

ACTUAL PROBLEMS OF HOSPITALITY IN REPUBLIC OF MOLDOVA

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**Summary:** In this article are discussed the current problems of the hotel business in the Republic of Moldova, among which the core is the high cost of living, analyzes key performance indicators of the leading hotels in the Republic of Moldova; are discussed the main difficulties faced by the Moldovan Hotelier.

**Key words:** Structure of Tourists' Reception with Functions of Accommodation, The Rate of Load Hotel, Tourist Product, Tourist Destination.

INTRODUCTION

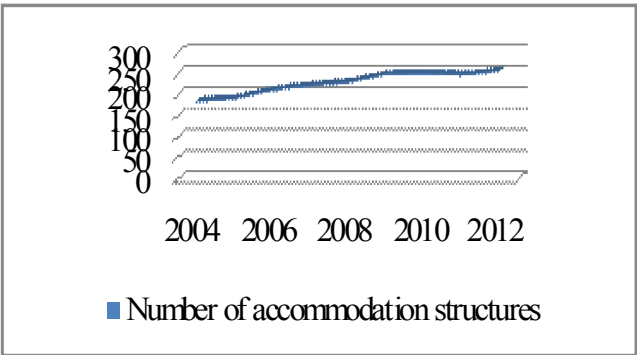


Fig. 1. Growth dynamics of the collective reception facilities at tourist accommodation in the Republic of Moldova for the 2004-2012

The hospitality industry is the "heart" of tourism business. Hotel base in the Republic of Moldova is currently represented by 257 collective structures with tourist accommodation, but only 112 are classified as hotels and similar structures.

Data from the National Bureau of Statistics of the Republic of Moldova are listed in the chart below shows a steady trend of growth in the number of hotels in the country, despite the unstable political and economic situation.

If we start calculations based on the official statistic from 2012, the presence of the collective capacity of the reception facilities at tourist accommodation in the Republic of Moldova of 8308 (3,024,112 overnight stays per year), while

the number of overnight stays of tourists in them is 1462423. From the above follows that the average hotel occupancy rate in Moldova is slightly more than 40%. This figure is an approximation, as are taken into account, and such units as improving the structure, summer camps, the percentage of load that close to 100% depending on the season. The data is the National Association of Hotels and Restaurants says that the average load of Moldovan hotel is only 15% (in developed countries this figure - 70-75%), while the average rate of 50-200 Euro.

The above data encourage a more serious study of the situation in the Moldovan hospitality industry, exposing the main problems and a request finding ways for development, which will helps it to become more stable and stronger.

## **RESEACH METHODS**

Methodological and theoretical basis for this study is based on the provisions of the basic laws governing the organization and development of the tourism business of Republic of Moldova "Act of organization and implementation of tourist activity in the territory of the Republic of Moldova № 353-XVI», a government decree "On approval of the Methodological Norms and criteria for the classification of structures on the tourist reception with the functions of accommodation and food from 27.05.2003 N 643 "as well as a comprehensive analysis and a systematic approach to the problems in development of hotel business of RM.

## **THE MAIN PART**

Experts of tourist business are united in the opinion that the most pressing issues that hinders the development of hotel business in Moldova include high cost of living; unformed tourist image as a separate city and the country as a whole, the lack of excursions, activities that would attract travelers; imperfect tax policy on tourist accommodation structures, defects in the procedure of standardization and classification of hotels.

One of the most pressing problems of the hotel business in Moldova is the high cost of living, remained stable from year to year, in spite of regularly increasing number of hotels under construction and new opened. This fact is explained by the high fees on the ground in the most popular tourism places to stay. A striking example is Chisinau, the example of which this trend can be demonstrated.

