

## Management strategies of the financial-economical crisis in the hotel's domain

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**Abstract.** *During the crises period, the advertising budgets in the hotel's domain are considerable reducing. If, in the beginning, the hotels offer important sums to promote the brand's image, with the aim of going public, during the crises period they focus on tactical and advertising campaigns.*

*Realizing the place and the role of the hotels's industry like a part of the tourist activity, this paper wants to tap the responsible management problem of the financial-economical crises which affects the demand's size for the tourist services, generally, and for the hotels's ones, specially.*

**Keywords:** hotels's industry; crises; anti-crises strategies.

**JEL Classification:** D78, L83, M30, M31.

**REL Classification:** 14F, 14G.

## 1. Introduction

The tourism is confronting with major challenges which represent, in the same time, chances that mustn't be missed. On one hand, the industry must adapt to the society evolutions, which will influence the tourism's sector demand, and, on the other hand, it must face the constraints imposed by the actual sector's structure, of his specific context and his social and economic condition.

The financial and economic crisis, that beginning with 2008 affects all the economies, had significant effects on tourist services's demand, generally, and on the hotel's one, specially. Even if they continued to travel, the tourists adapted their behaviours to the circumstances, specially choosing some hotels with a lower comfort grade, reducing the period of the holiday or the expenses during the holiday.

The managers of the hotels can confront with several challenges in a continuous changing environment, but they always must to keep the position of the hotel at the standart that achieve the clients's expectations. The management of the crises can be considered as an exam for the manager to lead a successful business or to keep at a normal level his position in business, when the business's environment is not favourable (Ribarić 2010, p. 573).

According to this target, it is necessarily to clarify and to define what actually means a crisis, respectively: any situation which have the potential to affect on a long period the trust in an organisation or in a product, or which can intersect with his capacity of continuing to function in a normal mode (Malhotra, Venkatesh, 2009, p. 67).

The management of the crisis's situations is defined by Pearson and Clair (1998, p. 61) like a organisation's systematic try to control or prevent the crises that appear, so that the interested parts (the clients and the organisation) to have more that sufficient results.

Nowadays, the management of the crisis became an essential part in the hospitality's industry, being an efficient control instrument, for anticipating and knowing what type of threats are in a business with hotels to know how to control its deterioration (Barton, 2008, p. 8).

The tourism is very vulnerable at the economic uncertainties and at the transparency of the market because of the travellers's majority that involves discretionary spendings. During the economic difficulties, people keep their money for life's necessities: food, house, family's necessities (Weatherford, 1998, pp. 79-80). However, this doesn't mean that tourism is slowing. The tendency that is observed in the last crises, even if we talk about the global economic crises or the crises from the tourism, for example the one resulted by the events of 11 september, is

that people continue to travel, but they travel different in comparison with the periods of economic abundance. The tourism business that will know how to adapt next months will survive because from every economic crisis it will always result winners and losers.

Mankiw emphasizes that the new constraint in the financial crises period, for going on holidays, is an economic one, substituting the old one "I can't miss from work" (Mankiw, 2011, p. 104). Before this period, among americans, for example, used the overquell of money to go on holidays, among other things. Now, when the credits are hardly to contract, people will go on fewer holidays, shorter holidays that will be closer to their homes. It is expected that tourists will spend fewer money on souvenirs and shopping, food, hotel room and entertainment.

These tendencies are reflected in the necessity of the touristic destinations to be promoted to the potential clients closer to their location. People are looking for holidays that include activities which can be undertaken in the neighbourhood.

The global economic crises has a powerfull effect over the hotels's industry. The hotels's managers will need to adapt the business plans for leting the biggest possible efficiency, and for convincing the worried and septical costumers to travel and, implicitly, to consume hotels's services.

Unlike previous crises as that one of September 11, 2001, the SARS (Severe Acute Respiratory Syndrome) and H1N1 (avian influenza), this economic turn doesn't affect the wish to travel. The major issue is if a person affords to travel or wants to spend money on travellings or to travel, given the uncertain economic situation. Until now, tourism has withstood the crisis better than other sectors of the economy such as construction, real estate and automotive industry. Hoteliers, as in past crises, need to take into account the general trends specific to a period of economic crisis (OECD, 2010, pp. 14-16):

- The travellings closer to home will be prefered instead the ones on long distance;
- Decrease in the number of days of sojourn as well as the costs will be more pronounced than the decrease in arrivals;
- The destinations that offer "value of money" and favourable rates of change have an advantage the price become a key problem;
- The companies must concentrate on prices stability for keeping their competitive part. It is more necesarely like never before the colaboration in the conception process of tourist products packages, for example, the hotel managers with the transport touroperators, with societies which organise events or with leisure bidders.

