

BUSINESS ADMINISTRATION IN HOTEL INDUSTRY: PROBLEMS AND SOLUTIONS (BY THE EXAMPLE OF THE RUSSIAN FEDERATION)

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***Abstract:** The article is devoted to study of the issues in connection with efficient mechanism of business administration in hotel industry. At that, special attention is paid to three key elements that reflect interconnection of financial and information flows: front office, corporate web site, and room supply. The authors have performed comparative analysis of the results of the research which describe guests' attitude towards the quality of hotel services, which confirmed that their needs – despite quickly changing hotel technologies – remain unchanged which proves necessity for establishment of direct contacts with guests via modern information technologies, including social media.*

***Keywords:** Hotel industry, business administration, hotel service, business processes.*

1. INTRODUCTION

Under the conditions when opportunities for quick quantitative growth in hotel business are limited, there is a necessity for search for new ways to increase the effectiveness oriented to improve quality of management in all business processes. Thus, business administration, as an aggregate of effective methods, technologies, and tools of management of hotel business in unstable competitive environment becomes a key factor of successful development. At present, business administration is a special profile of management that ensures application of the most popular tools and methodologies of business analysis which provides additional possibilities for solving complex tasks faced by modern hotel industry.

The system of business administration of a hotel is provided by well-balanced cooperation of three elements: principles, functions, and methods of administrative influence. Fundamental approaches to creation of effective mechanism of management, founded by management classics A. Fayol and G. Emerson, were further developed by H. Pitters and R. Waterman who formulated key principles of functioning and development of modern organization, distinguishing necessity for constant renewal and search for alternative variants of organization's development

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aimed at realistic understanding of current economic situation and readiness to take non-standard strategic decisions as main components (Meskon et al., 2008).

At that, hotel industry, like the whole service sphere, has its own specifics during formation of the mechanism of business administration based on seven main elements which determine quality of the hotel's operation. They include:

1. Work of hotel's offices (front & back office);
2. Work of corporate web site of hotel;
3. Organization of room supply (flows of services of accommodation, catering, etc.)
4. Organization of intra-company communications (departments and employees);
5. Organization of document flow and turnover in the hotel;
6. Organizational structure and work of personnel;
7. Complex information system of the hotel (circulation of information flows).

Each of the above elements plays an important role in provision of effectiveness of hotel's activities (Zaitseva, 2013), but we will focus on the first three, as they become the key points of the mechanism of business administration of a modern hotel (Nikolskaya, 2014).

2. MATERIALS AND METHODS

Scientific tools for this research includes such general scientific and special methods as systemic analysis, retrospective analysis, expert evaluations, and sociological measurement based on Internet survey.

Information basis for the research includes statistical materials and analytical developments of the Federal Agency for Tourism of the RF and R&D and project developments of the R&D Institute of Hotel Industry of G.V. Plekhanov Rostov University of Economics; publications in recognized Russian and foreign journals; information of Russian and foreign web sites related to the studied issues.

With the support from *TopHotels*, the authors conducted sociological measurements on the basis of Internet survey of managers of Russian hotels and hotels clients. The purpose of the survey of hotel managers was to determine main principles of work with guests, main reasons for conflicts with guests, importance of application of innovational methods of management in work, standards of operations, systems of management of revenues from sales of room supply, etc. The main issue for hotels' clients was the question "How do you understand the notion 'provision of hospitable service'?"

3. RESULTS AND DISCUSSION

3.1. Key Points of the Mechanism of Business Administration of Modern Hotel

3.1.1. *Hotel Front Office*

Hotel front office is a face and so called “nerve knot” of the hotel. In combination with other departments that ensure comfortable stay of guests in the hotel, it is a connecting link and coordination center of the whole guest cycle. Effective work of front office in international hotel corporations is based on three main principles (Ivanov & Volov, 2010):

- Technologies of work for each business process and standards of operating activities;
- High-quality preparation and motivation of personnel, organized on a systemic basis;
- Wise innovational policy of the hotel, aimed at maximal informatization and mobilization of front office work.

A matrix that forms framework of business processes in the system of work of front office is standards of operations which document sequence of execution of operations and ensure continuity of provided services' quality. International practice is oriented at clear regulation of procedures set in corporate standards. More than two hundred procedures are described to exclude ambiguity. Personnel that undertake regular training understand the set tasks very quickly, orienting easily even in non-standard situations. At that, complaints and conflicts emerge caused by employees, as they contact guests most of the time. As is known, “human factor” is expressed very vividly, and “difficult guests” are an inseparable part of the business, but maximal reduction of influence of this factor is possible by means of narrowing the contact area due to wide implementation of mobile technologies that allow performing a range of operations online. Thus, for example, use of mobile apps allows a guest to check in, get electronic key to the room, order additional service, etc. Wide implementation of mobile technologies is a common phenomenon in the hotel industry.

