

## ASPECTS OF ROMANIAN MARKETING ENVIRONMENT FOR INTERNATIONAL HOTEL CHAINS

**Adina Smaranda COSMA**

*Universitatea Babes-Bolyai, Cluj-Napoca  
smarandacosma@gmail.com*

**Cristina FLESERIU**

*Universitatea Babes-Bolyai, Cluj-Napoca  
cristinafleseriu@gmail.com*

**Marius BOTA**

*Universitatea Babes-Bolyai, Cluj-Napoca  
marius.bota@tbs.ubbcluj.ro*

**Alexandru NEDELEA**

*Universitatea Stefan cel Mare, Suceava  
alexandrun@seap.usv.ro*

### **Abstract**

*The influence of global processes on economic development is reflected in the intensity of tourist streams and in the development of the hotel companies' strategy. Because of that, is very important for a hotel and especially for one that belongs to an international chain to analyse the micro and macro environment, to know exactly which are the opportunities and the risks taken into consideration on a specific market. On the Romanian market the hotels that belong to international chains consider that the most important opportunity is the market development potential and the biggest risk is the infrastructure. Also, the own resources are the most important factor that is influencing directly the activity of a hotel belonging to an international chain in Romania. All those criteria are taken into consideration by the hotels in order to develop a long time strategy on the Romanian market.*

**Key words:** *hotel, international hotel chains, tourism market, micro and macro environment, opportunities and risks.*

**JEL Classification:** *L83, M31*

### **I. INTRODUCTION**

The influence of global processes on economic development is reflected in the intensity and direction of tourist streams, and, hence, in the development of the hotel companies' strategy. The International Association of Hotels and Restaurants (IHRA) registered more than 300 international hotel chains of different sizes, ownership structures, kinds of business relations, quality of hotel capacity, business concepts, prices, etc. The 300 best ranked hotel chains possess around 54,400 hotels and over 7.2 million rooms. In other words, business systems which function as hotel chains possess more than 1/3 of the world's accommodation capacities (Petrovic et. al, 2013).

Despite its importance for the Romanian tourism industry, the development of the hotel sector has been essentially based on individual units managed by the owners. During the last ten years, the number of hotels has increased with a little over 400, reaching in 2012 the figure of 1400 hotels ([http://www.insse.ro/cms/files/publicatii/Turismul%20roma\\_niei\\_2013.pdf](http://www.insse.ro/cms/files/publicatii/Turismul%20roma_niei_2013.pdf)). International hotel groups have penetrated the Romanian market, but they are still present in a relatively small number (15 hotel groups). The weight they possess, however, is significant. The first hotel chain to enter the market in Romania was InterContinental, which came in 1971. Until 2000, in Romania, only four hotel chains were present. Between 2001 and 2005 seven more came in and the rest up to 15 hotel chains entered the market after 2006. International hotel companies generally own 4\*-5\* hotels.

Compared to foreign multinational hotel companies, the Romanian hotel companies are relatively small and immature. That is why the performance of many Romanian hotel is much behind those that are internationally administered.

The majority of the cities where international hotel groups are present are cities with a population of over 100.000 inhabitants. Exceptions are Miercurea Ciuc and Sovata, where Hungarian hotel chains are present (the

population in these two cities being mainly Hungarian). Other exceptions are Gura Humorului, Resița and Zalău, where the Best Western group has a franchised hotel.

At present, in the Romanian market, there are 21 international hotel chains, with 51 hotels (<http://www.goldentulip.com/en>, <http://www.bestwestern.com/>, <http://www.danubiushotels.com/>, <http://www.hunguesthotels.hu/ro/hotels/>, <http://www.wyndham.com/>, <http://www.accor.com/en.html>, <http://www.carlsonrezidor.com/>, <http://www3.hilton.com/en/index.html>, <http://www.marriott.com/default.mi>, <http://www.ihgplc.com/>, <http://www.nh-hotels.com/>, <http://www.kkhotels.com/ro/>, <http://www.vi-hotels.com/ro/>, <http://www.groupeuropa.com/>, <http://www.selecthotels.it/>). In their turn, these international hotel chains belong to hotel groups.

Many international hotel chains use a mixture of strategies to penetrate markets and to extend their position in foreign markets. They mix together the direct investment strategy by purchase or building with the leasing, franchise, management contract or even joint venture operational systems, dependent upon the interest in a certain country or the policies and laws a country may implement.