The financial crises strike very much in the hotel managers who bet on big profits without offering packages of competitive services. When the global crises's effects become more visible, the tourists begin to manage very carefully the allocated budget for satisfying this type of needs. Those who will offer quality at a reasonable price and will try to come with attractive offers for clients will have to win, and, in the end, this thing will be beneficial for the quality of the tourism in that destination.

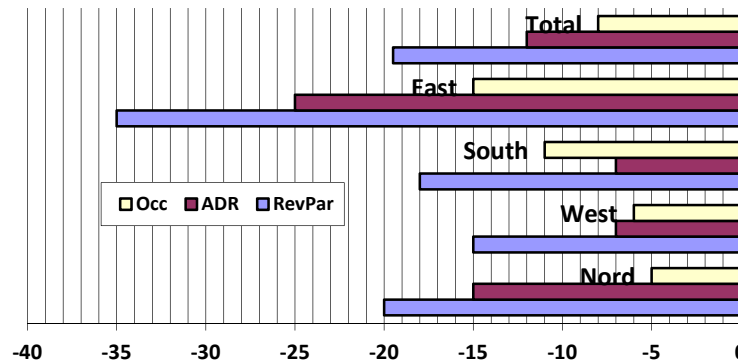
## 2. Current state of the hotel industry and efforts to mitigate the crisis

According to the international report of market research company Euromonitor International, World Travel Market Global Trends 2009, global trends in tourism varies depending on geographic areas, or economic and political changes.

Thus, in North America are wearing "funemployment", which means that the unemployed use their free time they have available to find cheap travel options, and in UK hotels of "pop-up" type appeared, a sort of temporary hotel which offers special prices. In the Middle East began the offers of accommodation only beds for women, although in some Muslim countries it is considered inappropriate for a woman traveling alone, and Africa is revived with the arrival of Barack Obama to the White House, whose origins are drawn from the this continent. Asians are still very attracted to golf and Latin America increasingly invests more in infrastructure, trying to attract high-income customers.

And last but not least, Europe travel concierge services currently attract high-income travelers, offering holidays "key", according to personal tastes. Most tourists in their turn require more personalized services and being used to find several options online and opening up a new market, wide. Consequently, according to Euromonitor study, tourism offers of the future will contain personalized services for every pocket and concierge travel type offers destined to the middle-income market will allow industry players to differentiate their products through lower prices.

Hospitality consulting company Trend Hospitality Consulting and Management realized, recently, a study that exposed performances of hotels in Europe this year. According to this, the recession has severely affected both occupancy, and average occupancy rate (ADR) and revenue per available room ( revPAR) of hotels across Europe, the most affected being but Eastern Europe.



Source: Trend Hospitality Consulting&Management.

Figure 1. Hotels's performance in Europe

Also, with few exceptions (like Turkey for example), the economic crisis led to a decline in arrivals and accommodation, Romania and Bulgaria being among the most affected countries in this respect.

Regarding the capitals of Europe, the hotel occupancy fell almost without exception, but not the same can be said about the average occupancy rate (ADR). Bucharest, for example, recorded a moderate decline in occupancy and a large decrease of average employment rate (ADR).

If we refer to the crisis in tourism business, we know that one of the most budget categories “attacked” in the cost reduction is “travelers” budget (Hartmann, 2011, pp. 9-13). Companies reduce the number of trips for business, reduce time spent on mission, reduce travel distances, reduce class (the plane) and the stars (the hotel).

Given the new psychology of the buyer and the cut of travel budget, some international hotel chains have made some changes in marketing strategy (Table 1).

Table 1. Adaptation strategies of the hotel sector in buyer behavior during the crisis

The change in buyer psychology	Hotel's sector reaction
Values its work and defend their interests	Changed the scoring system of Loyalty Card and now offers these points both to the person and the company works. The company may convert points into accommodation's nights.
It is extremely cautious in spending money (personal and the company)	Before, the price was set by contract at the beginning of the year. Now, the price will vary depending on supply and demand, the client receiving a daily quotation of price and special offers.
Thinking about the future and the consequences of his actions	Before, the contract established the Loyalty Card was valid for one year. Both were automatically extended indefinitely.
Searchs as many informations as possible	From scratch custom communication in the past to monthly Newsletter, a daily quotation of price and offers, plus advice for management of holiday costs.
Actively expands the circle of acquaintances	From scratch with the client relationship in the past, monthly visits from a Key Account and organization of Focus groups.