Keyless access to the room – only by the mobile identifier or concierge app for smartphone – is used by guests of thousands of hotels around the world. The study by *Samsung Insights* showed that virtualization of hotel technologies will continue, and soon mobile technologies will oust contact form of guest registration.

Thus, the results of studies by Hospitality Technology show that 15% of the hotels around the world offer their guests check-in through smartphones or tablets, and the number of non-contact check-ins could reach 47% in 2016 (“Mobilization” of front offices, 2016).

If this tendency continues, the number of hotels that offer traditional technologies of check in will be in minority by 2020. The offered forecast, calculated by the authors, is shown in Figure 1.

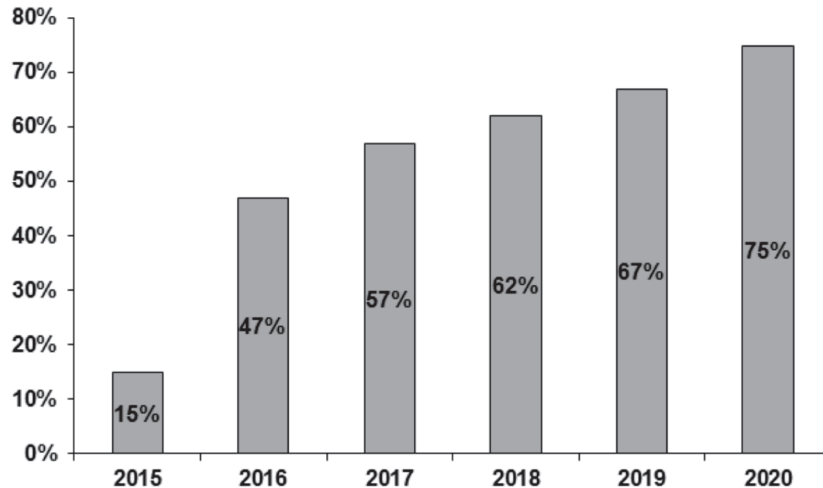


Figure 1: Dynamics of development of check-in in hotels through mobile apps (forecast till 2020).

At that, there is a necessity for wider application of informatization in each department of the hotel, as using mobile technologies, each employee will stay in touch and be ready to make decisions. However, it is not expedient to eliminate communication between personnel and guests, for it may harm interests of the guests that count on personal service.

Depth of informatization of main business processes within the work of front office depends on the target group of hotel's consumers. Thus, for example, guests of business hotels would prefer to use mobile apps for reservation and check-in, while tourists are mostly oriented at personal communication. However, there would be a need for systemic collection and study of guests' reviews, which will allow evaluating the quality of services provided.

3.1.2. *Hotel's Corporate Web Site*

An important element of the mechanism of business administration is work of a corporate web site, as it coordinates important business processes of a hotel. Growing capabilities of digital marketing allow selling hotel services and thus increasing the market share of high-tech hotels (Dzhandzhugazova, 2015).

Successful search optimization, based on new principles of SEO, opens new opportunities for hotels: being on top of search results; adding alternative tags for all images of the hotel containing its name; investing in unique content at various

platforms with direct links to the hotel’s web site; creating high-quality content that will be in demand and useful for regular and potential guests, etc.

Table 1
Ranking of global hotel brands promoted by social media
(Engagement Labs eValue, 2016).

<i>Ranking</i>	<i>Facebook</i>	<i>Twitter</i>	<i>Instagram</i>	<i>Offline WOM TalkShare</i>
1	Waldorf Astoria	The Ritz-Carlton	Hilton Hotels	Hilton Hotels
2	Fairmont Hotels	Marriott Hotels	Waldorf Astoria	Marriott Hotels
3	The Ritz-Carlton	Hilton Hotels	The Ritz-Carlton	Holiday Inn
4	Hilton Hotels	Radisson	Loews Hotels	Best Western
5	Novotel	Loews Hotels	Four Seasons Hotels	Hampton Inn
6	Kimpton Hotels	Fairmont Hotels	Renaissance Hotels	Hyatt
7	Best Western	Park Plaza Hotels	Wyndham Hotels	Comfort Suites
8	Radisson	Sheraton Hotels	Starwood	Wyndham Hotels
9	Four Points by Sheraton	Renaissance Hotels	Conrad Hotels	Days Inn
10	Omni Hotels	Mandarin Oriental Hotel	Mandarin Oriental Hotel	Sheraton Hotels

Besides, the hotel’s web page allows direct check-in competing with personal check-in systems and saving money on commissions. In this case, the web site is an effective marketing tool and helps the hotel to attract loyal clients. Corporate web site also ensures wide presence of the hotel in social networks, which ensures recognition of the brand and allows developing direct contact with guests, increasing the sales of hotel services (Kosheleva & Samokhin, 2016). According to the Western experts, “Social media is an important channel from the point of view of management of revenues from investments” (Megatrends Defining Travel in 2016 // Skift Magazine, 2016).

