



## THE PRESENCE OF LARGE HOTEL GROUPS ON THE ROMANIAN MARKET

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**Abstract** *In order to understand as much as possible the existence, maintenance and management of the large hotel groups on the Romanian Market, for the optimization of revenues and profits, the author briefly presented both the theoretical notions of tourism, the tourism industry with all its components, as well as practical lessons learned from case studies and the study of the most important hotel groups in Romania.*

**Key words:**

*Hotel groups,  
Romanian market,  
presence on the  
market, hotel brand*

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### 1. INTRODUCTION

Tourism on the Romanian market is experiencing a frugal development, but the events of recent years have restricted the tourist market. Given that neighboring countries like Greece have a 95% occupancy rate and the market still needs new accommodation structures, it is a good time for Romania to increase hotel investment and facilitate their development regardless of the origin capital (private, public, native or foreign).

The geographic position of our country, as well as the forms of relief and the natural resources, give us the advantages of the concentrated and very diversified landscape, which can generate all types of tourism.

Through this work the author aims to recall

and come to the solution developers can use in order to achieve succes and increase the number of tourists.

Rankings made by Hotels Mag revealed some interesting changes in the top of the largest hotel groups in the world. On 31 December 2016, the merger of two major hotel groups reached a record number of 1,000,000 rooms.

The new Marriott-Starwood group is the first in the history of the HOTELS annual ranking, which exceeds 1 million guest rooms ([www.hotelsmag.com](http://www.hotelsmag.com), 2017).

"In the hospitality industry, the brand plays a key role in attracting and retaining customers, being the most visible facet of a hotel business. The brand of a hotel is not just the hotel flag, the

goalkeeper's uniform at the entrance or the waiter's behavior, but also customer loyalty programs or online booking of rooms." (Toma, 2012).

The brand image has become a factor in increasing the competitiveness of the hospitality industry, which is, in fact, a wealth that helps establish the value of a tourist unit (Lupu, 2003, p. 186). Therefore, one of the strategic objectives of any hotel company is to create a trade advantage by improving the image of the brand and by increasing the quality of services provided.

When it is desired to build a hotel brand image, it must be taken into account that it is established and reinforced by the continuity in time, permanence and consistency of the signs and messages used.

There are four principles to be respected to produce a good image. Therefore, the brand image must be (Kotler, 2002, p.64):

- right - promotes the idea of capability;
- positive - highlights the enterprise;
- Sustainable - because an inaccurate picture will quickly disappear;
- original - in order to differentiate from competition.

Therefore, a favorable branding image allows loyalty to customers, increasing revenue and diversifying activities in other areas by reference to the same image (Lupu, 2003). For customers, the success of a hotel business has to convey a message that can not miss the concept of quality because it is positioned as a value-added provider. Consumers are always finding the same high quality level of products and services purchased under that brand name. This gives you a competitive

advantage on a market where competition is getting tighter. (Aaker, 2006, p.299).

Hotels benefit from spending on loyal customers, reduced advertising, and lowering launching costs. Information is communicated more easily through the brand image, and those in the sales department do not have problems selling the products bearing a certain brand on the market.

Aaker identified six consumer brand features (Aaker, 2005, p.7): identification function, lookup function, warranty function, customization function, play function, and practice function.

In the hotel industry, these features allow understanding of the use of the brand to the buyer. The identification function informs the consumer of the existence of a hotel characterized by a specific set of attributes such as comfort, level of fare, type of locality, level of benefits and so on. Each chain of hotel chain has its own configuration of attributes and characteristics, indicating the nature of the offer (Lupu, 2003, p.186)

The lookup function is a consequence of the identifying function. The brand reduces the cost of searching for the consumer, helping to focus on the supply side that meets its needs. Moreover, both customers and tour operators can move faster as the brand structure and market the market. (Lupu, 2003, p.186)

The warranty function must provide certainty that the level of services and benefits offered corresponds to the expected level. There are brands such as Holiday Inn, Avis and Hertz, whose reputation is determined by the regularity of the services offered. At the same time, there are

also hotel brands that have not mobilized enough financial, human and technical means to secure the guarantee, thus leading to the loss of trust in the brands in question.