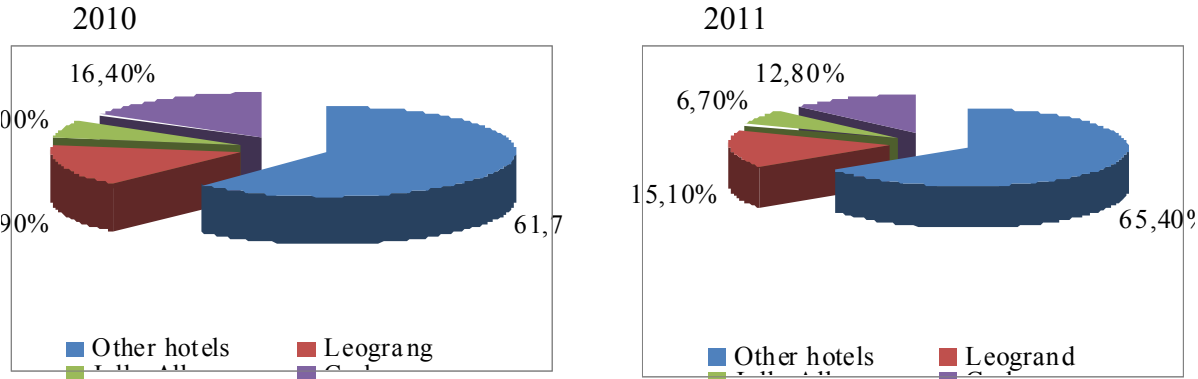
So, all the hotels of the city can be divided into two zones: central and peripheral . The majority of reception facilities at tourist accommodation and food, are located in the central part of the capital (in the perimeter streets Garden - Albisoara, Tom Chorba - Ciuflea ) are 4-5 star, each focused on its own contingent of tourists with special pricing categories. One of the most popular are business-class hotels Leogrand & Convention Center 4\*, Codru 4\*, Jolly Allon 4\*, the first of which offers special accommodation rates for people from Turkey, the second - the citizens of Romania. Nobil Luxury Boutique Hotel 5\* is also highly asked. It focuses on the most wealthy contingent of tourists, where the cost of the presidential suite is 2000 Euros per night.

According to the calculations of the marketing department Codru 4\* hotel in 2011, three above-named hotels located in the center of Chisinau, leaded in the commercialization of its product, which amounted in 2010 38.3 %, in 2011 - 34.6 % of the total sales of all Moldovan structures with features placement. Indicating a high demand for being in the city center hotels, despite the steady increase in rates (from 140 to 180 euros per night (B/B).

The explanation for this lies in the fact that the location of the hotel close to the most popular tourist sites, close to many agencies under the protection of government, the easy availability of vehicles, provides tourist confidence in their security.

At the same time, many worthwhile tourist accommodation, which is a 10-15 minute drive from the center of Chisinau, are not in such demand, as stated above hotels. Thus, the location of Vila Tulip 4\* (one of the most stylish seasoned with a large tastefully decorated hotel offers a unique service) in the peripheral area of the capital, close to the Republican Clinical Hospital, greatly reducing the number of its guests. And this despite the fact that it is located in a green area 10 minutes' drive from the city center. Even such hotels as Slub Royal Park 5\*, President 5\*, having a well-furnished large swimming pools (which is a luxury for the Moldovan hoteliers) can not

compete either on loading the hotel, either in terms of sales with leaders of the hospitality industry, whose structures are located in the above designated central area of the capital.

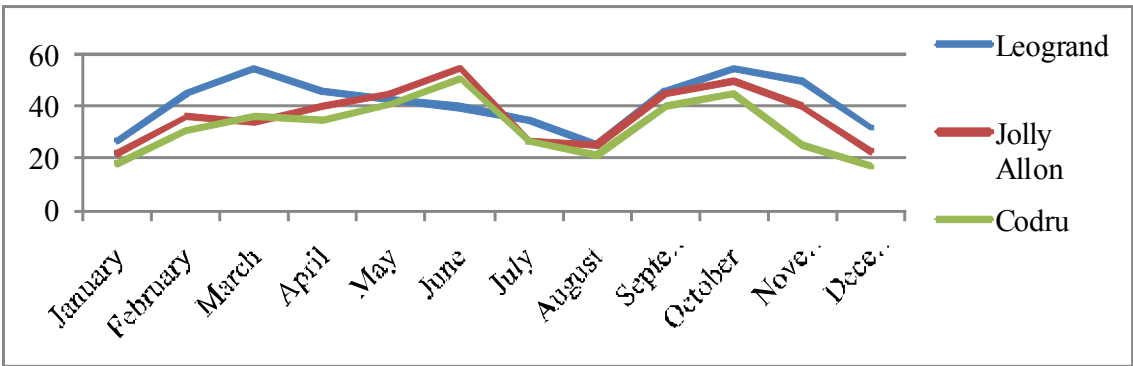


Comparative sales analysis of the top three hotels in the Republic of Moldova in relation to sales of hotels and other similar structures in 2010 and 2011

Source: Data of Codru 4 \* Hotel’s Marketing Department

As in other capitals of the world, land and real estate in the center of Chisinau is very expensive. This is one of the reasons for higher prices for hospitality service. Construction in the area of four-and five-star hotels due to the fact that the numbers in them have much faster payback (for the first 3-5 years). Naturally, the hotel with two or three stars of medium size and large - from 40 rooms will pay off much longer (7-10 years).