The change in buyer psychology	Hotel's sector reaction
He has a low degree of confidence and a great aversion to risk	In the past, the canceling of the reservation with five days before substituted the client financial penalty with the equivalent of a accommodation night. The new politic of canceling the reservation doesn't provide penalties if the canceling is made 24 hours before.
Avoids exposure to aggressive messages, preferring to be he seeking the information	Changing a portion of the advertising budget in the budget for market studies and the publication of scientific articles intended for clients.
It has a selfrespect level more reduced than usual	Adaptation: change the names of certain classes of Service Economy in Smart.

**Source:** proper estimations.

Improving personal relationships with consumers could be done in several ways (Johnston, Clark, 2001):

- Provide a level of customer expectations of service quality across various forms such as: transparency using the services, trained personnel available, consulting services, etc.
- Contacts with clients - such as frequent communication with users via email or telephone, effective communication with clients, meeting with customers, effective feedback of information;
- Development of business relationship with the customer base, such that seminars for clients and banchmarketing support network, organizing study visits.
- Development of social relationships through special invitations, birthday gifts, anniversary greeting cards etc.

**Table 2.** *Benefits generated by the permanent development of the relationships with consumers*

Benefits for the costumers	Benefits for the hotels's managers
<b><i>Bigger added value</i></b>	<b><i>Sales increase</i></b>
The value is for the costumer the result of what he gives and what it receives back from the hotel keeper (cost versus quality, satisfaction, specific benefits).	Sales analysis shows that, over the years, loyal customers tend to buy more and more services offered by hoteliers who are in a durable relationship .
<b><i>Benefits of trust</i></b>	<b><i>Costs decrease</i></b>
These benefits accrue, in addition of trust company, reduced feelings of anxiety and high comfort in knowing what to expect from the hotel manager.	There are many costs associated with attracting new customers (advertising and other promotional costs, operating costs and achieving customer account, and so on). Instead, existing customers over time learn to use the service, which will lead to lower customer service costs.
<b><i>Social benefits</i></b>	<b><i>Free advertising</i></b>
As time passed, between the client and hotel keeper develops a familiarity and stable social relationships.	Satisfied customers, loyal probably will promote the hotel which they also called.
<b><i>Benefits resulted from special treatments</i></b>	<b><i>Keeping the employees</i></b>
These special treatments include additional payment terms, obtaining a special offer or a special price.	This is an indirectly advantage determined by retaining customers. It is easier for the company to keep employees when it has satisfied customers. People like to work for companies whose clients are satisfied and loyal.

**Source:** Iordache C. (2012).

Hotelier company should be selective in developing relationships identifying consumers of key importance and to try to satisfy their needs in a more efficient way than competitors (TE Caruso, Kotler, 1992).

Developing and maintaining relationships between customers and hotelier through relationship marketing could be analyzed also in the life cycle of these relationships (Zeithaml, Bitner, 2000). At various stages in the life cycle of customer relationships it might be claimed that relationship marketing can be applied: before (promising to establish a relationship), during (delivery promises by building relationships) and after (offering new promises after previous delivery). If satisfied clients recommend the hotel to family and friends, they could become active consumers in the future. In this way the original client could become promoter and communication tool with potential customers.

To improve the quality of the hotel benefits from certain tourist destinations requires cooperation between various forms of strategic alliances. To provide conditions for effective communication with customers, hotel companies and tourist destinations should do the following:

1. To attract potential tourists and to convince them to choose services and destinations promoted by overall communication efforts.
2. For making positive final decision it should be focused on all the benefits and privileges offered. Trust should be created through marketing efforts focused on promoting irresistible offers, well planned, guaranteed by real potential of companies in correlation to that of the destination. Sometimes, if they can not meet the expectations of tourists to the destination (without adequate infrastructure) it is preferable to plan moderate promotional efforts.
3. Creating and implementing of marketing strategy to promote opportunities and find the best way to meet the needs and expectations of potential consumers.
4. Finding the most creative way to motivate tourist, to visit new destinations and to recommend them to others. Customer impressions and experience regarding the quality of service are important elements in developing the image of tourist destinations and of companies involved in satisfying consumer needs.

Customer loyalty has a positive effect on reducing business travel costs. On this line there are recorded: reducing costs related to running customers relationship by focusing actions mainly on loyal customers; reduce costs “non-quality” by involving customers in improving product/tourism services; trading costs cut through new communication solutions (eg by making electronic orders, Internet). A systematic management of consumer loyalty travel has also a positive influence on the amount of benefits achieved and therefore the turnover of the travel company.