In spite of the dramatic growth of the service sector and its significant contribution to the growth of GDP in developed countries (Contractor and Kundu, 1999), research on multinational operations mostly deals with the manufacturing sector (Novak et. al, 2011). In Romania, this research is generally rarely found with application to the service sectors, especially in hotel and tourism industries.

The purpose of the present paper lies in analysing the perceptions of hotels operating under the umbrella of an international hotel chain regarding the main factors in the marketing environment that could have a significant influence upon the Romanian hotel market.

The first author in introducing both the environment and environmental scanning concepts in the hotel industry was Olsen (1980) who stressed the importance of analysing the environment in order to carry out a proper decision-making process. The hotel market deserves great attention with regard to the environment, since the capacity to identify the elements that keep changing and affecting a hotel turn out to be of special significance to operate efficiently on this market (Nicolau, 2009).

## II. MATERIAL AND METHODS

This paper is based on marketing research that aims to identify the perceptions and actions of hotels running under the umbrella of a hotel chain, upon the tourism industry in Romania. For this purpose, a descriptive research was made to identify the internal and external factors that have an influence upon the activity of international chains as well as the marketing policies they use. As a research method, the questionnaire was used. For data collection, the questionnaire was implemented in three interview forms: face to face, by telephone and by mail; the sample has included 51 research units, that is all the hotels from Romania that are part of an international hotel chain. For information accuracy, the research had an overall character, though the opinion poll was excluded. Involving an elaborate data collection and processing work, the research lasted about three months and was performed at the end of year 2013.

For the data collection instrument, we used a questionnaire made up of 25 questions that wanted to identify several issues concerning the reason for which the hotels belonging to international hotel chains in Romania have decided to run under the umbrella of a certain brand making use of a certain penetration strategy as well as issues regarding the marketing strategies applied to the Romanian market.

Different types of questions were used: both structured and unstructured questions, pre-encoded with given answers, questions with scaled answers to find the importance degree of various issues under consideration. Before administering the questionnaire to all the hotels in question, the questionnaire was pretested in the Ramada Hotel of Cluj, to see if the questions are clear enough to be understood well, if they are understandable from all viewpoints, if they are in the right order and if answers provided are sufficient. Another aspect of interest was the time needed to fill in the questionnaire.

This paper makes use only of a part of the data collected in this marketing research. The main purpose is to identify what is the perception of the hotels in Romania belonging to an international hotel chain with respect to the hotel market in Romania, its opportunities and threats, the internal and external factors to be considered by a hotel to act properly.

The research objectives are as follows:

1. Identification of the perception of hotels belonging to international hotel groups found in Romania relative to the opportunities and risks of the local tourist market,
2. Identification of the main factors influencing directly the activity of hotels belonging to international hotel groups found in the Romanian market,

3. Ranking according to importance of main variables regarding the Romanian tourist industry as seen by hotels belonging to international hotel groups found in Romania.

In order to identify the perception of hotels belonging to international hotel groups found in Romania about its market, it was considered as necessary to collect data on market opportunities and risks. The value of identifying opportunities lies in valorising them. Risk identification helps companies to develop marketing policies and strategies that are adaptable and proper for the local market. For risks and opportunities, we took into account factors from the marketing environment (both micro and macro environments). Related to market opportunity, market maturity, development potential, market saturation degree should be taken into discussion. As for risks, infrastructure, changes in the legislative environment, decrease of the buying power of potential customers and others are taken into consideration. Infrastructure is already known as a negative influential factor for the number of foreign tourists, mainly for the holiday tourism, but also for business related tourism because of: overused road infrastructure, partly morally worn infrastructure, basic utilities infrastructure in some areas of the country, basic and low level building and technical infrastructure in places with touristic potential. A major risk is also found in the influence of the legislative environment in at least two ways, one lying in the fact that tourism related laws is permanently changing and leads to confusion and discontinuity in activity, and the other in that the laws specific for various domains of activity – that could attract foreign investment, namely investors, potential hotel customers - do not favour this kind of investments.

In order to establish the importance of the main aspects taken into account for the tourist industry, we used one question with scaled answers, from very important (5) to the least important (1). The criteria considered were: the number of foreign tourists, the number of Romanian tourists, the evolution of the number of accommodation units, the arrangement of the accommodation units relative to the number of hotel stars, size and importance of cities or geographic sites.

