

# The Influence of Customer Orientation, Market Activity, and Store Operation Activity on Performance: Focusing on Small Food Business Owners

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## Abstract

**Objectives:** To explore performance influence factors in customer orientation, marketing activity, and store operation activity in small food business owners (excluding temporary food trucks and trolleys) among restaurants to seek support plans for stable business operation for small business owners. **Methods/Statistical Analysis:** The research subjects were business owners not received small business consulting support from the city of Seoul and data was collected through interviews during the management assessment process. Through SPSS 20.0 statistical program, frequency analysis and regression analysis was done, as well as empirical analysis for mediating effects. **Findings:** The study results showed that customer orientation and marketing activity had positive relations with store operation activity and store operation activity was also found to have influence on performance. It was found that store operation activity fully mediated customer orientation and marketing activity. **Improvements/Applications:** For positive performance in small business owners that operate restaurants, there is a viewpoint that store operation activity is very important which means that in the process of advising and consulting small business owners, there is need to suggest the importance and methods of store operation activity.

**Keywords:** Customer Orientation, Marketing Activity, Small Business Owners, Store Operation Activity

## 1. Introduction

While reasons for starting a business can be different for everyone, most people tried to increase their quality of life more profit. However, 71% of startups withdraw from the market within five years<sup>1</sup>. According to the statistical office, the number of businesses in operation in Korea in 2014 was 5.559 million which was an increase of 3.4% (181,000) from the previous year, and the num-

ber of workers was 18.433 million which was an increase of 3.3% (587,000) from the previous year. Due to the influence of continuous economic recession and early retirement of the baby boom generation, there has been steady increase of businesses since 2007, excluding 2013. Also accommodation and restaurant industries are showing the second highest growth with 21.0% only following wholesale and retail (29.0%) but in terms of five year survival rate, it is 17.7%, which is the lowest part from

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**Table 1.** The survival rate of businesses by industry

Industry	1year survival rate	2year survival rate	3year survival rate	4year survival rate	5year survival rate
Total	60.1	47.3	38.2	32.2	29.0
Manufacturing	68.9	57.5	49.2	41.7	37.9
Sewage waste treatment, materials regeneration and environmental restoration	70.1	64.7	52.2	37.0	38.0
Retail and Wholesale	55.6	42.5	33.7	28.4	25.0
Transportation	72.6	61.7	53.2	48.9	42.3
Accommodation in response	55.6	39.5	28.5	21.5	17.7
Publishing, imaging, broadcast communications, and information services	59.9	49.7	37.3	29.4	25.0
Real estate and leasing	66.9	58.4	52.9	47.3	43.3
Professional scientific technology services	63.9	49.6	43.9	36.5	32.2
Business facilities management and business support services	56.2	41.2	31.3	26.5	22.4
Education services	58.3	45.4	34.4	28.5	24.7
Arts, sports, and leisure related services	54.0	40.5	27.6	18.9	14.3
Society organizations and personal services	58.3	47.0	40.0	33.2	29.0

arts, sports, and leisure related services (14.3%) (Table 1). While startup rates are high and survival rates are very low in accommodation and restaurant businesses<sup>1</sup> and in most previous studies, research was conducted on the overall restaurants and there was lack of differentiated research for temporary food establishments and general restaurants that have different characteristics.

The study analyzed restaurants that are specialized for eating out excluding temporary food establishments to put differentiation from previous researches. The sample used in this study were business owners that received self-employment consulting support from the city of Seoul from June 2015 and during the management assessment process, among the collected data, restaurants were extracted and SPSS 22.0 was used to conduct validity and reliability analysis to remove items unfit for the standards and regression analysis and mediating regression analysis was conducted.

