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# Auto summary

The doctoral dissertation  
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APPLICATION OF MARKETING MANAGEMENT AS A FACTOR FOR  
INCREASING THE PERFORMANCES OF HOTELS. THE KOSOVO CASE

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# APPLICATION OF MARKETING MANAGEMENT AS A FACTOR FOR INCREASING THE PERFORMANCES OF HOTELS. THE KOSOVO CASE

## Introduction

The aim of this dissertation was to examine the effect of the marketing management in the administration of the performances of the hotels in Kosovo. Through an analysis of selected indicators in the dissertation, the main indicators were determined, the ones which influence into the performances of the hotels in Kosovo and those are: managing a relation with customers, marketing planning, strategic competitive positioning, information communication technology and organizational learning. The quantitative research with a concrete design of a research was applied in the dissertation by using a questionnaire. The population in the study was selected by the classified hotels in Kosovo. The sampling frame was 38 hotels that were surveyed in order to establish the influence of the chosen indicators over their performance. The primary information was obtained by using questionnaires sent to hotel managers. The safety was tested with the help of Cronbach's Alpha. The results showed that there is a significant relation between the marketing planning and the strategic competitive positioning and efficiency of the hotel. There is also a significant positive relation between organizational studying and hotel performances. The results of the dissertation should help the politics creators in order to achieve an improvement in the area of hotel efficiency. The results also pointed out the necessity of the adoption of marketing tools in hotels in order to improve their performance.

The concept of organizational efficiency is the core of business activities, since the main goal of each business is to make a profit. Iravo, Ongori and Munene (2013) point out that one of the most important business issues is to determine why some organizations are successful and others are not successful. They argue that in order to be successful, an organization must provide returns of invested funds and to identify the factors that affect on its performances from the top to the base of the organization. The managing of performances and their improvement are essence of the management, marketing management and the strategic management due to the fact that the strategic thinking is directed to defining and measuring of performances (Nzuve and Nyaega, 2011). A lot of authors as well as hotel managers use different parameters for measuring the performances (Sainaghi, 2010a).

Fwaya (2006) believes that the performances as an evaluation indicator of the functioning of one organization are under specified influence, such as productivity, employees moral and their effectiveness, in order to achieve sustainable competitive advantage (Porter, 2008). Odhiambo (2009) identifies three approaches for evaluating the performances within the organization: The goal approach, which states that an organization strives for definite and recognizable goals. This approach describes the efficiency in terms of achieving the goals which are previously set and is based on the goal setting theory. Many researchers in goal-setting theory have shown that the application of the theory improves the efficiency of individuals, groups and organizations (Bipp and Kleingeld, 2011 Thorgren, S. and Wincent, J). The second approach is based access to system resources that defines the performances as well as the relationship between the organization and its environment. This concept defines the performances in accordance to the ability of the organization to provide stability taking into account the limited resources in the environment (Sainaghi, 2010b). This concept finds its origin into the theory of resources which uses all the useful resources by the business environment in order to obtain sustainable competitive advantage (Njuguna, 2009). The third approach is the perspective process which defines the performances in terms of the effectiveness of the processes of an organization based on the adoption of information communication, as one of the evaluation tools which evaluate the performances (Waiganjo, Mukulu and Khariri, 2012). Moullin (2007) points out the performances measurement as one of the tools which assist the companies into tracking the efficiency, identifying areas which need attention, improving the motivation, improving the communication and strengthening the responsibility.

The performance of marketing management includes business strategies in the delivery of the results. That is a combination of financial, strategic and operational principles to measure how one company is capable to fulfill its goals (Mshenga and Owuor, 2009). Hotel managers as well as any other managers can use the feedback on efficiency to make policy adjustments and other ways of organizational operations (Wadongo, Odhuno and Kambona, 2010).

There is no doubt that despite the key role of the hotel sector in the development of tourism, the global hotel industry is facing with some difficulties (Sainaghi, Phillips and Corti, 2013). Namely, tourism in 2011 has a share of 9% of the global gross domestic product (GDP) and contributes to more than 255 million jobs (The World Travel and Tourism Council, 2012). It is projected that by the year 2022 the participation of the tourism sector

will increase by 4% of the global GDP, and will provide over 328 million job positions, injecting around US \$ 20 billion in the world economy.

It is expected that the hotels would inject the largest share into employment as a result of new ventures. Kandampully and Hu (2007) cite that the global hotel industry has become very competitive and think that it is in a mature phase of their life cycle. As such, the services in hotels are slowly changing and by being services they become goods which are tradable on the larger global market which require appropriate management measures that will contribute for the hotels to reengineer their performance and differentiate services in order to achieve strategic advantage.

The difference between the offered services and the different hotel stars is gradually decreasing and it becomes very difficult to distinguish the services of one hotel with stars from another hotel with stars (Peterson and Lyer, 2006). In the same time the clients are much more informed and have a wide specter of services that are offered to be chosen, since the increased usage of Internet forces hotels to make strategies for making their own choice of customers (Daun and Klinger, 2006). Despite all these attainments the hotel companies struggle against debts, high expenditures, and challenges in managing. That is the reason why managers are forced to seek to generate profits that will help them reduce the expenditures and improve their performance. Therefore the hotels continue with their development, and in the meantime that has brought a lot of challenges related to their performances with the aim to achieve the international standards (Wanjiku, 2009). These challenges have been investigated by many authors in order to determine the factors that influence the performance of hotels. The hotel industry is identified as one of the most important sectors that are in a positive relation with the tourism, because it cannot be expected for a country or a region to attract tourists if it does not have hotels. The general pressures caused by globalization and internationalization in combination with ratings and membership in international hotel associations, have also contributed to the improvement of their performances (Mureithi, Morara and Michael, 2009).

If we analyze the hotel industry in Kosovo we can state that it is characterized by insufficient level of service quality, unfavorable structure and low utilization of their capacity. The hotel facilities in Kosovo mainly satisfy the needs of the mass tourism, and shortage of quality service is a result of shortage of standards for projecting, construction and equipping of facilities. Therefore, the capacities of the hotel management in Kosovo become less competitive in the international market.

The largest number of the hotels in Kosovo (over 30% of the total amount of hotels) is located in Pristina. Pristina also disposes with the largest number of rooms 1053, that is, the largest number of beds of the total number of beds available in the hotel industry in Kosovo. That is not surprising taking into consideration the fact that the largest part of the investments into commercial objects are located in Pristina, also almost all foreign representative offices are situated there, the state institutions and the entire economic activity is taking place right there. If the level of utilization of Kosovo's accommodation is analyzed, we can say that it is insufficiently used. Most of the facilities are located in Pristina, Ferizaj, or Pec, that is, in the city areas. That is one of the reasons for low level of their use. Other reasons are connected with the design of those objects, not recognizing Kosovo as a tourist destination, or non-attractiveness of offers to attract more tourists.

As a general conclusion for the hotel industry in Kosovo we can state that the region of Pristina is mostly visited by the largest number of visitors (both domestic and foreign tourists) and this region has the largest number of accommodation facilities for potential tourists.

Crucial factors for selecting a tourist destination are availability of qualitative hotels and receiving qualitative services. According to the author's knowledge, over the past 20 years, there is very little discussion in the literature on analyzing the hotel performances in Kosovo. There are many interesting questions that could be subjects of research in this field, including the quality of services, the availability of human resources, the approach and the application of best practices, the analysis of the factors influencing the performance of hotels, etc. According to (Fwaya, 2006) there are many factors which influence the hotel performances for example efficiency, customer relationship management, application of information and communication technology, marketing planning, strategic competitive position and organizational learning. That is also the aim of this study, to determine what is the impact of strategic and marketing planning on the performance of hotels through the many factors that influence on the hotels' performance. Although the effect of other factors will also be analyzed, however, the primary goal is to determine the impact of strategic planning, since according to the author's knowledge, such research on the impact of strategic and marketing planning on hotel performance in Kosovo has not been performed yet. According to us the application of that type of planning of the hotels in Kosovo is precisely what will enable the hotels to adjust their services according to the needs of customers. That is the reason why the hotel department demands high level of services and such a demand

forces the hotels to distinguish them, in order to be able to retain customers and prevent them from transferring from one hotel to another.

### **Subject and objectives of research**

In the past several years, the development of the tourism in Kosovo initiates the question of future directions for development and approaches of this branch as a whole to rise to a higher level and thus to achieve the results as in the most developed countries in Europe. In order to be up to date with recent trends, it is necessary to define the directions and the strategies for the development of hotels in new starting points. In that way the hotel management in Kosovo will be a strong foundation for the development of tourism as a whole. Based to the aforementioned, the subject of this study is to present the recent marketing strategies stated in the world literature and afterwards to investigate if the hotels in Kosovo follow those trends and how the marketing management influences on their performances.

