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**"The Nexus of Contented Personnel and Customer on the Financial performance of the Hospitality Industry: Empirical Substantiation from Pakistan"**

**BY**

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**Abstract**

*This research delves into the assessment of several five-star hotels in Pakistan, investigating the interplay between customer contentment and the financial performance of hotels, with staff contentment serving as a mediator. Utilizing correlation and regression analyses, the study unveils an indirect influence of staff contentment on a hotel's financial performance. The findings underscore the substantial impact of contented customers on a hotel's financial success, emphasizing the pivotal role of staff contentment indirectly influencing customer contentment, thereby contributing to overall financial performance. The study advocates for a strategic focus within the hotel industry, highlighting the imperative consideration of staff contentment to enhance financial outcomes.*

**Keywords:** Customer Contentment, Staff Contentment, Hotel's Financial performance, Pakistan.

**1. INTRODUCTION**

According to the belief that contented staffs will increase the customer's level of contentment and loyalty, which will increase revenue and the financial performance of hotel industry (Anderson et al., 1994; Zeithaml et al., 1990). The staff contentment leads to customer allegiance and ensure customers' potential repurchase and repeated visits leads to bootop the financial performance (Bernhardt et al., 2000; Mittal & Kamakura, 2001; Stank et al., 1999; Verhoef, 2003).

In hospitality and tourism businesses have provided greater attention to good quality services to satisfy customers without which hospitality industry cannot enjoy profits. Addition to customer contentment a corporation needs to work in creating a pleasing environment for staff and clients together in comparison to its competitors (Gursoy et al., 2007).

Numerous researchers imply that there is a direct relationship between a contented staff and customer contentment (Bernhardt et al., 2000; Na-Nan, 2013; Tornow & Wiley, 1991; Wangenheim et al., 2007). According to these findings, the combined impact staff and customer on hotel financial

performance has grabbed much attention and became a vital subject now (Matzler & Renzl, 2007). It is further concluded that contented staff is vital for a successful business (Arora & Singer, 2006; Banker et al., 2000; Gunlu et al., 2010; Lam et al., 2001; Saeidi et al., 2015; Sun & Kim, 2013).

Customer contentment is a fundamental ingredient to increase productivity and financial performance of hospitality businesses. Studies give experimental evidence that the factor of customer contentment can lead to major differences in the profit and star ranking of hotels (Assaf & Magnini, 2012).

Guest Contentment Index Model (H-GSI) is a comprehensive model to measure the contentment level of a customer. H-GSI is used by hotel managers for obtaining a detailed idea about customer contentment and the model provides additional information about post-purchase customer behavior with the purpose to improve profitability (Deng et al., 2013).

Another study revealed that Customer Relationship Management in ordinary hotels in UK mostly the customers get contented with the value of money and the core products of the hotels. It is significant for hospitality industry to keep their customers contented by providing the compatible price

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and good quality of product and services leads to increase financial performance of the hotels (Nunkoo et al., 2020).

Another study revealed that customer contentment can be increase with high-quality services that is being offered by the qualified staff (Xu & Li, 2016). It is observed that hospitality industries improve their financial performance through core values. The service manager should make a counterbalance between the workload and customer orientation as the study revealed that high workload has a negative impact on customer contentment which means that work load shall be balanced to maintain optimum level of staff contentment to increase customer contentment which will lead to increase service industry performance like banks and hotels (Jha et al., 2017).

The impact of contented customers on the hotel's financial performance has been relatively disturbed because of the complexity of the service industry and the seemingly increasing cost of unexpected events. The work analyzes the kinship between the Customer Contentment Index (CSI) and the Hotel Financial performance within the hotel and banking industry. The study reveals the impact of contented customers on the Profit Margin (PM), Return on Assets (ROA), Return on Equity (ROE), proxies of a Hotel's Financial Performance, and in the Market Value Added (MVA), a proxy of Hotel value. The results indicate that contented customers directly affect a financial performance and value in the hospitality and banking industry (KÜÇÜK & BENSHINA, 2021; Sun & Kim, 2013).

## 2. LITERATURE REVIEW

As discussed, the Service Profit Chain (SPC) develops a relationship of financial performance with customer and staff contentment. The model explains that hotel financial performance and growth are dependent on customer contentment. Hospitality businesses struggle to present good quality services to satisfy customers and to improve financial performance (Heskett et al., 1994). The hospitality industry is multifaceted and presents an additional instructional exchange and performance between staff and customers (Bitner et al., 1990). The Service Profit Chain (SPC) was developed for the purpose of connecting operational resource investment in marketing, operations, and financial output. Contented customers are eager to pay high price for the services and products in comparison to less price (Anderson et al., 1994). It is concluded that customers have a higher tendency to pay for the benefit they receive and feel good with the rise in price, eventually raising the financial performance of hotels.

It can be inferred that customer contentment leads to improving the whole goodwill of the business and in return, this can be useful in creating and sustaining long-term relationship with potential contractors and suppliers (Anderson et al., 1994; Sahay, 2003). It is recommended that customer contentment generates additional prospects for generating revenues, adjusting price flexibility, and boosting the status of the business. Considering this all the financial performance of a business would boost (Mittal & Kamakura, 2001; Verhoef, 2003).

A study in Finance & Accounting reveals that customer contentment is an insubstantial asset and a more important stage of the company's sales (Hult et al., 2022; Yoon & Suh, 2003). Customer contentment has a long-standing financial effect on the company. Other researchers contend that a devoted workforce may serve as an important, limited, and incomparable asset to boost financial performance from a strategic point of view (Lee & Miller, 1999; Madera et al., 2017; Odriozola & Baraibar-Diez, 2018). Contented staff work harder and provide better services to the organization in which they are being employed, they are motivated and dedicated to their work to provide better services which ultimately improve Hotels' Financial performance (Karatepe, 2013; Sirota & Klein, 2013; Yoon & Suh, 2003).

A study in customer psychology has discovered that the entertainment of customers by contented staff produces customers possessing a constructive attitude towards manufactured goods and services (Mahony et al., 2000; Tsaur et al., 2019). This initial contentment of customers will keep on multiplying, which in response will go ahead to replicate the business. Positive word of mouth and good conduct generate huge sums of revenues and enhanced financial position (Goodman, 2019). Customer contentment in recent times has achieved significant attention. ACS Index was made in 1994 (Fornell et al., 1996). (Fornell, Johnson, Anderson, Cha & Bryant, 1996;). The ACSI is widely used to determine customer contentment & the motivation level at the corporate level (Angelova & Zekiri, 2011; Sun & Kim, 2013). It has been recognized that a direct positive relationship between customer and financial income through ACSI (Anderson & Fornell, 2000). Another study practically implement ASCI at motor vehicle industry South Africa and Portugal to calculate customer loyalty and revisiting frequency by specifying corporations or trademark (Deng et al., 2013; Loureiro & Kastenholz, 2011; Terblanche, 2006).