To identify the factors directly influencing the activity of the hotels the following items were proposed: GDP/ capita – as it shows the consumer buying power, number of inhabitants/ location – determining local attraction, existing own resources – can represent the main factor to choose, formulate and implement the general strategy of a hotel organisation.

In this context, the research proposes the following working hypotheses:

1. The existence of a connection between the year in which a hotel enters an international hotel chain and the penetration strategy implemented.
2. The existence of a connection between the target consumer segment to which hotels in international chains address and the market development potential as the main opportunity.
3. The existence of a connection between the choice of infrastructure as the main risk and hotel location (city size).
4. The existence of a connection between the consumer segment and the choice of own resources as main influence factor for the hotel activity.

AS the variables used are categorical nominal qualities, we used as statistical analysis instruments Chi and Cramer V. The software used for analysis was SPSS.

### **III. RESULTS AND DISCUSSIONS**

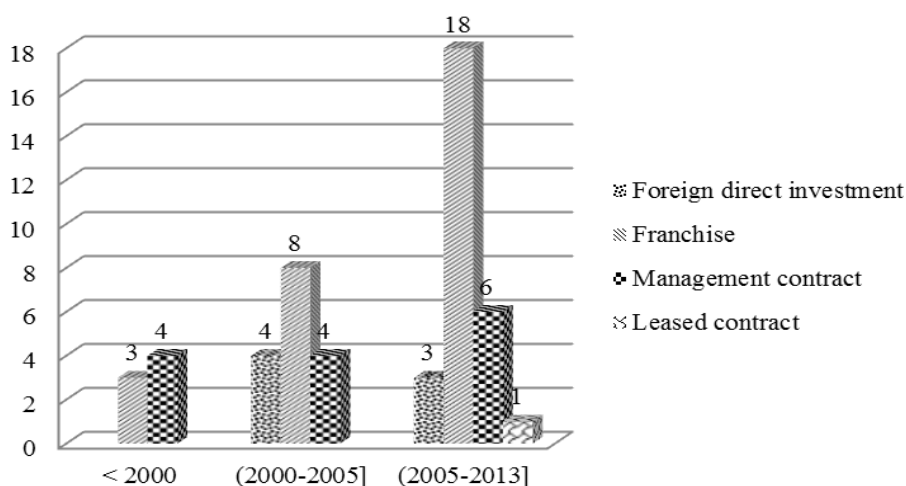
The investigation of the 51 hotels, belonging to the 21 international hotel chains present on the Romanian market, reveals that over 50% of the chain hotels were opened after 2006 (28 hotels). Then, 29 of these hotels are found in cities with more than 300.000 inhabitants (56.86%). The most strongly targeted customer segment in the case of hotels in international chains is the upscale one (58.82%) (Table 1.)

**Table 1. Hotels belonging to international chains, with respect to opening year, city and target segment**

	Frequency	Percent
<b>Year</b>		
<2000	7	13.73%
2000-2005	16	31.37%
2006-2013	28	54.90%
<b>Cities</b>		
Large>300.000	29	56.86%
Average150.000-300.000	9	17.65%
Small<150.000	13	25.49%
<b>Customer segment</b>		
Luxury	8	15.69%
Upscale	30	58.82%
Midscale	11	21.57%
Economy	2	3.92%

Source: produced by the authors

The correlation between the year of entering an international hotel chain and the strategy to penetrate put into work leads to the observation that before 2000, the hotels which entered the Romanian market used as an internationalisation strategy the franchise and the management contract, then between 2000-2005, the franchise, the management contract and the direct foreign investment were used as strategies, and after 2005, most hotels in international chains are franchise based (Figure 1.).