Considering the foregoing, the subject of research in this paper will be:

- Establishing the place, the role and the functions of the marketing management;
- Modern trends in the hotel industry;
- Introducing the concept and elements of marketing management;
- Reviewing the situation in the hotel industry in Kosovo;
- The application of marketing management in hotels in Kosovo;

The aim of the research is to cover all the critical areas into hotel management and to give recommendations for successful management. An analysis of the current situation in the hotel industry in Kosovo has been performed, and parameters from the literature of this area are taken into consideration. All critical issues of hotel management have been processed. Human resource management is crucial for the success of the hotel, taking into consideration the inseparability of production and consumption in the process of providing services, product management according to market requirements. Further on, financial management and quality management of services and the mistakes into the services are critical factors for guests' satisfaction and analysis of the clients' satisfaction. The research will provide information in order to place the product on the market well and with the best quality.

The main objective of this research is to provide an answer to the question of how to increase hotel performance, and thus increase their competitiveness on the market. The aim is

to highlight the key aspects of one hotel and to point out specific activities and situations, in an attempt to achieve a permanent increase in quality.

The content will be discussed in this doctoral dissertation is divided in five thematic sections which enable elaboration of the materials of each thematic unit separately.

### **Tasks of the research**

Based on the defined object and purpose of the research, we could identify the following tasks that this research is expected to answer:

What is the place and role of marketing management?

What are the contemporary trends in the development of hotel business?

What are the characteristics and types of modern hotels?

What are the contemporary challenges of marketing management in the hotel industry?

What is the situation with the hotel industry in Kosovo?

Based on the defined questions and in order to achieve the aim of our research we will next establish the *research hypothesis*. In doing so, the proving of the hypothesis is based on the following theoretical and practical knowledge:

- The hotels are the main object of research;
- Hotels operate within the macro and micro environment, so the operation of hotels is influenced by all the factors and changes that occur in these two environments;
- Effective hotel management is crucial for their development;
- The general trend of the world market is focused on the needs of the guests, which are constantly changing;
- Product innovation and flexibility is in accordance with changing the preferences and habits of guests that are prerequisite for survival on the market;
- All the stated factors and conditions make difficult the fact that the competition on the market is constantly growing.

Based on the defined questions and in order to achieve the aim of our research we will next establish the *research hypothesis*.

But the implementation of the marketing management into the hotels would influence on the increase of their performance.

By implementing the research and providing answers to the tasks given, I hope that a solid foundation for further scientific research and practical application will be created, necessary for the proposed models for increasing the performance of hotels in Kosovo.

## **Methodological framework of the research**

In order to implement the objectives which we set up in the design of this subject of research, and which represents current topic not sufficiently processed in our area, we were mostly derived from the deductive method, that is, we started from the general laws and principles, and discovered the special ones.

During the operation, official data is presented in all types of documents, such as the reports and announcements of international hotel associations, the Statistical Office of Kosovo, the reports of the hotels, that is, we will analyze the most relevant data and information for confirming the actual images of the situation in the stated system of relations. Based on that information we will form appropriate conclusions.

In the development of the study we will use appropriate literature from respectable experts and tourism scientists as well as definitions that will be discussed, explained and complemented.

The situations where no official information is available, and which are important for perceiving the situation and trends in the area of hotel management will be analyzed qualitatively, that is, from the obtained knowledge, we will derive the features that best determine the analyzed phenomenon.

Simultaneously this paper will mainly be based on the usage of desk research by using the empirical data and indicators that are well known to the professional literature. Certain field research will be conducted by using the Internet as a medium which contains a large number of secondary data. The primary data that will be obtained through a field survey, that is a questionnaire, will be sent to the managers of all significant hotels in Kosovo. The data obtained after the performed survey will be statistically processed using factor analysis, the method of the smallest squares and the Pearson correlation coefficient. The data obtained through the survey has a crucial importance for the purposes of this paper, because that data will be received by the main institutions that are concerned by the issues of marketing management and hotel management. Those data will provide us direction on what issues and problems the hotels in Kosovo face, and how to overcome these problems in order to have a better implementation of the marketing management in the hotels in Kosovo.

## **Part one: BASIC CHARACTERISTICS OF MARKETING MANAGEMENT AND ITS ROLE IN STRATEGIC PLANNING**

### **1.1 The notion of marketing management and its application in tourism**

By the end of the 1990s a lot of nations faced the increase of global competence, increased revenue gap, endangering the environment, neglected infrastructure, poorly trained workforce and numerous social and political problems. New challenges and opportunities should have been appropriately recognized and exploited, and this is the area where the key role of marketing is reflected. The breakthrough in economic and society development began earlier than planned, together with the industry revolution, as a result of the rapid development of science and technology.

It was no longer a question of how to produce it, but how to sell it. A particular attention is dedicated to balancing the relation between offer and demand, i.e. the exchange process.

There are numerous marketing definitions, and what is recognized in each one is that it is a process of exchange by applying marketing approaches in the market relations. Kotler defines marketing as "human activity that is oriented to meeting the need and desire through the exchange process (Kotler, 1986)".

According to the same author, marketing is "a social management process that, by creating, offering and exchanging valuable products with others, individuals and groups obtains what is necessary or what you want "(Kotler et al., 1996)."

Later, in relation to other activities, there were marketing applications in tourism. The relationship between marketing and tourism is defined as a specific combination of marketing activities of individuals', economic branches and activities (catering, transport, travel agencies, shops, etc.) coordinator of tourism development.

The first definition of marketing in tourism was given by Kripendorf, according to whom " it is defined as a systematic coordinated adjustment on the business policy of the tourist business enterprise, as well as the tourist policy of the state at a local, regional, national or international level in order to achieve optimal satisfaction of the needs to certain groups of consumers and achievements, the basis, the appropriate profit (Kripendorf, 1971, 14) ".

## **1.1. The basic concept of marketing management**

In the contemporary application of the concept of marketing management in hotel companies there are numerous factors that find their roots in the not sustainable environment of hotels.

The complex changes, both economically and out of season, conditioned the need to differentiate the offer of the hotel company and its successful positioning on the market. In parallel, the need for marketing management and tourism planning has intensified. Two groups of factors were of particular importance in the development of marketing management of hotels (Živković, 2008):

- structural changes in the economy and
- intensive social and economic changes.

Thus, with the overall environmental changes, tourism or hotel companies also moved in the sphere of growth and development. Moreover, the market share and the approaches of its growth gained importance. Tourist companies with a larger market share were more powerful, but also more profitable.

The main function of the marketing activities of a company is not to develop marketing strategies "per se" but above all, the development of the maintenance process and the existence of a company through which it can be (Shuptaine and Toyne, 1998):

- systematically and with success, to identify and predict the specific needs and requirements of the environment,
- appropriately selects those needs and requirements that are capable of fulfilling and satisfying, and
- develop a marketing strategy to satisfy those potentials and requirements within the framework of his/her own abilities or marketing skills.

## **1.2. Creating a hotel product**

The future development and creation of a hotel product will be affected much more than the previous period, by the changes which arise from the development of modern technologies, consumptions and demands of modern tourists, the level of their life standard etc. The creation of a hotel for new products will be dictated by the level of adaptation of the hotel companies to the new working conditions. The growth and the development of the hotel companies is directly dependent on the trends in the international tourism and the needs of

tourists, that is, they are subject to changes in the volume and the structure of tourist demand on one hand and the technological development on the other hand.

At first instance intensifying the development of tourism can be a trick for some smaller independent hotels, unless an appropriate strategy for their approach to new conditions is established. Timely recognition of the chances in the environment and efficient management of the hotel's performance in the direction of adapting to the new conditions and undertaking appropriate activities are key elements for their survival in a very fragile and turbulent tourist market.

### **1.3. The price as a factor of competitiveness**

In economic theory, the price is the amount by which goods and services can be exchanged one for another or for money. Therefore, the price is expenditure for the consumer. However, when talking about consumer expenditure, it is not only related to thinking about the price. Apart from the monetary compensation, there are also both psychologically and physically losing of time. However, from this point of view, what is most convenient and where directly the competitors' offers can be compared are only the prices (Veljkovic, 2017).

The pricing policy depends on the business goals set by the company. The prices that are set, are supposed to be in function of the company's overall business aims. In the range of possible aims in pricing, it is important to respect the general objectives and to have a wide support as is (Popesku-2002)

- The formation of prices for the purpose of maximum long-term profit,
- The formation of prices for the purpose of maximum short-term profit,
- The formation of prices for the purpose to facilitate the participation on the market,
- The formation of price to maintain the leading position,
- The formation of prices for discouraging potential newcomers on the market,
- The formation of a price to achieve and maintain sales of loyal channels,
- The formation of price for improving the company's image

### **1.4. The role of the promotion in the positioning of hotels**

Promotion can be defined as mass communication with consumers to stimulate and promote the marketing of the tourist products (Bakic and Unkovic, 1995).