This study inspects the theoretical relationships between staff contentment, customer contentment, and business Financial Performance. The study finds that customer contentment is considerably associated with service quality and staff contentment; ultimately it ensures the hotel's financial performance. The study also counts the fact that hotel financial performance has a tremendous effect on staff contentment; the practical examination recommends that staff contentment holds a significant concern for managers to enhance service quality and Financial Performance. The study provides a pragmatic foundation for laying down that staff contentment plays an important role in improving the financial returns and operational activities of the business in the pure service sector while the customer is an intermediate to improve Financial Performance. There are inadequate efforts to examine the relationship between business strategies and service staffs' qualities (Hartline et al., 2000; Kuo et al., 2018; Sirdeshmukh et al., 2002). Good care of staffs means better pay, continuing training and development, and ensuring productive and safe environment. Those employees will keep the customer more contented than other staff (Wong & Ko, 2009).

Moreover, a study investigated a direct relationship of staff contentment and customer contentment (Ugboro & Obeng, 2000). Another study supported that state that customer contentment is affected by staffs' contentment (Harter et al., 2002). The staff's contentment such as group environment, job Association, and excellence of managers will directly affect customers' contentment (Wangenheim et al., 2007). Another study recently discovered a direct relationship of work contentment with customer contentment (Chi & Gursoy, 2009; Kandampully et al., 2015). It is also observed that work contentment doesn't have a direct relationship with customer contentment, but customers are more likely to develop a positive feeling about service quality and feel a great pleasure and contentment when staff is contented with their workplace and job (Judge et al., 2017; Thakur & Dhar, 2022). Existing literature highlights the significance of staff contentment for elevating customer satisfaction levels. However, the specific interrelationship between staff contentment and customer contentment is not sufficiently emphasized in the current body of research, thereby creating a notable research gap. Further investigation into the nuanced dynamics of this interdependence is essential for a comprehensive understanding of the factors influencing overall satisfaction in service-oriented environments (Ali et al., 2021; António & Rita, 2023; Hult et al., 2022; Kandampully et al., 2015; Kurdi et al., 2020; Rahimi & Kozak, 2017).

Another research tested the results of dining services provided by staff at the restaurant. Results show that there exist three sources such as positive emotions, perceived service quality, and negative emotions. Positive emotions have a greater effect on customers. Moreover, emotions play a middle role affecting the perceived service quality in relation to dining table contentment. Clearly, dining contentment has a positive impact on customer contentment that shows their willingness to pay high prices (Ladhari et al., 2008). The study describes all the characteristics of employment that promote staff retention in the work environment. The study advises that hotel should provide a better work environment that will lead to staff contentment and will also increase hotel's financial performance (Jung & Yoon, 2015). This study reveals that satisfying customers in a family restaurant has a direct effect on customer's loyalty. These findings suggest if hotel satisfies customers, they have a confident attitude towards the hotel and they are most likely to frequently visit the hotel and they also recommend the same hotel to their friends and relative that will increase hotel's customers as well as Financial Performance.

In recent years, many hospitality business concerns provide that reducing staff turnover has a direct impingement on the bottom line of the income statement. In summation, if staff is contented they will efficiently serve the customer and ultimately the customer will be contented. A good number of researchers explain that a work commitment acts as a full determiner of the effects of HPWPS (High-Performance Work Practices) on job performance and extra-role customer service (Akhtar et al., 2016; Gibbs & Ashill, 2013; Jaiswal & Tyagi, 2020). The relationship between a contented customer and

price sensitivity has been determined by researchers, the study says that contentment is of two types, contentment based on the price that they pay for tangible products and social contentment provided to them by staff in the form of service. This survey shows that economic contentment is negatively associated with price sensitivity while, social contentment is positively related to price sensitivity, especially for female customers and customers with high status. So that financial benefit is high from satisfying female and high-status customers (Goldsmith et al., 2010; Yagil & Medler-Liraz, 2019).

The study uses the Customer Contentment Index Model (H-C SI) which is a comprehensive model to measure customer contentment. The H-C SI model if hotel managers apply, they can obtain a greater estimation of customer contentment, and provide additional information on post-purchase customer behavior to better manage customer contentment and achieve a high profit (Deng et al., 2013; Pizam et al., 2016).

Some studies reveal that the impact of contented customers on hotel financial performance has been relatively disturbed because of the unique features of the service industry and the seemingly increasing cost of unexpected events. The study examines the relationship between the Customer Contentment Index (CSI) and the hotel financial performance in the hospitality and banking industry. The study reveals that the impact of the contented customer is shown in the Profit Margin (PM), Return on Assets (ROA), Return on Equity (ROE), proxies of a hotel's Financial Performance, and in the Market Value Added (MVA), a proxy of hotel value. The results indicate that contented customers directly affect a financial performance and value in the hospitality and banking industry (Sinaga et al., 2022; Sun & Kim, 2013). The research investigates the correlation between employee satisfaction and customer satisfaction and loyalty within a restaurant context. The findings indicate a direct association between employee satisfaction and customer satisfaction. Although employee satisfaction does not directly influence customer loyalty, it demonstrates an indirect impact on customer satisfaction. Additionally, customer satisfaction is found to have a direct correlation with customer loyalty. This study contributes to the understanding of the intricate dynamics among staff contentment, customer contentment, and customer loyalty within the restaurant industry (Gunawan, 2022).

The aim of this study is to explore the complex interrelationship among staff contentment, customer contentment, and hotel financial performance, recognizing the vital nexus between these variables. While studies on this subject are emerging, there exists a notable gap in understanding the specific association between staff contentment and hotel financial performance. This research seeks to fill this gap by conducting a novel investigation into the nuanced dynamics of how staff satisfaction contributes to the financial success of hotels, thereby contributing fresh insights to the existing body of literature.

### 3. HYPOTHESIS DEVELOPMENT:

#### 3.1 Contented Customer and Hotels Financial Performance:

Some studies claim that the contented customer results in improving the whole goodwill of the business; in return, this can be helpful in creating and sustaining associations with important contractors and suppliers (Anderson et al., 1994). These arguments recommend that customer contentment produces additional prospective revenues, diminishes price flexibility, and boosts the status of the business.

Consequently, this research has developed the following hypothesis among Customer and Hotel financial Performance. Hypothesis 1: There is a Positive impact of contented Customers and Hotel's Financial Performance.

Hypothesis 2: There is no Relationship between contented Customers and Hotel's Financial Performance.

#### 3.2 Contented Staff and Profitability of Hotel:

It is posited that an elevated level of satisfaction among customers is anticipated to lead to repeated patronage, positive word-of-mouth behavior, and consequently, increased revenues and improved financial standing for the business (Koys, 2003). Customer contentment in recent times has become significant concentration. ACSI was made in 1994 (Kim & Han, 2023). The ACSI is widely used to determine customer contentment & the motivation level of corporate and industry level (Anderson & Fornell, 2000; Terblanche, 2006). Another study has recognized a direct positive relationship between customer and financial income through ACSI. Terblanche (2006) practically implement ACSI at motor vehicle industry South Africa to give details and calculate customer loyalty and revisiting frequency by specifying corporations or trademark. Additionally, many studies have pointed out that customer contentment forecast hotel financial performance (Bénet et al., 2022; Hult et al., 2022; Mittal et al., 2023). Based on the previous researchers, next two hypotheses are projected:

Hypothesis 3: There is a Positive impact of contented staff on Hotel's financial performance.

