

INVESTMENT MANAGEMENT AND MARKET SHARE IN THE ROMANIAN HOSPITALITY INDUSTRY

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Abstract: Asset investment dynamics of companies operating in the Romanian tourism industry count on the growth effect of the economic efficiency, while observing the legal requirements for food and environmental safety. The purpose of the hospitality industry is to grow and remain in a dynamic competition environment, in the corresponding market segment as well as the global market share operated by the market leaders.

Evaluating the participants' competitive position is a complex activity that involves the use of a whole range of information, methods and work instruments.

The study was made on a control group of tourism companies active on the Romanian market during the period 2011-2013, which can be identified as national hospitality leaders and who have as scope of activity "Restaurants; Hotels and other similar accommodation facilities".

The dynamics of fixed asset growth rate, rates of economic profitability as well as dynamics of indicators: turnover and market share, enable a comparative SWOT diagnosis of the assessed objectives.

Keywords: investment, hospitality, tourism, market share, diagnosis.

Introduction

The social and economic mutations have created and developed tourism via the hospitality industry as of late, that is, by the nature of activities developed and by the overall services brought to market by it, as a distinctive branch of the national Romanian economy. Even if tourism is based on hospitality services, however, the hospitality industry does not entirely overlap tourism.

Hospitality positioning resorts to both elements of food industry and elements of accommodation.

The management of accommodation infrastructure, namely accommodation organisations or facilities aims to satisfy the needs of travellers. According to one of the definitions given by the World Tourism Organization (WTO) "Similar hotels or facilities are distinguished by their room arrangement with a minimum number of rooms, by their unique management team and their well defined services, including room service, preserving cleanliness, sanitary facilities etc."

Another viewpoint introduces hotel as "a facility where travellers can get accommodation as well as eat and have fun, provided they pay for it" (WTO).

The accounting information, that is, the understanding of the investment process by its "accounting dimension", defines fixed assets as "any real or personal assets, tangible or

intangible assets, purchased or created by the organisation, designed to constantly remain under the same form” (Marian, S. 2003).

Investments in the Romanian hospitality industry are seen as indicators characterising projects by volume, structural elements, cost, time of performance, which are also considered technical or technical/economic indicators. From another standpoint, indicators may reflect the effort to effect ratio or effect to effort ratio of the investment project, in which case they would be considered economic efficiency indicators. Often, both categories of the mentioned indicators are considered economic efficiency indicators (Romanu I., Vasilescu L. 1997).

Investment in new company assets – in the industry of hotels and other accommodation facilities, and the restaurant industry – residing in lands, constructions-equipment, furniture-fixtures, causes costs that should be compensated in the future by funding, that is, cash flow over the entire period of economic life of the investment objective (Staicu F., 1995).

Promoting and observing the investment programme of economic entities in the Romanian hospitality industry can meet a series of difficulties, among which the absence of real funding sources as compared to those budgeted for.

Investment management is the managerial effort that, along with the offered services and marketing, meets the intended goals.

Material and method

The annual financial statements of businesses in the national “Hotels and restaurants” industry allow us to identify the economic and financial investment indicators, made concrete by the investment effort or direct investment. With static indicators, the identification of economic efficiency of investments as an expression of effort to effect ratio or effect to effort ratio and the comparison of investment effort set in a business as compared to the effects obtained in time from operation, are “a new method of calculating the updates” (Romanu I., 1975).

