

## The Forecast of Development of the Hotel Business in Russia as a Promising Direction of Business Expansion of International Hotel Chains

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**Abstract:** The present article contains the results of original author's researches of factors of internal and external environment that exert the great influence onto the development of the hotel business in Russia. The key factors that have a great influence onto the prospects for further development of the hotel business in Russia were detached and the proprietary assessment of their impact was given. The main problems of the development of the hotel business in Russia related to the factors of both macro-economic and micro-economic characters (which are associated with the inefficient hotel management and a lack of qualified specialists) were determined. It was also drawn out that the greatest negative influence onto the development of the hotel business in Russia lies in a poor image of the country, the infrastructure of land transportation and the regulator system of travel and tourism section. The competitive advantages of the Russian tourism include mainly the rich natural and cultural resources. The after-effects of the demographic "hole" and the changes in the system of personnel training onto the development trends of the regional labor markets were analyzed. The changes in the labor behavior of the personnel of the hotel facilities like the high level of their mobility, the willingness to travel to different parts of Russia and the world and the short working period in the same organization were determined. The present article also gives the generalized assessment of impact of factors that influence the future of the hotel business in Russia (and which are described in the present article) onto the prospects of entering of international hotel chains into the Russian hotel business sphere and its further development.

**Key words:** Hotels • Tourism • Prospects for further development • Hotel management • Competencies • Hotel chains

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### INTRODUCTION

As the tourism and the hotel business are quite dynamic activities (according to the forecasts, in 2030 about 5 million of various trips will be made all around the world), it is important to understand which factors in the long view will have the greatest impact on them. It is also important to understand what key factors can influence the entrance of the international hotel chains into the Russian market, as well as to give a proper estimate of their impact on the further development of the Russian hotel business.

**Main Part:** The strategic analysis includes all factors affecting a particular process which are divided onto the factors of external and internal environment. The factors

of internal environment include the factors onto which the hotel management can influence directly, like, for example, to make a decision about how to conduct the renovation of the hotel rooms and apartments, which staff to hire, what standards of service to use and so on. The factors of external environment, in their turn, are divided into the factors of external environment of indirect and direct effect. The last one includes the factors, onto which the hotel management cannot influence directly but, however, straightforwardly connected with them and somehow can motivate and stimulate them. For example, the factors of external environment of direct effect come with the guests that could be interested in some discounts, loyal cards, etc., which, however, does not guarantee the loyalty of guests in case of more interesting offers appearing on the market [1].

The factors of the environment of indirect effect include such characteristics of society onto which the hotel management can not influence in any way, but which may have a decisive influence onto whether the exact business has any further prospects in its development, or it will most probably become an unprofitable and/or even illegal one, as it has happened to casinos on most of the territory of the Russian Federation. Let us first get a review of the key factors of the environment of indirect effect that have the greatest impact onto the current state and further prospects of the hotel business development.

**Changes in the Development Strategy of the Country and Separate Legislative Acts:** As it can be seen from the statements of the top public officials and adopted legislative acts the tourism is deemed to be an important direction of development of the country in general and separate regions in particular. The conducting of the large-scale activities gave a significant impetus to the development of tourism business in Kazan, Sochi, Vladivostok and other cities where the European Championship-2018 will be held. Besides, the special tourism and recreational areas and tourist clusters are rapidly growing and developing [2]. Upon that, however, the unevenness in the development of hotel business is still can be seen (for example, most of hotels are located in Moscow and St. Petersburg). Thus, at the beginning of 2013 about 423 hotels with a total capacity of about ninety thousand people had been working in Moscow; 24 of them worked under the famous and well-known international hotel brand-names [3].

At the same time, lots of objects and facilities that were built and still are under the construction for the large-scale events conduction require a significant investment for their maintenance and the use after the completion of undertakings. For business owners and regional budget such expenses can become prohibitive if no options of effective usage of such objects and facilities will be found.

**Socio-Political Factors:** At the present time the Russia Federation is perceived positively in the international community as a country with a stable political system and the lack of large-scale public conflicts. The revolutions have had a negative impact onto the hotel business in Egypt, Greece, Tunisia, Cyprus and other countries.