This study inspects the theorize relationships between staff contentment, customer contentment, and business financial performance (Babakus et al., 2004; Wang et al., 2023). It is further observed that staff contentment is considerably associated with service quality and to customer contentment; in final it manipulates financial Performance (Khairunnisa & Nadjib, 2023). However, hotel financial performance has a modest effect on staff contentment, the practical examination recommends that staff contentment is a significant concern for managers to enhance service excellence and staff contentment (Bello & Bello, 2022). In contrast the staff contentment acting an important role in improving the financial returns and operational activities of the business in the pure service sector while the customer is an intermediate to improve Financial Performance (Jawabreh et al., 2022).

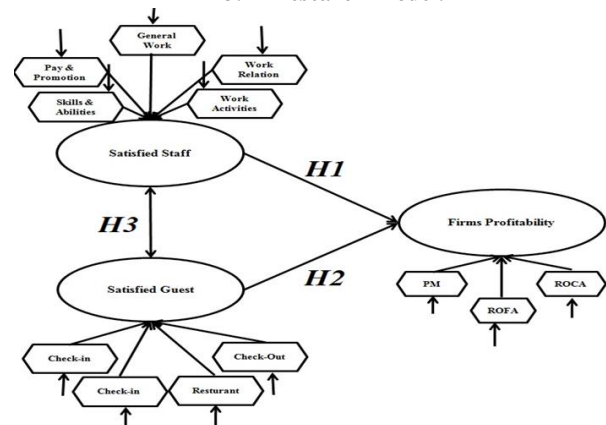
Hypothesis 4: There is no impact of contented Staff on Hotel's Financial Performance.

#### 3.3 Contented Customer and Contented Staff:

A direct relationship of staff contentment with customer attitudes of contentment is observed (Kurdi et al., 2020), and another study added that customer contentment is mainly affected by staff contentment (Tkalac Verčič et al., 2023). Earlier it is noticed that staffs' contentment such as group environment, job Association, and excellence of managers will directly affect customers' contentment (Wangenheim et al., 2007). In addition, a study discovered a direct relationship of work contentment link with customer contentment (Chi & Gursoy, 2009). In contracts it is found that work contentment doesn't have a direct relationship with customer contentment, but customer are most likely to develop a positive feeling about service quality and feel a great please and contentment only if staff are contented with their workplace and job (Brown & Lam, 2008; Judge et al., 2017). Generally, the literature proposes that staffs contentment is vital for increasing customer level of contentment (Kammeyer-Mueller et al., 2023). For that reason, it is predicted that higher staff contentment will significantly impact customer satisfaction, while conversely, lower staff contentment will diminish customer contentment in the service industry. Therefore, it is propose that:

**Hypothesis 5:** There is a Positive impact of hotel's contented Staff and Customer contentment.

#### 3. Research Model:



**Figure 1:** Research Model for the Study of Customers, Staff, and Hotel's Financial Performance

The above figure 1 shows three relationships between three different variables. The first one is there is a direct positive relationship between customer contentment and hotels Financial Performance. Secondly, there is an indirect positive relationship between staff contentment and customer contentment and thirdly there is a positive impact on contented staff and hotels Financial Performance. This figure will be verified further through a collection of data and deducing results.

### 4. RESEARCH APPROACH AND METHODOLOGY:

#### 4.1 Sampling:

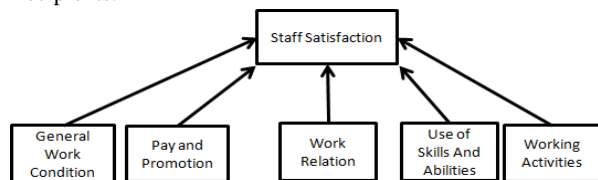
The research was focused on five-star hotels sector from the areas of Islamabad, Rawalpindi, Lahore, and Peshawar. Two

five-star hotels were recognized in the areas of Islamabad that are Serena and Marriot International, one five-star hotel in Rawalpindi that is Pearl Continental, and one five-star hotel in Peshawar and Lahore that are Pearl Continental. Hotels were selected based on star ranking to get more accurate and internationally generalized results that are applicable all over the world. The selection criteria were the star ranking in the highly specialized workforce area, having international customer services, in comparison with other hotels which have less authorized sources of information relating financial statements. Service staff whose major responsibility is to serve customers at restaurants and other areas in hotels e.g., front office, customer relation officers, cheap, housekeeper, and so on. In higher organizations, their staff contentment tends to be more complex and needs specialized tools to measure their contentment (Alqusayer, 2016). In small hotels such as three stars hotel customer contentment of such hotels is reflected at the individual level rather than at an international level. That is, customer contentment within a particular hotel of a definite region may not necessarily make the customer loyal internationally. Instead, customer contentment within a particular hotel may only contribute to the whole chain of the hotel both nationally and internationally (e.g., customer loyalty towards Pearl-Continental Hotel not only in Pakistan but also all over the world).

**4.2 Data Collection:**

**4.2.1 Staff Contentment :**

Examining the level at which hotel staff are contented with their work and work environment directions are taken from the Job Descriptive Index, widely used in the subject of psychology and organizational behavioral research. Staff contentment was divided into five classical contentment indicators such as general working condition, pay, and promotion, working activities, use of skills & abilities, and correlation with peers listed in the Job Descriptive Index. Their relationship was examined from lower to the upper level of employees, including managers and bellboy. Recipients were needed to tick on each item on a 5-point Likert scale at 1 = “strongly discontented” and 5 = “strongly contented” Recipients.



**Figure 2: Staffs Contentment and Its Factors of Analysis**

**4.2.2 Customer Contentment:**

Customer contentment is the enjoyable, exciting state of a customer with their experiences with a hotel (Anderson et al., 1994; Fornell et al., 1996). Four factors that affect customer contentment were made from the concept of the customer cycle (Martelo-Landroguez et al., 2015), counting of check-in contentment, stay at the hotel, stay at the restaurant check-out (Gustafsson et al., 2005; Heskett et al., 1994; Oliver et al., 1997). A 5-point Likert-type scale was used.



**Figure 3: Customer's Contentment and Its Factors of Analysis**

**4.2.3 Hotel Financial Performance:**

The hotel’s financial performance reflects the financial performance of a company. Based on previous studies, Return on Assets (ROA), Return on Sales (ROS), Return on Investment (ROI), Return on Fix Asset(ROF), and Return on Current Asset (ROCA) was selected as an overall financial performance indicator of a hotel (Staw & Epstein, 2000). Financial information was collected from the hotel’s finance managers to assess their hotel’s financial performance in relation to the industry norms while considering the above financial performance ratios (Delaney & Huselid, 1996; Sakakibara et al., 1997). To examine the customer, staff and profitable relationship could be studied using Customer Contentment Index Model (CSI), and financial performance measures such as Profit Margin (PM), Return on Fix and Current Assets (ROA), Return on Equity (ROE) is not applicable because in Pakistan hotels are not publicly owned thus having no equity financing (Ross, Westerfield&Jordan,2003).