For the communication process it is important to know who says something, what it is, and through the channel called media, it can be find out who wants to say something and what are the effects of that message.

The effectiveness of the communication process is reflected in (Zivkovic 2008):

- 1) Change / strengthen the position (for products or services of the company) to potential or existing customers;
- 2) influence on the formation of opinions;
- 3) possible changes, both in the opinion and the behavior in the process of buying on the market;

In hotel industry, each communication process has three elements (Milosavljevec, 1992):

- - The sender (hotel) must find such content of the message and such media that, in addition to reaching contact with potential tourists, would provoke their interest
- The message must be strong, different one from another and interesting enough to attract the attention and interests of the potential buyers – tourists.
- By receiving messages they are not considered as passive viewers, but they are very flexible and very affecting to one another. Communication must be a continuous process, not a one-sided act.

### **1.5. Channels for sale**

The sale of a hotel product as an activity, or as a marketing mix instrument includes all those things that are necessary be delivered by producers to consumers in hotels or product users.

For manufacturers, creators of products, the distribution has two elements:

- selection of distribution channels (sales),
- physical distribution (marketing logistics)

Distribution channels are mixtures of marketing tools that the manufacturer uses as a means of making a contact with the buyer. In modern conditions, the manufacturer has lost direct and oncoming contact with the market and with the buyer. Based on the market research (demand expectation), the manufacturer organizes the production process and creates an organized system for selling its own products and services. Similar to other marketing mix instruments and distribution channels, they are supposed to contribute for a stabile production and sales volume and profitable business.

In the process of making a decision for the distribution channels, the existing product policies, prices, and in the same time each decision for selection of distribution channels, affects on the subsequent decisions for the product, the price and the promotion. Therefore, decisions should be made for some of the marketing mix instruments to coordinate, since the primary goal to all the marketing mix instruments is to transfer the demand curve in the benefit of the tourist country, the tourist destination or the company-hotel.

The sale of hotel and tourist services is conducted considerably earlier, before they are provided and consumed. Therefore, in the package of services as a form of accommodation in hotels and tourist products, the sale foresees the production or providing of services. The time frame between the sale (ex ante) and the delivery (ex post) of the product is different for a maximum of about a year. The ex ante sale is also associated with some other features. The tourist buys a product that is often unknown and whose quality can be estimated based on promotional, especially propaganda efforts and the seller's message. This requires having excellent informed tourists, in order to make a final decision. So promotion is an extremely important tool in the modern tourism market.

## **2.1. The role of marketing in strategic planning**

The strategic planning orientation on the market is a manager process of developing and maintaining feasible harmony between the goals, skills and resources of the organization and changing the market opportunities. The aim of strategic planning is to help companies in the selection and organization of their business in a way where the company remains healthy despite unexpected upheavals in any area of activity or production (Kotler et al 2010).

There are three key ideas that define strategic planning. The first idea is related to the tasks which the companies have to manage like for example portfolio of investments, and in this situation it is necessary to decide whether a portfolio is worth creating, or gradually abolishing or sustaining. Another idea is to estimate the future profit potential of the company, taking into account the company's market position and growth rate. The development of the company's plan in order to achieve long-term goals belongs to the third key idea for strategic planning. There is no strategy that is the ideal solution for all competitors in the service business. Strategic planning and marketing are often considered as partners, as they contribute for the long-term success of the companies' management and hospitality. The practice demonstrated that an excellent marketing plan can be successful if it

is lost into the competitive chaos, and the efforts conducted in the turnover must be based on reasonable and appropriate strategy.

## **2.2. The process of strategic planning for achieving the operational goals**

The response to changes in the environment can be a strategic and tactical type. The characteristics of the changes in the environment indicate that the fundamental strategy of the problem becomes the basis of the management of the enterprise. Basically, this is the aspiration of the company to establish harmony with the environment. Obstruction of this harmony is the basis of a strategic problem, while forming a strategy is a manner of solving the problems.

The company is supposed to strive to adapt to discontinuous environmental changes and solves a highly important issue of balancing the operational and strategic management, i.e. balancing between the aspiration for stability and consumption to react to changes in the environment. In this sense, it is important to emphasize the importance of strategic thinking of opportunism or dealing with operational activities by adopting long-term goals.

## **2.3. Strategic planning and process of controlling marketing activities**

Planning as a phase in managing the process, has obtained importance by changing the conditions for operating on the market. Changing the focus of thinking about “how to produce” to the question “how to sell” signifies that satisfying the needs of the consumers becomes the basis for rational planning, especially marketing activities. By the planning it is desired that the activities during this period, would create an enterprise’s future which will create opportunities for growth and development in accordance with the basic characteristics and norms in the environment. The expectation is that this planning would transfer the conclusions from the past into the present so that they would decide how to proceed in the future (Stanton, 1975).

Planning can be either formal or informal, depending on whether it is based on scientific methods or not. It is one of the most effective approaches to reduce the company's management and business risk and it is capable actively to react to changes. Formal planning, which involves the application of scientific methods and techniques, presupposes maximizing the basic prerequisites for achieving success on the market. So that, it contributes to a better

economy and a complete effort and it assists to better thinking and minimizing the necessity for an urgent adaptive change of the working conditions.

The basic feature of the planning process can be considered as focusing on the future. This sensitivity does not signify passively accepting the effects of future changes. On the contrary, planning affects the activities in the middle and in the company itself, to create a "desirable future", i.e. creating acceptable changes.

The main assignment of strategic planning is to create opportunities for companies to be capable to actively respond on the changes which arise in a turbulent environment. Strategic planning is, in essence, a way to overcome the distance between present and desired strategic positions in the future.

#### **2.4. Levels of formulating strategy**

In the process of strategic management one of the most important stages is the formulation of the organizational strategy. It actually begins with the analysis of the environment. Even after an analysis of the environment is performed, the vision, the mission and the goals are determined, it is necessary to formulate a strategy which would be applied in the organization in order to fulfill the desirable vision, mission and goals. The process of formulating strategy, itself, implies proposing certain alternative strategies, evaluating and analyzing the proposed alternatives and by defining strategic priorities, deciding upon which strategy is supposed to be applied. In the process of formulating the strategy, depending on the organizational structure of the enterprise, three levels of strategy formulation can be distinguished (Shuklev, Draculevski 2001):

- formulating a company-level strategy (general, corporate strategy);
- formulating sector-level strategies (divisions);
- formulating strategy at the level of business functions (functional strategy).

Taking into consideration the importance of these levels of formulating strategies, we are reviewing each of them separately.

#### **2.5 Formulating general strategy (corporate strategy)**

The basic strategy is a general plan created for organization striving to achieve the long-term goals and it provides orientation to the enlargement of the organization in the anticipated environment. It is also called a general, corporate, or big strategy. The organization may

strive to move forward, to stay where it is or to withdraw. Therefore, we can distinguish several groups of general strategies (Shuklev and Drakulevski 2001):

- Strategies of growth;
- Stability strategies;
- Strategies of reduction;
- Combined strategies.

Each of these general strategies has its own specifications and is applied in enterprises depending on several situational factors that influence upon the direction in which the company is moving.

### **2.5.1. *Strategies of growth***

The strategies of growth are the most commonly applied strategies into the enterprises. The strategy of growth is such a corporate strategy that insists on expanding the business of the enterprise through increasing the number of offered products or through increasing the number of markets that are being served. By applying this strategy of growth, the enterprise can increase the sales revenue, the number of staff, market share and other quantitative measures. In addition, the organization can be developed through the strategies of: concentration, vertical and horizontal integration and diversification. The strategy of concentration is applied within a company when it is focused on its primary business through increasing the profitability of one product, one market and one technology. This strategy implies creation of a competitive advantage based on specialty and efficiency which derives by the enterprise focus on one business. If the enterprise decides upon vertical integration, it can perform it by controlling the input (backward vertical integration), the output (forward-vertical integration) or by controlling the both. In the vertical integration of the input or also called vertical integration backwards, the enterprise is trying to become a supplier of raw materials, while in the vertical output strategy or vertical integration forwards, the company is trying to become its own distributor. The horizontal integration strategy implies expanding the company's business through integration or the so-called merging or allying with other companies of the same business, which will open opportunities for appearance in new markets. The most common forms of horizontal integration strategy are mergers, acquisitions and takeovers. Another important growth strategy for an enterprise is the strategy of diversification, strategy that can be related (concentric) or unrelated (conglomerate). Related or concentric diversification means entering the enterprise in related activities in order to use

its good competitive position. Non related or conglomerate diversification entails entering the enterprise in unrelated activities and it applies when the attractiveness of the activity is very low. Strategic decisions regarding the methods, the pace of growth and the resilience of growth are very important when it comes to choosing growth strategies.