**Macro-Economic Factors:** The consequences of the economical crisis 2008 and the lack of significant improvements in the economy of the European Union countries lead to the fact that the consumer demand for tours to Russian from the side of, for example, Europeans does not go down and does not significant grow at the same time. In Russia the situation is sufficiently stable. At least the materials of study published on TripAdvisor tourism and travel portal show that almost 67% of surveyed Russians expect their spending onto the travelling not to reduce but even slightly to increase. And only 4% of respondents said that they are planning to cut their costs on holidays spending in 2013. Upon that the short trips are planned mainly for three to four weeks before the departure date, while the longer lasting trips are planned for at least two months before the exit date [4].

At the same time, more often Russians are choosing the foreign countries as the place for their holidays spending: following the results of 2012 we can see that the travelling flow of the Russian tourists has increased by almost 30% [4]. The replacement of centers of tourist flows from Europe and Middle East to Asia has brought to the increase of prices on hotels in this region. Thus, hotels in Europe are trying to keep the price level unchanged which may contribute the preservation of those flows that were seen here in previous years.

**The Image of the Russian Hotel Business, its Formation and Promotion in Foreign Countries:** Expert appraisal and their opinion about this or that holiday destination and tourist place have a great influence onto the development of inbound tourism. One of the most authoritative appraisal in this area is the rating of the World Economic Forum (WEF). Following the results of 2012 the Russian Federation came more down in this rating: it lost 4 positions (came down from 59<sup>th</sup> position to 63<sup>rd</sup>). The key factor of the rating downgrade of the country is an unfavorable and low land transportation infrastructure and the tourism and travel sector control system. But still among the factors of competitiveness of the travel industry in Russia the rich natural and cultural resources were noticed [3].

Unfortunately, both in Russia and in foreign countries there are many different publications about the expensiveness of hotel services in Russia (it mostly concern Moscow and other big cities), as well as about the noncompliance of prices and quality of services

provided. For example, in the study of TripIndex Room Service 2013 which estimates the cost of various products and services received by the guests of 4 and 5 star hotels around the world Moscow was called the most expensive city; the second place belong to Paris and next go Stockholm, Oslo, Zurich, Helsinki and Brussels. According to these studies, a club sandwich in Moscow hotels costs more than 650 Rubles, a bottle of water costs about 200 Rubles and a small pack of peanuts - about 375 Rubles [2].

**Demographic Factors and Personnel Training:** Generally, the demographic situation in Russia is quite complicated. The number of the working-age population declines and the negative trends in the structure are observed: the share of the working-age population under age of 30 is decreasing, in consequence of which the employers have to pay more attention to the older generation (over 50 years). Besides, the qualitative composition of new labor forces is changing: the share of experts with specialized education from the amount of University graduates are not growing and will even significantly reduce in the future (this year the last graduates that enter the higher education institutions without the Union State exam passing are approaching the labor market; in 2015 there will be the first turn-out of bachelors who studied according to the standards of the third generation (FSSES) the number of which is substantially less than it was during the admission to the specialist's degree) [5].

Nowadays the so-called generation Y (people born in the period from 1981 to 2000 and who are now up to 32 years) is in the great demand; in 3-4 years the new generation Z will also approach the labor market. Most of them have a high propensity to mobility. This becomes a norm and in future this tendency (when the employee is working in the same place within few years and then moves to a new working place and doing so few times during his life) will only become stronger [6].

Continue with the factors of the environment of direct effect we should first of all note *the factors associated with the changes in the labor market* (a factor that is directly connected with the demography and the changes in the education system).

Currently a low unemployment rate (average for Russia in February 2013 the percentage of unemployment was about 5.6%) especially in big cities (St. Petersburg - 1.1% and Moscow - 1.2%) is noted. For example, in St. Petersburg by the end of February 2013 about 6800 people

were registered in Employment Office, but upon that the labor demand of companies was 13 700 people. But if the vacancies of blue-collar jobs generally are closing fast enough (on average, about 5-8 of applicants are trying to get one and the same position), to find a qualified employees becomes more and more difficult task to do (in fact this already turns into the candidate market) [3].