**4.2.4 Validity and Reliability:**

A pilot study was conducted to test the precociousness, validity, and application of questionnaires, to predict and test the validity of sample size for the whole population. The pilot study includes 25 respondents from the customer’s side and 25 respondents from staff of Marriot Hotel, Islamabad.

The study suggested that questionnaires are comprehensive, suitable, and could be answered in approximately 8 minutes. The reliability is examined through Cronbach’s alpha.

(α). The outcomes from the pilot study are established in Table 1.

**Table 1: Internal Reliability Analysis**

Constructs	"N" of Items	Cronbach's Alpha (α)
CHECK-IN	5	(0.8220)
STAY	8	(0.7100)
RESTAURANT	7	(0.7300)
CHECK-OUT	5	(0.7010)
OVERALL CUSTOMER CONTENTMENT	25	(0.7407)
G.WORK CONDITION	7	(0.8210)
PAY & PROMOTION	4	(0.7230)
WORK RELATIONSHIP	7	(0.7321)

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SKILLS & ABILITIES	3	(0.7900)
WORK ACTIVITIES	8	(0.7100)
OVERALL STAFF CONTENTMENT	29	(0.7552)
OVERALL	54	(0.8090)

Note: N is the number of Items in each Construct, the values in the () are the Cronbach's Alpha ( $\alpha$ ) for reliability rank. The value of Cronbach's alpha ranks between 0.7010 and 0.8220 for customer contentment variables. Similarly, the value of alpha ranks between 0.71 and 0.821 for staff contentment variables. The overall value of alpha is 0.809. These values of alpha pointed out a higher reliability of scales. The gathered primary and other relevant data considering hotel's financial performance is interpreted through various mathematical and statistical tools such as correlation and regression analysis by utilizing the latest tool of Statistical Package for the Social Sciences (SPSS 20).

## 5. Data Analysis, Findings, and Discussion

### 5.1 Evaluation of Customer Contentment in Hotels:

Level of customer contentment is assessed by 5-point Likert-scale from (1- Strongly disagree to 5-Strongly Agree). The higher the value of the scale, the higher the degree of customer contentment with the product provided by hotels and services given by hotel's staff. Table 2 contains the mean, median, and standard deviation of the score for each variable of customer contentment given by 250 recipients from the 5 different five-star hotels in Pakistan.

**Table 2: Descriptive Statistics of Customer Contentment**

	MEAN	MEDIAN	S.D
Check-in	3.3360	4	0.2870
Stay	3.2060	3	0.2119
Restaurant	3.3511	4	0.2409
Check-out	3.2320	3	0.2751
Overall customer contentment	3.2813	3.5	0.2537

Table 2 illustrates the highest degree of customer contentment restaurant for which the mean score is 3.35 out of 5. Similarly, every construct means score more than average degree of customer contentment which is 3. The highest median is also from tangible items which are 4. Likewise, the median of every construct is also the neutral level of 3. This verifies that a maximum number of customers are content with the services and products offered by the hotel and its staff. The standard deviation of the variables is ranged between 0.21 and 0.28 which points out that there is no more deviation of the scores provided by the customer. The average score of overall customer contentment was  $3.28 \pm 0.25$  (mean  $\pm$  SD). In this way, there is a high level of customer contentment in five-star hotels.

Table 2 in conclusion shows that five-star hotels should have to improve their stay and check-out for the customer in order to get maximum customer contentment while hotels customer are overall contented from check-in and restaurant because the hotel have to welcome their customer to made their first expression as good impression and also try to make customer contented at restaurant because they are mostly one-time customer and making them contented is key to attracting them aging to use their hotel's services, in contrast, hotel don't pay more attention to their customer while they leaving may be the hotels were busy with their new customer or maybe they have earned enough from their customer or maybe they assumed that they have contented their customer at their expectation level so that they don't need any more contentment but it is wrong because in customer cycle each and every level is important and hotel should have to satisfy their customer at all levels.

### 5.2 Evaluation of Staff Contentment in Hotel:

The performance of hotels is assessed through the five variables regarding staff contentment. It was examined by 5-point Likert-scale in which score 1 is for strongly disagree, 5 is for strongly agree and 3 is for average. The greater values denote a higher level of staff contentment. The scores are given by management-level employees of hotels.

**Table 3: Descriptive Statistics of Staff Contentment**

	MEAN	MEDIAN	S.D
General Work condition	3.3942	4	0.3598
Pay & promotion	3.2700	3	0.1139
Work relationship	2.9371	3	0.0927
Skills & abilities	3.0000	3	0.1735
Work activities	2.6700	3	0.2997
Overall staff contentment	3.0542	3	0.2079

The above Table 3 illustrates the mean, median, and standard deviation of the scores. Table 3 shows that the highest mean value is in general work condition which is 4.00 and the rest of the mean values for job contentment in hotels were neutral at the level of 3 out of 5. All the mean scores are above the average level 3 except work relationship and working activities which are 2.93 and 2.67 that hotels need to improve. The median value of the variables is ranked between 4 and 3. Similarly, the overall mean and median score are 3.0542 and 3 respectively. This indicates that there is a high moderate contentment level in hotels and needs to improve work relationship and working activities. The standard deviation ranges between 0.350 to 0.09 which indicates a medium variation of scores by the respondents. Thus, the above figures indicated that all the mean scores and median scores are above average score of 3 and hence it demonstrates that there is a high level of staff contentment in hotels.

Table 3 shows that all the hotels are best in providing general work condition while hotel have to work harder to improve

other variables like hotels need to pay higher to their staff and also provide them an opportunity for promotion, hotel should have to build good relationship with their staff in order to make it possible to work integrally to achieve their goals and objectives. Hotels should allow each and everyone to apply their skills and abilities to excel in their work, hotels should also allow them to engage in different working activities to keep them motivated.

**5.3 Evaluation of Hotel's Financial Performance:**

The Financial performance of hotels is assessed through the three different Financial performance ratios that were calculated during the last two years from monthly financial data of hotels. The Financial performance ratios used were Return on Total Asset, Return on Fix Asset, and Financial Performance Margin. The ratio was shown in between 0 and 1, the higher the ratio the greater the financial performance is. Formulas for calculation were, ROA=Net Income /Average total asset, ROFA=Net Income/Average Fix asset, and Profit margin=Net Income/Total Revenue or Sale per Month while there is ROE which is ROE=Net Income/Average Owner Equity but in Pakistan, it is not applicable because hotels are not publicly owned.

**Table 4: Evaluation of Hotel's Financial Performance**

	MEAN	MEDIAN	S.D
PROFIT MARGIN	0.0612	0.0530	0.0663
RETURN ON TOTAL ASSET	0.0630	0.0607	0.0450
RETURN ON FIX	0.0578	0.0490	0.0637

**Table 5: Hotel's Financial performance with Customer and Staff Contentment**

	H1	H2	H3	H4	H5
AVGP<AVGGS	(0.051992)<(3)	(0.0514)<(2.97)	(0.0517)<(3.02)	(0.058)<(3.14)	(0.056188)<(3.13)
AVGP<AVGSS	(0.051992)<(2.937)	(0.0514)<(3.019)	(0.0517)<(3.28)	(0.058)<(3.3056)	(0.056188)<(3.0962)
AVGGS<AVGSS	(3)<(3.01)	(2.97)<( 2.937)	(3.02)<(3.28)	(3.14)<(3.3056)	(3.13)<(3.0962)

Note: H1 to H5 represent the selected hotels, however, the name is not disclosed due to confidential agreements.