Market share, identified according to specific indicators (Hristea, 2013)

Absolute (global) market share:

$$C_{abs} = \frac{CA_1}{\sum_{i=1}^n CA_i} \cdot 100 \quad (1)$$

where: CA_1 - turnover of the assessed business

$$\sum_{i=1}^n CA \quad \text{- total turnover of the business sector/field}$$

Relative market share:

$$C_{rel} = \frac{CA_1}{CA_L} \cdot 100 \quad C_{rel} = \frac{CA_1}{\sum_{l=1}^3 CA_{Ll}} \cdot 100 \quad (2)$$

where: CA_L – turnover of the largest competitor on the market (the leading competitor)

$$\sum_{i=1}^3 CA_{Li} \quad \text{- sales value (turnover) of the first three market competitors.}$$

Specific (served) market share

$$C_s = \frac{CA_1}{\sum_{j=1}^m CA_j} \cdot 100 \quad \text{where:} \quad \sum_{j=1}^m CA_j \quad \text{- turnover of the "served" segment}$$

Results and discussions

1. Investment and investment decisions in the practice of the Romanian hospitality industry

Investment decisions in hospitality industry units are a general component of the general company policy.

Increasing investments in developing regions of Romania

Table 1

(million lei)

Region	2009	2010	2011	2012
North West Region	333	294	370	268
Centre Region	371	298	451	341
North East Region	152	171	232	242
South East Region	300	356	270	391
South Region Muntenia	126	166	272	173
Bucharest Ilfov Region	644	619	601	499
South Region Oltenia	122	95	109	152
West Region	167	188	174	175

Source: author's research and INSSE Romania

The largest hospitality investments belong to the Bucharest-Ilfov Region, however a 17% decrease was recorded as compared to 2011. This Romanian development region holds the majority in the total investments made in the Romanian hospitality industry.

The evolution of the number of Romanian hospitality units

Table 2

Period	2009	2010	2011	2012
	9	10	1	2
Number of units	261	24	222	234
	70	402	10	99

Source: INSSE Romania

In the year 2009, investments amounting to 2,215 million lei were operated by 26170 hospitality units. In 2010, 24402 units held investments amounting to 2,187 million lei; in the

same year, lower investment is caused by a 6.76% decrease of hospitality business rate. In 2011, investment value of operating businesses is of 2,479 million lei, which is operated by 22,210 units. In the same year, investments record a 13.35% increase as compared to the previous year, even if the number of the units decreased by 8.98%. In 2012, total investment of 2,241 million lei is operated by 23499 units, that is, a 9.6% decrease corresponds to a 5.80% increase rate of active business.

Investment made in restaurant businesses in 2013, selected according to a turnover of over 15,000 thousand lei, is as follows:

The restaurant businesses control group assessed according to the turnover of over 15,000 thousand lei reunites a small number of units that made investment during 2013, and the achieved turnover is higher than that achieved in the previous periods.

The dimension of economic profitability according to the turnover criterion in the Romanian restaurant industry in 2013

Table 3

Turnover (thousand lei)	Economic profitability	Number of units	%
>30,000	11.29%	5	38.46
20,000-30,000	9.00%	5	38.46
15,000-20,000	11.21%	3	23.08

Source: author's research

Asset management in the assessed units yields an economic performance of about 10%, which indicates financial feasibility, even if there are higher interest rates in borrowed capitals.

Investment in Hotel business and other accommodation facilities in 2013, selected according to the over 20,000 thousand lei criterion, are:

The hotel business control assessed according to the over 20,000 thousand lei criterion reunites a small number of units, that is 17, that made investments in 2013, and their achieved turnover is higher than that achieved in the previous periods.

The dimension of economic profitability according to the turnover criterion in the Romanian hotel industry in 2013

Table 4

Turnover (thousand lei)	Economic profitability	Number of units	%
>30,000	5.14%	9	52.94
20,000-30,000	27.81%	8	47.06

Source: author's research

The economic profitability rate is much lower for the highest business level, which indicates a high level of accommodation coverage, however on short term and very

inconsistent. Moreover, the management members of these units have a very good hotel marketing training and the wish to be market leaders.

2. Market share in the Romanian hospitality industry

2.1. Romanian restaurant market share

The competitive position of restaurant-like businesses

Table 5

Company	Turnover (thousand lei) - year 2013
a) American Restaurant System SA - Bucharest	124,412
b) US Food Network SA - Bucharest	213,216
c) MacDonald's Romania SRL - Bucharest	414,972
Total sector – hospitality industry	11,497,000

Source: author's research

For company a) the global or absolute market share is 1.08%; the relative market share as compared to the restaurant leader is of 29.98% in 2013, and the relative market share as compared to the three leaders is 16.53%.

