

The Service in the Bulgarian Hotel Industry in the Conditions of the Changing Socio-Economic Environment

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Abstract

The main goal of the study is to highlight and analyze some of the socio-economic factors that directly affect the hotel service, as well as the extent to which they require a change in the planning and “delivery” of hotel services in Bulgaria. We are in the period of transforming and dynamic economic environment, caused by the Covid-19 pandemic worldwide and as a result the process of service industry is changing. The article presents opportunities for improvement of quality guest experience in the hotels by monitoring good practices in the implementation of standardization and certification in the service as a successful approach to gaining customer trust. Conducted interviews with hotel managers provide a starting point of predicting the future development of care for guests, realizing that many of them have already changed their standard of living.

Keywords: service, socio-economic environment, Covid-19, hospitality industry, quality standards

JEL Code: E24, L15, L83, L84, Z30

Introduction

We are now in a dynamic and chaotic economic environment. As a result of the Covid-19 pandemic, business organizations around the world have found themselves in a complex polemical situation. In order to restrict the spread of the virus each country is applying measures stage by stage, with one main purpose – to protect human life. Tourism turned out to be especially sensitive to this, since its heart undoubtedly is the person. Travel restrictions, the closing of boundaries, as well as limitation of the social contacts, have reflected almost immediately on the tourist services. And while other economic sectors have succeeded to apply adequate instruments for coping with the changing economic environment, the situation in the tourist branch is far more difficult. Considering the hotel industry business as a part of the hospitality industry, we have to render an account inevitably on its specific peculiarities and its impossibility to pass completely in a remote regime. The quality hotel industry service is possible only on spot, at the accommodation places and in a direct contact with healthy and motivated personnel.

Studying the factors of the socio-economic environment during the last two years /September 2019 – September 2021/, many in number starting points for observations and researches can be outlined, which can serve for improvement of the offered hotel industry services. The necessity of trips and tourism has enormous significance for the socio-economic development of Bulgaria. The necessity and the benefits of trips and tourism are spread far beyond its direct impacts regarding the Gross Domestic Product and employment (WTTC).

The unstable economic situation imposes studying the direct interactions of sector tourism with factors of the national economy, which determine new tendencies and approaches to recovery of the business environment.

The rapid changes during the last years inevitably outline new frameworks of the offered tourist services, as the focus remains on the safety, health and satisfaction of the tourists. On the other hand, the change in the recent-known profile of the client is largely influent by the economic environment and in order to respond in a timely manner to its requirement and expectations, hoteliers should increasingly to personalize offered services.

1. Aim/Purpose of the study

The hospitality industry faced exceptionally limited time for reaction of the changing business environment. The ways in which Covid-19 has influenced the population all over the world and

restricted the access to different in type tourist services are many. And in this connection the purpose of the present study is to be examined how the unfavorable impacts of the economic changes have been met by the business, an analysis of the factors, which directly affect the increasing crisis and how all this has affected the quality of the offered services. Have the standards for servicing been changed and how and to what extent owners and managers of hotels have conformed with the national requirements.

2. Research method

For the purposes of the analysis, five in-depth interviews with managers of different price class and category hotels, situated in and around city of Varna have been carried out during the period September – October 2021. The choice of the geographical region is not accidental, and it aims the results of the summer tourist season in 2020 and 2021 to be reported. The respondents have long-term experience in the hotel industry management and have authority to make decisions. A personal meeting-conversation was carried out with all of them, with preliminarily selected open questions, and more concretely:

- General information about the hotel.
- Changes in the material and technical base of the hotel.
- Evaluation of the changes in the service at the hotel, as a result of the Covid-19 pandemic.
- Evaluation of the socio-economic factors, which directly influence the hotel service.

The willingness of managers and their team to improve the service quality in order to respond to changes in the consumer behavior.

The purpose of the carried out conversations is to be collected data, professional and personal impressions about the changes, which have occurred in the hotel industry service, as a result of the Covid-19 pandemic, the introduced restrictive measures and the consequences of them. The name of respondents was replaced with pseudonyms, in order to preserve their anonymity of their participation (Table 1).

