

Nikolskaya E.Yu., Blagoev V., Popov L.A.

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Reviewers:

S.S. Skobkin, Prof.,
A.D. Shudnovsky, Prof.

Nikolskaya, Elena Yuryevna.

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This manual examines the development trends, the current state of the hospitality industry, the classification of hotels and other means of accommodation, in particular hotel management. Considerable attention is paid to the activities of the main services of hotel enterprise, as well as personnel management

For university students, teachers, students of professional retraining and advanced training in the hotel and tourism business, as well as industry professionals.

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Introduction

The tourist industry is one of the leading industries in the global economy as it forms about 10% of its total GDP. According to results of research carried out by Oxford Economic Forecasting at the request of the World Travel and Tourism Council (Oxford Economic Forecasting, 2019), economic activity in the field of tourism is forecast to be considerable during the 2016-2019 period. Total demand for tourist services are set to increase by 4.2% annually; in Central and Eastern Europe by 5.8% and in the Russian Federation by 6.5%. According to the WTTC, overall investments in tourism have reached USD700 billion, which equals 11.3% of total global investments. For example, about 10% of the budget revenues of the City of Moscow come from sales derived from its tourist and hotel complexes.

In every country, hotel business forms the main part of the tourist infrastructure, which itself forms the competitiveness of the hospitality industry.

Low levels of service and lack of sufficient hotel rooms, for example, will negatively influence both tourist flow and tourism development in any particular area of the country. Therefore, the development of a strategy for an improved organisation of the hotel business, as well as the improvement of the quality of the services and personnel management require in-depth analysis of the hotel business and research into the trends for the development of the hospitality industry as a whole.

This textbook contains three chapters. The first chapter covers the development of the hospitality industry, the contemporary trends and the existing models of hospitality management, in particular hotel management.

The second chapter presents the classification of accommodation facilities in Russia and elsewhere. The emphasis is on the development of the hotel business in Moscow.

The third chapter presents the specifics of hotel management, including marketing policy, hotel vision, organisational structure, guest service management and human resource management.

Taking into account the considerable interest that exists in tourism in general, and more particularly in Russia, Russia offers a very large tourism potential, and thus development of its hospitality business is among the priorities of its government policy. As a result, we see an increased need to study the new methods and trends in the hotel business as well as the developed models that can increase its efficiency and competitiveness.

Education in tourism and hotel management is still suffering from a lack of adequate research-based textbooks and handbooks that suitably

bly represent the proper practices applicable under the current economic conditions. Considering these factors, this textbook thus provides analyses of the development of the models and methods that are currently applied in hotel management and their potential further development.

Chapter 1. MAIN TRENDS IN HOTEL BUSINESS DEVELOPMENT

1.1. Evolution of the hospitality industry

Historically, we can present the development of the hospitality industry over several periods: ancient times, medieval times, new times, and current period.

The ancient period is marked by the development of the first hospitality entities, so-called proto-hotels and restaurants. For example, the Babylonian codex of law in ancient Mesopotamia was written around 1,700 BC, during the reign of King Hammurabi of Babylon (Driver & Miles, 2007).

In ancient Greece, around 1,000 BC, taverns had rooms to accommodate the travellers who had been served food. The development of trade and the travelling involved required organising not only the aspect of serving food but also the accommodation of the travellers, and this eventually led to the development of the proto-versions of today's hotels.

During the period of the Roman Empire large settlements of hostels were erected every 25 miles along all main roads.

Trading that took place between the countries of the Middle East, Asia and Caucasus played a major role in the establishment of hospitality entities in this area. The caravan travellers needed safe accommodation for the night and this led to the establishment of the so-called caravan-Sarai, which in general included rooms for the travellers as well as stables for the horses and camels.

During the Medieval Ages, the number of people travelling to the Holy Lands increased significantly. The Church required that monasteries offer support for travelling pilgrims, including accommodation and food. As these services were provided free of charge, they did not encourage the development of private hostels. When King Henry VIII secularised the monasteries, free of charge accommodation at monasteries was no longer an option and the pilgrims were forced to stay in private hostels.

During the 12th and 13th centuries, the first hostels –proto-hotels– were established in Russia. They were called “yamma” and were built along the routes at intervals equalling roughly what it would take a caravan to accomplish in a one-day horseback journey. In the 15th century, hostels were organised around post offices, established by the Yamsk Order. The 15th century also saw the development of large “hospitality

yards” in major Russian cities, which provided a combination of accommodation rooms, warehouses, stables, eateries, small shops, as well as places suitable for trade negotiations. In most cases these settlement yards were secured by high walls and security towers with high gates that were locked during the night. Guests were separated in different rooms based on their nationality, and in some cases, there were even premises named after these particular nationalities. For example, in Novgorod, during the 15th-17th century, there were German and Dutch hostels (*gostinniy dvor*), and in Moscow there were English, Greek, Armenian and other hostels (*dvor*).

During the 13th century, *gostinniy dvor* (proto-hotels) were built in Vitebsk, Grodno, Brest, Slonim and other Belorussian cities. Special hostels for the Belorussian traders were built in Bryansk, Vyasma and Moscow during the 15th and 16th centuries.

A positive step in the development of hospitality entities during the Medieval Ages was the establishment of the first professional associations. As an example, the restaurateurs of Florence, Italy, established a professional guild in 1282.

The 16th century was marked by the establishment of the first cafés, which became cultural as well as literature centres. Their development was based on the supply of exotic drinks, such as coffee and tea. The first European cafés were established in London in 1652. And in Vienna in 1683. Another interesting nugget of information: it was in Vienna that the first coffee with honey and milk was served. At the end of the 17th century, cafés had become highly popular in Europe, and dozens of them popped up in the larger cities. The first restaurant, *La Tour d'Argent*, opened in Paris in 1553. Over the next two centuries it remained unique, as it offered only food.