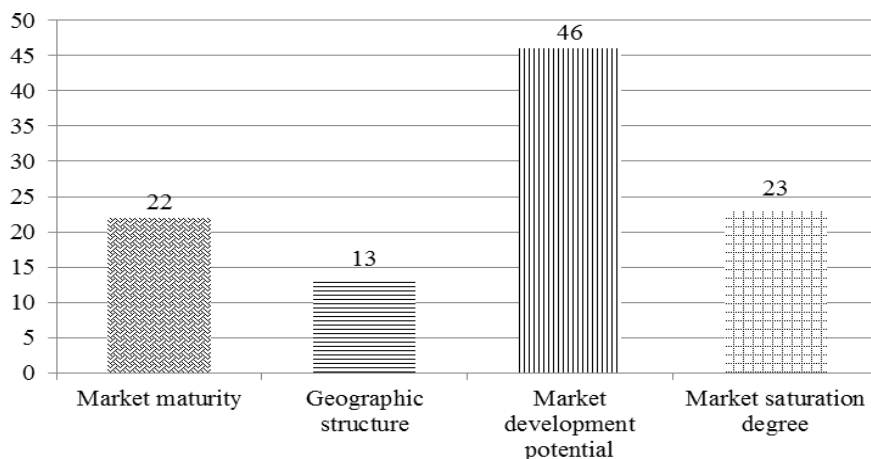
**Figure 1. Internationalisation strategies used by hotels based on the year of coming into an international hotel chain**

Source: produce d by the authors

After having identified the main internationalisation strategy used function of the year of penetration on the Romanian market, we tested if there is a connection between the mentioned variables (working hypothesis 1).

The computation of the Cramer V coefficient lead to a value of 0,37. This means that the correlation between the mentioned variables is acceptable and that the year of penetration on the Romanian market influences the selected penetration strategy.

Figure 2 presents the main opportunities of the touristic market from Romania as identified by the hotels belonging to international hotel chains found on the market.



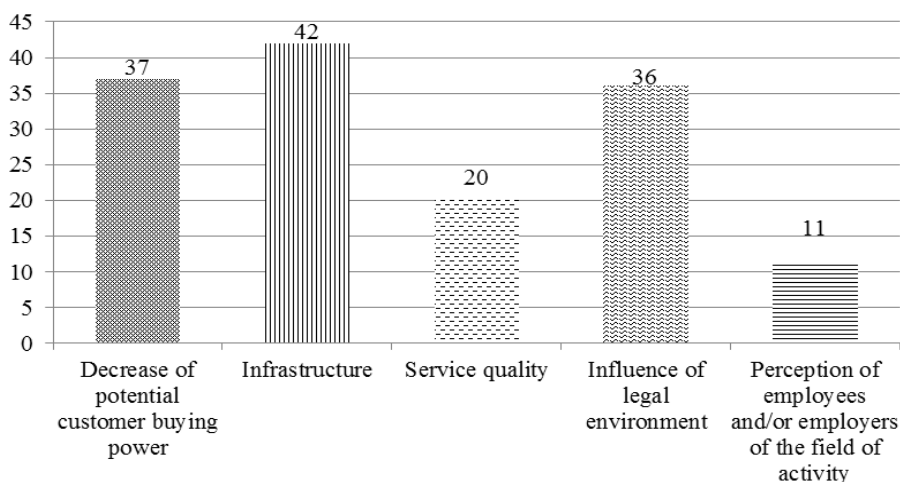
**Figure 2. Opportunities of tourism market in Romania**

*Source: produced by the authors*

One can notice that 46 of the 51 chain hotels (88%) have identified the market development potential as the main opportunity to be valorised. Opportunities such as market saturation and maturity occupy the following two positions according to hoteliers. Only 13 of the 51 hotels (25%) identify geographic structure as an opportunity of tourist market in Romania.

According to the second working hypothesis, the connection between the customer segment and development potential exists as the Cramer V coefficient found has the value of 0,633. This shows a strong correlation between the variables under study.

The main risks identified by respondents for hotel field businesses operating in Romania were the following (Figure 3.): infrastructure (mentioned by 82% hotels), lower buying power of potential customers, seen as second as importance and mentioned as risk by 37 hotels (73%). On the third place is the influence of legislation environment (71%). Besides the risks mentioned above, one of the respondents also noticed the effect of economic crisis.