### **2.5.2 Stability strategies**

Stability strategies are such corporate strategies that do not suffer from significant changes. When one company decides upon this type of strategy, it signifies that the main goal of the company is to withhold the existing customers, to maintain the market share, to maintain the existing size and to remain in the existing areas of operation. The stability which occasionally is known as a break-strategy means that the organization prefers to remain in the same size or to grow slowly and controlled (Richard 2008). The organization which implies the stability strategy decides not to develop, which is seemingly strange, however there are periods when as a result to rapid and turbulent changes in the external environment, the future becomes uncertain, and the enterprises endeavor to maintain their current position on the market. This strategy is also used when the area within which the enterprise operates has become unattractive, without any development perspectives, so the managers are focusing on maintaining the existing level until they make any other new decision. Another situation when applying this strategy is when the organizations have undergone a turbulent period of rapid growth, they obtain a solid market position, so the managers want to ensure themselves that the organization would work effectively. However, it is not good to apply this strategy for a long period of time, since it can diminish creativity, innovation within the enterprise, and that would result with reduction in competitiveness. The group of stability strategies includes:

- Small growth strategy;
- Profit strategy;
- A growth strategy with a break
- Sustainable growth strategy.

The strategy of small growth or also called incremental growth strategy is characteristic for enterprises which are operating in a stable environment, are growing slowly but surely, with increase of the market penetration, are slowly introducing some new products, are appearing on new markets in new geographical areas and so on. The focus of this strategy is placed on efficiency with cautions incremental growth. The profit strategy is

used when the organization as a whole intends to generate cash that will be used for investing in new business areas. This situation occurs when the enterprise estimates that due to various reasons the existing products become unattractive, resulting in a modest competitive position, so it strives to provide enough cash to divert them to new more attractive activities. The growth strategy with a break is a temporary strategy which is applied after an intensive growth of an enterprise in order to be capable to stabilize its position on the market. The environment is hardly predictable, which leads to great uncertainty, therefore the company must consolidate in several areas: the style of management, the organizational structure and culture, the portfolio management, etc. and to consider investing in other activities (Glueck, 1980). Acceptance of stability strategies over a longer period of time is not desirable, as there is a risk that these strategies lead the organization to bankruptcy.

### ***2.5.3. Strategies of reduction***

Reduction strategies are applied in situations where enterprises have a weak competitive position that is a consequence of reduced sales or profits resulting in a forced reduction in the size and areas of business. The reasons why a company is supposed to apply a reduction strategy can be external: a recession on the domestic or international market, a restrictive government policy, changes in markets or internal changes, poor management, inadequate organizational structure, inadequate organizational culture, and so on. There are several types of reduction strategies:

- Reversal strategy;
- Removal strategy;
- Strategy of capture;
- The liquidation strategy.

The reversal strategy is focused on improving the operational efficiency of the organization. This strategy is applied when the organization has a significant downfall of its performances, but still it is not into a critical phase, therefore some efforts are implied by using the existing resources to improve efficiency. The elimination strategy applies when the reversal strategy does not give the expected results and implies the sale or closure of some parts of the business that may be a product line, a division (department) or a strategic business unit. This strategy is also known as a disinvestment strategy. The strategy of capture is applied in situation when the enterprise management is unable to provide normal functioning of the enterprise, so the only solution is to offer it to a larger buyer to ensure that the company will

continue with its existence. The liquidation strategy means an end to the existence of an enterprise, and this strategy applies when all analyzes show that it is in the company's best interest just to quit than to exist as such. This strategy is achieved by selling the company's property in whole or parts, and then completely closing. The decision on the application of the liquidation strategy is not desirable because of the consequences that the shareholders would have, i.e. owners and employees. The strategy of liquidation is also called as the strategy of bankruptcy. The basis of these strategies is to use the essential settings of crisis management to determine if enterprises can avoid weaknesses or to amortize the impact to an acceptable level. The managers must be very conscious if they apply these strategies because the survival of their business is questioned.

#### **2.5.4 Combined strategies**

Combined strategies are a combination of different strategies (growth strategies, stability strategies, reduction strategies) in response to changes in the environment. Most often, a combined strategy is implemented through joint ventures with companies from different countries. Each enterprise must have a basic, general strategy, which would determine the steps that would achieve the long-term goals, strategy that refers to the organization as a whole. It covers the areas of business, i.e. the activities and markets in which the enterprise will function and its future development directions. What kind of general strategy the management will decide to formulate and apply, would depend on the situation variables which arise from the external and the internal environment.

### **2.6. Tools and techniques of strategic management**

Strategic management can be defined as the process of directing the company's activities in the creation and implementation of the strategy. The strategic management uses tools and techniques that maintain effectiveness and efficiency in achieving their goals. According to (Heleta, 1995) the tools and techniques used in strategic management are:

1. SWOT matrix for the company's developmental behavior in terms of external opportunities and threats and internal strengths and weaknesses.
2. The method of the scenario, the method for predicting the future.
3. Portfolio matrix, a tool for determining the position of products and strategic business activities.
4. A balanced Scorecard to establish a link between the strategy and the system of evaluating the results achieved.

### **2.6.1. SWOT analysis**

This analysis, or its methodological framework, is in modern conditions the most widely used technique for strategic planning and strategic management. It is also called the TOWS matrix, and its task is to help identify current and future opportunities and threats from the environment and the strengths and weaknesses of the company<sup>1</sup>. The basic idea of the SWOT analysis is to enable the developmental behavior of companies by ensuring maximum usage of opportunities and abilities to find a way to minimize weaknesses and threats. In the early 1980s a TOWS matrix was developed that analyzes the same factors as the SWOT analysis and is based only on external factors, that is, in reverse order with respect to the methodological approach of the SWOT analysis.

The analysis is carried out through the following phases:

1. An internal analysis is conducted
  - The main internal abilities (strength)
  - Critical internal weaknesses.
2. An external analysis is conducted
  - Nearby opportunities
  - Major threats from the environment.

### **2.6.2 The method of the scenario**

The scenario represents a series of scenes and options which contribute to a joint relationship between decision making and events. In business planning, the scenario method began to be used in the mid-1970s, and a special application was found in strategic planning and strategic management.<sup>2</sup> The planning scenario attempts to specify the options with the range of possible future scenarios. It is defined as "a hypothetical series of events built in order to focus on the causal consequences and the point of their determination" (Milisavljevic, 1995).

The point is into providing an answer to the two main questions:

1. How can accurately be led to a hypothetical situation, step by step?
2. What options exist for each participant at each step to prevent, redirect or support this process?

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<sup>1</sup> TOWS or SWOT is an acronym of the first letters of English words: Strengths, Weaknesses Opportunities and Threats;

<sup>2</sup> In the literature in this area, the word scenario appears in the late sixties in the book by H.Kahuna and A.Winera: "The year 2000," where they define the script as a hypothetical set of events designed to keep the attention of the cause- consequential processes and decision making.

The purpose of this method is to predict the future qualitatively based on the probability that it is difficult to measure and control the future. The scenario describes a situation in the future, which is "seemingly affordable" and "believable" with multiple alternatives.

### **2.6.3 Portfolio matrix**

The portfolio management represents an useful concept for planning, organizing, leading and controlling of the strategically mixture for the business portfolio of the organization. In that sense, the portfolio management is discussed as strategy instrument (Franz-Friedrich, 1991). Basically, all portfolio models, or matrices, lie on the coordinates that represent the environment and the ability of the enterprise. In this sense, the portfolio approach can represent an instrument for analyzing the situations, and also for determining the target business portfolio, that is, selection of strategies for its reconstruction.

Portfolio matrices are favored in advisory and business practice, because of their simplicity, transparency and use (Porter 1980). The advantage of the portfolio analysis can be noticeable in the possibility of obtaining insight into the position of individual products, group of products or activities of the strategic operation of the portfolio matrix.

In that sense the company activities are segmented strategic business units (SBU), which in an optimal way are combined with the strategic management. In the same time, units with a rapid growth which are "hungry" for money, balance with the business units that are mature and provide cash, as well as units that are potential successors to the units whose lifespan is approaching to an end.

