

## **ECONOMIC CRISIS IMPACT ON COUNTY ALBA HOTEL INDUSTRY. CASE STUDY PARK HOTEL ALBA IULIA**

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**Abstract:** *The present paper, dominated by the global economic crisis effects is and continues to be a critical time for global tourism industry and for Romanian too. This study tries to play on a particular case, Park Hotel, located in Alba Iulia, the impact of this phenomenon over tourist hotel services.*

**Keywords:** *economic crisis, hotel industry, the impact of financial crisis.*

### **Introduction**

As expected, the global financial and economic crisis has left its mark on the Romanian economy and our country begins to feel increasingly the economic recession that the great economists of the world fail to find an antidote.

Overall, the EU economy will stagnate this year and in 2013 will grow by only 1%. Economic activity in France and Germany will increase by 0.5% and 0.7%, in Italy, the economy will remain the same, the Netherlands, internal demand decreased late last year, but will recover in the last quarter of 2012. According to forecasts, Spain will remain in recession until the end of 2012 and growth will recover in the first quarter of 2013.

After four years of crisis, Romania has not escaped and is still in bad economic times. Businessmen and analysts say that 2012 is likely to be even worse for the Romanian state. Although in 2011 the Romanian economy showed signs of recovery, it is a circumstantial output from recession, and there is no assurance that this output will continue in 2012 because they are too large disturbing factors that affects the economy in general and Romanian tourism sector in particular.

This crisis is strongly felt in companies in Romania. Default tourism services have and will suffer from the crisis as far as population demand for these services is considerably reduced; people search to satisfy the basic needs first and then the other needs to the extent that they possess enough resources. Also can be observe that between people income and the consumption of tourist services is a relationship of direct proportionality, meaning that an income decrease will decrease demand for these services and vice versa.

## **Research methodology**

Regarding research methodology, to assess the impact of economic crisis on tourism services is achieved a practical documentation at PARK SA, the leading tourist hotel in the county of Alba and Alba Iulia city, where is studied the evolution of several relevant indicators for measuring progress impact of this phenomenon which has been felt in the tourism industry too. First we analyze the evolution of tourist traffic main indicators, considered the reference period ranging 2008 to 2011.

In this analysis aims the evolution of tourists number, overnight stays, average length of stay, the average occupancy, the revenues volume / average spending per tourist and day-tourist. In order to more easily interpret the results will be calculated the indicators abovementioned dynamic both in absolute values and relative values.

## **Short presentation of Park Hotel Alba Iulia**

Located in the central park of the city, close to Alba Iulia's Town Hall, Alba Iulia's County Council, the Prefect's office and Chamber of Commerce, Industry and Agriculture of Alba County, Park Hotel has 150 accommodation places in 35 rooms with king-size beds, 27 double rooms with single beds, 8 apartments and 2 rooms for disabled people. Regarding the public food services Park Hotel has three restaurants with 200 seats, 100 seats and 50 seats and a bar with 80 seats. The hotel offers tourists recreation-entertainment services in the leisure base consists of a pool dimensions of 18m x 6m/ 1.8 m with water heated to 29°C, two eight-person jacuzzi with water recycling system, 12 maintenance equipments, two modern saunas with a capacity of 4 and 10 people. For tourists accommodated at the hotel, leisure services are included in accommodation rates and hotel customers without accommodation can choose for more favorable rates on subscription based entertainment. Businessmen receive specific services offered in a conference hall with 180 seats with amplification and the application development based on user wishes, air conditioning, projector and screen.

Being in the neighborhood of the most important public institutions, banks and major companies, the hotel adds an additional reason for businesspeople or tourists visiting the city, to choose this hotel.

## **Measuring the economic crisis impact on the tourist traffic in Park Hotel**

A special place in the structure of tourism indicators is the tourism traffic expressing actual demand in various aspects, but sometimes also on the potential demand or supply-demand relationship. Tourism indicators capture and give a synthetic, mathematic speech, information on various aspects of tourism, information useful to measure the phenomenon and its effects, to anticipate trends and to base policy development in this field.

Among the most representative and important indicators that will be analyzed to measure the tourist traffic in the Park hotel complex in Alba Iulia, can be mentioned: the

tourists number, overnight stays or day-tourists, average length of stay, the use of accommodations.