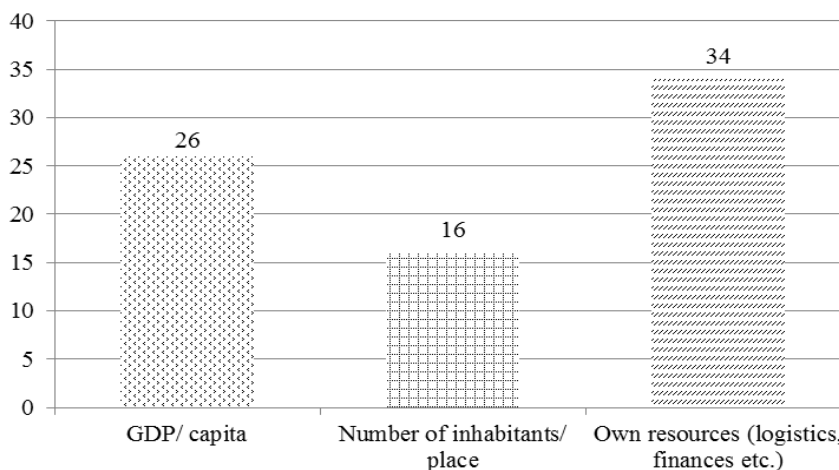


**Figure 3. Risks threatening a business in the hotel field, at present, in Romania**

*Source: produced by the authors*

After the correlation between the important risk identified – infrastructure and hotel location, that is the city size, the connection of the two variables was analysed. The value of Cramer V coefficient is 0,099 which shows a poor correlation, even equal to zero for the variables in question.

The study also takes into analysis the main factors that directly affect the activity of a hotel from an international hotel chain on the Romanian market (Figure 4.).



**Figure 4. Factors directly influencing the activity of a hotel belonging to an international hotel chain in Romania**

*Source: produced by the authors*

Own resources were regarded by 34 out of 51 respondents as the main factor of direct influence for a hotel activity (67%). GDP/ capita is considered the second as importance for the activity of a hotel belonging to an international hotel group (51%). Besides these factors, respondents also mentioned: economic crisis (7 responses), locality development potential (2 responses), organisation policy (3 responses), destination area and tourist motivation, respectively lack of motivation (2 responses) and international economic context, local market attraction level for investors, maturity of national financial system, legislative stability, state given benefits for investors, promotion of tourist destination at national and international level, penetration or exit of an airline on the market, competition dynamics ( one response each).

The fourth working hypothesis was also tested by studying the relation between the customer segment and own resources. The computation of Cramer V coefficient, found equal to 0,35, leads to the idea that the two variables are in good correlation.

The study highlighted the most significant issues considered by hotel chains when speaking of the tourist market in Romania (Table 2.). For every issue, respondents gave a score, from 1 to 5. The average value shows the ranking of issues under consideration with respect to hotels. All the variables were seen as important and very important, strengthening the fact that the identified issues have been well chosen.

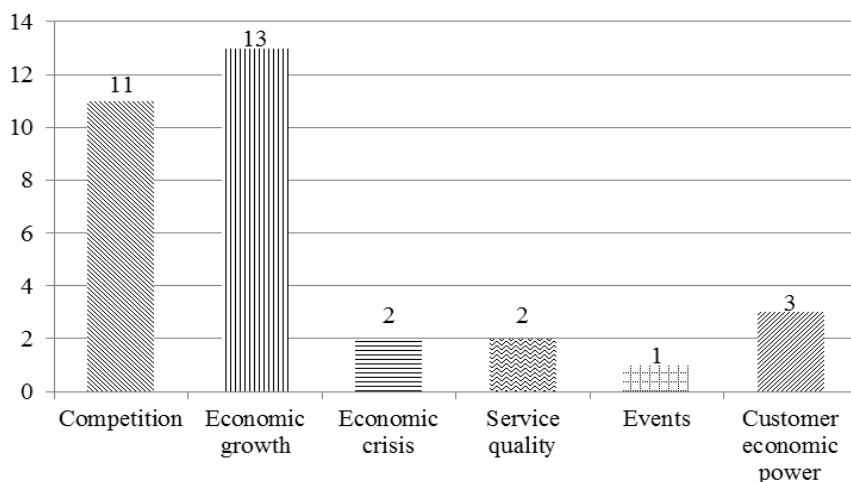
**Table 2. Aspects considered by hotels regarding tourist industry**

	Very important (5)	Important (4)	Neuter (3)	Less important (2)	Least important (1)	Average value
Number of foreign tourists	44	5	1	0	1	4.78
Number of Romanian tourists	33	12	1	3	2	4.39
Evolution of number of accommodation units	12	36	3	0	0	4.18
Arrangement of accommodation units relative to number of hotel stars	13	35	2	1	0	4.18
Size and importance of cities or geographic sites	19	26	2	0	4	4.10

*Source: produced by the authors*

The most important aspects taken into account by hotels are related to the number of foreign and Romanian tourists. According to the average value for every aspect studied, the size and importance of cities and geographic sites seems to be the last on the list. One should underline that most hotels belonging to international hotel chains are situated either in the country capital or the most well-known or largest cities in the country. This issue was given much importance in the moment of choosing the market of action.