A high level of staff turnover plays an important role on the labor market. Following the results of 2012, the staff turnover in the regions increased to 19.6%. According to official statistics data, most often the employees changed their jobs in the Far Eastern Federal District (30%) and less often - in the North West Federal District (9%). In addition to this, the duration of work of employee in the same organization/company is reducing. In Moscow this figure ranges from 6 months to 1.5 year [2].

Another one tendency is the change in the system of interaction between employers and higher education system. If earlier the employers generally did not express much of desire to co-operate with the higher and secondary professional education institutions (in the early 2000s in the Hotel "National", for example, the share of employees with a higher education was 100% and to be able to work in this hotel every person, in addition to his higher education, had to have a good knowledge of foreign languages and (which was very important) the training on probation in hotels abroad), now they are actively co-operate with the relevant educational institutions, conduct the integrated lectures, organize various workshops and excursions to hotels. The active recruitment of the employers' representatives is conducted with the students of the 3<sup>rd</sup> and 4<sup>th</sup> courses as the students of the 5<sup>th</sup> course are usually have working places. Also the representatives of the hotel business, especially the representatives of personnel management services, report well onto the invitations to participate in the Doors Open Day of professional schools and colleges. In other words, the main task they have is to attract the prospective university students to join service Universities and colleges and then to invite them to practical training choosing the most capable and customer-focused people.

The problem of the labor market lays, first of all, in the fact that many people simply are not ready to work in the service sector. There are not so many of so-called "service" people who are not only able to work in the contact zone but also get a pleasure from this (according

to different studies the amount of such people varies from 10% to 12% from the total amount of the working-age population) and, taking into account the low level of prestige of working in the service sector in conditions of a fuel-based economy, such employees are involved and highly valued in the Fuel & Energy Complex institutions.

Secondly, the share of appropriate candidates who can be trained to work in the front-office area and who are ready to work for, as usually, low wages is also low. The only way out for small hotels is to prepare their own regular labor forces to the positions of experts and managers due to the formation and development of the personnel reserve, as well as to create a favorable corporate culture and to enhance the image of the hotel as an employer. In large hotels at the workplaces with traditionally high level of staff turnover such as, for example, maids, waiters and often even porters to solve this problem become more difficult. Of course, it is possible to co-operate with educational institutions which prepare the regular labor forces for the hotel industry but, however, it should also be understood that as well the working moments will be organized and as well the labor of young specialists will be paid, the more they will want to stay in a hotel and not to change the job. As distinguished from those who are over 50 or even over 40, those who are younger than 25-30 years old are not afraid to change the working places or even to stay unemployed for a while. They may not have a family yet but they have some support from a side of their working parents, they are more informed about the state of the labor market, they are not afraid to change the scope of activity and the region radically if they see there any great prospects for the future career growth. That's why it is difficult to "attach" the young specialist to some particular place of work.

**Hotel Guests:** The good knowledge of a guest is a significant factor of success of any hotel. Understanding the "customer's portrait" (sex and age composition, social status, income level, the purpose of the hotel visiting, preferences, reasons for choosing the exact hotel, etc.) the management of the company can effectively align the strategy of development, to design advertising campaigns and other measures to stimulate the sales of main and additional hotel facilities and services [7]. The good example of unknowing of the guest is the advertising campaign of one of the 5 star hotels in Moscow in the early 2000s. The hotel posted a coupon for a free bottle of champagne for those who will visit its restaurant in one of

the most expensive glossy magazines. Upon the completion of the action it was found out that none of the restaurant's visitors used such a coupon, apparently, because they considered the usage of the coupon impossible to do if they are able to pay for dinner at this place.