Collected and processed data for measurement of tourist traffic in the Park Hotel Alba Iulia have the following results:

**Table no.1 Tourist traffic indicators at Park Hotel Alba Iulia**

Indicators	Period		Deviations		Period		Deviations		Period		Deviations	
	2008	2009	±	%	2009	2010	±	%	2010	2011	±	%
Visitors:	7189	6485	-704	-9,8	6485	4678	-1807	-27	4678	4003	-675	-14
-resident tourists	4891	4783	-108	-2,2	4783	3242	-1541	-32	3242	2160	-1082	-33
-non-resident tourists	2298	1702	-596	-26	1702	1436	-266	-16	1436	1843	407	28
Overnight stays (days-tourist)	22286	16213	-6073	-27	16213	13196	-3017	-18	13196	10980	-2216	-16
-resident tourists	17650	12792	-4858	-27	12792	10128	-2664	-20	10128	5700	-4428	-43
-non-resident tourists	4636	3421	-1215	-26	3421	3068	-353	-10	3068	5280	2212	52
Average length of stay (days)	3,1	2,5	-0,6	-19	2,5	2,82	0,32	12	2,82	2,74	-0,08	-2,8
-resident tourists	3,6	2,67	-0,93	-25	2,67	3,12	0,45	16	3,12	2,63	-0,49	-15
-non-resident tourists	2,6	1,8	-0,8	-31	2	2,1	0,1	0,5	2,1	2,84	0,74	35
Average occupancy rate (%)	60,36	54,45	-5,91	-10	54,45	43,82	-10,6	-20	43,82	50,08	6,26	14

Source: prepared by author based on data gathered from company SC PARC SA

Based on table no.1 informations, are emerging following trends for tourism activity held in the Park hotel complex, over the range considered relevant to analysis, namely:

1. Following the evolution of the indicator tourists number during 2008-2011 we can see a quite significant decrease of this indicator values, result caused by economic crisis. So, in 2008 when the company was still a thriving business there has been a total of 7,189 tourists compared to 2009 when their number is reduced by approximately 9.8%, which means a decrease in absolute numbers by about 704 guests. The analysis of 2010 compared to 2009 there was a more significant decrease in the number of tourists from 6485 tourists who had been in 2009 to 4678 tourists in 2010. This means a decrease of about 27%, which represents in absolute values a decrease by about 1,807 tourists of the analyzed indicator. 2011 brings to a quite significant decrease in the number of tourists, and hence that the negative effects of financial crisis still persists in the studied company in considerable intensity. The lower number of tourists in 2011 compared to 2010 is about 14%, which means a decrease in absolute numbers with 675 tourists.

Analyzing the number of tourists for years indicator located at the ends of the range, namely 2008 and 2011 there is a sharp contrast, a very significant discrepancy. Thus, number of tourists indicator experienced a downward trend from year to year, being 7,189 tourists in 2008 compared to 2011 when gradually decreased to around 4,003

tourists, so a decrease of about 3,000 tourists, representing a significant percentage of 44.4%.

A higher share in the total number of tourists is held by resident tourists in Romania, but their share decreases as economic crisis is increasing and its effects becomes apparent, significant resented as population income level decreases accordingly. The decrease of Romanian tourists number is more obvious starting with 2009, 2010, recording a minimum in 2011. The decrease in 2010 compared to 2009 is 32% (in absolute numbers with 1,541 tourists), while the negative trend in 2011 compared with 2010 still increases with a rate reaching 33% (in absolute numbers decreasing with 1082 tourists). For non-resident tourists declines are not so pronounced in the first two analyzed years from 2008 to 2009 their share decreased by about 26% (from 2,298 tourists in 2008 to 1702 tourists in 2009). 2009, 2010 approached compared bring down about 16% for non-resident tourists, while 2011 brings an increase of 28% compared to the previous year, which means there was an increase in tourists to 407 persons. Hence it may be concluded that the economic crisis effects experiencing a greater extent in Romania, the externally the economy is less affected.

2. Indicator overnight stays or days-tourist mostly negative in the period under analysis, as an undeniable result of the economic crisis that is felt more acutely in the hospitality industry of the city of Alba Iulia too. Thus, in 2008-2009 the number of overnight stay is reduced from 22,286 to 16,213 days-tourist, which means a decrease of about 6073 days-tourist, and the relative numbers decreased by about 27%.

In 2010 compared to 2009 the lower number of overnight stays in the Park hotel is increasing, this time decrease is about 18%, which means a decrease in absolute numbers with 3017 days-tourist. In 2011 compared with the previous year, days-tourist indicator knows a downward trend, falling from 13,196 to 10,980 days-tourists.

For the Romanian tourists who also are the most numerous, the number of overnight stays is higher, but equally reported decreases in the number of overnight developments for foreign tourists. Consequently, in 2008-2009 the indicator decreases by 27% (from 17,650 days-tourist in 2008 to 12,792 days-tourist in 2009) for residents, while for non-residents is recorded a decrease by 26% (from 4636 overnight stays in 2008 to 3421 in 2009). 2009, 2010 approached compared bring some changes meaning that this time the number of overnight stays for non-residents falls in a lower proportion (10%), while the number of overnight stays for residents has decreased by about 10 percent high (20%). The developments during 2010-2011 are positive only for the indicator corresponding number of overnight stays of foreign tourists, the increase is about 50% compared to previous year. For the Romanian tourists is maintained the downward trend in the number of tourist overnight stays spent at Park Hotel in Alba Iulia.