### **2.6.4. Balanced Scorecard (BSC)**

In the beginning of the 1990s, Nolan Norton Institute sponsored the study titled "Evaluation of performances of the organization in future". David Norton, chief executive of the CEO institute was the leader of the project, and Robert Kaplan was the academic consultant. After several years of research in 12 companies, a creative framework with the name "Balanced Scorecard (BSC)-card of balanced goals" is defined and its mission and strategic goals are put together to measure the performance of the company.

The goal of the BSC framework is for the managers to get a full overview of their work and focus on critical areas, leading the organization's strategy forward. The BSC helps facilitate communication about the implementation of the company's strategy. That is a bridge between the strategy and skills of the employees in order to: improve constantly. In contrary to the traditional orientation of short-term profits, the BSC financial aspect

introduces additional three categories for measuring which include non-financial aspects. The categories are customer satisfaction, internal business processes and learning and development.

Three additional categories represent a set of measures that lead the company to the performances of the future, while the financial perspective represents the performances of the past.

The BSC framework includes four main perspectives:

1. Financial perspective
2. Client perspective
3. Perspective for internal business processes
4. Perspective for learning and development.

## **Part two: CONCEPT, MEANING AND SPECIFICATIONS OF HOTELS**

### **2.1 Historical development of hotel industry**

As one of the most massive phenomena in modern society, tourism represents a journey for recreation, leisure or business purposes. According to the World Tourism Organization, the tourism represents sum of activities of people during their journey and accommodation in a place outside of their usual surrounding, but not more than one year, for recreation, i.e. business or other aims which are not related to conducting activity which is paid in the visiting place (World Tourism Organization). Considering the tourism as a complex phenomenon, during its historical development, the stages of the development scale can be differentiated by the number of the participants in the journey, by journeys into privileged classes to an extreme mass in the journey. There are different opinions in the literature regarding the existence of tourism before the middle of XIX century, which is before the contemporary tourism. Some theoreticians argue with the term tourism for journeys as a result of leisure and recreation which during that period were not considered as tourism, mostly as a result to the minor number of participants. On the other hand, other theoreticians claim that for the phenomena with characteristics like the contemporary tourism, despite the important differences during the development period, the term tourism can be used. Analyzing the both main landmarks in the basis of defining tourism: the change of permanent residence and a complete change of stay (holiday, recreation, business, culture etc), it is inevitable to mention the meaning of hotels as basic accommodations. Affirming

hotel business as a need for tourism, it is indisputable to connect the parallel of the historical development of tourism with the development of hotel industry. Evidences of accommodation are recorded in the distant Bible times when Mary and Joseph arrived in Bethlehem during the population census. According to the Bible passages, Mary and Joseph were denied their stay because "there was not a free place in the inn". The word "hospitality" has the Latin root meaning "welcome" or "home". The necessity for travel initiates the need of accommodation facilities that offer conditions approximately like at home. The phases that follow the development of hotel business are the Phase of Free Hospitality, the Phase of Primitive Hotel and Phase of Modern Hotel. Although the beginnings of hotel management cannot be accurately determined, it is indisputable that it develops depending on the development of productive and social relations.

## **2.2. The term hotel and hospitality**

The concept of the hotel comes from the Latin word **hospes**, meaning a guest, and from the French word **hôte**, which means the host. The catering facility which is basically a representation of the hotel industry is the hotel. It represents a catering facility where accommodation services and other services are provided in a hotel way, which is the basic concept of the hotel as an object in which hotel services are provided.

The hotel is a type of object in the area of accommodation, i.e. hospitality, that is the most complete and most representative object, which was studied by everyone, especially the areas of organizing the operation of the accommodation facilities that is the basic of this type of accommodation. The hotel is an environment whose goal is to provide its guests useful and efficient services, i.e. comfortable stay. Hotel guests expect comfortable living conditions in all rooms: in the lobby, in the catering areas of the hotel, shopping areas, recreation rooms and special accommodation units (hotel rooms and suites) where satisfaction must be adjusted to the requirements of the individual guest.

Worldwide there are differences in the definition of the term hotel, i.e. it is not possible to determine which contents are needed for an accommodation object to be considered as a hotel. Hotels can be organized as small family jobs, to major international chains owned by a large number of shareholders. The World Tourism Organization (WTO) when defining the hotel focuses on the size of the object, the services it offers and categorization.

According to the WTO, the hotel is an accommodation facility in which the accommodation services are provided in a number of rooms (in a number greater than the

specified minimum), which provides certain services, including room service, daily cleaning of the premises and rooms for personal hygiene of the guests, which are categorized by the equipment and services it offers, and which is managed by a single management (which also applies to large hotel chains).

The hotel provides accommodation in rooms, but also in hotel apartments. Hotels usually offer twin rooms, but also often provide the possibility of using an additional, auxiliary or a children's bed.

### **2.3 Meaning of hotel business**

In this section we will try to briefly explain the meaning of hotel business in society. Namely, like any economic branch, hotel business has multiple social and economic significance in one country. Taking everything into consideration we will list the most significant benefits of hotel business.

According to a group of authors, hotel business has multiple social and economic significance<sup>3</sup>:

- Satisfying the needs of accommodation and other services provided in the hotel facilities;
- By giving them leisure and recreation, it allows renewal of mental and physical abilities that are disturbed by everyday life;
- The hospitality allows the businessman to use the services that are necessary for conducting business contacts;
- For the participants in political, expert and scientific gatherings the hospitality provides the services and conditions for business work;
- For the excursionists it provides the usage of services in order to get acquainted with the natural beauties, historical, cultural heritage and economic achievements in the tourist place and destination;
- For the domicile population the hospitality enables the use of food and beverage services as well as entertainment;
- The hosting enables and encourages the development of all types of tourism. For the most part, this is the so-called tourist hospitality, which has great importance in the development of tourism, and vice versa;

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<sup>3</sup> Group of authors, Operational organization in hotel, Faculty of tourism., Zagreb, 1994, p. 1

- Considering the fact that hotel guests stay in and communicate from different parts of the country and come to their mutual acquaintance and rapprochement, the peace in the world is strengthened;
- With the entertainment programs of the guests that are woven with customs from the area where the hotel is located, hotel business contributes to more intensive stay of the guests, and hence the extension of the knowledge of the land, the people and their culture and tradition is enlarged;
- With the realized revenues, especially the foreign exchange, hotel business contributes to economic development and settlement of some of the financial needs of the state;
- Hotel business is a consumer of products from a number of economic branches, and in that manner appears as a participant in the commodity turnover between producers and consumers. By doing so, the hospitality contributes to faster overall economic and social development in the region in which it operates;
- Hotel business employs a significant number of young professional and other employees, which contributes to alleviating unemployment.

#### **2.4. Hotel specificities**

Hospitality is an activity that has a diversity of services and products that fulfill the wishes and needs of consumers. Despite the fact that a part of the business activity in the hotel business has a character of material production (supply of food and beverages), the service character is what essentially determines this activity and makes it specific (Dzani 2006):

- In the hotel facilities, it provides accommodation, food and drink outside of the boarding house services for all the clients;
- It is necessary to constantly adapt to their demands;
- Need for direct contact with the guests, because the services can not be provided, where there are no guests;
- Permanent willingness of employees to provide services;
- The hotel's working hours are flexible;
- It is difficult to plan and coordinate the needs of employees with the capacity of employment;

- Unequal intensity of work during the day and during the year determines the specific working conditions - seasonal work with long hours of standing, walking or working at high temperatures;
- Non-flexibility of expenditures and engagement of funds;
- In the production process relatively expensive preparation materials are used (for the preparation of food and beverages);
- The hotel market is saturated with the offer, which allows users to constantly have available a wider offer within the same level of prices. In such circumstances, the hotel's impact on the hotel's selling price is limited by competition.

## **2.5. The hotel as a business unit**

The hotel, as the main representative of hotel business, regardless of its organizational position, can be characterized as a system. The hotel as a business unit is obligated to have worked out procedures for the information activities that people can perform with the help of information technology. The hotel receives information from various sources, internal and external, and the information system processes them into new and useful information. The goal of the hotel's information system is to provide the business system with all the necessary information about

- Conducting the business process
- Managing the business process
- Deciding

The hotel as a business unit consists of a multitude of interconnected elements, which fulfill some business and social goals. The hotel is a business unit that belongs to the sphere of social compositions and differs from the natural and technical compositions in the society because it is:

- Complex;
- Dynamic;
- Stochastic;
- Open;
- Organizational.

The hotel is a complex system as it consists of several elements (sub-compositions), which in themselves have all the features of the composition. If this complexity is discussed in terms of functionality, the following sub-compositions can be as examples in hotels:

- Marketing and sale of accommodation facilities;
- Preparation and provision of accounting services;
- Purchase;
- Preparation and provision of food and beverage;
- Preparation and provision of additional (non-boarding house) services;
- Hotel maintenance;
- Human resource management;
- Finance and accounting.