### 3. Anti-crisis strategies adopted by the hospitality sector

#### *1. Personalized marketing*

In times of crisis, many hotels have chosen a more balanced marketing strategy. These hotels have resumed their ancient tactics to create more personal connections, placing a greater effort to develop a lasting business relationship. This strategy should be applied especially because in recent years the development of the Internet has led to a depersonalization of hoteliers' relationships with customers. Most hotels are focused on prioritizing policies to become more productive businesses. Internet and other electronic forms of marketing will just supplement and improve sales department efforts and will not serve to replace them. Internet might have a significant impact in terms of sales, but not the only way to do marketing.

#### *2. Additional responsibilities versus specialization*

During the economic crisis, many hotels have had to eliminate or simply not to replace certain key positions so that the remaining employees have taken on additional responsibilities, multitasking becoming the norm. Along with improving the business climate, a new trend that emerged was to be looking for experts to create new contacts and increase sales. A very important role has been played by web designers, who assume full responsibility for the marketing and sales department. Web design specialists will have to focus on what is selling on the site and not necessarily to focus on making the site attractive. A new term to be adopted by web designers is search engine marketing. This includes: destination marketing, so vital online search, create packages and promotions, using social sites, blogs and all other elements of a successful sale of the hotel site.

#### *3. The management oriented on profitable sales*

During the economic crisis sales management hoteliers experienced a return of interest for this department. Reduce sales forced hoteliers to sell "smarter", not just harder. Management revenue management was created to increase net income while maximizing occupancy. Many of the hotels have drastically reduced prices during the recession will be faced with difficulties when they try to bring prices to a profitable level. Unfortunately, reduction of tariffs was a decision taken by many hoteliers simply because they did not know what else to do. In the future, the trend to be considered is that more and more hotels turn to manage earnings management.

#### *4. Creativity in making the promotions*

In addition to discounts offered to loyal customers, of them the hotels have begun to emulate and promotions which in recent years rarely happens. Most frequently



consist of discounts between 10 and 30%, provided to be about more than two to three nights. There are many free promotions such as 2 +1, 3 +1 free etc. Most hotels make promotions by the same concept and will come to no longer differentiate unless they come up with new ideas.

Very few promotions have creative concepts. For example, IBIS carried class „EuroAnii Ibis” where you pay an amount equivalent to that of age. 1 year = 1 € only if you are between 18 and 25 years and living with someone. For two people of 20 and 22, the room is 42 Euro. If you are alone, just pay your age + 9 €!

There are practiced more increasingly cross-promotions with various partner companies. For example, Golden Tulip offers discounts for members of car clubs or American Express card holders.

Promotion campaigns refers not only to accommodation services, but also to those offered by restaurants, health clubs, conference rooms and meeting sites. A new campaign to Crowne Plaza is to introduce a concept Bavarian „Beer Garden”. Here, emphasis was placed on a campaign to promote the rooms, most of which were recently upgraded. Room rate was slightly reduced, focusing on the use of this service in conjunction with Health Club, Restaurant, and the relaxation or excess of oxygen in the beautiful gardens of the hotel.

Hotel Pullman Bucharest World Trade Center (formerly Sofitel), in order to address business customers, started a campaign to promote media such as magazines choosing flight (for business people who travel often) and addressing business magazines so people Romanian businessmen and foreign investors.

##### ***5. Partnerships with event organizers***

Another crisis strategy in the hotel industry focuses on hosting events. Many of them are heavily promoted and hoteliers can benefit from the advertising campaign that always indicates the location. Plus hotel guests which brings them to the hotel such an event.

The most practice partnerships with event organizers, seminars, workshops, companies can make regular hotel guests. This approach is beneficial for identifying new market segments and thus better targeting. Hotel Caro, for example, has rates and special offers during major concerts in Bucharest. The hotel also has partnerships with companies such as British Council for those who come from different language exams and tests and, more recently, special offers for kindergarten - celebrations.

Rin Grand Hotel is already being promoted as the main sponsor of the European Championship Snooker, JW Marriott Bucharest Grand Hotel associate their brand with Viennese Ball, a charity event that brings more consistent picture.