Table 1. General information about the studied objects

| Participant | Type of hotel | City, Country |
|--------------------|---------------------------------|----------------------|
| P1 | City hotel complex, category 4* | Varna, Bulgaria |
| P2 | Business hotel, category 4* | Varna, Bulgaria |
| P3 | Business hotel, category 4* | Varna, Bulgaria |
| P4 | Holiday hotel 4* | Varna, Bulgaria |
| P5 | Boutique city hotel 3* | Varna, Bulgaria |

3. Literature review

Clarifying the essence of the concept of service is not one-way, since depending on the direction in which it is studied, the term gains a different meaning.

In the specialized scientific literature, the service is presented most frequently as a process (Vonderembse and White, 1988), a cycle (Schroeder, 1998), a system (Grönroos, 1990; Eiglier and Langeard, 1987) of interrelated elements or factors of the environment.

For the purposes of the present study is necessary a focus on these authors, who refer in their definitions more than one socio-economic factor of the environment from the point of view of the organization, which gives services.

According to Mullins (Mullins, 2001) „every business activity can be considered as an open system, which takes from the environment people, finances, raw materials and information, which it

processes and returns in the form of a complex product". The purpose of the system is creation of value for the customer and benefits for the hotel industry organization.

Lockwood's conception (Lockwood and Jones, 1989) has brought at foreground the service as a combination of operations, each of which consists of three main components: material assets (buildings, furnishing, equipment, financial resources), human environment (service personnel) and customers. The combination of the components, the author determines as resultative in the following directions:

- The interaction between the customers and the personnel leads to production and consumption of a service.
- The interaction of the personnel and the material assets affects the productiveness of labor.
- The interaction of the customer with the material environment forms the profit for the organization.

Lockwood presents the service as a center of the organization, where the customer meets the material, financial and human resources of the company, and as a result of this meeting is given a service, which quality is bound with the productiveness of labor and the economic benefits for the company.

According to Луканова (Lukanova, 2017) out of the above described interactions are excluded significant elements. According to her the personnel also has participation in the forming of the profit, as she reckons that the customers contribute for the productiveness of labor, and the material assets form the environment of the service provision.

The model "Servicescape" (Bitner, 1992) can be considered from the point of view of the material base impact on the service. In relation with the Covid – 19 outbreaks and the occurred partial changes in the material and technical base of the hotels, the author's opinion is that this model can be applied for future researches of the environment, in which the service is produced and offered. The essence of the indicated model is that it reports elements and dimensions of the environment or physical stimuli, which can render impact on the physical environment. These dimensions are usually organized in three categories: atmosphere, space and/or function and signs, symbols and artifacts. Its main purpose is understanding the consumer behavior and in what way its impact influences the making of a decision for purchase or usage of a certain service. By environment is meant both physical space, in which the service is produced and the interaction between the employees and the customers.

In terms of service quality and achieving a high degree of customer satisfaction hotel service require constant improvements to keep pace with the changing customer expectations (Manhas and Tukamushaba, 2015). Given the intangible nature of service quality, benchmarking is critical for maintaining service quality and achieving customer satisfaction (Min et al., 2002; Yasin and Zimmerer, 1995). In the hospitality industry, benchmarking is widely applied in various schemes such as environmental certifications (Geerts, 2014), franchising (Lo and Fang, 2018) and hotel classifications (Nunkoo et al., 2019). Traditional benchmarking process includes thinking, acting, evaluating, planning and looking ahead (Yasin and Zimmerer, 1995). However, given that the unprecedented outbreak of COVID-19 has rapidly and urgently spread its impact, such benchmarking for service quality in response to the pandemic remains undiscussed in the extant literature (Chan et al., 2021).

4. Changes in the socio-economic indicators

The economic factors of the environment inevitably influence the specifics of the hotel service, directly affect the workforce in the sector, consumer incomes and attitudes. Their changes shape business climate in the organization. Unemployment, inflation and wages are of particular importance. As a result, conclusions could be drawn to guide the Bulgarian hoteliers to form a new profile of their customers along with planning the future of the hotel service in pandemic conditions.