The personalization function is the desire for differentiation contrary to integration. Brand is also the consumer's desire to communicate who is or who wants to be in the eyes of others. For example, in business travel, the hotel's brand is important for the first impression that they will face with their business partners.

Fun play refers to the consumer's pleasure to use a brand. In the hospitality industry, if a customer was satisfied with the services received at a hotel, he would be happy to return to the hotel.

Practical function makes the decision process not resumed every time when a customer is looking for a brand that meets all his needs. So the consumer will return to the hotel brand he was delighted with, without going through the search for a satisfactory offer again. (Lupu, 2003, p.187)

For hotels, offers are more personalized according to the expectations of the target customers. That is why "hotel groups make a multiplication of concepts" (Lupu, 2003, p.187) to satisfy the wishes of each client. This is the result of the large number of hotel brands for which the essential functions are identifying, locating, warranty and customizing.

The most important element in the evaluation of a hotel product is the image it has among the target customers. Image is quality, and it is created, acquired and maintained through constant and constant efforts. Obtaining notoriety

as well as marketing the hotel offer itself is the reason for creating integrated and voluntary hotel chains.

## 2. STRATEGIC SOLUTIONS OF INTERNATIONAL HOTEL GROUPS POSSIBLE TO APPLY IN ROMANIA

After 1989, the Romanian tourism industry has gone through difficult times. Decentralization, lack of investment, outdated hotels, better or worse maintained, all this has made this sector of activity unrelated to the moment, not to the level of quality in Europe in the 1990s. Disproportionate investments and lack of unity have led in time to the impossibility to provide tourists with quality holidays.

The hotel market in Romania will develop in the years that follow in parallel with the implementation of a tourism strategy. More and more foreign investors have been attracted and decided to invest in accommodation capacities on Romanian territory or to stimulate existing ones to meet the quality standards demanded by Westerners.

Among the opportunities for the development of the hotel market are:

- re-launching Romania as a tourist destination by improving the internal and external image;
- the realization of projects to capitalize on the potential of the national cultural and historical patrimony;
- diversifying the tourist offer by developing programs that correspond to the current leisure trends and creating and expanding the network of national and international tourist information and promotion centers;

- the existence of consistent European money funds directed to the rehabilitation of infrastructure, the involvement of the main tour operators who understood that Romania is a country with a rhythm of tourism growth worthy of consideration.

There is also the possibility of strengthening the accommodation system by expanding hotel chains and other major cities in Romania, given that most of them have concentrated up to 75% -80% in the capital until recently. The reasons that can pose threats to the hotel market in Romania include:

- All types of tourist programs offered by Romania face fierce competition on Western European markets, while competing destinations offer a wide range of facilities for all categories of tourists;
- The Romanian offer is relatively limited, it is restricted to a few resorts and within it there are only a few hotels, injured quality / price ratio, the lack of a credit system for investments in tourism, the general infrastructure for transport, at national and especially local level, insufficient developed and upgraded, non-modernized and unadapted regional airports for charter flights, lower services than those on competing destinations such as Bulgaria, Greece, Turkey or Cyprus, while the agreement does not match the level of supply in other countries. It should also be borne in mind that there is a faster improvement of the quality standards of the tourist offer of the neighboring neighboring countries of Romania and the corroboration of the tariffs with the quality of the services. The strong points of the hotel market in Romania take into consideration the special tourist potential of Romania, which

appropriately capitalized will attract more and more tourists and potential clients for hotels; increasing the number of foreign investors for the hotel market in Romania, triggering large promotional actions through the Romanian tourist offer in the categories of the big tour operators.

Weaknesses refer to the fact that Romania is modest in terms of the economic performance of the tourism industry; on the Romanian market there are very high, and therefore unattractive bank interest rates, in parallel with the permanent depreciation of the national currency, as well as the persistence of a high inflation rate; the high level of investment needed to develop hotel markets; lack of charter flights and regular flights from major European countries important for the development of mass tourism in Romania; the trend of labor migration.