The term “restaurant” was used for the first time considerably later, during the second part of the 18th century. The original meaning of the word *restaurant* derived from “to restore”, as in “to refresh” and it had its roots based on the “restoring” thick soup that was served day and night at Mr Boulanger’s tavern, who was considered to be the founding father of contemporary restaurants. He became known for winning a Supreme Court case against the Meat Product Suppliers Guild in 1767. At that time, the guild had a monopoly on all meat products. Mr. Boulanger was the first restaurateur to offer his clients a wide variety of cooked meals. His most popular dish was mutton feet prepared in a creamy Poulette Sauce with potatoes *à la Boulanger*.

During the period of the French Revolution (1789–1799) many French cooks emigrated to other countries where they established restaurants, and over a relatively short time this idea spread throughout the world.

Around 1800, Britain started borrowing the restaurant concept from her neighbours. British restaurants became quite a special place; a world of haute cuisine, bespoke design, and outstanding service.

At the beginning of the 19th century, restaurants started using menu cards; hence, the à la carte concept which allowed clients to choose from a variety of meals listed on these menus.

In 1898, the famous hotel *Savoy* was established in London. Cesar Ritz became the hotel manager, and the *Chef de cuisine* was George August Escoffier. Together they revolutionised the organisational aspects involved in the workings of hotel restaurants. Escoffier was to become one of the greatest Chefs of his time. He established the shift system in the kitchen and also published a worldwide known culinary book.

The United States of America played a special role in the development of the hospitality industry. The first hostel in the USA was established in 1607, considerably later than in Europe. One of the first American taverns opened in Boston in 1634. In 1642, a Dutch entrepreneur opened a tavern in New York and ever since then taverns and inns became centres of public life and meeting points for soldiers and businessmen alike. These taverns and inns were established within the cities and along main roads, particularly at crossroads.

The first hotel in the USA was the 70-room *City Hotel* on Broadway in New York, which opened in 1794. In 1829, hotel *Tremont* opened in Boston. It was the first American luxury hotel with a staffed front desk, corridors, door locks, and free soup for its guests. The opening of this hotel initiated the hotel boom in the USA, at first on the East coast, and then later in the West and South.

At the end of the 19th century there were two types of hotels. The first group comprised the large luxury hotels, some of which were true architectural masterpieces, boasting large lounges, ballrooms, elevators, sanitary facilities, electric light and many other extras. The second group consisted primarily of smaller establishments with older furnishings and equipment, that offered their services at more affordable prices.

The first restaurant in the US, *Delmonico*, was established in New York in 1831. Soon this name became synonymous with high-class food and excellent service.

In those years, the American restaurant business developed in line with the established French model and traditions. In 1852, every first class American hotel had a French Chef. Menus were printed in French, which clearly sometimes led to problems for English-speaking clients. It was John Delmonico, one of the *Delmonico* restaurants co-owners, who introduced menus written in two languages –English and French– and over the years this tradition became popular all over the globe.

During the 19th and 20th centuries the hospitality business developed into a major industry. The construction of hotels, human resource development, pricing, etc. became the business of hospitality companies, labour unions, shareholder groups, and even corporations.

At the beginning of the 20th century, the most important among them were the London Syndicate of Hotel Owners, and the Union of French Hotel Owners. In 1906, the International Union of Hotel Owners was established, which united the proprietors of some 1,700 hotels in different countries.

In 1910, Russia counted 4,685 private hotels, not including hostels and tractirs with rooms. Among the most famous were the *Metropol* hotel, constructed in 1897–1907 by St. Petersburg shareholders, the *Hotel Lux*, the *Grand Hotel*, as well as Shevaldishev's hotels *Europe*, *Paris*, and others.

At the beginning of the 20th century, there were about 30 private hotels in Minsk. Some of them were just fitted out as 10 to 15 room buildings. The largest hotel in the north-west, also in Minsk, was the *Hotel Europe*, which had 300 rooms and which offered a wide variety of services, including a ladies and gents hairdressing salon, restaurant, library, elevator, as well as a shuttle service to the local railway station.

1.2. Current trends in the development of the hospitality industry

Among the trends in the development of the hospitality industry (e.g. Langford, Weissenberg, Gasdia, 2019; Rauch, 2018) we can list the following:

- The specialisation of hotel and restaurant services;
- The establishment of hotels and restaurants belonging to international conglomerate chains in Moscow and many other regions of Russia;
- The development of networks of smaller entities, boutique hotels (mini hotels) and hostels;
- The construction of long-stay apartments managed by hotel operators;
- The upgrading of dormitories to lower level hotels to satisfy the low-end demand, and offering apartments for short term rent;
- The application of new IT and AI technologies in the hospitality industry;
- The development of so-called loyal client programs to encourage brand loyalty among a hotel's clientele.

Hospitality entities specialise in a number of different ways. Some hotels position themselves to serve a particular market niche, for example, aiming their services at clients who use their vacation to play golf, or go skiing, or horseback riding, and so on, while others specialise in catering for congress people, or visitors of trade and other fairs.

Restaurants specialise most often by offering national dishes, lunch and dinner. Fast food restaurants have become extremely popular throughout the world, offering anything from hamburgers, fried chicken and fries, steaks, and sea food to a variety of sandwiches. In particular, the restaurants based on a particular theme, such as the Wild West era, or Rock-n-Roll, football, airplanes, railroad, nostalgia for the 1950s, etc. have become extremely popular. They usually only offer a limited number of dishes as their main focus is on the creation of a particular atmosphere or ambiance.

An additional aspect of the specialisation of hospitality entities is related to the very important trend of creating international chains, which plays a significant role in the development and promotion of the high-quality standards of the services on offer.