Table 5 illustrates that the highest Financial performance is shown by hotel 4 and the lowest Financial performance is generated by hotel 2 that are 5.8% and 5.14% respectively. It means that Hotel 4 has more contented customers which are the highest average customer contentment collected through a questionnaire that is 3.14 while the lowest customer contentment was 2.97 of hotel 2. The hotel's Financial performance is highly dependent on customer contentment (Tornow, 1991; Rachel, 2008).

ASSET

OVERALL	0.0607	0.0542	0.0583
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The above Table 4 demonstrates the mean, median and standard deviation of the hotel's Financial Performance. Table 4 shows that the highest mean value is in ROA which is .063 and the lowest mean value is in ROFA which is .0578 while PM almost equal to ROA. The median value of the variables ranks between .067 and .0497. Similarly, the overall mean and median score were .0607 and .0542 respectively, which is above average. This indicates that there is an above average level of the hotel's Financial Performance. The standard deviation ranges from 0.045 to 0.066 which indicates a medium variation in the hotel's Financial Performance. Thus, the above figures indicate that all the mean scores and median scores are above average score of .0607 and .0542 which illustrated that there is a high level of Financial performance achieved by hotels.

**5.4 Technical Analysis:**

Table 5 compares a hotel's financial performance with staff contentment and customer contentment. The studies propose that Financial performance of hotel's business depends on customer contentment and staff contentment. It further proposes that the more the staff will satisfy the greater the customer will be contented and will ultimately lead to the hotel's financial performance. Table 5 consists of different hotels' staff, customer, and financial information to examine the fact that Financial performance is dependent on staff and customer contentment.



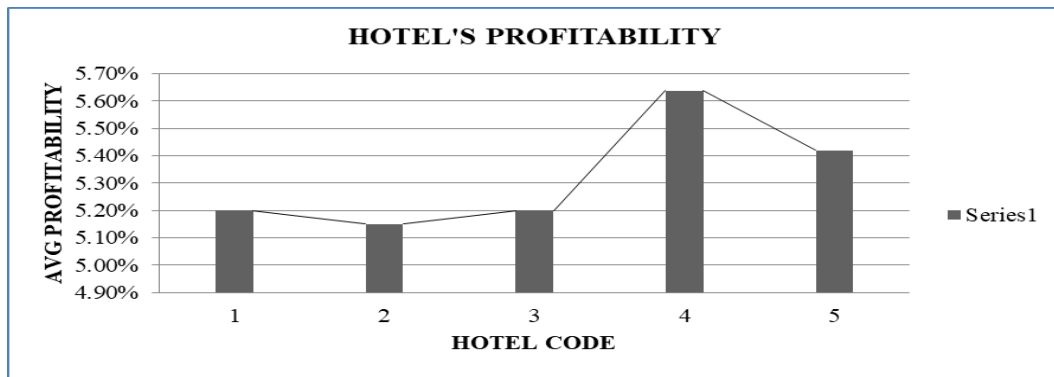


Figure 4: Hotel's Financial Performance.

Figure 4 shows that hotel 4 has higher financial performance while hotel 2 has the lowest financial performance, that is 5.8% and 5.14%.

Table 5 and Below Figure 5 shows the average staff contentment in relation to the hotel's financial performance. The highest financial performance of hotel 4 is 5.8% and lowest financial performance of hotel 2 is 5.14%. While Hotel 4 has the highest staff contentment 3.3056 out of 5 Likert-scale and hotel 2 has the lowest staff contentment of 2.93 in Five Likert-scale.



Figure 5: Average Staff Contentment for Hotels

Figure 6 below graphically shows customer contentment for all hotels.



Figure 6: Hotel's Staff Contentment Five Likert-Scale

Table 5 shows that hotel 5 has a higher level of customer contentment with the higher level of financial performance which means that the more the contented staffs will struggle to satisfy customer the more the Financial performance will be. Conversely, hotel 2 having the lowest level of customer contentment and financial performance and also have the lowest level of staff contentment which proves that contented staff has a significant impact customer contentment which leads to profitability/Loss.



While Table 5 also shows that hotel 4 has the highest level of customer contentment which is 3.14 out of Five Likert-scale, and hotel 2 having 2.97 in Five Likert-scale have the lowest level of customer contentment. On the other hand, hotel 4 has the highest and Hotel 2 has the lowest level of staff contentment which indicates that customer contentment depends on staff contentment in order to increase the hotel's Financial Performance. The figure below shows the highest and the lowest level of staff contentment in hotel 4 and hotel 2.

To put it in simple parlance one may frame a conclusion that both staff contentment and customer contentment have a tremendous impact in evaluating the hotel's Financial Performance, any degree of increment in any of the two important elements will ultimately lead to the corresponding increase in the hotel's Financial Performance.

**5.5 Correlation between Staff Contentment, Customer Contentment and Hotel's Financial Performance:**

The coefficient of correlation is used to inspect the association between three variables that are staff contentment, customer contentment, and its impact on hotel's Financial Performance. The correlations are computed through SPSS 20.

**Table 6: Correlation between Contented Staff, Customer, and Hotel's Financial Performance. S.S (Staff Contentment ), G.S (Customer Contentment ), and P (Financial Performance); Hotel names are confidential.**

Hotel Code	Variables	S.S	G.S	Profit
H1	S.S1	1	-	-
	G.S1	0.6934**	1	-
	P1	0.4640***	0.5614***	1
H2	S.S2	1	-	-
	G.S2	0.7215*	1	-
	P2	0.3713***	0.5636**	1
H3	S.S3	1	-	-
	G.S3	0.8056**	1	-
	P3	0.4559*	0.6463*	1
H4	S.S4	1	-	-
	G.S4	0.7699**	1	-
	P4	0.3307***	0.5466**	1
H5	S.S5	1	-	-
	G.S5	0.6545*	1	-
	P5	0.4046**	0.7029**	1

Note: \*\*\*, Correlation is significant at the 0.01 level (2-tailed). \*, Correlation is significant at the 0.05 level (2-tailed), S.S represents staff contentment, G.S represents the customer contentment and P represents the Financial Performance

Table 6 shows the inter-correlation between customer contentment that is denoted by 1, staff contentment that is denoted by 2, and hotel's financial performance that is denoted by 3. The above table 6 shows the inter-correlation between 1, 2, and 3 variables divided hotel-wise.

The coefficient of correlation between the customer contentment and staff contentment for all hotels is positive and ranges between 0.08 and 0.65.

The coefficient of correlation among contented customer and hotel's profitability ranks between 0.702 and 0.54 which is significant at the 0.05 level, which means that there is a significantly positive correlation between customer contentment and hotel's financial performance.