When the hotel is divided into the factors of the proces of its functioning, then as sub-compositions are:

- The means of work;
- Objects for work;
- Services provided at the hotel;
- Management;
- Provisionally-qualified staff.

From the economic-sociological point of view, the hotel is divided into sub-compositions as:

- Profit units;
- Cost units;
- Investment units;
- Organizational units;
- Economic units;
- Business units;

If we look at the hotel from the aspect of its functioning, the subheadings are:

- Controlling;
- Management;
- Execution;
- Establishment of information.

## **2.6. Hotel's functions**

The hotel is an environment that intents to provide its guests a useful and efficient service, i.e. a comfortable stay. Hotel guests are expecting hospitality and various benefits

that hotel management should provide and enable full satisfaction for their well-being, but also the profitability of hotels (Jakovic, 2012).

The hotel's positioning is considered as characteristics due to the fact that to the relatively strong oscillating demand, a relatively inflexible demand is opposed due to the rigid capacity, especially in the area of accommodation. Based on the need for constant business or service readiness, the hotel industry has a tendency towards excessive re-accompaniment, where the real and possible utilization rarely coincide, and if it so, it is only in short periods of the peak demand. Due to this rigidity of the offer, the strategic planning in the hotel industry should be of special importance.

If changes in the environment are perceived on time, an appropriate mechanism can be introduced in a timely manner that will contribute to the existence of the organization in the long term. As a strategic planning factor in hotel companies, the duration of the planning period as a key characteristic is not so much in the foreground, but it is based on a global analysis of the sources of success and appropriately development of long-term concepts for securing the future.

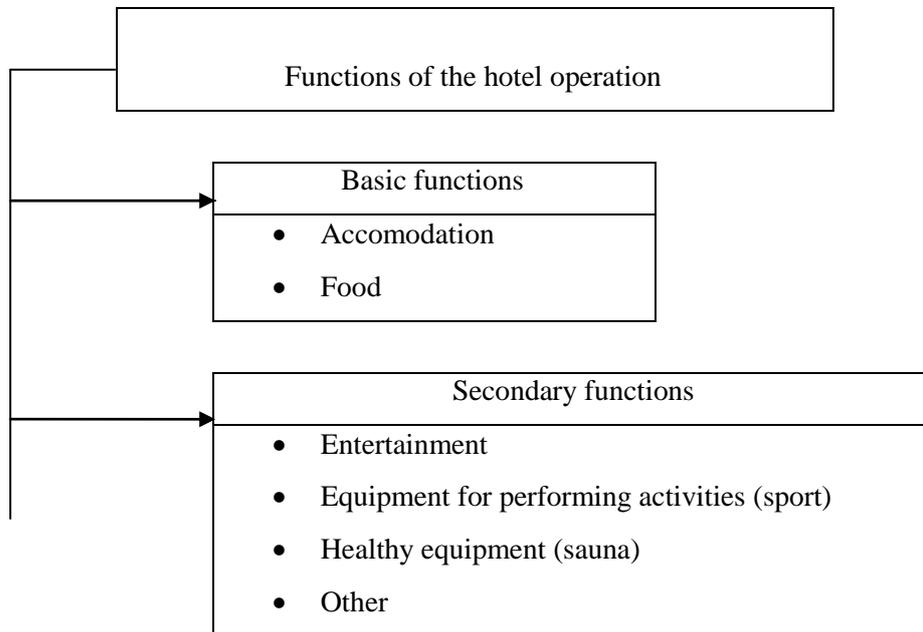
Hotel management can be defined as a system of creating, directing and coordinating all the factors that influence onto the hotels' offer. The goal of hotel management is to achieve larger business and financial results with minimal investments. The main feature of the hotel include accommodation and food, and that is the reason why the services of non-material nature are listed. The services offered by the hotels are the result of a combination of material goods (hotel rooms, food, drinks) with different services.

However, it should be taken into consideration that the demand for hotel services is not limited only to the physiological needs for food and accommodation, but also of additional services, such as hospitality, courtesy, or creating a pleasant atmosphere, which actually comes as a result of social needs, the need for recognition or self-realization.

In this context, one should observe the individual orientation of the wishes of the guests, because each client has individual needs, characteristic different motives, which impose the need for the services on a case-by-case basis to be combined differently.

In Figure 5, in addition to the basic functions, some helpful functions of the hotel are displayed. In addition, various intangible services, as well as internal factors, material goods (food and drinks, hotel rooms) are used, but there is only a limited possibility for storage and savings. So for the food sector in the hotel there is only a small possibility for storing food and beverages because it can only be kept for a limited period of time (Grgona, and Supic, 2007).

Figure 1 Functions of the hotel operation



Source: Ingram, H., Ransley, J.: Developing Hospitality Properties and Facilities, Butterworth-Heinemann, Oxford 2000., str. 65.

## 2.2. Types of hotel services

Hotel operation consists of production and service processes. The purpose of production processes is the supply of material goods. These are products that are offered in the form of delivery of services dishes, desserts, drinks and beverages. The purpose of service processes is to provide different services to consumers. These services include accommodation, leisure, various trade and craft services, telephone, wake-up, washing and ironing, storing valuable items and so on.

The hotel's service, or the wide spectar of the scope of services, is conditioned by the categorization of the facility, the capacity size, the location, the time aspect of the operation (whether the operation is seasonal or throughout the whole year), the complexity of the organizational structure and the business policy for the appearance of market.

Hotel services are classified as:

### **Basic or boarding houses**

- Accommodation services - are provided in the units of hotel accommodation - rooms or suites;

- Food and beverage services - depending on the type and category of hotel, the offers in the hotel are provided in the dining rooms, banquet halls, salons, breakfast, breakfast room, barbecue room, cafes, cocktail bars ... and guests can be served in their rooms (room service);

Hotels usually rent rooms to the guests with breakfast, and guests can decide for half board or full board. Half board is a complex service for accommodation in a room, breakfast and lunch or dinner, and the boarding house is a kind of service, which includes accommodation in a room and all three main meals (breakfast, lunch and dinner).

### **Additional or out of board services**

- Providing out-of-board food and drink services - are provided outside of the à la carte restaurants, and refer to various gastronomic events;
- Recreation and sports services - swimming pools, tennis and golf courts, various types of courses, fitness, bowling alley, hiking and jogging trails;
- Various events can be organized (for example, on the open - without a ticket.) and others;
- Cultural and entertainment services - Hotels often organize concerts of classical music, i.e. they are hosts of popular artists, exhibitions, there are libraries, conference facilities for entertainment and social games, especially during bad weather, guests are offered special entertainment programs (animation);
- Trade services - the guests are offered the opportunity to purchase souvenirs, newspapers, various personal materials, boutiques of high fashion and other;
- Crafts and services - hotel facilities often include hairdressers, beauticians and pedicure salons, photographers, watchmakers and others;
- Health and other services - hotels offer guests the opportunity to diagnose, treat, rehabilitate and much more.

In addition to these services, in separate organizational units hotels offer their guests laundry and ironing, shoes cleaning, storage of valuable items, car garages, photocopying services, awakening services related to postal items, information services, child care, or other services depending of the category that some hotels have to offer.

In order to provide certain hotel services, it is not always possible to have such staffing solutions that can provide high quality of services, and apart from the problem with

personnel solutions, renting business premises reduces costs and risks (because the risk is assumed by the one that hired him). Renting may be particularly in areas such as providing trade or craft services.

## **Part three: IMPLEMENTATION AND MANAGING OF MARKETING ACTIVITIES IN HOTELS**

### **3.1. Planning of marketing activities**

Conducting marketing activities with the aim to satisfy the needs of the permanent and potential customers, they conduct in a dynamic, continuous, integral and flexible process also known as marketing management. The process of marketing management is consisted of three parts: planning, organizing and controlling.

Planning as a phase of the process that performs the marketing activities can be defined as a process that makes decisions for goals, politics, strategies, programs and plans for marketing activities. It is sensitive to the position, the motive and the need of the consumer on the market, observing the basic characteristics of the economy and the development of society, and further information about the expected changes in order to accept and take risks. The main features of marketing planning are its importance for the future, which implies an active approach to the relationship between the environmental impact and its own resources.

The main reasons for focusing on the efforts for the planning process of the marketing activities can be defined as (Wahab, et al, 1976):

- a) Directing the management activities onto the current and planned costs, revenues and profits in the context of their own and competing products and customer segmentation;
- b) Understanding the role of stakeholders in the development of the strategic marketing planning for the companies;
- c) Focusing onto strategic business objectives in the context of the market and establishing competitive short term plans which are relevant to the long term plans;
- d) Establishing and accepting specific business objectives for managers / SPS, which is necessary to perform in a period predicted;

- e) More effective arrangement and coordination for the usage of online presentations, reservation system, promotions and other marketing activities necessary to achieve the objectives and allocate the necessary resources;
- f) Ensuring coordination and a sense of shared action between different departments within the company and communication and motivation of employees at all levels;
- g) Monitoring and evaluating the results of marketing efforts and adjusting the planned activities in order to respond to unforeseen changes.