The ranking given in Table 1 shows not only effectiveness of work of hotels in social networks but effectiveness of their promotion through direct communication of users – by so called “rumor mill” (Offline WOM) (Deanna Ting, 2016).

The data of Table 1 proves influence of IT in hotel technologies on hotel services sales growth and depth of promotion of hotel brands. Besides, the work in social networks allows hotels to enter direct dialog with the guests and to get the latest feedback on the work of their departments, which allows correcting the quality of provided hotel services and reacting to complaints or wishes of guests in social networks (Dzhandzhugazova et al., 2015a).

3.1.3. Organization of Room Supply Movement

Room supply is the main income source in the system of hotel’s business administration. Wise management of room supply, which includes the process

of optimization of prices for services in various period of time (“high season”, “low season”, “inter-season”) determines profitability of the whole hotel business. Efficiency of this business reflects the cumulative operational effect of various hotel departments, achieved by means of impulses transferred by other elements of the mechanism of hotel’s business administration.

At that, room supply that generates production of hotel’s main services and ensures main part of income is based on two key income producing strategies: optimization of prices for services of accommodation and optimization of occupancy. In the first case, increase of income is achieved by means of higher tariffs with growth of sales, and in the second case the increase of sales is achieved by increase of occupancy by means of lower tariffs for accommodation (Dzhandzhugazova et al., 2015b).

The choice of the strategy depends on current situation in the hotel services market and hotel’s general marketing strategy. However, without systemic approach and special methods of revenue management, it is impossible to sell accommodation services effectively. Revenue management is an important element of the mechanism of hotel management which supposes wise tariffs, offering the same hotel product to different groups of consumers for different price. The used method of tariff plans is based on the results of marketing research of main groups of hotel’s services consumers which allow evaluating their demands and opportunities (Kozlov, 2014).

According to the studies by the International consulting company *Colliers International*, most of the hotels in the Russian hotel market stick to the tactics of increase of revenues from room supply via high prices. However, appearance of international operators and national managing companies in the market changes the situation radically. Managers of network companies assess the situation in the markets and offer competitive prices. Growing competition does not allow market members to simply raise prices, without thinking of effective revenue management.

According to the results of sociological survey, conducted by the authors with support from *TopHotels*, Russian hotel companies have two main problems:

- Lack of highly qualified and experienced managers for revenue management;
- Lack of practice for use of RMS (Revenue management system).

In modern hotel business, revenue management is a high-tech process, for achievement of high level of sales optimization is possible only via modern information technologies. Among the large number of software, special role belongs to the French startup *Pricematch*.

This RMS uses econometric model for forecasting which allows providing recommendations for application of tariffs for the future three months, performing detailed analysis of the market, tracking evolution of prices for every day, and

determining tendencies of change of occupancy. *Pricematch* is especially convenient for small independent hotels, but as of now, there are other programs in the market – *Ideas*, *EzRMS*, and *Duetto* – which are also effective and could strengthen the hotel’s RMS (Goncharuk, 2016).

3.2. Main Criteria of Effectiveness of Business Processes in Hotel Business

Study of peculiarities of main business processes that cover the most important income producing and information nodes of the mechanism of business administration of hotels shows that information and financial flows are connected to each other, and effectiveness of a hotel’s activities depends on successful communications developed between the hotel and consumers of hotel services. The ability to study the clients’ opinions allows the hotel to keep various groups of guests and, therefore, is necessary during designing business processes related to servicing, as the main criterion of effectiveness for promotion of the indicator that reflects the level of guests’ satisfaction with the hotel’s services. Importance of this indicator was tested by time. Thus, retrospective analysis of guests’ attitude towards the quality of hotel services conducted in 2000 and 2016 showed that guests were still sensitive to quality of service.

Studies published in 2000 by an authoritative journal “US news & World Report” showed that hotel companies were losing the main part of clients due to low service quality. These conclusions were done on the basis of analysis of answers to the question: Why do hotels lose their customers? (Dzhandzhugazova, 2005).