Holiday Inn was the first international chain that intensively made use of teleconferencing facilities. The *Hyatt Hotels* will always be remembered for their vast atrium-like lounges and glass-walled elevators. By the mid- 1990s, roughly 30% of all hotel facilities belonged to international hotel chains. As is the case with many other trends, the trend of establishing chains originated in the United States. This process became most popular during the 1960s. At the beginning of the 1990s, the American influence in the hotel chain business dominated worldwide and it may not come as a surprise to learn that the European chains *Travelodge International* and *Master Hosts International* no longer feature among the top 10 where only *European Accor* and *Forte PLC* retain a position.

The International Hotel Association classifies hotel chains in three different categories:

First: corporate chains (hotel corporations that own multiple entities);

Second: networks of independent companies which unite to use a joint booking system, marketing concepts, advertising as well as other services that are too costly when used independently, with the aim to provide core and enhanced services;

Third: networks offering management services.

There exist many varying points of view when discussing what it is that actually leads to success. However, in all cases, sustainable product quality, identical quality of services provided by all companies within the network and affordable prices are always listed as crucial factors.

Every type of hotel within the hotel chain has its own brand. The advantage of the companies that position themselves under their own brand stems from the fact that customers instantly identify with the quality of service on offer, even down to the type of furnishings which they associate with that particular brand, irrespective of its location.

This allows the hotel chains to advertise long before the actual opening of new hotel premises, thus ensuring that loyal customers will book into new hotels belonging to a well-known brand. Practice has shown that such bookings are indeed made well before the official hotel openings.

This trend of establishing hotel chains and networks does also exist in Russian regions. Between 2000 and 2010, around 50 international brand name hotels (with a 3 to 5-star rating) opened in Russia, offering a total of some 13,500 rooms.

Expansion of international brands in Russia has recently become quite extensive. For example, the well-known *Marriott International* hotel chain plans to enter the Russian market with new projects, obtaining the management of some 20 hotels, including hotels in Siberia. *Starwood* and the *Rezidor Hotel Group* feature among the most active investors planning to develop their business in Russia. *Accor Hospitality* opened new hotels in Russia, which include the *Ibis* Nijni Novgorod, *Ibis* Samara, *Ibis* Yaroslavl, *Mercure* Moscow, and the *Sofitel* in Ashkhabad. The group will be managing 6,850 hotel rooms based on 37 new agreements signed with the owners of the hotel premises.

From 2012–2014, *Accor* group opened *Novotel* Moscow City, *Mercure-Ibis-Adagio* Paveleckaya, *Ibis* Airport Sheremetyevo, *Ibis* Kaliningrad and *Ibis* Belgorod. About 45 new projects were negotiated, and based on this, *Accor* will be managing about 8,000 hotel rooms.

Russia's own hotel chains are still under development and it is obvious that competition from the very experienced international hotel chains will influence this process. As a result, Russian hotel chains are focusing on those market segments that are of no particular interest to the international chains, i.e. those mainly aiming at price-conscious clients, city locations that are too far away from city centres, along transport routes to airports and railway stations, or in areas without green zones as well as in the vicinity of hospitals.

The first Russian hotel chain was established in 1997 as a consolidation of 12 Moscow hotels, namely the *Altai*, *Baykal*, *Vostok*, *Voshod*, *Zolotoy Kolos*, *Ostankino*, *Sayani*, *Tourist*, *Yaroslavskaya*, *Vladikini*, *Orehovo* and the *Tsaritsino*. More recently, promising positive trends are shown by the *Azimut Hotel Company* and the *Heliopark Group*.

The main Russian hotel chains are listed in Table 1.

Currently, there is some fairly intensive development taking place of small independent hotels that are positioning themselves on the market by offering uniqueness and inimitability. The appeal of these small hotels is based on their small cosy rooms furnished in a comfortable homely style at reasonable prices and in good locations, satisfying the working and leisure conditions as well as the personalised service that is on offer.

The main clients of these small hotels are individual tourists, families, or tourist groups that visit the city, coming with a variety of different interests and requirements, such as recreation, education, leisure, etc.

Table 1

The main city hotel chains*

№	Company	Locations
1	Helio Park Hotel Management	Moscow, Moscow area
2	Intourist Hotel Group	Moscow, Velikiy Novgorod, Rostov Velikiy, Sochi, Petrozavodsk
3	Yumako, including Caterina-City, Caterina-Iris, Congress-Hotel, Krasnaya Polyana, and Caterina-Alpic	Moscow, Sochi, Krasnaya Polyana
4	Vela Invest (Pallada)	Moscow
5	International Academic Science Agency, including the hotels Academicheskaya and Uzko	Moscow
6	Hospitality Management Group, including the chain Assambleya and Borodino	Moscow
7	Sretenskaya	Moscow
8	The group including President-hotels, Zolotoe koltso (Golden ring), Arbat, and 20 hostels in the Moscow area	Moscow, Moscow area, Novgorod county, Samara county, Kursk county, Tversk county and Stavropol area.
9	Amaks (Amaks Grand Hotels), including Amaks Premier hotel, Tourist, Rossia, Slutnik, Youjnaya, and Kourgan.	Perm, Ufa, Valday, Vladimir, Voronezh, Belgorod, Kourgan, Tambov, Kazan and other.
10	Novtourinvest, including Sadko, Beresta Palace and Polisti	Velikiy Novgorod, Staraya Roussa
11	Permtourist, including Almaz Urala, Ural, Volna, Severniy Ural, and Stalagmit.	Perm, Perm county

* Source: Discovery Research Group, 2018.

As a rule, this segment is developed on the basis of needs, which include free organisation of the holidays, less stringent schedules, and being served at traditional hotels.

Development of the boutique hotels and hostels

Boutique hotels have the added advantage over larger hotels in that they are able to offer visiting tourists who want to enjoy particular city attractions the possibility of being at the heart of things, since these small hotels can be established right in the historic parts of cities.