### **3.2 Establishing a marketing strategy**

The success of establishing a marketing strategy directly depends on the accuracy of the assumptions on which it is based: defining the current position of the company - diagnosing the situation, forecasting, aligning the weak and strong points of the company with threats and chances from the environment and defining where we want to be in the future, that is, from marketing purposes.

The process of formulating a marketing strategy begins by defining the target markets, which are based on analyzing the market opportunities. This analysis is supposed to provide an answer to the questions related to the volume and structure of the existing and potential markets, the consumer's needs and the product rating among the consumers. These answers are essential for the type of strategic response. An analysis of the market opportunities is performed at three basic levels: analysis of the generic product (basic product), analysis of a specific product and specific analysis of brands. The analysis of the generic product includes observation of the long term trends in the areas of sale and consumer's type, as well as their values and life styles. The specific product analysis is based on determining the relevant market segments pursuant to the previously defined criteria for segmentation. In addition, at this stage, an appropriate assessment of the main factors for the demand should be implemented. Within the framework of the specific brand analysis, the influence of the competition and the perception of the trademark are considered as points for observation.

### **3.3. Specifications of the tourism managers**

Work in tourism can be characterized as a complex and difficult establishment of the tourism as an economic activity, from its expansion until the present days. Here, first of all, the needs and requirements of the users of tourism services, or the tourist product, are

supposed to be taken into consideration. Among other things, working hours are supposed to be adapted according to their demands, and therefore the working hours of tourism managers out of the usual frames (with night work, holidays and Sunday) are supposed to be adapted too. The modern tourism manager is supposed to obtain skills as any other manager in the tertiary activities, as well as certain specifications, which would briefly be covered in this section (Cerovic 2002):

- Excellent knowledge of tourism
  - Knowledge of the situation in international and domestic tourism, especially more globalized, but also regionalized tourist markets;
- Analytical skills
  - Ability based on fact analysis and numerical analysis of everyday management problems (this requires good knowledge of the past and current indicators of productivity and efficiency of tourist objects, but also the company as a whole, in particular financial data analysis);
- Creativity and determination
  - For tourism, especially in hotel operations, there is no pre-defined scope, standardized recipes are defined at the time, which guarantee high efficiency and effectiveness in operation, and therefore the success in tourism is the result of sensitive decisions that are based on creative and innovative management techniques, so that is the main reason why the manager should be creative and able to generate new ideas and solutions);

### **Formulation of strategy for achieving competitive advantage of hotels**

For a long period the growth and the development of hotels is determined by the changes in the volume and the structure of the tourist demand on one hand, and the development of the technology on the other. So, despite the tendency for a quantitative increase in the tourist market, it is important to emphasize the qualitative changes both in the domain of demand and in the overall tourism industry.

Strategic adjustment can be distinguished in:

- An innovative adjustment when a new attribute is added to the existing products;
- Suitable for adjustment when the leader of the market is copied or followed by someone.

The competitive advantage of hotels depends, among other factors, primarily on the application of new technologies, with a special development role in information technology. This technology provides the necessary flexibility in order to satisfy the changing demands of the consumers at prices that are competitive when compared to the cost of mass production of travel services.

The competitiveness of hotels will depend, above all, on their ability to provide technological advantage by improving the following:

- Information system which are accompanied by intensifying the research process and better prediction of the future trends in the demand and the competition strategies, in order to contribute for a better market position of their tourism products;
- Know-how, through the development of their technology (R and D) and education systems trainings (to provide a higher level of quality of tourism services, in accordance with consumer requirements).

In addition, the rapid development of new technological solutions and their application in the tourism is an important feature.

### **Changes into the orientation of hotel businesses**

The process of internationalization of hotel operations includes both business and tourism journeys, which is, giving equal contribution to the development of such industry. Internationalization is a process that in future will continue with the increase of these two types of travelling.

National hotel chains or groups can attribute their success to internationalization, as some of the most famous international hotel chains have operated only on the domestic market. The internal factors that are available in this process are credited for that type of transformation and transformation into one of the world's most famous hotel chains. The internal factors are those factors without which would be impossible to perform this transformation, so it is necessary to be tied at the moment to be able to emerge onto the global market. The internal factors which participate into the launching of certain international operations are always the result of a strategic approach, i.e. making the right decisions in the hotel chains. In the aforementioned item, we mentioned that the process of internationalization is the process of approaching, i.e. entering into the smaller domestic market outside of operating in their own country. The companies which undergo the process

of internationalization are supposed to adapt the mode in which their business operates to the global conditions and elements that are much higher than the motherland of the market. For entering into the global market, a strategic approach is necessary, and it consists of many factors for example including the market and the organizational aspect, so it is necessary to monitor the market and the organizational implications of the strategic factors. Hotel services are considered as a non material product that is not tangible and therefore it is difficult to quantify them, but they are extremely important for consumers, because the service is assessed with the level of satisfaction which is achieved by staying in the hotel. It is very difficult to orient the variety of offered hotel services on a global level. Due to such situation, the hotels that, unlike competition, offer qualitative assurance on their brand that is familiar to customers will have advantage. The most important factor in identifying the quality of the services of the hotels' chain is the quality of the services that create the reputation of the company, that actually is, its brand. Corporations of this type are hotel chains such as Hilton, Holiday Inn, Hyatt and others. The efficiency of their performance on the international market is much larger than the efficiency on the domestic market. Working in new conditions has changed dramatically with the entry into the global market, so the greater the possibilities are the greater are the consequences or the wrong decisions (Cacic, 2010).

### ***An internal method for growth and development of hotels***

The growth of the company in general, and therefore the hotel itself, can be achieved through an internal and external form, that is, as in theory there is an adaptation of the term internal and external growth.

The internal growth method, in which the company retains its business identity and independence, is achieved through the expansion of its range, including the introduction of new products or services, as well as by increasing sales.

Unlike the external method that is realized with the purchasing, integration or in some other way of joining two or more companies, the internal method assumes that in the development and growth of the company everything starts from the initial phase of the company's construction, the establishment of the capacities and by providing a source of funding necessary for that construction.

The company's internal growth method implies a maturation and achievement of the desired results, i.e. achieving optimal profitability for a longer period of time. It is the way to conquering the market that is neither easy nor short. According to some estimations, the necessary period for establishing the normal functioning of the companies that use this

method of growth in their development and realization of the established goals of the company is between 6 and 8 years, unlike those companies that use the external method of growth.

Internal method of growth is often intertwined with the external growth method, especially in the segments of a joint venture that is the form of direct investment and which is often used in the expansion of international hotel chains, primarily in new perspective areas, with the main goal of increasing the participation in the global market and gaining a competitive advantage in those relations. The interweaving of these two methods of growth depend on the type, shape and position of partners.

### **Future challenges of marketing management in hotels**

World hotel management is continually changing, while key changes have taken place in recent years. It is necessary that the hotel management adapts to those changes, which implies a proactive approach to the changes that have taken place and the way of conducting business.

The managerial ability of adjusting the turbulence of a complex and dynamic environment provide the future of the organization. In that kind of situation, managers are the ones that have to obtain wisdom of recognizing the factors (and their changes) and who must bravely lead the organization in an environment that is constantly growing and developing.

Withiam (1991) states that hotel managers are concerned about creating a vision of enterprises and that the most important thing is to create such a climate within the enterprise that will encourage the effective operation of all employees. This fact gives the right that due to the very nature of the operation of hotel and turbulent conditions in the environment, transformational management has become necessary for the long-term success of the enterprise.

## **Part four: ANALYSIS OF THE SITUATION WITH HOTEL MANAGEMENT IN KOSOVO**

### **4.1. Characteristics of the hotel industry in Kosovo**

Hotels in Kosovo are characterized by insufficient level of quality of services, unfavorable structure and lower usage of their capacity. The hotel facilities in Kosovo mainly meet the needs of mass tourism, and the lack of quality service is a result of a lack of standards for design, construction and equipping of facilities. Therefore, the capacities of

Kosovo hotel business are becoming less competitive in the international market. The quality of hotel services also depends on the maintenance of the objects themselves, the level of comfort and, in particular, the motivation and competence of the employees. Namely, the guest can forgive a lower level of equipment in the hotel, but cannot forgive the disorder of the object and the unpleasant staff.