**Competitors:** In assessing the actions of competitors as a factor of external environmental of direct action it should be clearly understood who exactly your competitor is, basing on knowledge of the client's portrait (the target audience) [8]. The next step is to organize the monitoring of suggestion of your closest competitors on the most important criteria for the guests. According to results of studies, even for the guests of budget hotels the price is not always the determining criterion. Most often the potential client while choosing a hotel has a certain "limit" at a price level ("from" and "to") and the location of the hotel. After several hotel fall under this interval, the final choice is made usually basing on other criteria, including, the reviews of other guests (for new customers) or own estimates of the level of service as a whole and individual approach to the services the guest of a hotel received the previous time he stopped here (for those who make a decision to stop in this hotel for the second time). The analysis of preferences of Russian guests in a hotel choosing has shown the competitiveness of services of hotels booking via the Internet, including the mobile devices (the adaptation of the hotel website to this), as well as the availability of free Internet access and its quality (speed) which also often estimated by the potential guests from the reviews about the hotel on the Internet.

In Russia the market of online booking in 2012 has grown up to 2 billion dollars per year; upon that the growth during the last year has reached 100% [3]. This is due to the fact that the guests of hotels began to prefer individual tours rather than batch tourism, as well as the increase of the network literacy of people (in 2012 the number of active Internet users in Russia was 60 million of people). Among the leaders of online booking are Moscow and St. Petersburg. Besides, the percentage of online orders in St. Petersburg approaches the European level, especially in a period of economic activity.

In the already mentioned survey published at TripAdvisor tourism and travel portal 92% of Russian travelers are turning to online resources while planning their vocation trip. More than half of them indicated that the user's reviews about hotels, posted online on

different websites, had an important influence onto the final choice of the hotel for booking. 40% of respondents indicated that a lack of free WiFi access in hotel rooms made them to pay attention onto another hotel [2].

A characteristic feature of the marketing strategy of modern hotels is the use of new marketing channels and sales. More and more attention in the hotel industry marketing is paid to the social networks. There you can easily find the information about special offers and promotions, new interesting community are creating and active work with the Internet users is conducted. Advertising in international social networks (Facebook, LinkedIn, Twitter, Foursquare, Google+, etc.) is highly efficient due to the large audience coverage and relatively low financial costs.

**Personnel Selection and Employee Appraisal:** As for the internal environment factors they are undoubtedly of unequal significance for each hotel. If the aspects, which require the improvement from the point of view of guests, can be calculated through the results of survey, the estimation of the crisis phenomena inside of the team is possible only through a good system of personal evaluation and effective feedback between managers and subordinates. Such activity should take place at the stage of staff recruitment and its assessment during the trial period. Staff must clearly understand what kinds of employees are required to work in a hotel as a whole (i.e. according to the requirements in the field of service, corporate values and rules of conduct concerning guests and co-workers) and for a particular positions. It is important to consider both professional competence of the staff and personal characteristics, as well as features and traits of character which can matter for successful activity of employee in specific department. It is also important to take into account the suitability of the employee particular ability to work under the direction of a particular manager (of course if the plan of the hotel chain does not include the replacement of the manager) [9].

**System of Training and Development of Personnel:** After the crisis of 2008 which greatly hit the market of educational services the hotel management started to pay more attention to the assessment of efficiency of personnel training. In the prospect, the personnel training will increasingly reorientate from the mass teaching of all and everything to the selective one focused on the

elimination of the "gaps" in the competence of separate employees in a strict correspondence with their functionality [10].

**Operating Efficiency of Hotel Managers:** The most important competences of managers are associated with the ability to manage employees, increasing their potential. At the same time opinion polls results shown that only 25% of managers believe that they successfully cope with the tasks of recruitment and retention of personnel in medium-term and long-term prospect (poll of 1260 organizations worldwide). Only 12% of respondents said that they have strategic plans for staff development for five years or more [3].

The low level of management is often connected with the fact that the owners and the top management prefer a closed personnel policy (when in case of the selection, the preference is given to the candidates of the hotel employees). As a result the best employees of the department who have shown good individual skills, thus do not have the skills of management, are assigned to the manager positions.