To improve the current situation, we should consider consolidating Romania's position on the current markets and gaining new markets, increasing the number of government programs to maximize private investment, modernizing the general infrastructure, participating in fairs, events, promoting more Romania's intense tourist destination, a complex information system that provides complete data about our country's tourism offer to anyone interested, more efforts to pull international hotel chains.

### 3. STRATEGIES FOR PENETRATING THE INTERNATIONAL HOTEL CHAINS IN THE ROMANIAN MARKET

As time passed, international tourism gradually took the place, as a dynamic, in the last half of the last century, to domestic tourism, continuing to develop as a result of the dismantling of administrative and political barriers to trade and travel, global economic growth and progress which has facilitated access to the peripheral regions of the globe. The spectacular increase in international tourist traffic has created new opportunities for expanding the retail market, especially for hotel companies in countries where the housing market has entered the maturity phase and reached the saturation threshold. The decision of a hotel company to operate in another country may be motivated by certain goals: expanding sales, geographic diversification, supplying resources and labor, capitalizing on its reputation, brand and image.

Capitalizing on reputation and brand image has a major impact on the market share that hotel companies can get in the fierce battle of competition in this area of activity. Brand recognition and brand loyalty are often objectives included in the marketing strategy of major hotel companies. Certain segments of tourism demand, especially business people, are dependent on the supply of accommodation products and services consumed during past travel experiences. In order to cover the foreign consumption of this customer, hotel companies expand their network of units in all

countries where there is enough demand to justify a national investment effort.

With the entry into the circuit of the major hotels that have been upgraded, hotel chains have entered the country, bringing new standards, quality and new staff training, which had to comply with the requirements imposed by large companies, franchise management which have binding criteria for their networks. Thus, high-end and high-quality hotels have also emerged to meet the requirements and tariffs that have begun to be applied to cover upgrading costs and investment.

Andreea Tătaru wrote in 2017 for the website [www.hotel-invest.ro](http://www.hotel-invest.ro) that the development of this investment sector depends to a large extent on the financial power of the entrepreneurs eager to place themselves on the Horeca map of Romania. Absorption of European funds has a large share in the development of this sector, rather in industrial tourism, as an alternative to the revitalization of disadvantaged mountain areas ([www.hotel-invest.ro](http://www.hotel-invest.ro), 2017).

According to the World Bank, the Romanian economy increased by 3.7% in 2017, by 3.4% in 2018 and by 3.2% in 2019.

"The Romanian market is still dominated by local chains, which means there is plenty of room for international brands. We want to develop our network. Here are cities where it makes sense to have hotels in the franchise. I am referring to Brasov, Sibiu, Constanta," said CEO of Polish hotel group Orbis for [bzb.ro](http://www.bzb.ro) ([www.bzb.ro](http://www.bzb.ro), 2015).

In Romania, the degree of affiliation to an international chain is only 7-8%, compared to 22%

of the European average, according to the latest available data. Among the international hotel chains on the local market, apart from Accor, are Hilton, Wyndham (Ramada), InterContinental, Golden Tulip, Best Western, Rezidor, NH or Warimpex. But there are no names like Ritz-Carlton, Mandarin Oriental or Kempinski. Clavie leads the largest hotel group in Poland, with a turnover of 162 million euros in 2013, listed on the Warsaw Stock Exchange. Accor holds 52% of the group's shares ([www.bzb.ro](http://www.bzb.ro), 2015).

The presence of a new five-star chain like Corinthia in Romania would prove that the Romanian hotel market is attractive to foreign investors. Any five-star hotel opened in Bucharest is a sign that the city is moving from an economic point of view and that more and more important business people and tourists with high incomes come and stay here. The Grand Hotel du Boulevard, one of Bucharest's emblematic buildings, located in the center of the city, has been closed for more than a decade and its reopening under an international brand brings a big plus to the hotel's capital market ([www.profit.ro](http://www.profit.ro), 2018).

