumptions about the two concepts and their appearance in hotel management

***Assumption 1***

*There is a relationship between standardisation and customisation in the Hungarian hotel sector.*

Some of the reviewed literature (Cloninger - Swaidan, 2007; Ritzer, 2001; Schmid – Kotulla, 2010; Samicee et al., 2003; Bharadwaj et al., 2009) suggest that standardisation and customisation are two distinct strategies to choose from; they do not raise the option that they could be mixed or applied at the same time at the same firm, in this case a hotel, so general managers have to choose between the two strategies. Others mention a possibility to apply both at the same time though for different processes (Kimes – Mutkoski, 1991; Liu et al., 2008; Moore et al., 2010) but there are authors who consider dealing with standardisation and customisation at the same in the same process (Heskett, 1986; Mount – Mattila, 2009). There were also researchers who started to develop new theories which somehow mix the two and create another category or concept (Sundbo, 2002, Gilmore – Pine, 1997). As this topic is argued in the literature one of the most important aims of the research was to investigate if there is a relationship between standardisation and customisation or these two concepts are independent.

***Assumption 2***

*The performance indicators (revenue per available room, occupancy rate, average daily rate, stars, foreign guest percentage, loyal guest percentage, booking evaluations, Tripadvisor evaluations) can be grouped into two factors: operation performance, guest performance.*

This assumption is searching for the relationships between the applied performance indicators. The logic suggests that the operational performance indicators belong together and guest performance indicators contain all the data coming from guest satisfaction and the percentage of foreign guests.

***Assumption 3***

*The average value of the performance indicators is higher in case of higher level of standardisation and customisation in Hungarian hotels.*

Since hotel general managers had to be convinced that the application of standardisation and customisation at the same time has its significant advantages, the above mentioned assumption has been made. It states that higher performance indicators can be detected in those hotels which have higher standardisation and customisation levels.

### **Primary Data Collection**

The data has been collected via expert interviews and questionnaires completed by hotel general managers.

The topic of standardisation and customisation required to be decided and answered by hotel general managers. The interview was determined to be replied by hotel chain general managers and the questionnaire by hotel general managers. The hotels which were contacted all belong to the Hungarian Hotel and Restaurant Association, which was meant to be a segmentation of hotel according to quality.

The first step was to determine the hotel general managers who could belong to the sample. The aim of the interview was to define the different importance of the standard groups and the weight of oral and written standardisation. Six interviews were carried out with hotel chain general managers and the results were used for identifying the standardisation level of hotels.

The questionnaire which has been made for investigating the topic consists of three parts: general questions, standardisation questions and customisation questions.

Before starting the actual survey pilot questionnaires was carried out improving the questions and the answer options and make them more understandable for the professionals.

After the pilot tests, the questionnaire was finalised and the actual survey started in June 2013 and closed in November. 20% of the questionnaires were asked personally by the researcher, the rest were sent to the hotel general managers via email. The questionnaire was in an online form but it was attached to the emails as well. The link to the online questionnaire was sent to the email addresses of 366 hotel general managers (though the direct email addresses of every one of the general managers were not available). As the result of the survey 81 questionnaires were filled out and ready to be evaluated.

### **Testing the assumptions**

Before testing the different assumptions the exact level of standardisation and customisation had to be determined. The first step to count them is to define the weight of the standard groups.

For the determination of the standardisation level a collection of standards was used which is found out and applied by one of the biggest international hotel chains – the exact name of the hotel chain cannot be mentioned because of the confidentiality of these documents. The ‘book’ contains all the standards referring to every activity which can happen in

a hotel concentrating on processes in connection with the guests or only affect employees and their contact. Although there are too many standards which number cannot be asked from the participants, so it had to be shortened. The standards are grouped into groups, called standard groups by the researchers. In the questionnaire and the analysis these categories have been used as indicators by which the standardisation level of each hotel could be measured.

As it has been mentioned before the different weights of standard groups had to be determined. The interviewees had to define the importance of standardising the list of processes (standard groups) in Likert scale from 1 to 7. The results of these evaluations can be seen on Figure 3.

In independent and in some chain member hotels there are no written standards and they have some rules (oral standards) to keep. It raised the question to determine if there is a difference between the efficiency of written and oral standards or regulations. The same hotel chain general managers (interviewees) had to evaluate the effect along a 1 to 7 Likert scale as well.