### ***6. Adopting the concept of corporate social responsibility (CSR)***

Corporate social responsibility and environmental certifications are the trend in the hotel industry. Hotel Vega in Mamaia is the first eco-hotel in Romania certified by TUV Rheinland. The hotel is equipped with water management or energy consumption, to avoid possible pollution. This is certainly an important consideration especially for foreign customers. And Crowne Plaza Romania affiliated with Romania Green Building Council organization (Romanian Green Building Council - RoGBC). The fact that only three national specialized units, respectively Crowne Plaza, Hotel Vega in Mamaia seaside resort and hotel in the village of the same name Saturn from the Black Sea used in their work a high reduced pollution technology which claims appreciation on the slow change of attitude towards the environment.

InterContinental hotel chain has won the National Business Travel Association (NBTA) for corporate responsibility. This award was made in recognition of the efforts made to promote the idea of “green hotel”. The same hotel is a partner of charitable organizations such as House Ioana, for the homeless, Margarita and others.

### ***7. Implementing loyalty programs and develop exclusive clubs***

Howard Johnson Grand Plaza is part of Wyndham International and, therefore, promotes and uses Wyndham Rewards program of customers’ loyalty. It is aimed at those who use accommodation services to affiliated units in the chain (brands like Ramada, Days Inn, Travelog etc.) and rewards loyal members with free nights and discounts on certain airlines. Howard Johnson has launched a loyalty program locally, which consists of discount vouchers for various services and hotel outlets as well as at partner restaurants. Given the overall context in which it was launched, the program was called: “When everyone is giving less, we give more”.

Continental Hotels provides customer loyalty program VOILÀ. The main advantage of this is that it does not limit members to one brand. VOILÀ members can travel to many destinations, can stay at any participating hotel VOILÀ and thus earn points. Members benefits include priority check-in and reservations, modernization room type of assistance and special amenities.

Rin Grand Hotel has addressed all the points loyalty program “Grand Client”. There is a scoring scheme that can be realized in different services or gift vouchers.

In the InterContinental Hotels Group chain of hotels all guests can participate in the same Priority Club Rewards loyalty program, voted in the last three years as the best program of its kind in the world. Thus, guests can earn points by staying

in any of the nearly 4,000 IHG hotels worldwide portfolio, accumulated points never expire, and guests are guaranteed accommodation whenever require, regardless of occupancy. Beside them – depending on the level reached by the guest in the program from Club Member, Ambassador and Royal Ambassador to Members – there are various additional benefits.

5 star hotels advertise their loyalty cards evidencing membership in exclusive clubs. Exclusive Marriott members receive discounts of 20% on rates at Marriott hotels in several cities in the world and 50% of rental spaces for events.

The members are part of Hilton Diamond Card discounts at partner hotels across the country, personalized care for booking, invitations to exclusive events etc. Gold-Points card holders can get discounts at RADISSON SAS Rezidor hotels worldwide group and those of Priority Card Intercontinental collect points you may change even with free accommodation, flight miles, minutes, phone calls etc.

Spanish chain Sol Melia (the third largest hotel chain in Europe and the thirteenth in the world) is characterized by frequent flyer program called Mas Rewards: each client receives free Mas Rewards card, which then serves to accumulate bonus points for each stay at hotels Gran Melia, Melia, ME, Ininside, Tryp, Sol and Paradisus. For every dollar spent in chain Sol Melia client is given 10 points Mas Rewards. Accumulated points can then be used to: free accommodation in over 300 hotels, worldwide free flights on various routes, or rent a car.

Ana Hotels Group hotels offer Ana Hotels loyalty card through a loyalty program that tourists receive bonuses of up to 8% on purchases of hotel services. The card is obtained at the hotels receptions if the invoice value is at least 300 Lei in conjunction with a minimum stay of two nights and guest signs the accession of Ana Hotels loyalty card.

#### 4. Conclusions

The advertising of the premium brands is made with efforts that are connected with the image; the promotions aren't well seen by market's men for this category of hotels. But, in the same time with the crises, the objectives of reducing the costs become primary, even for those with big incomes, who were attracted before especially by a promotion.

The majority of the hotels approach marketing strategies where PR components and promotions have the biggest share. It puts emphasis on loyalty programs because it is much cheaper keeping customers than bringing new ones.

During the crisis, the economy hotel industry takes an unexpected turn, trying to keep afloat, hotels must consider all operational and marketing techniques known.

And not to seek the special and unique tactic that could bring back everything to normal, because it does not exist.

Experiments are always expensive in terms of time and human resources. It is known that base tactics known in the sales and marketing departments in a hotel are still operating. But, in the last years, many hoteliers have been removed from this base for new technologies and many unrealistic promises of social coverage, not related necessarily with travellings. This type of socialization had no impact over individual hotels.

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