3. The average length of stay is another indicator whose importance in drawing the study findings the impact initiated by this paper worth highlighting. Although for this indicator values are maintained fairly constant, with small deviations, the economic crisis effects are felt on the hotel business from this perspective too. The explanation lies in the fact that lower incomes lead to a decline in tourism demand and thus reduce the average length of stay. Based on analyzed and processed data on the average length of stay can be

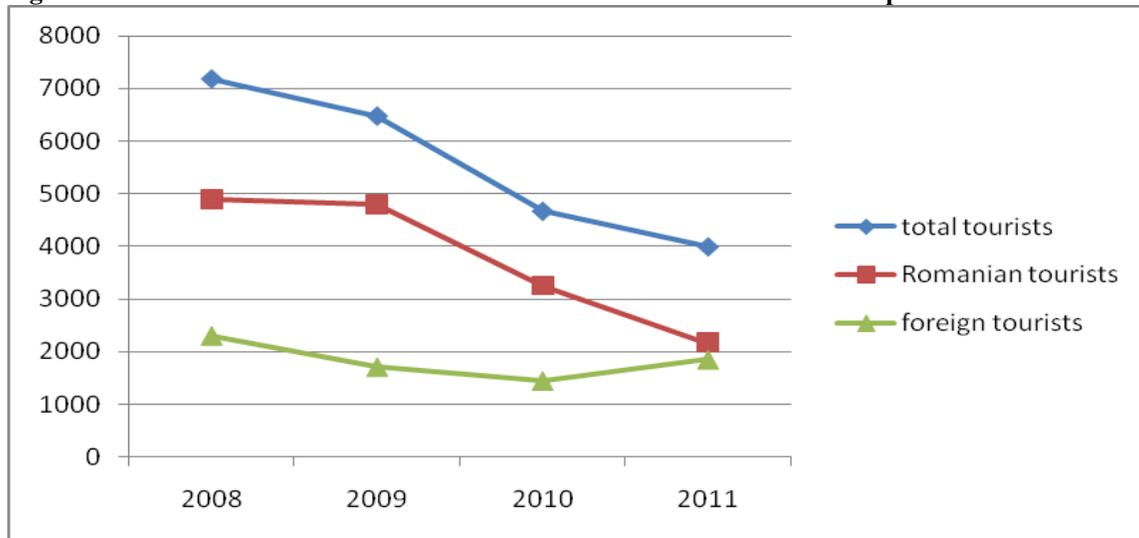
concluded that is about 2-3 days for tourists residing in Romania, and for non-residents is about one or two days, with increasing tendency during 2011 towards 3 days.

4. The average occupancy is another decisive indicator to point tourist traffic in Alba Park Hotel in the representative period. From an occupancy of about 60% in 2008 reached a level of about 55% in 2009, with about 6 percent lower than the previous year, minimum for this indicator recorded at the end of 2010 (about 44%), decreased is about 11% than the previous year.

Economic crisis effects, according to trends in this indicator are felt more acutely in 2010, when the percentage which plays the analyzed hotel occupancy decreases significantly. In 2011 the occupancy rate increases, phenomenon explained by reducing the number of accommodation places available due to removal from the touristic circuit, in the last months of 2011, a large number of rooms for their modernization. Therefore, although the average occupancy in 2011 achieves higher values than in 2008 and 2010, tourists number kept a downward trend throughout the analyzed period.

To play in a more convincing way the evolution of the tourists in Park hotel 2008-2011 was drawn on the chart below upon which can be identified quite significant variations from year to year in what concerns tourists.

**Figure no.1 Evolution of the indicator “number of tourists” to the Park Hotel period 2008-2011**



Source: prepared by author based on data gathered from company SCPARC SA

May be observed a very significant decrease in the number of tourists in the period under review, and this is particularly visible in 2010, especially if the developments of this year compared to values recorded in 2008 when the activity was a thriving tourist business.

The decrease of the tourists number due the economic crisis finds its explanation in the following words: "Between income allocated to tourism activity (meaning that part of income that remains after we have satisfied other types of needs) and demand for tourism is a relationship of direct proportionality: increasing income - increasing demand, decreases the income – decreases the demand".

The category of value indicators to quantify the tourist traffic from Park Hotel, the most important are *incomes volume / average costs per tourist* and *incomes volume / average costs per daily-tourist* which is determined reporting incomes/costs at tourists number, and overnight stays respectively. The values they recorded in the analyzed period follow the same trend as physical indicators previously analyzed.