## 2. Theoretical Background

### 2.1 Customer Orientation

Customer orientation is a lower variable of market orientation and market orientation is perceived as organizational culture<sup>2</sup> and although market orientation was defined as the three components customer orientation, competitor orientation, and coordination between departments<sup>3</sup>, recently in small businesses where there are few organizations and no concept of departments, rather than correlation between departments, customer orientation and competitor orientation which focuses on the customer and competitors became representative and the lower variables of market orientation was defined with two concept components customer orientation and competitor orientation<sup>4</sup>. Customer orientation represents businesses adequately understanding the goal of the company, the customers, to continuously create superior value for the customers and to conduct business activity in the perspective of customers, which means business activity is perceived at the viewpoint of customers and progresses towards increase of profit for customers<sup>5,6</sup>.

### 2.2 Marketing Activity

The concept of marketing was introduced in 1950 and many scholars have been emphasizing the importance. The concept of marketing is seen as companies unifying or coordinating marketing function with other functions to maximize the long-term profits of the company<sup>7</sup>, and it is defined as the business management philosophy that accept the necessity of customer orientation and profit orientation where the importance of the marketing department which deliver the needs of the market to all the other departments is recognized<sup>8</sup>. In marketing efforts by small businesses, job satisfaction is seen as differentiation of products, services, and interiors from a petition companies, as well as the knowledge, experience, and ability to evaluate the problems the company is facing, and the processing power of small business owners about marketing efforts that start up owners think of, is the main marketing activity<sup>9</sup>. Recently there are studies being done throughout the industry due to the expansion of various concepts of marketing and the correlation between performances has been being verified.

### 2.3 Store Operation Activity

Store operation activity denotes tasks limited to internal business at the workplace among this management and it can be seen as a part of business management. Variables related to business management include many variables that are being emphasized such as production management, technology innovation, capital management, planning, and employee management, consultation with experts, marketing to be, and product superiority<sup>10</sup>. It has been pointed out that business management and various related variables influence the success and failure of companies<sup>10</sup>. For capital control among business management variables, thus capital management, it does also been pointed out that successful businesses have perfect finance records and that they are utilizing them well<sup>11,12</sup>. Because in small businesses, sales can greatly differ according to employee management among business management variables, it was stated that the success and failure of businesses depend on acquiring superior

employees<sup>13,14</sup>. It was claimed that businesses that have able employees have much higher probability of success compared to businesses that do not<sup>15</sup>.

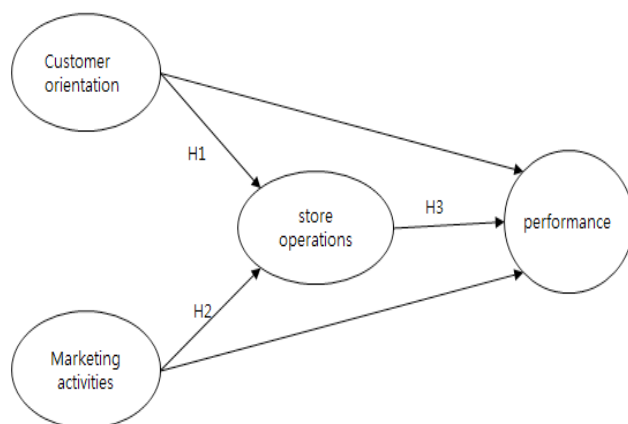
## 2.4 Small Business Owner Business Performance

As a method of assuring business performance of a company, there is an improved business analysis measurement method that utilizes financial statements. Measurement will be possible through growth rate of financial index, profitability, Return on Investment (ROI), Return on Assets (ROA), Return on Equity (ROE), and market share<sup>16</sup>. However, small capital companies or newly started businesses have difficulty in acquiring financial statements which means generally, measurement is done through subjective performance<sup>17</sup>. This research also defined performance as subjective performance.

## 3. Research Models and Hypothesis

### 3.1 Research Model

Based on the detailed concept and theoretical background from previous researchers, the study explored what effects customer orientation and marketing activity has



**Figure 1.** Research model.

on performance and set the following research model to confirm what kind of mediating effect store operation activity has on performance and the model is shown in Figure 1.