**Table 7: Descriptive Statistics**

	Mean	Std. Deviation	N
AVGSS	3.0006	0.25600	23
AVGGS	3.0974	0.36739	23

**Table 8: Overall Correlation of AVGGSS and AVGGS**

CORRELATIONS		AVGSS	AVGGS
AVGSS	Pearson Correlation	1.000	0.714 <sup>***</sup>
	Sig. (2-tailed)		0.000
	Sum of Squares and Cross-products	1.4420	1.477
	Covariance	0.0660	0.067
	N	23	23
AVGGS	Pearson Correlation	0.7140 <sup>***</sup>	1
	Sig. (2-tailed)	0.0000	
	Sum of Squares and Cross-products	1.4770	2.9700
	Covariance	0.0670	0.135
	N	23	23

Note: <sup>\*\*\*</sup>. Correlation is significant at the 0.01 level (2-tailed). <sup>\*</sup>. Correlation is significant at the 0.05 level (2-tailed).

Table 7 and 8 demonstrate the mean and standard deviation of both staff and customer contentment. The mean value of both the customer and staff were greater than average level of contentment i.e., 3.0006 and 3.0974 which is above 3, and the standard deviation at the level of 0.25 and 0.36. While in table 7 shows the overall relationship between contented staff and customer contentment.

Pearson’s “r” is close to 1, which is 0.714, which means that there is a strong positive correlation between staff contentment and customer contentment. It can be thus concluded that the more the staff was contented, the more strongly customers will be contented. So according to the Hypothesis 3, there is a significant Positive correlation between Contented Staff and Contented customer which mean that the more the staffs are contented the greater the customers will be contented.

Now, the correlation between staff contentment and hotel’s financial performance can be examined to test the two hypotheses 3 and 4.

**Table 9: Correlation between Staff Contentment and Hotel's Financial Performance**

CORRELATIONS		AVGSS	AVGPROFIT
AVGSS	Pearson Correlation	1	0.4830 <sup>**</sup>
	Sig. (2-tailed)		0.0200
	Sum of Squares and Cross-products	1.4420	0.0310
	Covariance	0.6600	0.0010
	N	23	23
AVGPROFIT	Pearson Correlation	0.4830 <sup>**</sup>	1
	Sig. (2-tailed)	0.0200	
	Sum of Squares and Cross-products	0.0310	0.0030
	Covariance	0.0010	0.0000
	N	23	23

Note: <sup>\*\*\*</sup>. Correlation is significant at the 0.01 level (2-tailed). <sup>\*</sup>. Correlation is significant at the 0.05 level (2-tailed).

Table 9 shows that the Pearson’s “r” is positive at 0.4830 which means that change in staff contentment will change hotels financial performance but not as rapidly as customer contentment as some other factors to have an impact on hotel’s Financial Performance.

In the Correlations box, the significant level of average staff contentment is 0.0200 and significant level of average hotel’s financial performance is 0.0200 which is less than 0.0500 so according to descriptive statistics if the Sig (2-Tailed) value is less than or equal to 0.0500 then there are a statistically significant correlations between staff contentment and hotel’s Financial Performance. It can be thus stated that hypothesis 3 has been proved which means that there is significantly Positive impact of Contented Staff on Hotel Financial Performance.

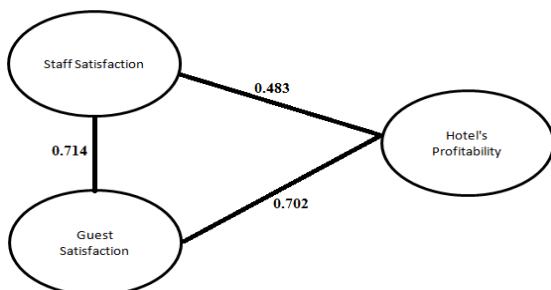
Furthermore, it examines the correlation between contented customer and hotel’s financial performance is either positive or negative and very significant in proving any of the two hypotheses that were framed, in the below table 9 is given.

**Table 10: Avg Customer Contentment and Hotel's Financial Performance**

CORRELATIONS			
		AVGPROFIT	AVGGS
AVGPROFIT	Pearson Correlation	1	0.7020**
	Sig. (2-tailed)		0.0000
	Sum of Squares and Cross-products	0.0030	0.0640
	Covariance	0.0000	0.0030
	N	23	23
AVGGS	Pearson Correlation	0.7020**	1
	Sig. (2-tailed)	0.0000	
	Sum of Squares and Cross-products	0.0640	2.9700
	Covariance	0.0030	0.1350
	N	23	23

Note: \*\*\*, Correlation is significant at the 0.01 level (2-tailed). \*. Correlation is significant at the 0.05 level (2-tailed).

In Table 10, the Pearson’s “r” is close to 1 which is 0.702 and is greater than 0.7000 which means that there is a strong relationship between customer contentment and hotel’s Financial Performance. This means that changes in customer contentment are strongly correlated with changes in the hotel’s Financial Performance. While the Sig. (2-Tailed) value is lesser than 0.0500. Due to this, it can be concluded that there is a statistically significant correlation between customer contentment and hotel’s Financial Performance.



**Figure 7:** Correlation between Staff, Customer, and Hotel's Financial Performance

The above figure 7 shows that there is a direct correlation between contented staff and customer contentment i.e., 0.714>0.7 level of significance which means that the more the staff was contented, the more the customer contentment will be. According to hypothesis 5, there is a significantly positive

co-relationship among contented staff and customer contentment. The second hypothesis is between contented staff and hotel’s financial performance which is intervened by customer contentment. Results show that there is 0.483 positive relationship between contented staff and hotels financial performance which is below 0.7 because of intervening variable i.e., customer contentment. Therefore, hypothesis 3 is accepted which says that there is a significant but indirect positive relationship between staff contentment and hotels' Financial Performance. The last one is the relationship between customer contentment and hotel’s financial performance which is 0.702>0.7 which means that there is a significantly direct correlation between customer contentment and hotel’s financial performance so hypothesis 1 is to be accepted.

**5.6 Regression Analysis:**

Regression analysis is conducted to know the effects of staff’s contentment on customer contentment, the impact on customer contentment and hotel’s financial performance, and impact of staff contentment on hotel’s Financial Performance. While customer contentment is dependent on staff contentment and hotels financial performance depends on customer contentment and staff contentment. Tables 10, 11, and 12 show the model summary, ANOVA, and coefficients of regression for staff contentment and customer contentment.

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**5.7 Impact of Staff Contentment on Customer Contentment:**

customer contentment. R Square = 0.510 which is the coefficient of determination.