- **Average annual inflation** – for 2020 it amounts to 1,7% (Figure 1). The decrease compared to 2019 is 1,4%, which can be reported as a positive result. The expectations are that in

2021 this declining trend to continue.

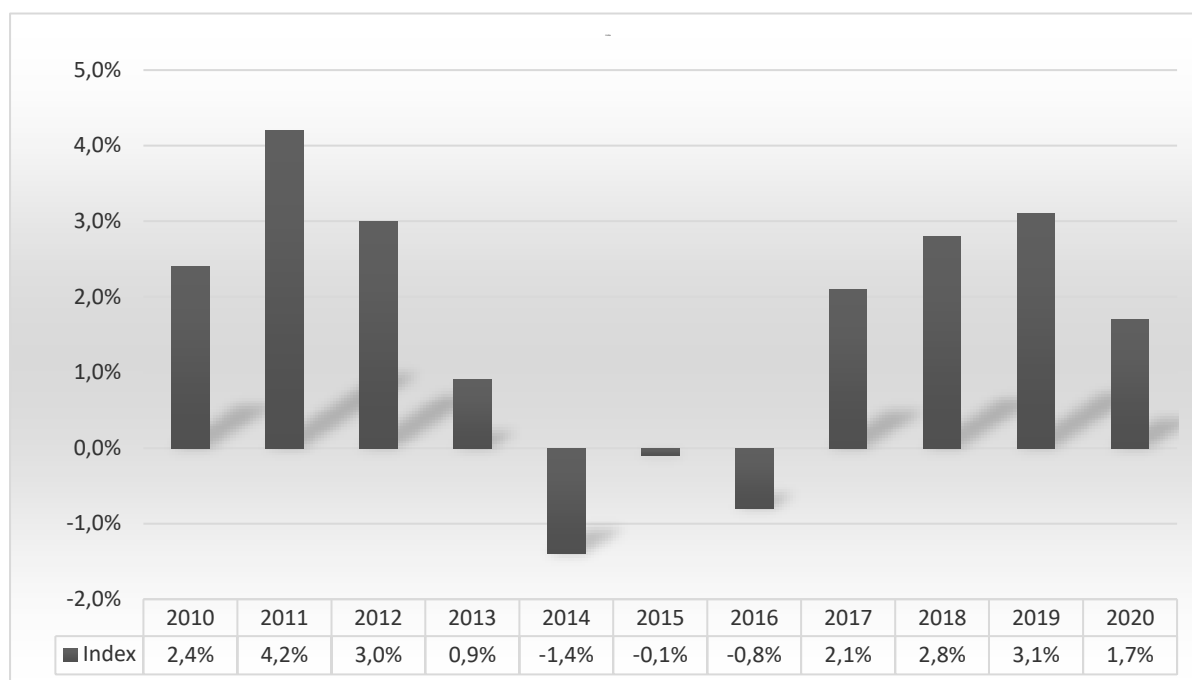


Figure 1. Average annual inflation for the period 2010 - 2020

Source: National Statistical Institute

- **Average annual percent of unemployment** - The data given by the National Statistical Institute in Bulgaria for 2020 report index of unemployment in Hotel and Restaurant sector by 5,1% (Figure 2). This is with increase of the index by 0,9%. As of September 2021 the presented data in the sector indicate rising to 7% as per reasons, directly connected with the pandemic situation and because of the big number of business subjects, which have suspended temporarily or permanently their activity.