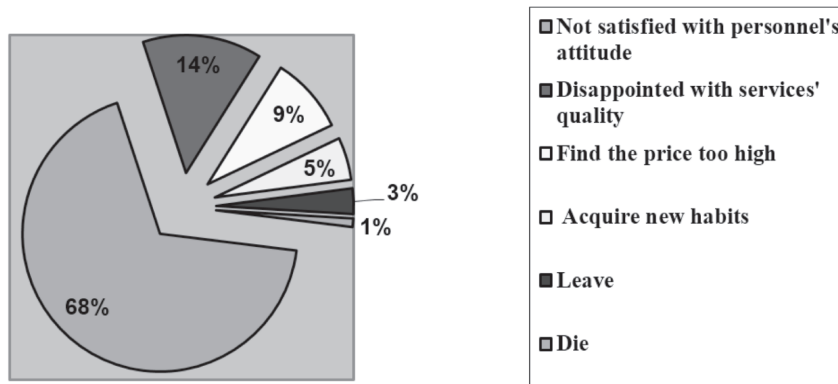


Figure 2: Distribution of answer to the question: Why do hotels lose their customers? (US news & World Report, 2000)

The above results of the survey showed that bad service leads to enterprises’ losing the number of clients, which is five times larger than the number of customers lost due to bad products – which confirms the important role of personal service.

The data of the research conducted by the authors in 2016 with support from *TopHotels* in the form of sociological survey of 654 respondents in the Internet showed that modern consumers still value high-quality service (personnel responsiveness and readiness to help) (60% of the respondents) and individual approach (8%) – this is three times more than the indicator of “comfort level” which reflects the quality of provided hotel services.

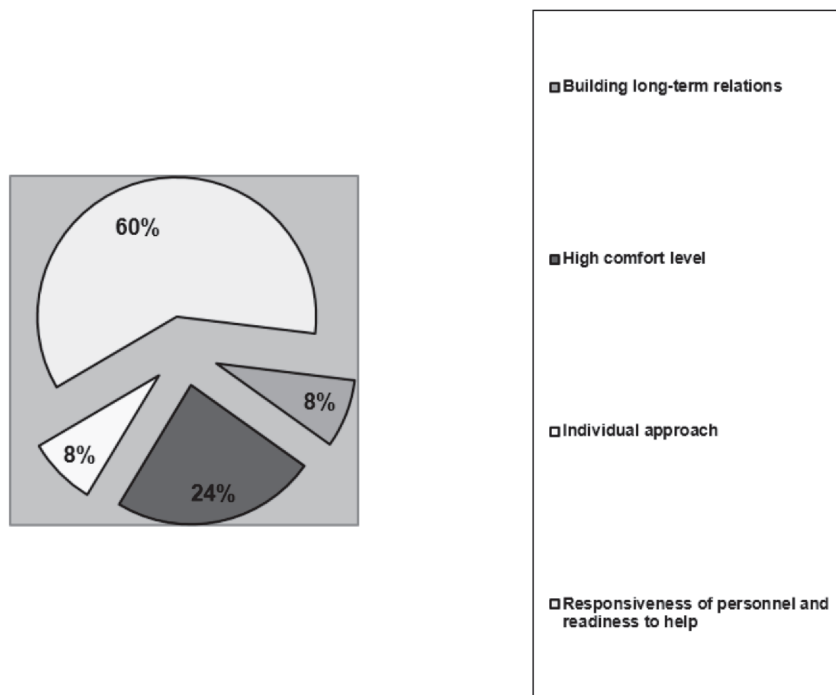


Figure 3: Distribution of answer to the question: What do you think is the most important in hotel's work?

4. IMPLICATIONS AND CONCLUSIONS

It is obvious that the main problem for each hotel is stability of customers, as loss of clients negatively influences not only revenues, but image. Analyzing the key elements of the mechanism of business administration, it is possible to conclude that all main problems are concentrated in the sphere of completeness and quality of serving guests – at that, guest are constant in their preferences, which is proved by the above comparative analysis of the results of the research conducted in 2000 and 2016. Thus, the concept formulated by J. Carlzon – CEO of SAS – in 1990's, which allows building interrelations with consumers is still current. This concept, which received the name “moment of truth”, reflects the system of interrelations that is built between enterprise's customers and its personnel (Dzhandzhugazova,

2005). The very notion “moment of truth” belongs to connecting aspects between clients and enterprise’s employees. J. Carlzon calculated that SAS transported ten million passengers per year, each of whom contacted five SAS employees – and each contact – which lasted 15-30 seconds – was a “moment of truth” for the company. The capability to take into account all these thousands of moments of truth allowed the company to significantly (up to 15 million) increase the number of clients and make SAS more popular.

Surely, over the recent 20-25 years, there were significant changes in the hotel business; modern information technologies transformed the whole mechanism of business administration, and in the future it will be robotized via wide application of smart technologies, but the role of human factor will not be reduced, as the whole process of servicing in the hotel industry will be successful only if hotels take into account clients’ needs, paying attention even to minor details. This will determine their capability to attract new guests, keeping the existing clientele.

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