The main advantage of these small boutique hotels is to offer clients choice, as there are so many of them when compared to the number of larger hotels. Clients are able to choose a hotel not only on the basis of price, services on offer, or location, but also according to their aesthetic preferences.

Considering the global scale of the history of hostels, which covers several centuries, Russia's first hostels were only just being established at the beginning of the 90s, more specifically in 1992, when the *St. Petersburg International Hostel* opened in St. Petersburg.

The first hostels in Moscow were established by foreigners, who, in spite of the problems they encountered, still decided to enter the market and establish a number of hostels that are still quite popular today. In 2005, James Skinner from the UK opened the first Moscow *Godzillas* hostel, which now occupies an entire floor in a housing block on Karetniy Pereulok, accommodating up to 50 guests.

The second, equally popular, hostel in the capital, *Napoleon*, opened its doors a year later right in the heart of Moscow. Richard Lines, again from the UK, had partnered up with the Russian Michail Nuridzhanov. Hostel business focuses more specifically on the development of youth tourism and the activities of student organisations.

This factor is one of the obstacles that limits the development of hostels in Moscow. At present there are over 400 hostels in Moscow and their number is planned to reach 700. The boutique hotels and hostels that are so popular among tourists offer quality services that are not only based on their simplicity, with a limited number of rooms and staff, but part of the attraction lies also in the fact that they are quite new, with new furnishings and staffed by qualified managers.

The local city authorities are planning to develop the economic (low price) segment of the accommodation industry by developing projects to change and upgrade some of the existing dormitories into budget hotels which would offer visitors to Moscow comfortable accommodation at a satisfactory price/quality ratio.

A first experiment of this kind has already been carried out in the form of a 3-star hotel on Aminyevskom Shosse, which was upgraded from the old dormitory of a Moscow construction company. This budget hotel is the Mospromstroy Company's first hotel in their new Cosmopolis hotel chain. In addition, Mospromstroy already own several hotels in Moscow that operate under international brands.

The concept of the new Cosmopolis hotel chain is based on accommodating guests in comfortable, modern rooms, offering a wide range of services at reasonable prices. The company further plans to open 12 European-type 2-3 stars hotels in view of the lack of this type of hotel in the capital. In addition, Mospromstroy is planning to construct new hotels on available plots of land, and also upgrade some existing dormitories into hotels.

1.3. Models of hotel business organisation

There exist several models for organising hotel business in global practice.

The *Ritz* model was named after the Swiss entrepreneur Cesar Ritz, whose name is carried by many luxury hotels throughout the world. The main focus of these hotels is on the existing European traditions of aristocracy and sophistication. It does appear, however, that this model is currently facing a crisis.

The model named after the American entrepreneur Kemmons Wilson (*Holiday Inn* hotel chain) focuses on increased flexibility combined with high service standards.

Important requirements for hotels belonging to this chain include uniformity of information style, fast check-in, room availability for loyal clients, buffet breakfast, conference hall facilities, flexible pricing, chain-controlled management and marketing and communication services.

More than half of the hotel rooms throughout the world belong to this type of hotel chain. These hotel chains are managed by a general management, i.e. the chain's holding company.

The third model comprises the independent hotel chains which, irrespective of their location, operate hotels under a particular brand and share selected standards and a variety of services.

Hotels in these chains pay fees to cover the expense of joint advertising and for sales related marketing purposes. At the same time, these hotels also have independent management and finance.

In reality, though, these three models tend to integrate, which at times leads to some joint practices. A good example is the hotel chain *Accor*, which uses different brand names, such as *Pullman*, *Sofitel*, and

Novotel that belong to the upper-class tier, while their *Althea/Mercure* are part of the middle class.

This model was used as a basis to develop new hotel consortiums. It integrated hotel groups of different classes, such as *Best Western Hotels*, *Romantic Hotels & Restaurants*, and the Russian company *Best Eastern Hotels*.

These consortiums, which do not insist on applying identical service standards, led to the expansion of hotels on the international markets by means of representing them in the booking systems.

The hotels that join the consortium either pay a percentage of their profit or a fixed annual fee. The Russian hotels *Art Hotels* and *Aerostar* have joined such consortiums.

There are families or associations that decide to join their hotels provided these meet specific requirements. Through this, the hotel gets access to the booking/sales system as well as an opportunity to brand itself in a more attractive way.

These associations maintain strict control over the fulfilment of their quality standards. They do not interfere in hotel management matters, but reserve the right to exclude the hotel from the association in the event of material breach of the corporate norms and regulations.

The financial contribution of these associations is covered by means of annual fees that do not depend on hotel revenues and on the use of the booking system. There are four Russian hotels which are part of *The Leading Hotels of the World*: the *National*, the *Balchug Kempinski*, the *Astoria* and the *Grand Hotel Europe Kempinski*.

Hotel associations can be established on the basis of franchise agreements. There are dozens of types of franchise agreements between the network and the hotels, which all differ from each other, depending on the various mutually accepted obligations.

Based on the organisational models listed above, there exist several different types of collaboration between hotel owners and hotel management:

1) Independent hotels, owned by independent investors:

– Managed by the owner;

– Managed by specially hired professional managers or by a management company which has its own brand or service symbol. Using a particular brand does not change the status of the hotel as an independent entity.

2) Hotels belonging to hotel chains, which differ depending on the applicable conditions for participation:

– Hotels that are full members of the chain, with owners who have shares in the capital of the hotel chain and who do joint business,

and hotels managed by the chain administration as representatives of the owners.

The managers of the hotel chain carry full responsibility for the business results, and therefore have the right to share in the profits;

- Hotels, which are associate members of the hotel chain and work as part of the chain on a franchise basis;

3) Hotels, which are part of the hotel chains on the basis of a management contract with a professional hotel management company that receives payment from the hotel owner for performing said hotel management.