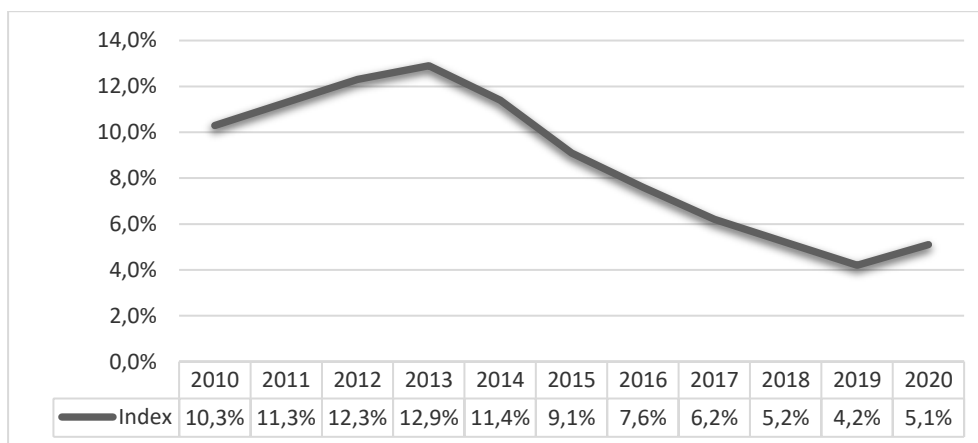


Figure 2. Average annual unemployment index for the period 2010 – 2020

Source: National Statistical Institute

- **Average annual gross salary in Hotels and Restaurants sector** – The cost of labor in the hotel industry is increasing (Figure 3). However, against the background of the general economic situation and compare to the average salary in Bulgaria, we can define it as one of the lowest in the country. In 2021 the exported data for the third quarter show again an increase in wages

in the sector with 24%. The specific features of the hotel service requires constant actions in terms of increasing the motivation of the employees in order to reduce turnover due to low pay.

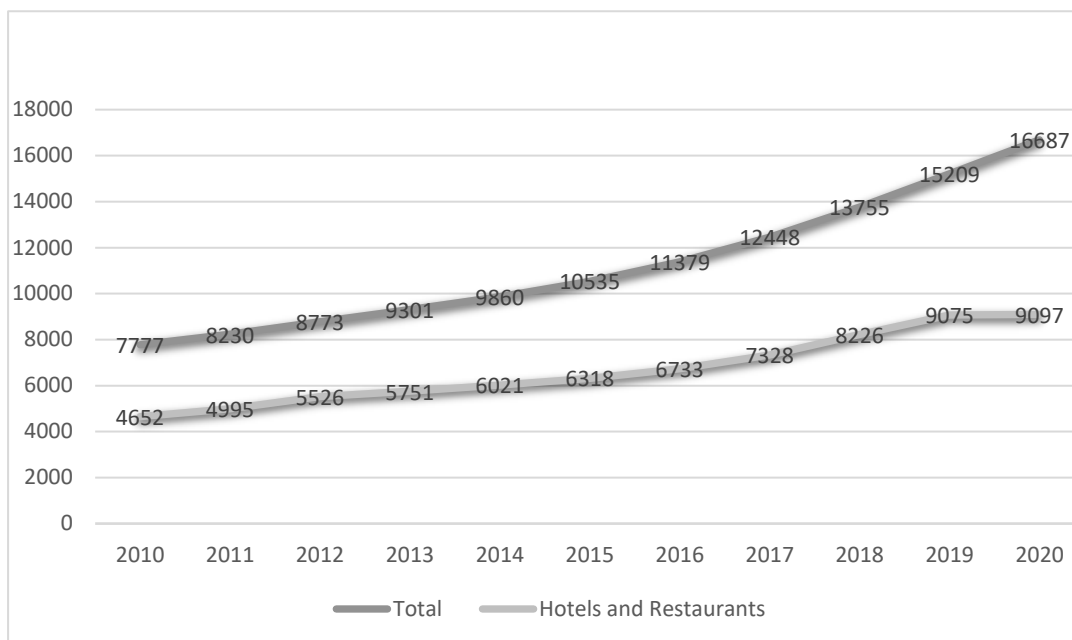


Figure 3. Average annual gross salary in Hotels and Restaurants sector for the period 2010 – 2020

Source: National Statistical Institute

In addition to the above data, the following trend for Employment in the Hotel and Restaurant sector is encouraging (Figure 4):