### 3.2 Relation between Customer Orientation and Store Operation

Customer orientation which is unimportant property of market orientation can start with giving's customer satisfaction, and understanding the customer to continuously provide better value and in a period where numerous unexpected competitors and potential competitors pop-up and where market change is severe, it can be seen as the most important element within market orientation<sup>18</sup>. Therefore, to satisfy customer needs, companies must continuously listen to the voices of the customers, monitor customer response, develop new products or services that the customers want through frequently reviewing customer satisfaction, and these efforts can be used to have close relation with store operation activity. Therefore the study set a research hypothesis based on previous researches.

H1. Customer orientation will have positive (+) influence on store operation activity.

### 3.3 Relation between Marketing Activity and Store Operation Activity

Marketing activity refers to targeting overall and is defined as a series of human activity which involves creating products, services, and ideas, deciding on pricing, and providing and distributing product and service related information, to establish exchange, which satisfied the goals of individuals and organizations<sup>19</sup>. The series of human activity can be seen as store operation activity and it can be deduced that marketing activity will have influence on store operation activity. Therefore the study set the following research hypothesis.

H2. Marketing activity will have positive (+) influence on store operation activity.

### 3.4 Relation between Store Operation Activity and Performance

There have been numerous previous studies on the influence of company management activities on financial performance. In a previous research about business management overall, research was conducted on various variables related to business management such as capital management, planning, employee management, consultation with experts, marketing activity, and product superiority. Especially innovative management activities which are frequent in technology innovation small businesses, after number of patents through innovative management activities, as well as innovation performance such as number of new product development<sup>4</sup>, it can be deduced that innovation performance will have positive effect on financial performance such as sales and market share. Therefore, the study set the following research hypothesis.

- H3. Store operation activity will have positive (+) influence on performance.
- H4. Store operation activity shows mediating effect on the relation between customer orientation and performance.
- H5. Store operation activity shows mediating effect on the relation between marketing activity and performance.

## 4. Research Design and Analytical Method

### 4.1 Research Design

The sample used in this study were business owners that received self-employment consulting support from the city of Seoul from June 2015 and during the management assessment process, among the collected data, restaurants were extracted and data that was not fit for the study was removed and a total of 144 valid samples were extracted. Based on the extracted samples, statistical analysis was done and from this, empirical analysis was conducted.

### 4.2 Analysis Method

The survey in the research used five point Likert scale to

collect data and the collected data was aggregated in the Oracle Database (DB) in the manner of a string to the consulting operation system. Analysis method included validity and reliability analysis through explorative variable analysis. Empirical analysis was done on the sample with SPSS 22.0 for demographic analysis and path and hypothesis verification. For variables to compose the survey there were definition of customer, number of potential customers, and menu association in customer orientation variables and according to the characteristics of small is this owners, for marketing activity variables, previous customer maintenance activity and new customer attraction activity were set as measurement variables. Mediating variables are factors of store operation activity and it included facility management, employee management, cost reduction activities, settlement cycle, and new product development activity as measurement variables. Due to lack of proper financial statements for small business owners, dependent variable performance factor was measured differentiated into sales variation and net profit variation.

## 5. Empirical Analysis

### 5.1 Analysis of Basic Statistics

Looking at the characteristics of the respondents, there were 69 men and 75 women which was 52.1% and education history showed 14 people under middle school graduate, 74 high school graduates, 13 professional agree holders, 38 bachelor degree holders, and 5 Master degree holders, where the majority were high school graduates (51.4%). For industry experience, there were 22 people under 1 year, 22 people between 1 and 2 years, 15 people under 2 and 3 years, 21 people under 3 to 5 years, and 64 people over 5 years, which was the highest ratio (44.4%). Regarding floorspace, there were 2733 m<sup>2</sup>, 42 under 33 m<sup>2</sup>~66 m<sup>2</sup>, 35 under 66 m<sup>2</sup>~99 m<sup>2</sup>, and 40/90 a meter squared, which meant that the small majority was 33 m<sup>2</sup>~66 m<sup>2</sup> (29.2%). For detailed types of operation, 112 served Korean food, 14 served Chinese food, 10 served Japanese food, and eight served Western food and the majority was Korean food (77.8%). Demographic characteristics of the sample were organized in Table 2.