The questionnaire contains a table with the 44 standard groups and the hotel general managers – who fit the sampling criteria and were able to fill out the questionnaire – had to mark if they standardise those processes and if there are oral or written standards considering the processes.

After collecting the results, the analytical method has to be elaborated. For this reason an indicator has been developed. A number has been assigned to the different answer options, so if the hotel does not have a service or process mentioned by the 44 indicators, it got no number. An example for this is the business centre cleanliness, because it is obvious if a hotel does not have any business centre the cleaning process of it is impossible to standardise. If the hotel does have that service but is not standardised any way, it got the 1. If the standard group exists in the hotel and it standardised but not written down only standardised orally, it got the number 2. The highest category was if the process existed in the hotel, so they provided that service and it was regulated and written down so documented, the hotel got a 3 for that standard group.

The numbers then were put into an excel table, where the vertical column contained the name of the standard groups listed below each other. The weights were put next to them to be able to match these two together. The numbers of the hotels were inserted in the horizontal lines so the different evaluations (1, 2 or 3) were listed under them to match the standard groups they belong to. The weights of written and oral standards were put below the large table containing the rest of the data.

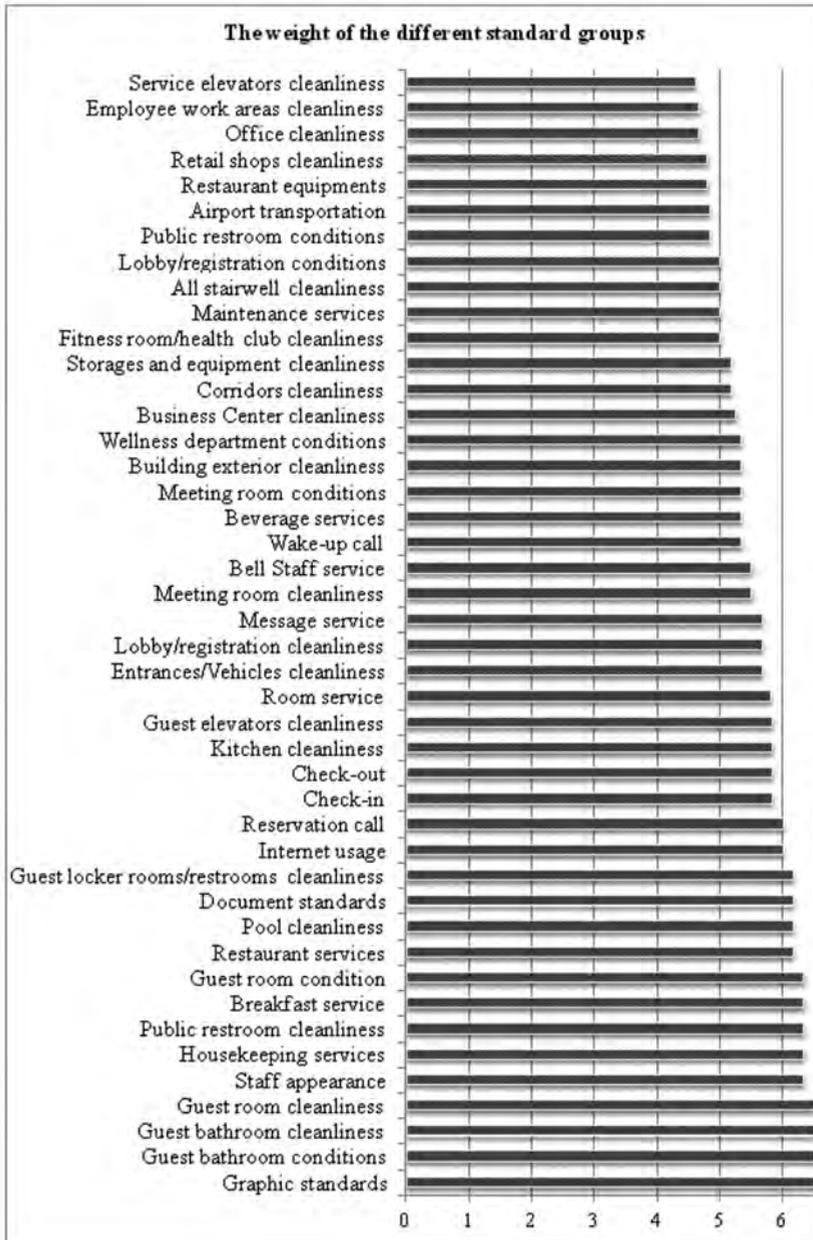


Figure 3. The weight of different standard groups  
 Source: Gyurácz-Németh – Komlósi 2012