In Table 11 of the model summary, R = 0.7140 shows the correlation between overall staff contentment and overall

**Table 11: Staff Contentment in Relation to Customer Contentment**

Model Summary S.S>G.S				
Model	R	R Square	Adjusted Square	Std. Error of the Estimate
S.S>G.S	0.7140	0.5100	0.4860	0.2633

**Table 12: ANOVA for Overall Staff Contentment and Customer Contentment**

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
	REGRESSION	1.513	1	1.513	21.817	0.000
S.S>G.S	RESIDUAL	1.456	21	0.069		
	TOTAL	2.970	22			

Note: a. Dependent Variable: Overall Customer Contentment, b. Predictor: (Constant), Overall Staff Contentment

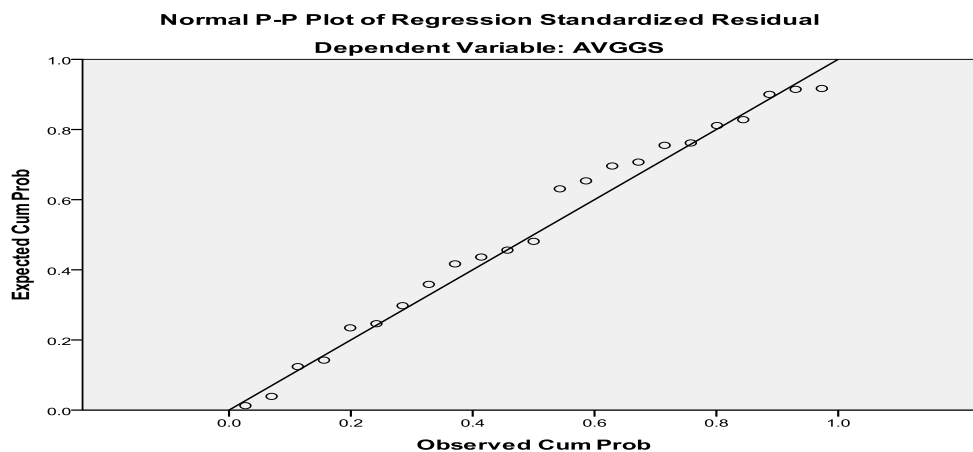
**Table 13: Coefficients for Overall Staff Contentment**

COEFFICIENTS						
MODE L		UNSTANDARDIZED COEFFICIENTS		STANDARDIZED COEFFICIENTS	T-Stat	SIG.
		B	Std. Error	Beta		
S.S>G.S	(Constant)	0.0240	0.6600		0.0360	0.972
S	AVGSS	1.0240	0.2190	0.7140	4.6710	0.000

Note: a. Dependent Variable: Overall Customer Contentment

In Table 13, coefficient B tells the intercepts and coefficients for independent variables which are customer contentment . The sig. (P value) points out a measure of the probability that the dissimilarities in outcomes occur by chance. The larger values of  $\beta$  are allied with greater values of t and lower values of p.

In this regression model, overall staff contentment has significant impacts on customer contentment because value of P = 0.000 which is  $p < 0.05$ . It shows a 1.0240 change in staff contentment will increase each point of customer contentment in five-star hotels.



**Figure 8: Normal Plot of Regression AVGGS and Staff Contentment**

Regression equation  $y = a \text{ (Constant)} + b \text{ (Slop)} * x$ . In the above figure 2, Overall Customer Contentment = y, Overall Staff Contentment = x, Constant (a) = .024, Slope (b) = 1.024 “Customer Contentment = .024 + 1.024\*Overall Staff contentment ” Therefore,  $y = 0.024 + 1.024 * x$  is the required fitting of straight line to predict Customer Contentment through Staff Contentment. Thus, regression analysis shows that staff contentment has a significant effect on customer contentment where  $p = 0.000$  and  $\beta = 0.714$ .

**5.8 Impact of Staff contentment on Hotel’s Financial Performance:**

In table14 of model summary,  $R = 0.483$  shows the correlation between overall staff contentment and overall hotel’s Financial Performance.  $R \text{ Square} = 0.233$  which is the coefficient of determination.

**Table 14: Financial Performance in Relation to Customer Contentment**

Model Summary SS>P				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
GS>P	0.4830	0.2330	0.1970	0.0100

Note: a. Dependent Variable: Overall Financial Performance, b. Predictor: (Constant), Overall Customer Contentment

**Table 15: ANOVA for Overall Financial performance and Staff Contentment**

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
SS>P	Regression	0.001	1	0.001	6.3950	0.0200
	Residual	0.002	21	0.000		
	Total	0.003	22			

Note: a. Dependent Variable: Overall Financial Performance b. Predictor: (Constant), Overall Staff Contentment

**Table 16: Coefficients for Overall Hotel’s Financial Performance**

Coefficients						
Model		Un-standardized Coefficients			Standardized Coefficients	
SS>P		B	Std. Error	Beta	t	Sig.
	(Constant)	-0.0120	0.0250		-0.460	0.6500
	AVGSS	0.0210	0.0080	0.4830	2.5290	0.0200

Note: a. Dependent Variable: Overall Hotel’s Financial Performance

In Table 16, coefficient B tells the intercepts and coefficients for independent variable of customer contentment. The sign. (P value) points out a measure of the probability that the dissimilarity in outcomes occurred by chance. The larger values of  $\beta$  are allied with greater values of t and lower values of p.

Focusing on the predictors, the average staff contentment (AVGSS, 0.021) is significant ( $p=0.0200$ ), but only just so, and the coefficient is positive which would indicate that staff contentment is related to higher hotel’s financial performance -- which is what I would expect.

In this regression model, overall staff contentment has significant impacts on hotel’s financial performance because the value of  $P = 0.0200$  which is  $p < 0.05$ . It shows a .0210 change in staff contentment increases each point of hotel’s financial performance but in relatively slow rate because of constant is -0.0120.

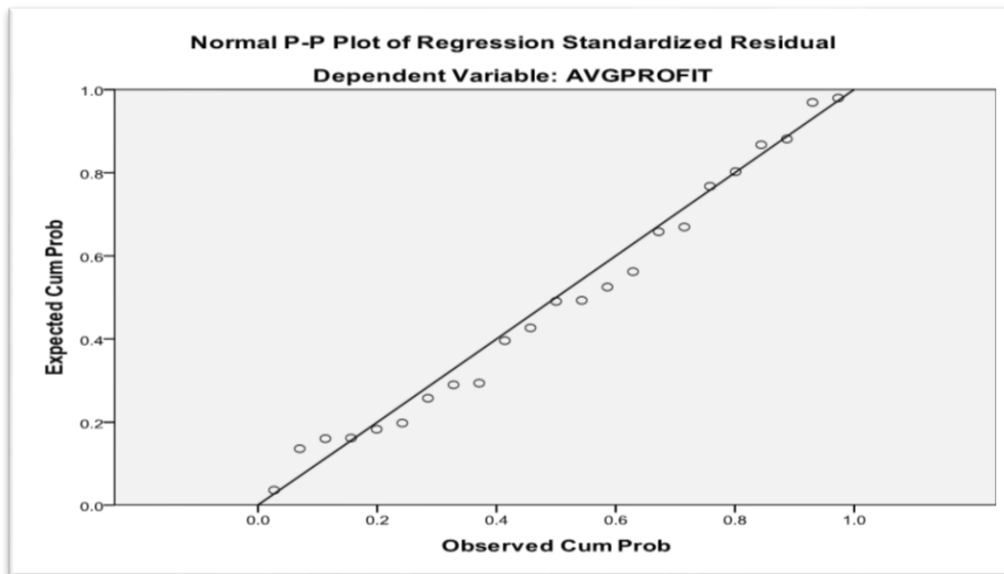


Figure 9: Normal Plot of Regression for Avg Profit and Staff Contentment

Regression equation  $y = a (\text{Constant}) + b (\text{Slop}) * x$ . In the above figure 3, overall hotel’s financial performance = y, overall staff contentment = x, Constant (a) = 0.0210, Slope (b) = -0.0120 “Hotel’s Financial performance = 0.021 - 0.0120\* Overall Staff contentment” Therefore,  $y = 0.021 - 0.012 * x$  is the required fitting of straight line to predict hotel’s financial performance through staff contentment. Thus, regression analysis shows that staff contentment has a significant impact on the hotel’s financial performance which is mediated through customer contentment where  $p = 0.02$  and  $\beta = 0.483$ .