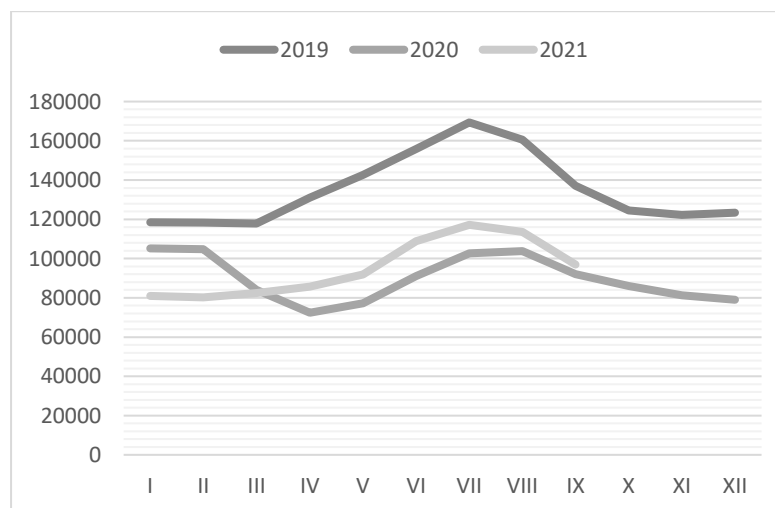


Figure 4. Employment and official relations for Hotel and Restaurant sector

Source: National Statistical Institute

As per data of The World Travel & Tourism Council, the Covid-19 pandemic is possibly to cause discharging of 50 million jobs in sector tourism all over the world. Taking into account the

unstable environment the companies may delay the investments, long-term planning will be a challenge and hiring manpower will be postponed. A tendency to dismissal of the seasonally hired workers is expected with purpose optimization of the expenditures for the business, as on the other hand is given opportunity the qualified workers to stay motivated.

The presented data for 2021 show an increase in employment in the sector, which to a large extent can be determined by planned activities for optimization of the labor market. Small number of hotel structures decided to keep their permanent and qualified employees and to give them opportunity to stay motivated. This tendency was confirmed by interviewed hotel managers.

There are some socio-economic factors, directly affecting tourism, show the new face of the industry, due to Covid-19 pandemic. For the third trimester of 2020 the National Statistical Institute reports average expenditure for free time, cultural rest and education to the amount of 92,46 BGN, and for the same period in 2021 are reported 120,58 BGN. The reported growth of 32% shows that the population gradually begins to recover from the situation and plans time for rest.

The analysis of the indicators above clearly outlines the crisis situation in the hotel and restaurant sector. A key point in the present study is hotel service and how it changes under the influence of the dynamic environment. Regardless, the companies in hotel business need a plan how to increase the quality of the offered services and to model their product in delivering high level of satisfaction.

5. Research findings

5.1. The influence of hotel environment on expectations of provided services

Everything exposed above describes the complicated socio-economic framework for the activities in sector hotel and restaurant industry. For beginning of the critical period about tourism in our country may be accepted the state of emergency announced in March 2020.

Several months later, in April 2020, The Ministry of tourism issued “Instructions for functioning of the places for accommodation and the establishments for feeding and entertainment in the conditions of danger from contamination with Covid-19 in Bulgaria”. As of October 2021 the document is reissued more than 12 times. On the one hand this shows striving of the state structure to update the information and aims to assist the business with directions for coping with the changes. The business representatives in the person of managers and owners of hotels reckon that this dynamic and the increasing requirements impede to certain degree the working process of the objects and impacts directly the quality of service and the guests’ complete experience.

The main purposes according to the ordered instructions are the following:

- Applying of the anti-epidemic measures in relation with COVID-19 with purpose provision of maximum protection of the population’s health.
- Increasing the safety and protection of the employees’ health, who service the guests of the establishments for accommodation.
- Minimization of the risk from contamination of the guests and other outsiders, including suppliers.
- Limitation of the number of the contacts on the territory of the tourist objects for a certain period of time as a part of the protection against the risk from contamination.
- Complex and coordinated actions, conformed with the stage of development of the epidemic situation.

Regarding the set purposes and the followed requirements and measures, the hotel-keepers are put before a serious challenge in relation to the readiness to respond timely.