Firstly the point given to a standard group by the hotel general managers has been multiplied by the weight determined by the hotel experts in the previous interviews. This method is carried on for every standard group – all the 44 – one by one. Primarily the product was defined by these two indicators. Then the different significance of the form of standards – oral or written – is used as an alteration, the formula is multiplied by the weight determined by the hotel experts for the compliance of the standard by the employees. After calculating every product for every standard group the formula sums up the products. Then the result had to be transformed into a percentage to be able to determine the level of standardisation for each hotel. Firstly the sum was divided by the sum of the weights and then the maximum of the written/oral weights which equals the evaluation matching the written standard. The result became a percentage which is able to describe the level of standardisation in the analysed hotels. This number makes it able to compare the different hotels with each other and allow further calculations. The result at the end can be seen as the percentage the hotel is standardised.

The level of standardisation is calculated according to the previously mentioned procedures. Determining the level of customisation had to follow the logic created for standardisation to be able to compare them. That is the reason why a similar excel table was applied to define the level of customisation. The 44 standard groups or processes were listed in this table as well, since they include all the processes which can exist in a hotel, so it is able to provide a comprehensive result. The difference between the calculation of the level of standardisation and customisation is the weights. Standardisation is proved to be used by hotel chain member hotels and known by their general managers, customisation is less ‘tangible’ and it cannot be definitely determined in which processes customisation is needed and that is why weights were not assigned to the 44 processes. Since the approach of the subject was altered, the question which is asked had to be changed as well. As it has been mentioned before it was important to distinguish if a hotel does not standardise a service or the process does not exist in the establishment. This issue also has a crucial role in case of customisation, so the answer option remained. The aim of the question was to find out if the hotel allows customisation and if they do only partially or the whole process can be changed according to the customer needs. So the other response opportunities in case of each process (44) were ‘it is not possible to change the process at all’, ‘the process can only partially be customised to the guests’ needs’ and ‘the process can entirely be altered if the guest wants to change them’.

Analysing the responses, numbers were assigned to the 44 processes similar to the standardisation section. If the hotel does not have the process/service a 1 is given to the listed indicator. If the hotel policy or the hotel general manager or any other regulation or customs

do not allow customising the process according to the guests' needs at all, it got 2. If the customisation of the process is possible but only partially, it got a 3 and if the service/process could be fully customised to whatever need the customer has, a 4 was assigned. After coding the answers, the result was summarised, which determined the whole sum of customisation at the hotel. After that those processes and their value were excluded from the calculation, which do not exist in the hotel and the ratio of customisation could be identified. Then the whole product was divided by the maximum reachable value for defining the percentage/level of customisation in the hotel. The previous products can be used to compare the data, although the percentages are much easier to understand, deal with and compare.

### Assumption 1

This assumption aimed to find the relationship between the two important concepts, standardisation and customisation; using an existing list of processes and the weights given by the experts and with these data determined the level of standardisation and customisation.

For reaching this goal a relationship analysis was needed to find out the type and the strength of the correlation. This purpose needed a cross tabulation analysis. The result of the examination can be seen on Table 7.

| Symmetric Measures    |            |       |              |
|-----------------------|------------|-------|--------------|
|                       |            | Value | Approx. Sig. |
| Nominal by<br>Nominal | Phi        | 8.097 | .000         |
|                       | Cramer's V | .954  | .000         |
| N of Valid Cases      |            | 81    |              |

Table 7. The value of Cramer's V in case of standardisation and customisation

Table 7 shows that the standardisation and customisation of processes in a hotel is related and they are significantly not independent. This finding suggests that theory of the relationship between standardisation and customisation stands and contradicts a lot of theories.