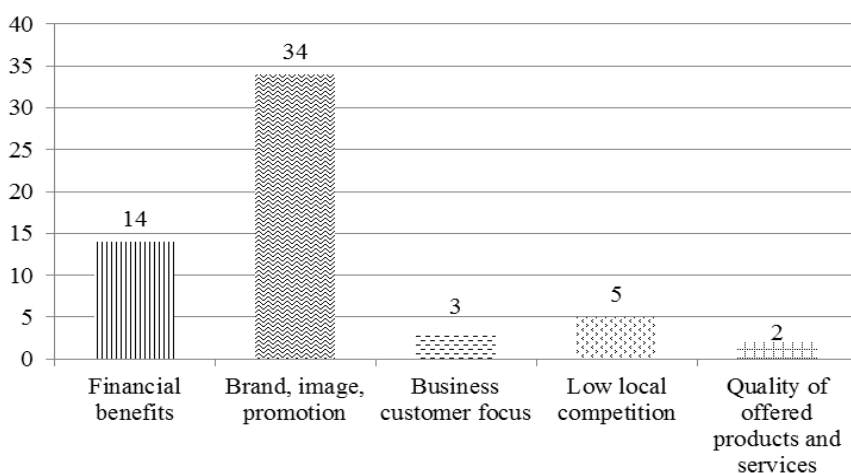
Besides the variables mentioned in the table above, respondents also added other aspects they regarded as important (Figure 5.).



**Figure 5. Other aspects of importance taken into account by respondents, related to tourism industry**

*Source: produced by the authors*

The reason/s for which hotels got under the umbrella of an international hotel chain are very varied (Figure 6.).



**Figure 6. Reasons for which hotels entered under the umbrella of an international hotel chain**

*Source: produce d by the authors*

The main reason of influence for getting into an international hotel chain is the brand, image and promotion, followed then by the financial benefits given by the chain.

#### IV. CONCLUSION

In so far the hotel market in Romania is concerned, the number of hotels belonging to international hotel chains is increasing though their weight is still small.

The research objectives fulfilled lead to the following conclusions:

- The main opportunity identified by the hotels in hotel chains on the Romanian market was the market development potential. Infrastructure is, however, the main risk threatening a hotel business at present in Romania.
- The most important influential factors for a hotel activity when belonging to an international chain found in the market in Romania are own resources, followed by GDP/capita.
- The main variables affecting the hotel industry in Romania for hotels belonging to international hotel chains are the number of foreign tourists, the number of Romanian tourists, the dynamics of the number of accommodation units, the arrangement of accommodation units as per number of stars, size and importance of cities and geographic sites. These are important and very important, their

average value exceeds 4 on a scale from 1 to 5. Hotels belonging to international hotel chains consider foreign tourists as the most important/valuable as the latter are aware of the hotel brand and reputation before coming to Romania. That is why, if a foreign tourist is faithful to a certain international hotel chain, that tourist will look for it in every country visited. Romanian tourist are also seen as knowledgeable and consequently influenced by the name of a hotel chain. It is for this reason that hotels can identify the touristic potential and implicitly the number of potential customers.

After testing the four working hypotheses, the following conclusions were reached:

- There is a connection between the year of joining to an international hotel chain and the penetration strategy in force. The hypothesis is thus confirmed;
- There is a connection between the segment of target consumers and the market development potential, as the main identified opportunity. The hypothesis is thus confirmed;
- Choosing infrastructure as the main risk and hotel location (related to city size) was found to be a weak, even null connection;
- Choosing own resources as the main influential factor for hotel activity correlates with the target customer segment of hotels belonging to international hotel chains and their connection is strong. The hypothesis is thus confirmed.

The results of the present research can be useful for hotels in the local market as well as for international hotel chains wishing to penetrate the Romanian market.

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