**Table 2.** Demographic characteristics of sample (n=144)

Division		Frequency	Ratio	Cumulative ratio
Gender	Male	69	47.9	47.9
	Female	75	52.1	100.0
Education	Middle school graduate or below	14	9.7	9.7
	High school graduate	74	51.4	61.1
	Professional degree	13	9.0	70.1
	Bachelor degree	38	26.4	96.5
	Master degree or above	5	3.5	100.0
Industry experience	Under 1 year	22	15.3	15.3
	Under 1~2 years	22	15.3	30.6
	Under 2~3 years	15	10.4	41.0
	Under 3~5 years	21	14.6	55.6
	Over 5 years	64	44.4	100.0
Area	Under 33m <sup>2</sup>	27	18.8	18.8
	Under 33m <sup>2</sup> ~66m <sup>2</sup>	42	29.2	47.9
	Under 66m <sup>2</sup> ~99m <sup>2</sup>	35	24.3	72.2
	Over 99m <sup>2</sup>	40	27.8	100.0
Number of employees	None	34	23.6	23.6
	1	45	31.3	54.9
	2	30	20.8	75.7
	3	25	17.4	93.1
	4	10	6.9	100.0
Type	Korean	112	77.8	77.8
	Chinese	14	9.7	87.5
	Japanese	10	6.9	94.4
	Western	8	5.6	100.0

## 5.2 Reliability and Validity Analysis

To verify the validity before the study, exploratory factor analysis was conducted. All measurement variables utilized principal component analysis to extract component factors and Varimax was chosen to simplify factor load value. Item selection standard in this study was eigenvalue of 1.0 and above, and factor loading value of 0.40 and above. Among the total of 14 questions, three items that were loaded which was unfit for the theoretical structure was removed and 11 questions were utilized in the analysis. After removing items that hindered reliability due to low correlation, the value of Cronbach- $\alpha$  increased

from 0.666 to 0.972, which showed that internal consistency was achieved (Table 3).

This is the result of correlation analysis to explore the correlation between variables. As a result, customer orientation, and marketing activity, and store operation activity showed statistically significant positive correlation, and marketing activity was found to have statistically rather high positive correlation with store operation activity, and marketing activity and performance showed low positive correlation. Also, it was found that store operation activity and performance had a statistically significant low positive correlation (Table 4).

**Table 3.** Reliability and validity

Factor	Variable	Factor loading	Eigen value	Distributed explanatory power	Cronbach- $\alpha$
Customer orientation	C11	.836	1.807	16.427	0.666
	C12	.601			
	C13	.795			
Marketing activity	M11	.861	1.961	17.824	0.766
	M12	.786			
Store operation activity	M21	.721	2.296	20.875	0.733
	M22	.713			
	M23	.684			
	M25	.644			
Performance	R11	.973	1.630	14.820	0.972
	R12	.971			



**Table 4.** Correlation between variables

Research unit	Average	Standard deviation	Customer orientation	Marketing	Capsular operation	Performance
Customer orientation	2.38	.641	1.0			
Marketing activity	3.35	.963	.285**	1.0		
Store operation activity	2.90	.773	.375**	.559**	1.0	
Performance	3.24	.738	.161	.204*	.286**	1.0

### 5.3 Hypothesis Test and Explanation

Mediating effect testing by Baron and Kenny was conducted to find out if store operation activity mediates the influence of customer orientation marketing activity on performance. Before verifying mediating effect, autocorrelation of the independent variable and multicollinearity of independent variable was verified. As a result, Durbin-

Watson index was found to be 2.070 ( $du = 1.75663 < d$ ) which meant that it is independent without autocorrelation, and that VIF index was each one .089 which was lower than 10 which showed that there was no multicollinearity between independent variables and the study conducted the mediating effect testing (Table 5).