Another test was also executed, which aimed to prove the correlation and the effect of the variables on each other; it is able to give information if one of the concepts (standardisation and customisation) has a stronger influence on the other one.

| Directional Measures |                         |                    |       |                                |                        |                   |
|----------------------|-------------------------|--------------------|-------|--------------------------------|------------------------|-------------------|
|                      |                         |                    | Value | Asymp. Std. Error <sup>a</sup> | Approx. T <sup>b</sup> | Approx. Sig.      |
| Nominal by Nominal   | Lambda                  | Symmetric          | .907  | .026                           | 21.072                 | .000              |
|                      |                         | Custom Dependent   | .907  | .034                           | 20.584                 | .000              |
|                      |                         | Standard Dependent | .907  | .034                           | 18.923                 | .000              |
|                      | Goodman and Kruskal tau | Custom Dependent   | .912  | .000                           |                        | .248 <sup>c</sup> |
|                      |                         | Standard Dependent | .908  | .007                           |                        | .327 <sup>c</sup> |

Table 8. The results of Lambda test

The results of the Lambda test are illustrated on Table 8. The numbers show that the correlation between standardisation and customisation is very high, they have very strong relationship with each other since Lambda is measured in a 0-1 scale and the result is 0.907. The other aim of testing Lambda was to determine which variable has stronger influence on the other. The value of Lambda makes it clear that both of the variables have the same influence on each other which means that they both can be independent and dependent variables.

### Assumption 2

In the next phase of the analysis, the grouping of the performance indicators happened to find out the correlations between the most important hotel numbers.

The result of principle component analysis is being introduced and the place of variables is going to be determined.

| <b>KMO and Bartlett's Test</b>                   |                    |        |
|--|--------------------|--------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                    | ,652   |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square | 193,60 |
|  | df                 | 4      |
|  | Sig.               | ,000   |

Table 9. The result of the KMO and Bartlett's test

Table 9 shows that the principal component analysis can be carried out and a good result can be expected.

In the analysis only those variables were considered which eigenvalue was more than 1.0 (Kaiser's criterion). At first the analysis revealed 3 components but since the third one only contained one variable and the total variance explained was almost 55% after the second factor, the decision was made that only two factors are needed. These factors explain the 35.5% and the 19.6% of the variance. The two components together explain 55.1% of the total variance.

| <b>Rotated Component Matrix</b> |           |      |
|---------------------------------|-----------|------|
|                                 | Component |      |
|                                 | 1         | 2    |
| RevPar                          | ,878      |      |
| Average room rate               | ,871      |      |
| Stars                           | ,813      |      |
| Occupancy rate                  | ,589      |      |
| Tripadvisor                     | ,496      |      |
| Foreign guests percentage       |           | ,857 |
| Loyal guests                    |           | ,787 |
| Booking                         |           |      |

Table 10. The results of principle component analysis and the place of variables

Table 10 shows that the variable, booking evaluations, belongs to another component and could not be listed under either component. Although the other components had a number of strong loadings and the variables clearly belong to the groups they were put in.

Although the indicators cannot entirely be put into the previously determined groups, but it is important to note that the operational performance indicators (RevPar, ADR, Stars, Occupancy rate) have been classified into the same factor. Although there is another variable which belongs to them and this is the Tripadvisor evaluations. According to the results the Tripadvisor guest evaluations have a positive relationship with the important operational performance indicators. The consequence of this fact should make hotel general managers think about their operation and guest relation activities. According to this logic Booking evaluation should also have a relationship with the operational performance indicators but it was put into a different component alone (no other indicators were grouped into that factor) and it had a very weak relationship with the other two components. This result would suggest that the Tripadvisor evaluations are more useful for the hotels because of their relationship with the operational performance indicators than booking.com. The second component contains two variables the foreign guest percentage of the hotels and loyal guest percentage. This result suggests that there is a correlation between the percentages of foreign and loyal guests in the hotels and one variable influence the other. Due to these facts the results of principle component analysis should raise attention to the role of foreign guests in the hotels.

### **Assumption 3**

The assumption aims to find out if a hotel has a higher level of customisation and standardisation, it has better performance indicators as well. This statement can be a persuasive tool to motivate hotel general managers to standardise and customise their processes.

To get to know and be able to explain the results a cluster analysis has been performed. The aim of the cluster analysis was to determine groups of hotels according to the level of standardisation and customisation and observe how these two concepts exist next to each other.