**Table 2 The evolution of value indicators to quantify the tourist traffic for Park Hotel Alba Iulia**

Indicators	Period		Deviations		Period		Deviations		Period		Deviations	
	2008	2009	±	%	2009	2010	±	%	2010	2011	±	%
Revenue per tourist	569,6	650,8	81,2	14	650,8	763,7	112,9	1,7	763,7	854,8	91,1	11
Revenue per day-tourist	183,7	260,3	76,6	41	260,3	270,7	10,4	3,9	270,7	311,6	40,9	15,1
The average tourist cost	491,5	612,9	121,4	24	612,9	758,4	145,5	23	758,4	817,2	58,8	7,7
The average cost per day-tourist	158,5	245,1	86,6	53	245,1	268,8	23,7	9,6	268,8	297,9	29,1	10,8

Source: prepared by author based on data gathered from company SC PARC SA

Analyzing revenue per tourist indicator values, we see that it grows at a lower rate than the average tourist costs growing, although in recent years considered this indicator values tend to be closer to the values calculated for cost indicators. Thus, in 2011 compared with 2010 we can see that revenue per tourist indicator ahead of the growing proportion of average cost per tourist.

Average revenue per day-tourist upward evolving in analyzes drange, even if extent to which increases are in a certain decrease. If in 2009 compared to 2008 average revenue per day-tourist increase by about 40% in 2010 compared to 2009 the increase is only about 4% which means a rationalization of costs that are tourists, direct and immediate effect of the economic crisis.

Average cost per tourist increased from year to year, reflecting an unfavorable aspect because they will feel on the financial results of the company. Average cost per day-tourist is maintained, also in an ascending trend. Increased costs predominantly in faster than revenue growth due to the impact of economic crisis generally on the tourism activity and particularly on the Park Hotel business. This is explained because the price of raw materials increase, increase the cost of utilities, resulting in default increased costs.

Can be mentioned other ways of analyzing the activity of the under review hotel that can provide conclusive information to assess the impact of economic crisis on services SC PARC S.A. and his activity. Thus, the analysis of company revenues from services can be considered, and the income trends structured their main categories, determining their share in total company revenue over the four years proposed representative study.

## **Measures to reduce the economic crisis impact on tourist traffic to Park Hotel**

To mitigate the impact of financial crisis on the tourist traffic of Park Hotel Alba is required to be taken through several measures of which may be mentioned:

- Retain existing customers of the hotel by offering preferential rates or launching new marketing tools such as loyalty cards, gift cards, or the guaranteed price offer. But the real challenge is to maintain a portfolio of loyal customers, in this category entering tourists buying package tours or hotel services over a separate price level for several years.
- Lower prices and tariffs. High prices and tariffs generally limits the access to the hotel services, which is reflected by reducing the tourists number, reducing tourist length of stay, reducing the range of purchased services. At this time, tourists will be specially attracted by those products that are offered to convenient prices, thus stimulating the competitiveness between providers of tourist services which will try a stronger individualization of their offer.
- Reduction of certain categories of expenditure, respectively expenditure on raw materials, with consumables, etc.. Compared with most companies affected by the economic crisis who used a personnel policy restructuring in order to reduce the employees number, SC Park SA made a discordant note by keeping the personnel number and reducing to some extent, especially in the 2010 compared to previous years.
- Developing and diversifying the range of additional offer services. It's tourist information services, brokerage services, commercial services, etc.. Tourist information services facilitating access to knowledge and acces to specific offer and additional benefits made available by the hotel unit inside or outside it. Brokerage services, as well as other additional services are designed to satisfy tourists requirements. Park Hotel, within its discretion, mediates between his own tourists and specialized services providers the implementation of various works - repair or maintenance of objects in tourist facilities when these operations can not be performed at unit level, reservations of tickets to various cultural, artistic events, booking of transport or other accommodation and several other fees, car rental from specialized units and some activities with special character (supervision of children and the disabled, translations for business, stenography, congresses, conferences, symposiums).
- Improving the quality of hotel services. In times of crisis tourist behavior changes, meaning he requires a more high quality, becomes more exigent and has high expectations regarding the services he requires. In this context, development and diversification of services is a guarantee of a more attractive tourism products offered by Park hotel and their quality, but also an opportunity to conquer new market segments.

## **Conclusions**

The economic crisis had a significant impact on tourism services of Park Hotel Alba Iulia in that it decreased tourism demand for these services in a worrying pace, especially in 2009, 2010 impact reflected in the evolution of main tourist traffic indicators

analyzed in 2008-2011. In 2010-2011, the percentage of the indicator number of tourists decreased was important, both for the Romanian tourists and foreigners, that because prices have remained stagnant or increased and tourists became more reluctant consuming tourist services. Also, in 2011 the number of overnight stays decreased significantly and hence the degree of occupancy, which finally led to lower turnover and income.

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