**Table 2:** Number of hotels, number of rooms and number of beds by regions in Kosovo in 2016

| Region    | Number of hotels | Number of rooms | Number of beds |
|-----------|------------------|-----------------|----------------|
| Gnilane   | 13               | 193             | 244            |
| Mitrovica | 5                | 129             | 168            |
| Pec       | 15               | 279             | 564            |
| Prizren   | 12               | 349             | 777            |
| Pristina  | 33               | 1053            | 1348           |
| Ferizaj   | 17               | 260             | 303            |
| Dzakovica | 14               | 249             | 366            |
| Total     | 109              | 2512            | 3770           |

**Source:** Kosovo Agency of Statistics

From the table, we can say that the largest number of hotels in Kosovo (over 30% of the total number of hotels) is located in Pristina. Also, Pristina has the largest number of rooms 1053, that is, the largest number of beds of the total number of beds available to the hotel industry in Kosovo. It's not surprising, given the fact that most of the investments in commercial objects are located in Pristina, almost all foreign representative offices are located here, the institutions of the state and almost the entire economic activity is taking place right here.

#### **4.2. Revenues in the field of tourism**

Tourism represents one of the leading economic branches, and has a major contribution to the economy in almost all countries of the world. In order to determine the economic significance of tourism in a country, the balance of payments is most often used in literature. It records all international transactions on the country, including those that come by tourism. It can be said that one part of the balance of payments, which provides insight into

the incomes and expenditures that an individual country has in its domestic tourism within a certain period of time, can be identified as a tourist balance. Taking into consideration all this information, the tourist balance represents the total exchange of goods and services expressed in financial amounts among a certain country and the other countries in the world.

As already mentioned in the previous paragraphs, it is not surprising that tourism has a major impact on the balance of payments of many countries, which directly affects their external liquidity. As a rule, the situation in the balance of payments reflects the real economic situation of the country. The fact that international tourism, through the revenues realized from the consumption of foreign tourists in the country, can play an important role in increasing the country's total revenues is undeniable.

The impact of international tourism on the balance of payments depends on the productive capacities of the country, which is a function of its geographical, economic, technical, social and other characteristics from its level of development. However, it is very difficult to calculate the effect which has the tourism on the payment balance of the country. The reasons are most often contained in the lack of necessary information, since many countries do not collect the necessary statistical data (as is the case with Kosovo). The calculation of these effects is particularly aggravated in developing countries characterized by high import dependence, as they require the import of a large number of goods used by tourists, as well as equipment for tourism infrastructure.

## **Conclusion**

Services in the hotel industry are emerging from the earliest times and as such they are developing and occupying an ever stronger place in the national economies of the countries in the world. It is characteristic to note that today, unlike previous decades, hotels operate in a dynamic, but non-permanent business environment. The pace of change in technology, globalization, economic and social climate, consumer demand and competitive structures among other factors have created a highly turbulent environment. Working under such conditions that represent a lot of uncertainties, the process of effective planning is critical and therefore the importance of the long-term marketing approach to decision-making is increasingly emphasized. The successful application of marketing planning in the hotels will lead to improvement of the material base, raising the qualifications of the engaged hotel staff, improving the technology and organization of the service, the application of new

technical and technological solutions, offering more and different hotel services which are required by the guests and which meet their expectations and requirements. This dissertation is based on the premise that marketing management affects the performance of the hotel. Accordingly, five relevant hypotheses were established in order to serve as a guide, as it was emphasized in the conceptual framework in the introduction, in order to establish the statistical significance of the relevant hypotheses. After the results obtained with the help of factor analysis, a linear regression analysis with a 95% confidence level ( $\alpha = 0.05$ ) was carried out in order to show whether there is a linear dependence between the dependent determinants and the specified six factors: Customer relationship management, marketing planning, strategic competitive positioning, generic strategies and port strategies, information communication technologies and organizational learning. Because by factor analysis we determined that two factors are significant for determining the performance (profit and market participation) in this case we had two regressions, that is, two models in which we will see the impact of marketing management on the profit, ie market participation.

The results of the regression represented that in the first model the RW increased by 1% that resulted in 0.59% ( $\beta = 0.39$ ), profit increasing, while the increase of 1% to marketing planning resulted in an 8.82% increase in the profits of hotels in Kosovo. On the other hand, the increase of 1% to strategic competitive positioning leads to an increase of 0.27% of the hotel profits when it comes to generic strategies, or 0.61% when it comes to porter strategies. When we analyze ICT, the increase by 1% will cause profit increase of 5.85%. In the end, the increase in organizational learning by 1% will affect the increase in the profitability of hotels in Kosovo by 0.35%. The results of the second regression showed that if the MUC increased by 1%, which would result in a 0.30% increase in the market share of the hotel. The results of marketing planning point out that the explanatory power of marketing planning on hotel performance is a positive and statistically significant determinant.

The results indicate that the increase in strategic planning by 1% will result in a 1.36% increase in market share in the hotel. The results of the next variable - the power of the strategic competitive position on the operation of hotels is also statistically significant and positive. Namely, the 1% increase in strategic competitive positioning leads to an increase of 0.42% in market share when it comes to generic strategies, or 0.36% when it comes to porter strategies. The results of the two regressions indicate that all explanatory variables affect the performance of hotels in Kosovo, suggesting that managers' perceptions which affect all these

variables were generally similar in all hotels. In both models, marketing planning has the greatest impact on both profitability and market participation.

Also, the findings from the study indicated that hotels operate in a highly competitive environment. However, the effect of other variables can not be ignored because they also had a moderately positive effect. These modest results have shown that there are other unidentified latent variables that have influenced the performance of hotels in Kosovo. Furthermore, the analysis showed that hotel managers point out that hotels in Kosovo rely on tourists from Western Europe and North America whose perception of hotels in Kosovo is affected by other unexplained variables such as terrorism, corruption and persistent political instability in Kosovo. Managers also point out that the overall lack of skills and expertise in management in developing countries such as Kosovo makes it unprofitable for the development of complex business structures.

We can say that hotels in Kosovo do not use significant tourism potentials as an important competitive advantage, so that it could become an important tourist destination in this part of Europe. Based on a research conducted by the author, it can be concluded that most of the hotels in Kosovo and their management do not have a clear image and vision of the way their company is supposed to undertake, very often they are without strategic decision making and most of them try to survive in conditions of ongoing turbulent changes without taking any important activities to mitigate the changes. A transformation is suitable when the funds are entrusted with the management of appropriate people who are trained to manage themselves and others, those are managers who are able to provide the most efficient ways of survival, growth and development of hotels. For this reason, many of the current managers do not have enough knowledge or experience to clearly define the mission, the vision to fully implement the strategic marketing process.

It can also be concluded that, in general, the hotels in the category for increasing the scope / luxury (first and second) and certain third category hotels are highly professional in their work and promote their current business activities, ie they have clearly stated business goals they want to achieve in the future and ways to implement these goals. Hotels are supposed to recognize current trends, predict their development, make available all information, develop communication among stakeholders who show interest, and improve all elements of marketing management. A good beginning has been achieved in improving the tourism quality, using the product differentiation strategy, as well as certain growth strategies.

Taking into consideration the abovementioned, hotel employees in Kosovo are supposed to be aware that tourists today are very sophisticated consumers and are constantly searching some different tourist products. Therefore, it is necessary that hotels in Kosovo make a plan and strategy in order to improve their competitiveness, and to be able to offer themselves on the domestic and international tourist market. That is the only way where there is hope and optimism to increase the competitiveness of the hotel industry in Kosovo that would affect not only the increase of the number of tourists, but also would contribute to the overall economic development of Kosovo.

This represents that in the hotel's offers have to be included more than one content and at any time if it is necessary to remove or add some different contents, depending on the type of tourists the time period, the season and the environmental impact, all of this in order to meet consumer demand. Therefore, the responsible managerial structures of hotels in Kosovo should constantly create and replace the non-existent elements of their offer by adopting new ideas and products.

In the future, much more needs to be invested in strengthening the capacity of human potential in Kosovo, especially in hotels as the largest and most important accommodation facilities, that provide food and beverage services and other common services. If a lot more importance is given to marketing planning in the management of the company's products, in identifying the future profitability of their products and potential developing products, it should be expected that in the future that would affect the increase of the number of tourists, the improvement in the competitiveness of prices and service improvement.

In addition, what is necessary for the future is to animate the domestic and above all the foreign tourists for the cultural and national treasures that Kosovo possesses, clean environment, to improve certain accommodation capacities primarily in rural areas, to improve the performance of hotels so that tourists can continue their stay, because the extended stay implies success in the placement of tourist services and a significant level of the tourist client who would visit Kosovo.