Operation management chains, such as those mentioned above, can be split into three major groups based on the contractual relationships between the hotel owners and the manager (operator), as stipulated by contract:

- The owner transfers to the operator full rights to manage their ownership and does not interfere in the management process. The owner receives the net profit at the end of each financial year.

In this case, the operator carries full responsibility for the financial results and the operational risks that result from their decisions;

- The owner keeps the right to be involved in the management process through a specific control system. In this case, the owner carries full responsibility for the operational expenses as well as the commitment to fully reimburse all operational and financial costs stemming from their ownership.

The operator carries part of the responsibility to the extent of what has been contractually stipulated;

- The owner fully controls the activities of the hotel management company and releases them from any responsibility for any effects and financial results of the hotel business, with the exception of cases involving intentional misbehaviour and/or lack of due care;

4) Hotels belonging to a network of hotels that cooperate within a specific set of mutually agreed conditions;

5) Hotels belonging to associations of independent hotels.

The hotels which belong to associations, but which keep their independence in all matters, including the commercial operations and marketing policy which they perform, often use identical trademarks and pay fees for being members of such associations.

Control questions:

1. What types of accommodation were typical during the Middle Ages?

2. Name the different models of hotel business organisation.
3. Characterise the contemporary development of the business infrastructure in Russia.
4. List the trends in the hotel business development.
5. Which international hotel chains participate in the Russian market?

Chapter 2. CLASSIFICATION OF HOTELS AND OTHER MEANS OF ACCOMMODATION

2.1. Characteristics of the hotel services

Many authors argue that the term hotel derived from the Latin word *hospitalis*, which refers to hospitals.

Hotel – a facility, which offers travellers away from home a variety of services, which mainly include accommodation and food.

The nature of these services includes primarily accommodation as well as the services performed by the hotel staff (front desk check-in, housekeeping, etc.)

Hotel rooms provide guests with the facilities to rest, sleep and work. There are different categories of rooms in hotels, varying in size, furnishing, equipment, etc. Regardless of its category, each hotel room should have at least the following furnishings and fittings: a bed, a chair or arm chair for each person, a bedside table for each bed, a wardrobe, a litter basket and common lighting, and a bathroom of course. In addition, general information regarding the hotel as well as an evacuation plan in the event of fire should be clearly displayed in each room.

The food services offered to clients involve a set of different processes: cooking, sales, and additional services.

Additional services include business services, sports and recreational services, hairdressing facilities, beauty salons and a variety of other services. Nowadays, additional services add significant value to the attractiveness of the hospitality companies. They are very often considered to be a service complex in which each part complements the whole of the hospitality business. The overall hospitality enterprise profile is shaped on the basis of how all these services are grouped together.

Standard classification of the tourist accommodation businesses is presented in Table 2.

Activities offered by hotels and other accommodation facilities depend on their location, since the cost of land and construction work, the cost of labour as well as the potential for the sale of products and services all differ substantially. These are the primary factors that should be taken into consideration when deciding upon a particular location. The secondary factors include the supply options for raw materials, labour and the related infrastructures which also differ, although their importance might vary for specific entities. Depending on the level of im-

portance attributed to these particular factors, the entities can be characterised as oriented on raw materials, labour resources, road proximity, or sales, all of which individually influence the product characteristics.

Table 2

Standard classification of tourist accommodation businesses

№ п/п	Type of business
1	Collective businesses for tourist accommodation
1.1	Hotels and hotel-like businesses
1.1.1	Hotels – premises with a certain minimum number of rooms (for example 7–10), which are grouped in categories based on the services provided and the national standards, and which have operations management and offer different tourist services. These include hotels, motels, apartment house hotels, club-hotels, beach hotels, resort hotels and others. Published statistical sources feature different data based on: (a) number of rooms (up to 100 rooms, from 100 to 300 rooms, over 300 rooms); (b) comfort, quality and level of services (luxury hotels, first class hotels, economy class hotels); (c) type of management (independent, part of hotel chains)
1.1.2	Hotel-like accommodation premises: tourist hostels, furnished rooms and the like, offering accommodation and housekeeping services.
1.2	Specialised businesses, offering accommodation plus other specialised services
1.2.1	Medical/Health care services
1.2.2	Work and recreation camps
1.2.3	Public transportation vehicles, including railway carriages, sea and river vessels
1.2.4	Congress centres
1.3	Other public accommodation facilities
1.3.1	Apartments offered for recreation
1.3.2	Camping and other
2	Individual accommodation facilities
2.1	Private premises, including homes and apartments
2.2	Rooms for rent
2.3	Apartments for rent
2.4	Free accommodation at relatives and friends
2.5	Other

Hotels focus primarily on sales. Whereas in the case of production enterprises the products are offered to the clients, in the accommodation business it is the client who has to come to the hotel to use its services. Therefore, in the case of accommodation businesses, location and accessibility play a very important role. For example, the location of a hotel

is very often the decisive factor when business clients choose to make their bookings.

There are three levels of service when we categorise hotel services:

- 1st level: individual services and group services;
- 2nd level: the hotel product as a complex of services;
- 3rd level: augmented product.

In the example of a hotel as a complex entity, the product includes a variety of independent services, such as room service, kitchen, concierge, front desk, all of which form the first level. The hotel product, together with its location and the additionally offered services form the augmented product.

The hotel product also includes the basic skills of its staff as well as the resources needed for its production.

The expected product, shaped by the basic expectations of clients, includes everything that is involved with the hospitality product: the time and conditions under which the product is offered, the furnishings, the cleanliness of rooms, lobbies and other public areas, the staff dress code, the prices, etc.