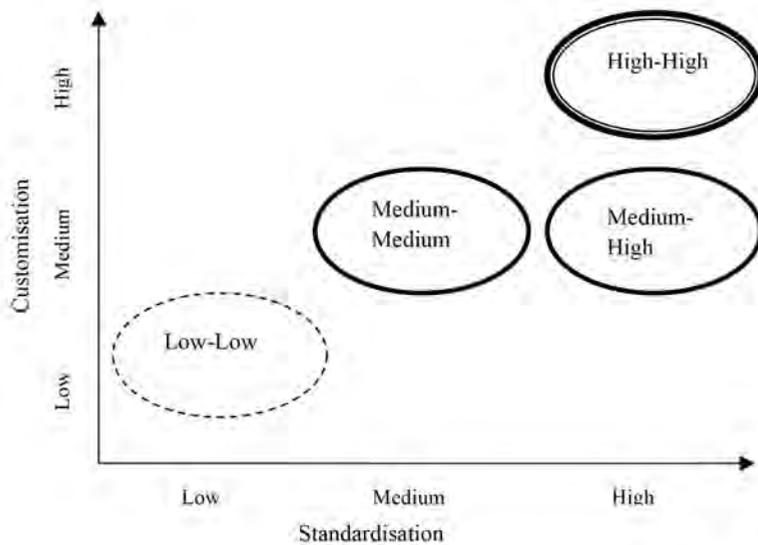


Figure 4. The illustration of cluster analysis results

Figure 4 presents the clusters provided by the K-means clustering method. The figure shows what kind of groups can be created from the analysed sample according to the variables. It is very clear on the picture that the level of standardisation and customisation exist together on the same level or similar level in the hotels. In case of three of the four groups the value of the two variables are the same (low-low, medium-medium, high-high) and there is one where the difference between the levels made it a mixed category (medium-high).

After that the results of cluster analysis have been examined further to find out if in case of those groups of hotels where the level of standardisation and customisation are higher, the performance indicators are better as well.

Table 11 shows the different performance indicators in the rows and the hotel clusters in the column presented not according to the cluster number but more related to their meaning. The average value of performance indicators are listed in the middle of the table highlighted the highest numbers.

The highest value of revenue per available room can be measured in cluster four: Medium customisation and high standardisation. It means that those hotels which belong to this clus-

|                          | Low-Low | Medium-medium | High-High    | Medium-high  |
|--------------------------|---------|---------------|--------------|--------------|
| RevPar                   | 9528    | 8102          | 7179         | <b>9588</b>  |
| Loyal guest percentage   | 0.22    | 0.27          | <b>0.3</b>   | 0.24         |
| Booking                  | 8.29    | 7.67          | 8.22         | <b>9.62</b>  |
| Occupancy                | 0.54    | 0.56          | <b>0.59</b>  | 0.57         |
| Tripadvisor              | 73.62   | 62            | <b>74.43</b> | 68.81        |
| Foreign guest percentage | 0.63    | 0.53          | 0.6          | <b>0.66</b>  |
| Average daily rate       | 14297   | 14649         | 12300        | <b>16562</b> |
| Stars                    | 3.64    | 3.75          | 3.54         | <b>3.92</b>  |

Table 11. Performance indicators in the different clusters

ter have the highest average revpar, although it has to be noted, that there is slight difference in the value of revpar between the low-low and the medium-high category.

The loyal guest percentage is the highest in case of hotels with high level of standardisation and high customisation. This means that those hotels belong to cluster three have the most loyal guests comparing to the number of all guests in average which is 30%. This result does not show the number of the guests only the percentage of the loyal guests to all guests.

The value of Booking.com reviews can be seen in the next row. Those hotels which got the highest booking evaluation on average belong to cluster four, where those hotels can be found where the level of customisation is medium and level of standardisation is high.

There are no big differences in the occupancy rates of the different clusters, but the highest occupancy rate belonged to cluster three, where the level of customisation and standardisation is high.

Tripadvisor evaluation is done on a 0-100 scale and the highest average reviews were given to hotels in cluster three. These hotels have high level of standardisation and customisation as well.

The difference between the average percentages of foreign guests is not great between the clusters. The highest foreign guest percentage is delivered by cluster four, where the level of customisation is medium and the level of standardisation is high.

There is a bigger difference in case of the values of average daily rate, because the highest average values have been made by the hotels belonging to cluster four (medium customisation

and high standardisation). This value is almost 2000 Ft higher than the number produced by group two (medium customisation and medium standardisation)

In case of stars the question is what level of customisation and standardisation results more stars for the hotel. According to the results those hotels which belong to cluster four (medium customisation and high standardisation) have more 'average stars' than hotels in other clusters.

### Conclusion

The most important goal of the research was to investigate the role of standardisation and customisation in the hotel management of Hungarian establishments.