For company b) the global market share is 1.85%; the relative market share as compared to the leader is of 51.38%, and the market share as compared to the three leaders is 55.14%.

Company b) holds half of the turnover belonging to market leaders, however the second position of this business is vulnerable and, consequently, it will push harder on sales management and sales quality.

2.2. Market share of hotels and other hospitality facilities in Romania

The competitive position of hotel-like businesses

Table 6

Company	Turnover (thousand lei) - year 2013
a) Bucuresti Turism SA - Bucharest	116,337
b) Confort Credit SRL - Bucharest	44,268
c) Tratament Balnear si Recuperarea capacitatii de munca [Hot Springs Spa Treatment and Recovery of Work Capacity] TBRCM SA - Bucharest	62,683
Total sector – hospitality industry	11,497,000

Source: author's research

For company b) the global or absolute market share is 0.39%; the relative market share as compared to the restaurant leader is of 38.05% in 2013, and the relative market share as compared to the three leaders is 19.83%.

For company c) the global market share is 0.55%; the relative market share as compared to the leader is 53.88%, and the share the market share as compared to the three leaders is 28.07%.

Company a) sustains half of the turnover belonging to market leaders, however the second position of this business is slightly vulnerable and, therefore, it will rely on competition market analysis and will offer new hospitality packages.

Absolute market shares, with very low values for the mentioned leaders, emphasise the fact that the analysed activity sector – the hospitality industry - is an extremely competitive industry.

19%-plus relative market shares of leaders indicate the existence of a strong competitor on the market.

Conclusions

Investment management in the Romanian hospitality industry implies:

- Not only economic and financial analyses of such businesses but also a physical measurement of the products offered by such units, either restaurants or accommodation units.
- Hospitality units in Romania imply long-time investment recovery, modernisation, an aggressive marketing policy, but also natural or urban tourist attractions.
- The political and economic environment greatly influences the hotel industry as well as the restaurant industry; customer planning has greatly diminished in hospitality – most of them resort to “last minutes”, even if we talk about large tourist groups or event organising.
- Competition is strong in Romanian hospitality and tourism in general, by promoting business tourism, short visits, mountain, spa tourism, agritourism, pilgrimage etc. to the detriment of least 10-day stays.

A SWOT analysis of investment management and market share in the Romanian hospitality industry allows us to identify a few strong points and weak points:

Strong points:

- new investments start from a successful idea or an existing hotel or restaurant business / their opening and expansion on a European/worldwide level.
- modernisation investments imply an existing technical and material ground – maintaining or increasing the level of offered services is also based on achievable physical indicators.
- permanent increase of accommodation/overnight accommodation, meals served, as marketing performance indicators imply a greater workforce productivity.
- service consumption by customers knows a diversified evolution, differing from one Romanian development region to another.
- Investors hurry to develop limited-service hotel units, All Inclusive resorts or alternative accommodation units, such as hostels.
- entrepreneurs hurry to open new businesses close to airports and harbours.
- the business environment, the Hospitality Guild, work with tourism agencies to whom they present their own programmes.

Weak points:

- difficulties and restrictions in ensuring the resources necessary for new investments or modernisation, eligibility criteria for non-refundable funds, as well as those for bank credits, have minimum values, and cannot be fulfilled as such.
- an accurately made investment plan should also include investment recovery time by good business forecasts, which, in time, no longer prove accurate for sustainability and durability requirements.
- staff turnover, exchange rate fluctuation, and also unfair competition.
- making investments without an adequate source to the detriment of current asset, in which case the goal can no longer be reached.
- physical indicators are no longer monitored in hotels or restaurants, such as the number of overnight accommodation, number of arrivals, number of accommodations, number of served meals, as indicators of informative data on the entity activity, by the submitted annual Financial Statements.

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