**Table 5.** Verification of store operation mediating effect

	Step 1	Step 2	Step 3
	Store operation	Performance	Performance
Constant	.909***	2.491***	2.290***
Customer orientation	.238**	.129	.066
Marketing activity	.395***	.132*	.045
Store operation activity			.221*
R2	.362	.053	.087
F	40.080***	3.392*	4.474**

\*  $P < .05$  \*\*  $p < .001$  \*\*\*  $p < .000$ , Durbin-Watson=2.070( $du=1.75663$ )



In the first stage of verifying the mediating effect, it was found that independent variables customer orientation ( $p < .01$ ), and marketing activity ( $p < .001$ ) had influence on store operation activity. Store operation activity increased with higher customer orientation ( $B = .238$ ) and marketing activity ( $B = .395$ ). The explanatory power that explains store operation activity is 36.2%. In the second stage, independent variable customer orientation ( $p > .05$ ) was not significant to performance and marketing activity ( $p < .05$ ) showed significant influence on performance. Performance increased with higher marketing operation activity ( $B = .132$ ).

In the final stage of mediating effect verification, the third stage, customer orientation was not significant ( $B = .066$ ,  $p > .05$ ) and store operation activity fully mediates on the influence of customer orientation on performance. Marketing activity ( $B = .045$ ,  $B > .05$ ) is also not significant and regression coefficient was shown to decrease from .132 to .045 which showed that store operation activity fully mediated on the influence of marketing activity on performance. The above verification results are presented in Table 6.

## 6. Conclusion

### 6.1 Study Results

Unlike previous studies that seek successful startup and continuous growth for small business owners, the study conducted empirical analysis on success factors in a specific industry. Although there are many existing studies that state there is high probability of success when there is personal characteristics and thorough preparation for startup, it is shown that the survival rate of small business owners reported every year is very low and the study was conducted with the recognition of the importance of business management.

The study result shows that although the restaurant might have defined the focus customer group, properly defined potential customers, and the restaurant has a menu that has relation with the main customers, it is not directly connected to performance and it was found that it was linked to performance through store operation activity. Although marketing activity in small businesses is simple, it can be seen that there is understanding of

**Table 6.** Hypothesis testing results

Hypothesis	Path	Adoption
H1	Customer orientation → Store operation activity	Adopted
H2	Marketing activity → Store operation activity	Adopted
H3	Store operation activity → Performance	Adopted
H4	Customer orientation → Performance : Store operation activity Mediating effect	Adopted
H5	Marketing activity → Performance : Store operation activity Mediating effect	Adopted

marketing overall. The study considered this factor and conducted the survey simplified into existing customer retention activity and new customer attracting activity. It was found that marketing activity had rather small influence on performance but it was found that through store operation activity it is linked to performance.

According to the study results, even with great commercial area and location conditions as well as with increased marketing activity, it was found that probability of success is not high. Rather than environmental aspects of the store, business management, thus store operation activity was shown to have influence on the performance of restaurant operators. Therefore business owners operating restaurants will be able to efficiently increase performance through store operation activities such as employee management, facilities management, cost reduction activity, and new menu development.

## 6.2 Limits of this Research and its Suggestions

The study can have problems in representativeness of sample due to the fact that it was conducted only on business owners that applied for small business owner consulting. In future studies, it will be necessary to conduct research about similar sized stores all over the country. However the study can present a viewpoint about the method of business operation for continuous performance in small business owners operating restaurants. First, in the case of small business owners that operate restaurants, customer orientation and marketing activity is important but for continuous growth, and the aspect of business management, it is necessary to recognize the importance of store operation activity which is included in internal management. Second, the government and regional governments are providing much support such as education and capital support in the startup process for the successful startups of small business owners. However, systematic support plans for existing business operators have not been established and there is need for a step-by-step support system. Lastly, the study would like to suggest developing such things as technical methodology on store activity operation for small business owners operating restaurants to utilize in the process of advising and consulting.

In many previous studies, there has been research towards successful startups in small business owners. However, most studies were composed of research into personal characteristics and characteristics created before startup. On the other hand, there is much missing due to the fact that although the study differentiated industry characteristics, the research of things like small business owner business operation was done identically. There are hopes that in the future there will be many studies on certain groups with similar characteristics and it can be said that the study has great significance in terms of empirical analysis on restaurants excluding temporary food establishments that handle snacks.

## 7. Acknowledgments

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