The research questions have been formed after reviewing the literature and considering the experience of the author. The assumptions have been phrased after the research questions. Three assumptions have been made and tested. After collecting the sample, making the interviews and having the questionnaires filled out, the analysis the following conclusions can be made:

*Assumption 1 There is a relationship between standardisation and customisation in the Hungarian hotel sector.*

The relationship between the two concepts is considered to be part of a different way of thinking about process standardisation and customisation. According to the current author's opinion, the two strategies are not independent, they are not two distinct concepts to choose from. The theoretical model made for the research claimed that customisation is based on standardisation and the two strategies can be used together, they have a positive relationship with each other. The research showed that there is a strong correlation between standardisation and customisation which supports the author's idea and opens the discussion of re-thinking the literature and the way of considering the two concepts.

*Assumption 2 The performance indicators (revenue per available room, occupancy rate, average daily rate, stars, foreign guest percentage, loyal guest percentage, booking evaluations, Tripadvisor evaluations) can be grouped into two factors: operation performance, guest performance.*

The most important performance indicators and their correlations are essential to fully understand hotel goals and strategies. The research contained all the useful numbers applied and analysed by hotel managers. The relationship between the variables needs to be investi-

gated since it would be essential for general managers to rethink their strategic directions and goals. The results show that Tripadvisor evaluations belong to the same factor as the operational indicators, but booking.com evaluations do not. The same kind of relationship has been found in case of loyal guest and foreign guest percentage.

*Assumption 3 The average value of the performance indicators is higher in case of higher level of standardisation and customisation in Hungarian hotels.*

The above mentioned performance indicators have been used for finding the connection between standardisation, customisation and the success of the hotel. With cluster analysis, four hotel groups have been identified. After analysing these groups it can be stated that in those hotels where the level of standardisation is high and the customisation is high or medium, the performance indicators are the best.

### **Managerial implications**

As it has already been mentioned in the beginning of the paper, the Hungarian hotel sector has to face a lot of challenges lately. The escalating competition, the effects of the recent economic crisis and the changing in human resources make it important to revise their strategies. One of the aims of the current research was to make practitioners think their previous ideas over and make it possible for them to alter their goals.

The following implications are identified and detailed below:

- Thinking over the standardisation and customisation practices of the hotel
- The performance indicators which should be paid more attention to
- The way and reason for standardising and customising the processes of the hotel

One of the most important findings of this research was that managers should not think that standardisation is a bad thing, which is not appreciated by the customers and only customisation matters. The results show that these two concepts are based on each other and in those hotels which would like to be successful, standardisation and customisation are both needed.

The second finding of the research raised the attention to the Tripadvisor evaluations and the correlation between loyal guest percentage and the number of foreign guests in a hotel. The Hungarian hotel managers need to consider Tripadvisor evaluations as essential tool which shows customer satisfaction but at the same time it has a correlation with important success indicators – revenue per available room, average room rate, occupancy rate, star rating. This finding proves the significance of Tripadvisor opposed to the booking evalua-

tions, which were put into another factor, no other performance indicators belonged to. The other factor contains the loyal guest and foreign guest percentage, which means that foreign guests are likely to be loyal guests. This result suggests that hotel general managers should pay more attention to foreign guests since they tend to be loyal guests.

If the question of standardising or customising the service processes come up, the next result would help hotel managers to be convinced about the need for both of them. According to the findings all the performance indicators – revenue per available room, occupancy rate, average room rate, star rating, Tripadvisor evaluations, Booking.com evaluations, loyal guest percentage, foreign guest percentage – are higher when the standardisation is high, customisation is high or medium. It proves to the managers that it is worth standardising (high level) their processes but customising (medium or high level) them as well since the success of the hotel can count on it.

The research can help the stakeholders measure their own level of standardisation and customisation. They can check the processes provided by the paper and think about the groups which are not standardised and customised yet. They can easily count their standardisation and customisation level and determine the percentage they are standardised and customised. They can also identify the fields of improvement as well.

### **Further research**

As the methodology of measuring standardisation and customisation is created and tested, the role of standardisation and customisation can be measured in other countries as well; the comparison between the results would provide valuable information for the researchers and practitioners as well.

In further research it would be beneficial to apply the method, detailed in this paper, in other service providers not only in hotels but in tourism or other service sectors.

The other aim would be to observe the usage of standardisation and customisation in hotels and determine which standards – not only the 44 groups but the whole book of standards – are easy or more difficult to keep and apply.

It would be also important to emphasise hotel employees more and define their role in standardisation and customisation since they can be the key to success as well.

Considering hotels and the tourism sector it would also be valuable to ask customers what their perceptions are and if they can recognise the standards (it is a bad thing or not) and which are more and less important for them.

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