A manager of a boutique city hotel 3* shares:

(P5) We were forced to reorganize the whole working process within a short term. Together with the preparation and carrying out of the set instructions regarding the object and the personnel, we had to change our marketing strategy regarding the guests. We are a city hotel, we do not rely completely on the summer season, since our main guests are representatives of corporative

customers. But their work also stopped or passed into a remote form. The expectations and our preliminary researches, have hinted us that in 2020 we may meet more individual guests, who shall probably visit us for the first time. This means that we do not have right to make mistakes and our care for their health and safety, as well as the good first impression, must be a priority.

An action plan for restriction of the Coronavirus infection is drawn up and updated periodically in all visited objects. According to the document whole manager team have to apply adequately the introduced measures and to distribute the available human and economic resources with purpose prevention and protection of the public health. There is necessity of carrying out additional instructions, an evaluation on the action plan execution, control of the compliance, applying preventive and correcting actions. In the process of data collecting and during the conversations carried out, managers are unanimous that their expectations were the above listed activities to be implemented by the support of the Regional health inspectorate and the competent institutions, as they share that they have met understanding and cooperation, which have facilitated their work.

(P4) We would not have coped without help by the competent institutions. The instructions were many, some of them contradictory. The frequent meetings with representatives of the Regional Health Inspectorate helped us to cope with the requirements on the move. It was clear for all of us that the period of adaptation to the situation shall be long, and the summer season in 2020 was still vague. We had to invest in purchasing purification systems for air, ozone machines, UV lamps, moisturizers, in order our guests to feel comfortably. It was necessary to provide in our budget amounts for installation of transparent protective screens, information materials and instructions, which to situate in the shared premises in the object, as well as our costs for hygienic materials have increased (dozers and disinfectants, masks, gloves, protective aprons and etc.).

The introduction of new technologies and service innovations is another sign that companies are successfully adapting to changes. The placement of self-service kiosk in the places of accommodation is common in more and more hotels around the world. In Bulgaria, this technology is still not so widespread, but definitely an investment in this direction is being considered. Almost all respondents say that by offering online service /e.g. check-in or check-out/ will attract a wider segments of customers. Everyone agrees that traditional reception services will not be cancelled, as this is the most important point to make first impression.

The introduced requirements regarding cleaning and disinfection of the rooms for guests meet one main disadvantage. Planned time, for which the process has to be carried out in compliance with the instructions, is increased. About the comfort and safety of the guests and the personnel in every object are developed procedures and standards for cleaning, maintenance and disinfection, as well as control of the bought disinfection solutions and hygienic materials. According to the introduced instructions is necessary hourly carrying out of activities as per cleaning and disinfection of the risky zones. A manager of a city four-star hotel shares:

(P1) The time for cleaning and disinfection of the rooms and shared premises has increased. This has led to impossibility for us in certain periods to offer services like „early check-in” or “late check-out”, and we had days, in which we cannot accommodate our guests at the promised time after 2:00 PM. As for the staff, in relation with the changes and the plan for optimization of the expenditures we were forced to discharge the employees occupied at bellboy position. We considered to specify and train an employee who can take care for observation of the anti-epidemic measures, but subsequently it was established that it is more reliable all employees depending on the department to see and realize control activities.

The changes regarding the offered service in the hotel restaurants are also outlined with special significance about their quality. The traditional for holiday hotels and resorts „all inclusive” is changed partially or completely by type „à la carte”, and the introduced time zones for feeding are

shaped according to the occupancy of the hotel.

(P4) The introduction of dining time zones was met with understanding. In this way we save time of the guests, knowing approximately how many people will visit the restaurant in the specific range and we were ready to serve them quickly.

With the city hotels is observed the following:

(P2) The food at breakfast is individually wrapped: fruit, croissants, cakes, etc. The cutleries, too. We notice that the change in the appearance of the offered assortment has decreased the visual satisfaction of the customers. On the other hand, this is an additional cost for our Company, that's why we were forced to find a reliable partner/supplier meet requirements. We are a business hotel, our rooms are furnished for this purpose. In the cases when we have to provide room service, we need to think about what improvements are necessary in order to cover the discomfort of feeding outside the restaurant. And this recommendation came by our loyal customers, for which we are grateful to them.