The augmented product also includes additional advantages related to its purchase and use, factors that make it different from its competitors' products, for example, booking services, room service, Wi-Fi accessibility and internet in all areas, etc.

The potential hospitality product is characterised by its uniqueness when compared to competitors' products and as such helps to attract and retain the loyalty of clients. The most successful hospitality businesses are constantly on the lookout for new service concepts.

Some of the very important specifics of hotel services include the following:

- Production and usage processes are provided over different time periods;
- The products have a limited storage life, and the services cannot be stored at all;
- Time limitation;
- Production and consumption are linked, and there is a need for close interaction between personnel and clients. Therefore, the level of staff training is closely related to the quality of the services they provide;
- Seasonality of demand;
- Interdependence of the hotel services and the demands of particular tourists.

Interdependence of the production and usage processes.

Some hotel services do not require the presence of the client, for example, cleaning the rooms is not performed between the time of check-in and the client's admission to the room.

The food service includes processes that normally take place over different time periods. In most cases, the preparation of food is carried out in one place at a particular time, which differs from the time when the food is being served to the client. Sometimes, too, serving the food does not take place in the presence of clients.

This kind of separation of the processes is standard for restaurant businesses and stems from the necessity to perform preparatory work in order to satisfy demand when required.

Limited storage options

The set of services offered by a hotel complex cannot be stored for future sale. From a hotel revenue management point of view, a room (accommodation) which is not sold today cannot be sold tomorrow, as the sales in the hospitality industry mean "for rent", and they are tied to a limited time period (usually a day). The revenue for tomorrow will be counted for tomorrow. This also applies to food service. Although, Food and Beverage services include tangible elements: food and beverages, which can be stored for a while, yet their service will only be considered performed once the client has paid.

Time frame character of the hospitality services

It is characteristic for hospitality companies that problems involving service for clients have to be resolved relatively quickly. This factor is quite substantial when the client chooses the hotel in which to stay. In most hotels, the rule applies that clients should never wait for longer than 12-15 minutes to have a problem solved, whatever that problem might be.

Personnel is involved in the production process

It is particular for the hospitality businesses that personnel are highly involved in the different production processes. This leads to a variation in the quality and speed of the services provided, which ultimately may affect the standards of what clients may receive from different employees for one and the same service. This specific aspect may potentially lead to serious problems in the hospitality business.

To solve this problem many hospitality businesses have developed their own service standards; sets of mandatory rules (standards) for serving their clients. Such standards must guarantee the quality levels of each of the processes involved in the hospitality business.

These standards set the criteria based on which the level of service is measured, as well as the performance of each personnel member in the hospitality business. In most cases, the following is included in the service standards:

- The time allocated to answer a telephone call for information and/or booking;
- The time allocated for check-in procedures; regardless of the number of guests that are checking in, they should not wait longer than the time allocated in the standards for the Front desk;
- The time allocated for providing a specific service. For example, luggage has to be delivered to the room within 3 minutes after the guest has moved in; laundry should be returned the same day, etc.;
- The staff dress code;
- The fluency of communication in foreign languages, etc.

Seasonality of demand for hospitality services

Demand for hospitality services depends to a large extent on the seasons as well as on the days of the week, and this obviously affects the rate of occupancy. It is imperative in the hospitality business that management does everything possible to minimise the effect that seasonality of demand may have.

Interdependence of the hospitality services and visitor requirements

The decision of the client to visit a particular place is usually not related to the existence of a nearby hotel. In general, the decision is made on the basis of the need for recreation, rest, or to practice some kind of sports, or visit a spa, etc.

Anybody planning a trip during their vacation period will first of all choose the place or region to visit. Once decided, they will then consider their accommodation options.

The sequence of that selection process may be reversed if the person travelling received recommendations from friends, or any other specific information relating to the area.

2.2. Classification of hotels and other means of accommodation

Hospitality businesses are classified as follows: comfort level, number of rooms, functional specifications, location, period of service during the year, availability of food, price levels, etc.

By their location hotels may be:

- City hotels. Almost all business hotels, luxury hotels and middle-class hotels are situated downtown;
- Sea coast hotels. The proximity to the sea is an important criterion for them;
- Mountain based hotels. Usually less large hotels in beautiful picturesque settings, or along scenic touristic roads, which lead to interesting destinations. Most of them are equipped for summer as well as winter accommodation, and, for instance, offer skiing or mountaineering equipment, accessibility to ski chair lifts, etc.

By periods of work hotels may be:

- Open all year round;
- Two seasons hotels;
- One season hotels.

By food offering there are:

- Full board hotels (FB);
- Bed and breakfast hotels (BB).

By length of stay of guests:

- For long stay visitors;
- For short stay visitors.

By pricing levels, the hotels are classified as:

- Budget;
- Economy class;
- Middle class;
- First class;
- Apartment hotels;
- Luxury hotels.

Hospitality companies can additionally be classified based on the necessary transportation, ownership, etc.

However, the very first and most important criterion in the classification is almost always the level of comfort.

The **comfort level** is a complex criterion, determined by:

- The specifics of the rooms, including size, the percentage of single rooms, number of available apartments, augmented services on offer, etc.;
- The quality and condition of the furnishings, bathrooms, etc.;

- Availability, number and quality level of restaurants, bars, etc.;
- The condition of the buildings, the pathways leading to them and their immediate environment;
- Availability of information and technical support, including Wi-Fi and internet access, satellite connection, TV sets, in-room refrigerator, mini bar and safety deposit box, etc.;
- The augmented services provided.

The characteristics listed above are considered and ranked by every hotel classification and ranking system that is currently in use. In addition, there are many requirements relating to the staff and their specific skills and training, including education, qualifications, age limits, health, appearance, knowledge of foreign languages, and of course, their conduct.