**Personnel Incentive System:** Wage system enhancement becomes the second important activity to strengthen the hotels position on the market. In that way the system should stimulate the ambition of employees to achieve the key objectives of a hotel at this stage of its development and should allow the employees to have a competitive region-specific wage level. This can be achieved by developing a flexible wage system based on the transfer (whenever possible) of the majority of the hotel staff to the accountant-premium or time-bonus system. The wages system should be clear and transparent to the personnel. You should not overload the list of indicator for the bonuses; 3-5 most important parameters the achievement of which is real to the majority of staff for some increase in their performance are enough.

**Monitoring and Supervisory System:** The increase of level of competition among hotels for the guest will lead to the increase of importance of the monitoring and supervisory system of the hotel personnel activity. Such control is important for both, assess of employees extent of remuneration and its further confirmation at determining of the amount of remuneration following the results of the accounting reference period and for the maintenance of the necessary level of service quality.

Generally, the above mentioned factors can be represented in the following table:

General characteristics of influence of factors onto the prospects of development of Russian hotel service market

<i>Characteristics of influence of factors onto the prospects of development of Russian hotel service market</i>		
<i>Factors</i>	<i>Assessment</i>	<i>of development of Russian hotel service market</i>
<i>Factors of external environment of indirect effect</i>		
Changes in the development strategy of the country and separate legislative acts.	++	The stimulation of development of tourism at the expense of large-scale events, the support of creation of special tourist and recreational areas and tourism clusters.
Socio-political factors	+	Relatively quiet and stable socio-political situation in most regions of Russia
Macro-economic factors	±	The rising scale of expenditures onto recreation and tourism spheres. But, however, the preference of outbound tourism is still observed.
The image of the Russian hotel business, its formation and promotion in foreign countries.	-	The downgrade of tourism rating of Russia due to the disadvantageous tourist infrastructure and the system of tourism and travel sector regulation. Many big cities, especially Moscow, are holding the leading positions in different questionnaires and polls as the most expensive city for tourism.
Demographic factors and personnel training.	-	The deterioration of dynamics and structure of regular labor forces which will continue for another 3-5 years
<i>Factors of external environment of direct effect</i>		
Regional labor market	±	High level of staff turnover and the reduction of employees working hours in an organization. The changing in the system of cooperation between employers and higher education institutions – the uprising of initiative from the side of employers
Hotel guests	+	The success of the hotel on the market lies in knowing of the customer "by sight" (his preferences, the reason for choosing the exact hotel, etc.). The enhancing of the Internet role in a process of hotel choosing (reviews about the hotel, availability of online booking, availability of free WiFi access in hotel rooms, etc.)
Competitors	+	The monitoring of tendencies in the behavior of direct (and not only direct) competitors, the monitoring of proposals and different special offers. The increasing of the use of social networks in the hotel services promotion.
<i>Factors of internal environment</i>		
Personnel selection and employee appraisal	+	The introduction of complex methods of employee appraisal to stated requirements (job profiles) upon their entry into employment, as well as the fair assessment of their professional and personal skills and their work objectives in the hotel, past experience, etc.
System of training and development of personnel	++	Further improvement of the system of hotel personnel training - the transition from group to individual programs and training in small groups in order to eliminate any possible "gaps" in the competence of exact employees
Operating efficiency of hotel managers	±	Generally, the level of management is low, especially in a closed personnel policy (the appointment of the best employee among other workers or from exact department that has no managerial skills onto the managerial position).
Personnel incentive system	+	The transition to the staff incentive system depending on the results of the personnel activity (the establishing of criteria for bonuses or KPI giving in accordance with the objectives of the hotel at particular stage of its life cycle)
Monitoring and supervisory system	+	The improvement of monitoring and supervisory system in such a way as to ensure the objectivity of assessment of the personnel working results, as well as to maintain the level of service in accordance with the standards of the hotel

## CONCLUSION

Thus, it is obvious that the hotel business in Russia has great prospects for international hotel chains entry into it and its further development. But, however, for effective system of hotel management creating it is necessary to monitor the changes in the above mentioned factors constantly.

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