It is also interesting: At this time, the InterContinental chain is also preparing to enter Romania with the first hotel under the Indigo brand, present today in the world with about 80 hotels, over 10,000 rooms. Also, the developer of the first Courtyard by Marriot hotel in Romania brings to the local market the richest man in Lithuania for the construction of 4 hotels in Romania. According to the information sent to Profit.ro by several sources in the market, those who run the Grand Hotel du

Boulevard have already signed the franchise contract with Corinthia luxury chain ([www.profit.ro](http://www.profit.ro), 2018). Choice Hotels International, a hotel chain that includes brands such as Comfort Inn or Sleep Inn, is the only top ten player in Romania to be in a market where the most important names like Hilton, Accor or Marriot-Starwood have already announced plans for expansion.

"So far, this chain has not been prepared to deal intensively with the Eastern European market, it has worked intensively for the development of the franchise network in the countries of Western Europe. Their strategy may change," said Sorin Ionescu, founder and general manager of Fivestar Hospitality ([www.zf.ro](http://www.zf.ro), 2016).

Most chains in the local market have decided to develop into a management system (a franchise-like system), that is, to enter into partnerships with entrepreneurs or companies that have hotels and ensure their management. Among the biggest players on the local market are the Radisson Blu and Marriott hotels, both classified as five-star and both present with a single unit in the Capital ([www.zf.ro](http://www.zf.ro), 2016).

The development of large integrated hotel chains does not exclude the presence of more human chains. The closest example is Continental - the first Romanian hotel chain, with hotels in Bucharest, Arad, Oradea, Iron Gates, Timisu de Sus, Sibiu, Suceava, Tg. Mures, Drobeta Turnu Severin. All these hotels are owned by Continental S.A.

The Accor and Continental Hotels Group, which have a partnership to exploit many Ibis and Ibis Styles hotels.

Large hotel chains such as Marriott, Hilton, Wyndham or Starwood plan to join new units in the local hotel market, even though several major units in the market have experienced declines in occupancy in recent years.

The ways in which an investor can intervene are two, namely: by financing the whole or only the fund of commerce and asking to build a hotel for which he concludes a contract within the respective hotel chain, or by responding to the proposition of a hotel chain to buy a hotel ready built. Investors can join the chain from its origin, or at a later stage in the development of the hotel group formed, in the latter case the investors will be even more numerous as the project proves to be a bigger success. Whether the initiative belongs to the investor or the hotel chain, the proposal of one of the parties must match the interests of the other. In essence, management and franchise contracts are domineering contracts, but those that are in the position of asking are hotel chains. Negotiation of the contract itself depends on the strengths and weaknesses of each party that are evaluated by the partner. As the hotel chain seeks to obtain financial means, it will manifest itself differently, depending on the degree of investor engagement, whether the investor is interested in a long-term investment, or a speculative investment, on short term. For the investor, the investment force, the level of financial engagement and the knowledge of the hotel domain, can also constitute strengths. Generally

speaking, investors are reunited in a consortium that is less interested in managing the hotel, but on the other hand, when it comes to a private person, making a decision is quicker. In negotiating the contract, investors can also take advantage of the competition between chains.

In one way or another, the economic power of the hotel chain is linked to the dynamism of individual businesses. At present, the risks involved in Romania's investments are moderate, according to a study by the American market research firm Dun & Bradstreet on Eastern European states, Slovenia being the safest investment destination.

#### 4. CONCLUSIONS

At international level, large hotel groups focus on defining and positioning their own brands, rather than on star rating or other gradation options.

The properties managed by these groups are classified according to national or local obligatory schemes for the country where the establishment is located, but instead of focusing exclusively on the quantitative and qualitative criteria offered by individual hotel establishments, the primary target is the consumer. Trademarks are generally defined in terms of tariffs with regard to certain target consumer segments, individually trained businessmen, business tourism related to congress organization, conferences and other events, organized group holidays. Marking takes into account the location of the unit and the type of market where the unit is located: suburban, urban, airport, holiday destinations, port cities, major metropolitan areas, etc. Each brand is defined in

terms of positioning of tariffs, market types, brand essence, brand positioning, target consumers and estimated consumer value. The next step is to detail the consumer profile and use it as the basis for defining and positioning the brand in relation to other competing brands as well as to the local market.

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