2.3. Hotel classification in different countries

The assessment of the level of comfort is the main criterion in over 30 classification systems that are in use today¹. The most widely used include the following:

- European, often called star-system, which is based on the French national classification system. It classifies hotels into 5 categories, depending on the number of stars allocated. This system is used in France, Austria, Hungary, Bulgaria, Egypt, China and Russia, as well as in many other countries.;
- Letters system, used in Greece;
- UK hotel star rating system²;
- A system of levels, used in some territories of the former USSR.

The level of comfort is assessed and interpreted differently as a classification parameter in different countries. This, together with many cultural, historical and national tradition-based factors minimises the possibility for the development and introduction of a universal classification system.

When analysing hotel classification by level of comfort one has to consider the approach taken in the development of rating systems which have been implemented in international practice.

¹ Mohsin A., Rodrigues H., Brochado A. (2019)

² <https://www.which.co.uk/reviews/uk-hotel-chains/article/hotel-star-ratings-explained>
<https://www.prideofbritainhotels.com/uk-hotel-star-rating-system/>

According to the first approach, state regulatory organs develop, implement and control the official classification of all hospitality entities, including hotel, hostel and other accommodation and restaurant facilities. This approach is applied in France and Russia, for example¹. There are cases in world practice, when in one and the same country several classification systems are applied. For example, in the UK, the system proposed by the British Tourist Authority is used alongside the star system:

- Budget hotels, located downtown with minimal facilities and services;
- Tourist class hotels, which must have a restaurant and lobby bar;
- Middle class hotels with a satisfactory level of services provided;
- First class hotels with a very high level of comfort and services provided;
- Luxury hotels offering exceptionally high class of services.

The French national classification system is the most widely used. It has six levels (categories), of which five are based on the number of stars allocated, and one with no stars at all. This system allows to cover the entire hospitality services market.

Assessed accommodation facilities may only apply for a star rating if they meet the minimum requirements/criteria applicable to their respective category, including:

- A – number of rooms;
- B – common areas;
- C – hotel furnishings/equipment;
- D – accommodation comfort;
- E – service;
- F – facilities for disabled people.

According to the German classification system, hospitality companies are divided into five categories. It also assigns stars according to the European system: tourist class, standard class, comfort class, first class and luxury class.

In Greece, A category hotels correspond to 4-stars level, B to 3-stars level, C to 2-stars level, and D to 1 star.

In Italy the first category corresponds to a 4-stars level, the second to 3-stars and the third to 2-stars.

¹ Source: Order № 35 of the Ministry of tourism of the Russian Federation of 25th January 2011 «About the procedure for classification of entities belonging to the tourist industry, including hotels and other accommodation facilities, ski slopes, beaches».

The German classification system includes requirements on 22 independent criteria:

1. Front desk operations.
2. Breakfast service.
3. Beverages service.
4. Food service.
5. In-room telephone.
6. Telephone service.
7. Minimum size, including bathroom, for 75% of the rooms
8. Bathroom comfort.
9. Bathroom fittings.
10. Availability of suites.
11. Furnishings and equipment in the rooms.
12. Radio and TV sets in the room.
13. Complimentary gifts for guests.
14. Laundry and ironing services.
15. Safety box availability in the rooms.
16. Lobbies in the hotel – number and conditions.
17. Credit card payments.
18. Fax availability.
19. Number and servicing hours of the hotel bars.
20. Number and servicing hours of the restaurants.
21. Conference and banquet facilities.
22. Augmented services.

For the augmented services, minimum ratings apply as follows: for luxury class hotels 270, for first class 120, for comfort class 70, for standard class 25 and for tourist class 0.

A particular feature of the German classification system is that it includes different types of hospitality entities such as boarding-houses and other typically German hospitality premises.

When setting categories for types of accommodation there are no requirements for restaurants or food service, and the ratings of the required augmented services are much lower: first class: 90, comfort class: 50, standard class: 15. In addition, only first class can be assigned to them.

There is no official government approved classification system in the United States. Hotels are usually divided into 5 categories depending upon their level of comfort. The prime category is assigned by one association and one journal: the American Automobile Association and the Mobile Travel Guide.

Hotel chains have their own approach regarding hotel classification. They do not usually assign categories but instead apply the brand

approach. Hotels belonging to the chain are given the right to use one of the brands.

Every brand takes into consideration the level of comfort, location, and other applicable criteria. For example, the largest European chain *Accor* uses several brands that offer different portfolios of services and pricing:

- *Sofitel*;
- *Novotel*;
- *Mercury*, which splits further into 3 sub-groups:

1) *Relais Inn* – provides standard rooms, quality service at reasonable prices;

2) *Hotel Mercury* – top level service, individualised service, comfortable accommodation;

3) *Grand Hotel* – excellent location, classy comfort and 24/7 top-class service;

- *Ibis*;
- *Etap*;
- *Formule 1*.

Taking into consideration market developments, *Accor* included a set of hospitality companies and irrespective of their brands, level of service, etc., each one of them serves a particular market segment. For example, some of the *Novotel* and *Mercure* hotels belong to the *Atria* group which specialises in serving conventions, exhibitions, and other professional meetings and events. Another group of hotels has in its name the logo *Goralia*, which refers to a resort hotel.

When allocating the rights to use one of its brand names, the largest American hospitality chain, *Holiday Inn*, considers not only the level of comfort, but also takes into consideration targeting, location, length of stay and other additional criteria. *Holiday Inn* owns the following brands:

- *Garden Court* (economy class hotels);
- *Holiday Inn Express* (apartment type hotels);
- *Holiday Inn San Spri Resorts* (resort hotels for wealthy customers);
- *Holiday Inn Select* (hotels for business people);
- *Holiday Inn Hotels* etc. (hotels where 10% of the rooms are long-stay apartments for business people).