5.2. The changes in the consumer preferences and their expectations on service

An overview of the changes mentioned by the respondents can be presented as follows:

- Changes in the duration of the trips.

(P1) More often we receive "last minute" reservations from guests who have stayed with us usually for a week. Now their preference is to visit us two or three times for a shorter stay /2-3 nights/, instead of long vacation. This is a common practice for Bulgarians and guests arriving from Romania. Furthermore, private vehicle is the preferred transport type. As a complement to our loyal customers, we introduced the possibility of free parking.

- Changes in personal income of households due to economic instability (Berger, 2020)

All participants said they had reviewed their discount programs. Marketing departments prepare a new sales plan, with loyal customers being a priority. Additional services /SPA, conference block, beauty treatments/ are offered at preferential prices.

(P4) The pandemic has provided an opportunity to remind our customers about our loyalty program. We contact companies that accommodate their employees with us and offered them "work and relax" package. As we have a modern conference block, our guest could easily hold their meeting online and then relax in the SPA. Regarding the individual guests, we have also developed discount programs, even reduced our standard price for short.

- Changes in the attitudes of managers in improving quality hotel service

In order to increase competitiveness of the Bulgarian hotel product, the participants share that the pandemic situation is a prerequisite for changing their attitudes towards the introduction of quality management systems or customization of the offered services.

(P3) We are increasingly discussing with the introducing of quality standards. For example, if we had introduced a safety or quality standard before pandemic, we would now largely be following standardized procedures, not creating them now. This applies to the organization of the work process in hotel and facilities. In term of service, we plan to rely on personalized approach, as each guest is different.

6. Conclusion and recommendations

Tourism is of key significance about the socio-economic development of our country. The hotel business as a part of the industry as per hospitality has born serious damages and the system for service has transformed. Thanks to it are created working positions, prosperity is achieved and the favorable impact on the psychological indexes of the population is enhanced. The development and the application of new standards for service during a crisis may be a challenge (Bitner, 2008; King, 1984). Hotels marketing, maintenance and human resources practices face significant challenges

because of the pandemic (Lai and Wong, 2020).

It is possible all above indicated activities to change the guest's attitudes. They may cause discomfort and confusion, which on their behalf can ruin the whole experience and cause refusal of a subsequent trip.

The studied results show that in the sphere of the hotel industry the changes, imposed by the changing economic situation practically are used as a base for building upon the familiar product. A part of the managers is planning to take advantage of the situation and to offer a competitive level of service. They reckon that the application of new procedures as per safety for the personnel and the customers would lead to optimization of the processes as per service, and the developing of systems for quality management shall be beneficial about the complete management and functioning of the accommodation facility. It is necessary to be made the clarification that the offered recommendations are not limited only to the crisis situation, in which the branch is. The quality hotel service has to be a priority, regardless of the complicated economic situation. An adaptation of the services as per service according to the customers' individual expectations as a whole would be a competitive advantage, taking into account the oversupply. As main recommendations to the business can be outlined:

- Health will be a key influencing factor in the tourism and hospitality industry recovery after the COVID-19 outbreak due to the residual fear associated with this pandemic and similar diseases (Wen et al., 2020). For this reason, it is important to follow the regulations and measures to ensure the safety of guest and staff.
- Use of additional channels for advertising and promotion of the hotel products /social networks, livestream sales/.
- Introducing service innovations to limit personal contact with guest /possibilities for online check-in and check-out, QR code technology/. On the other hand, guests should not be limited by "small talks" with personnel during their stay, as the hotel service is of a strong social nature, care for the guest's experience should come first.
- Introduction of international standards and good European practices and adoption of innovative products, information and communication technologies in unison with the requirements of the tourist demand.
- Increase the added value of the service focus on quality rather than quantity.
- Seeking feedback from the guests in order to improve the hotel environment.

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