**5.9 Impact of Customer Contentment on Hotel’s Financial Performance:**

In the below table 12 of model summary, R = 0.702 shows the correlation between Overall Customer Contentment and Overall Hotel’s Financial Performance. R Square = 0.493 which is the coefficient of determination. Figure 10: Model Summary

**Table 17: Customer Contentment in Relation to Financial Performance**

Model Summary GS>P				
Model				
GS>P	R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.702	0.493	0.469	0.00818

Note: a. Predictor: (Constant), Overall Customer Contentment

**Table 18: ANOVA for Overall Customer Contentment and Financial performance**

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	0.001	1	0.0010	20.447	0.0000
GS>P	Residual	0.001	21	0.0000		
	Total	0.003	22			

Note: a. Dependent Variable: Hotel’s Financial Performance b. Predictor: (Constant), Overall Customer Contentment

**Table 19: Coefficient for overall Customer Contentment**

Coefficients						
Model						
		Un-standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
GS>P	(Constant)	-0.0150	0.0150		-0.9810	0.3380

AVGGS	0.0210	0.0050	0.7020	4.5220	0.0000
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Note: a. Dependent Variable: Overall Hotel's Financial Performance

In the below Table 19, coefficient B tells the intercepts and coefficients for independent variables which are customer contentment. The sig. (P value) points out measures of probability that the dissimilarities in outcomes occur by chance. The larger values of  $\beta$  are allied with greater values of t and lower values of p.

In this regression model, overall staff contentment has a significant impact on customer contentment because value of  $P = 0.000$  which is  $p < 0.05$ . It shows a .021 change in customer contentment will increase with each point of hotel's financial performance in five-star hotels.

While according to the flow chart the relationship between customer contentment and hotel's financial performance is more obvious, as given below:

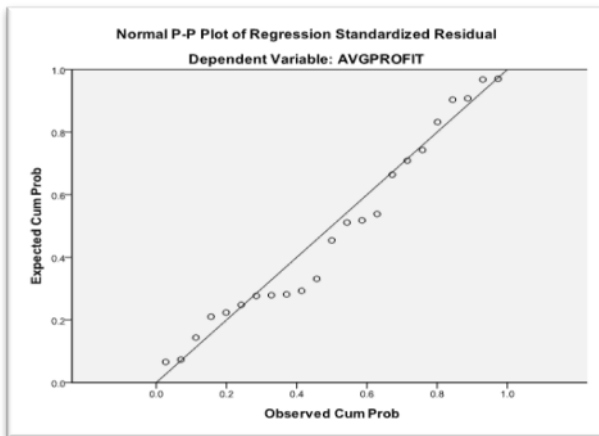


Figure 11: Normal Plot of Regression between AVG-Profit and Customer Contentment

According to the Regression Model Equation  $y = a + b(x)$ . In the above figure 3, overall Hotel's Financial performance = y, overall staff contentment = x, Constant (a) = .021, Slope (b) = -0.015 "Hotel's Financial performance = .021 - 0.015\*Overall customer contentment". Therefore,  $y = 0.021 - 0.015 * x$  is the required fitting of straight line to predict hotel's financial performance through Staff contentment. Thus, regression analysis shows that staff contentment has a significant impact on the hotel's financial performance which is intervened by customer contentment where  $p = 0.000$  and  $\beta = 0.702$ .

## 6. DISCUSSION, FINDINGS, AND CONCLUSION

### 6.1 Discussion and Findings:

Based on previous studies this research paper lays down the importance of customer contentment.

The outcome of the study concludes that customer contentment depends on staff commitment to the company, which ultimately leads to the improvement of the financial performance of the hotel. Customer contentment is particularly significant for pure service businesses because

contentment guarantees loyalty and positive behavior (Nunkoo et al., 2020). It is also suggested that the current customer has a good relationship with current staff that reduce the cost of creating new customers and current customers are also more profitable for the hotels. The results are consistent with previous literature and support that customer contentment is significantly important (Mittal et al., 2023). It is inferred that company growth is dependent on customer contentment therefore some service businesses do a superior job in recognizing and exploiting in-house strategic success factors, attracting advantage of external opportunities while reducing the foreign threats focusing on the Performance-Improving factors or if not called core competencies (Nunkoo et al., 2020). The results of this study unveil a novel finding, suggesting that customer contentment serves as a crucial internal factor contributing to the overall success and performance improvement of service-oriented companies.

The findings suggest that customer contentment significantly impacts financial performance, while staff contentment does not have a direct influence on financial success. The relationship between staff contentment and hotel financial performance is indirect, mediated by customer contentment. The study support the recent literature and concludes that nurturing employee well-being positively influences customer satisfaction in the hospitality industry, supported by evidence that staff contentment substantially impacts customer satisfaction and, consequently, leads to enhanced financial performance (Wang et al., 2023). In conclusion, while it may be challenging to directly measure the impact of staff contentment on a hotel's profitability, the study underscores the critical role of contented staff in the service industry. Service-oriented businesses, particularly hotels, heavily rely on the positive image projected by satisfied staff who, in turn, deliver enhanced services to customers. The findings affirm that staff satisfaction is an indispensable element for the sustainability and success of service businesses. Therefore, it is imperative for hotels to prioritize the happiness and contentment of their staff as a strategic imperative for ensuring overall operational success and customer satisfaction.

### 6.2 Research Boundaries and future work:

This research paper explores the connection between staff and customer satisfaction and their impact on hotel financial performance using the Service Profit Chain (SPC) theory. Due to complexities, the study focuses solely on these relationships. It acknowledges that other factors like training, advertising, supply chain, and government policies also influence hotel financial performance, providing a nuanced understanding of the multifaceted dynamics in the hospitality industry.

### 6.3 Conclusion:

In conclusion, this research delves into the intricate relationships among staff contentment, customer contentment, and their collective impact on the financial performance of

hospitality businesses. The theoretical underpinning of the Service-Profit-Chain provides a comprehensive framework linking operational activities, staff and customer satisfaction, and financial outcomes. Three direct relationships emerge, illustrating the interplay between staff, customer, and hotel financial performance, with an additional indirect relationship highlighting the mediating role of customer contentment. Notably, the findings affirm the direct influence of customer contentment on hotel financial performance in Pakistan and emphasize the pivotal role of staff contentment in shaping customer satisfaction. However, the study reveals that the impact of staff contentment on hotel profitability is indirect, mediated by customer contentment. This nuanced understanding underscores the intricate dynamics at play in the hospitality industry, providing valuable insights for businesses seeking to enhance their financial performance through strategic management of staff and customer satisfaction.

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