Another big reason the higher cost of living is insufficient loading for hotels that do not allow lower prices. Comparative analysis of the hotels Leogrand & Convention Cetnter 4\*, Codru 4\*, Jolly Allon 4\*, shows that the average population density in these hotels is 40% and it varies depending on the season, as evidenced by the following chart.



Loading dynamics of the leading hotels in the Republic of Moldova in 2012

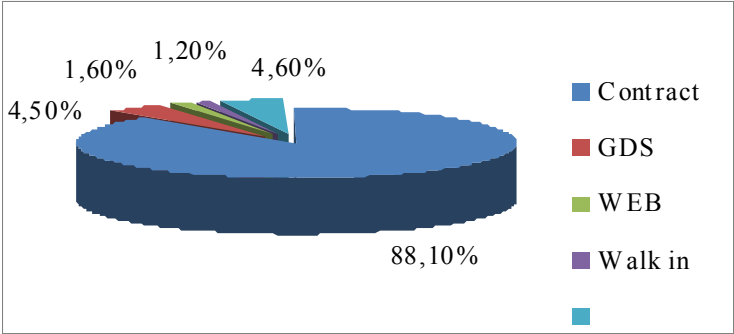
Source: Data of LeoGrand&Convention Center 4\* Hotel’s Marketing Department

Even in the high season, which falls on Wine Festival, which takes place annually in Chisinau in early October and attracting a large flow of tourists, the average load of the leading hotels in the capital does not exceed 55 %. Concerned about the fact that in the off-season (December, January), the figure is an average of 20 %, which also demonstrates the flawed policies of positioning the country as an exciting tourist destination, a lack of interesting activities that could motivate tourists to visit Christmas and to celebrate New Year holidays in Moldova.

Another reason of inflated prices for accommodation in hotels in the country that consistently draws attention particularly the National Association of hotels and restaurants, lies in the area of hotel business taxation. Since the study (LOAD) reveals that if the government will reduce VAT on hotel services to 8 %, the hotel owners are ready to immediately reduce the cost of living by 20 %. In Moldova, the highest in Eastern Europe, the VAT on this type of activity - 20%. In Romania and Bulgaria, for example, it is equal to 9%, in Poland - 8 %, and in Hungary - 5%.

Relevant for the hotel business in Republic of Moldova is to find the optimal distribution channels. Among the latest tourist firms that supply a sufficient number of tourists, global reservation systems, websites of hotels, booking through email, fax, or directly through the reception. Chart below shows that the overwhelming number of tourists coming to the hotel through contracts with tourist firms, corporate clients. For example, in 2012 the largest number of sales in LeoGrang 4\* (88.1%) were carried out in this way. Booking through global systems (GDS) is 4.6, through a web site - 1.2%, appeal directly to the rack recorder - 1.6%, by email, fax -4,5%.

Unfortunately, not every Moldovan hotel can afford Internet booking services, as they are quite expensive and 20-25% commission on each sale. For hotels more profitable to open a website with the possibility of online booking and online payment.



The main sales channels The hotel LeoGrand 4\* (2012)

*Data of Leogrand&Convention Center 4\* Hotel's Marketing Department*

Often Moldovan hotels lose possibility and customers by their position of their products through the inflexible policy reluctance to make concessions to tourism companies, due to monopolization of some of its activities. So, in 2011, the hotel refusal LeoGrand 4 \* reduce the price overnight stay and rent conference rooms for a large group of corporate clients of the company Amadeus Travel & Lufthansa

Center, has meant that the tour operator did not win the tender . The hotel is at the same time lost 120 foreign tourists, who were in the 5 days to live, have fun, enjoy meeting rooms, while on full board (FB). Moreover, due to high retention rates, he lost the opportunity to once again position itself in the international market incentive tourism.

In addition to the above-mentioned problems of relevance to the hotel industry is the lack of Moldova capacious of tourist accommodation in rural areas. Large tourist groups traveling to the Republic of Moldova for corporate entertainment, it is difficult to find accommodation in the environmental area outside the city area, as rural areas agropansionaty are not roomy and are located at a considerable distance from each other. This fact makes the development of incentive tourism more complicated, which has been developed lately in the country.

Among the factors that impact the development of tourist accommodation is an imperfect system of methodological norms of their classification, which is outdated and does not always correspond to the requirements of a modern hotel.

### CONCLUSION

Analysis of the current state of hotel base in Republic of Moldova shows that one of the most important problems is the high cost of living and services offered to tourists are not always appropriate. Eliminate of this situation is possible by increasing the percentage of fullness due to wider positioning of Moldova as a tourist destination due to the provision of quality of various products, and changes in the tax system to improve classification standards of methodological hotel base of the country.

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