In many cases, hotel names alone do not provide any useful information to the clients. Because of this, some tour operators started assigning conditional stars to the hotels, thus matching them to the European stars system.

In the case of the *Accor* hotel chain this looks as follows: *Sofitel*: 5 stars, *Novotel*: 4 stars, *Mercury*: 3 stars, *Ibis*: 2 stars, *Etap*: 1 star, *Formule 1* – no stars.

Hotel classification in the Russian Federation

1. Until 2018 hotel classification in Russia took place in accordance with “The Classification of Hotels in Categories by Level and Number of Rooms”, adopted by Decree of the Government of the Russian Federation of February 16, 2019 No. 158 “On Approval of the Regulation on the Classification of Hotels”.

This classification applied to all hotels and motels, regardless of their ownership. It classified hotels into seven categories: luxury, supreme, high A-high B, first, second, third and fourth. Motels were classified in six groups: without category, first, second, third, fourth, fifth. Rooms received a classification system of five categories: supreme, first, second, third and fourth.

A very important condition for assigning the different category levels was adherence to the minimum requirements as laid out in the Decision, for the following groups:

- General requirements;
- Building infrastructure;
- Elevators;
- Information services;
- Public food service;
- Room/accommodation characteristics;
- Sales and other services;
- Bank services and currency exchange;
- 24/7 medical office services and pharmacy kiosk;
- Cultural and fitness facilities.

In 1994, the Russian Federation developed the “Criteria in respect of Hotel Classification”, and “Classification Requirements for Hotels in the Russian Federation”. Russian standard ГОСТ Р 50645-94 “Tourist-Excursion Service and Hotels Classification” was adopted, according to which all hotels were classed into five groups, ranging from one to five stars. Motels were classified into four groups, ranging from one to four stars.

The minimum requirements for hotels of different categories in accordance to this standard include the following:

1. Buildings and surrounding environment.
2. Technical equipment.
3. Number of rooms, including percentage of single and double rooms, availability of apartments, size of rooms, and size of bathrooms in the rooms.
4. Technical support.
5. In-room furnishings, including shelf storage for luggage, desk tops for TV sets, curtains, mirrors, brushes, key, carafes, glassware, din-

ner plates, bath towels and slippers, disposable shaving kit, information materials, writing pads and utensils, evacuation instructions in the event of fire, instructions for extraordinary events that are specific for a particular location.

6. Sanitary facilities in the common areas.

7. Locations for organised events which require equipment for simultaneous translation, audio and video equipment, business centre, fitness and recreational centre, swimming pool, medical centre, hair-dressing salons, shopping facilities, kiosks, etc.

8. Food service premises.

9. Services to and from the garage, car valet services, ticket booking services for different transportation means, ticket booking service for theatre performances, sports events, shows, in addition to tourist information and medical services.

10. Food services, including 24/7 cafés or bar, breakfast servicing hours, restaurant booking services, room service.

11. Requirements of personnel and their training.

Room availability. This covers the number of beds that can be offered to guests at any time. There is no clear distinction of what currently constitutes small, middle sized and large hotels. Each individual country applies its own different criteria based on its cultural traditions and particular social-economic developments. For example, the Year Book of Middle-sized Luxury Hotels includes hotels with 10 to 200 rooms.

WTO recommendations consider a small hotel to have up to 30 rooms, while still noting that such classification remains subject to particular country regulations. Middle-sized hotels are common in Europe, while in the United States and the rapidly developing Asian countries it is more common to have large hotels with a vast number of rooms.

In many countries, classification of hotels by size infers:

- Small hotels (up to 150 beds);
- Middle size (150 to 400 beds);
- Large hotels (over 400 beds).

The capacity of the additional functional parts of hotels, such as restaurants, café and bars are considered to be relative to the:

- number of hotel rooms and capacity;
- hotel location;
- existing nearby businesses of a similar nature.

Functional positioning of the hospitality business

There are two large groups based on this criterion: transit and regular hotels.

Transit hotels mainly focus on serving tourists during short time periods. They are usually not very large. They are commonly located along highways with heavy traffic, and offer a limited number of services at a restricted level of comfort. They are mostly motels.

The first motels were established in the United States, and the American national statistics define them as businesses for the accommodation of tourists travelling by car.

These motels are usually simple one or two-floor buildings of low to middle sized capacity, built outside of city areas along the highways. They offer an average level of service, have low staff levels, but offer full technical support: garages, parking lots, gas stations, car repair services and more.

The first motel was constructed in 1925 by the Californian architect Arthur Heinemann in San Luis Obispo, a city some 200 miles from Los Angeles. At that time, it would take a full day to travel this distance. Heinemann designed his motel in such a way that guests could directly access their single-story bungalow or its garage. There were 40 such bungalows, all surrounding a central court yard.

In the 1950s, a new concept to the motels was proposed. In 1952, K. Wilson, the founder of *Holiday Inn*, constructed a motel. In the 1950s, the rising numbers and popularity of motels created problems between the owners of various accommodation businesses.

The positive appeal that motels had on customers made many smaller hotels non-competitive. Some of them had to close down. In some cases, competition was quite dramatic. However, in the 1960s the owners of traditional hotels in the United States adopted a very much needed new concept, which led to accepting the motel owners into the American Motel and Hotel Association.

Regular hotels are classified as business hotels and recreational hotels.

Business hotels Business hotels were first developed in the United States. In 1908, Elmsford Statler opened his hotel *Buffalo Statler*, which was positioned to serve business people.

Nowadays, this is one of the leading concepts in the hospitality services market. It is the result of the need of structural demands in the hotel business: over 50% of trips are business type trips, followed by recreational and health-related travels at about 40%, and other travels at about 10%.

The importance of business clients for the hospitality industry stems from different facts:

1. Business people: participants in conferences, symposia, forums, etc. have in general sufficient financial means which not only ena-