

Elvira Böcskei*

HOTEL TRADE: FACTS, FIGURES, OPPORTUNITIES

With a view to Hungary's natural resources, geographical location and the role it plays in the European region, it may be justified to raise the question whether it is necessary to build still more hotels, or would it be better to focus on the development of the existing ones, enabling them to meet the requirements of a higher star category. The hesitation is not by accident, as the supporting policy of the Széchenyi Plan had emphasized that building a hotel requires an investment of several millions, while the return on the investment takes decades.

Besides Hungary, the investigation comprised some other countries of the European Union. In terms of commercial accommodation, aside from countries of the top 11, we included the data of neighbouring Slovenia and Slovakia. Eurostat does not have a database specifically referring to hotels, however, on the basis of the numbers of hotels and other forms of accommodation, we can come to a good approximate value indicating "fullness". For better comparability, we have analysed numbers of hotels and other accommodation per square kilometre.

* *főiskolai docens, Általános Vállalkozási Főiskola*

Table 1
Hotels and commercial accommodation per square kilometre

Country ¹	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Italy (1)	0.113	0.113	0.112	0.111	0.110	0.110	0.111	0.111	0.111	0.111	0.111
Spain (2)	0.021	0.188	0.015	0.015	0.032	0.032	0.032	0.033	0.033	0.034	0.035
Germany (3)	0.106	0.108	0.109	0.109	0.108	0.107	0.107	0.106	0.105	0.103	0.102
France (4)	0.032	0.032	0.031	0.030	0.030	0.030	0.030	0.030	0.028	0.029	0.030
UK (5)	0.188	0.188	0.189	0.194	0.209	0.186	0.182	0.182	0.180	0.182	0.134
Austria (6)	0.216	0.214	0.210	0.188	0.183	0.185	0.182	0.177	0.175	0.172	0.170
Holland (7)	0.042	0.041	0.044	0.067	0.068	0.068	0.068	0.070	0.070	0.075	0.075
Greece (8)	0.058	0.060	0.059	0.060	0.061	0.063	0.063	0.063	0.065	0.067	0.068
Poland (9)	0.003	0.004	0.003	0.005	0.004	0.004	0.004	0.005	0.005	0.006	0.007
Sweden (10)	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.003	0.003	0.004	0.004
Portugal (11)	0.018	0.018	0.019	0.018	0.019	0.019	0.019	0.020	0.020	0.021	0.021
Hungary (16)	0.016	0.018	0.018	0.019	0.019	0.020	0.021	0.023	0.024	0.020	0.022
Slovakia (19)	0.009	0.010	0.008	0.011	0.011	0.011	0.012	0.015	0.017	0.018	0.018
Slovenia (20)	0.015	0.020	0.020	0.020	0.020	0.022	0.019	0.019	0.019	0.017	0.017
EU 27	0.045	0.045	0.045	0.045	0.045	0.046	0.046	0.046	0.046	0.046	0.044

Source: Eurostat – Tourism in the enlarged European Union, Statistics in focus, 13/2005, Eurostat – Tourism – Statistical pocketbook (1995–2005), KSH, 1995–2006, furthermore using data supplied by the statistical yearbooks of the enlisted countries for (1995–2006).

The chart shows that in Hungary the ratio of hotel and commercial accommodation per square kilometre is 0.022. Considering the number of guest nights spent in commercial accommodation, which is most often used to measure the performance of tourism, Poland, Sweden and Portugal also precede Hungary, although they have less commercial accommodation.

In relation to their numbers of commercial accommodation, Spain and France² have only slightly more commercial accommodation, but they occupy second and fourth places in the

¹ *The numbers in the brackets beside the names of the countries indicate the place in the ranking based on numbers of guest nights spent in commercial accommodation.*

² *France is the world's #1 touristic destination, while Spain is #2, their market share is world tourism is 9.8 pc and 6.9 pc respectively. Hungary is ranked 18th with a market share of 1.6 pc. (Organización Mundial del Turismo Datos y cifras, Edición [2005], www.world-tourism.org).*

ranking based on numbers of guest nights. The above-mentioned countries, with perhaps the only exception of Poland, have divergent economic, social, geographical and natural conditions, and consequently no deeper consequences must be drawn from their comparison. However, it seems justified to raise the question, whether it is worth building new hotels.

Table 2
Numbers of foreign and domestic guest arrivals per hotel or other commercial accommodation (person)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Spain (2)	3 591	4 085	5 532	6 073	3 610	3 640	3 660	3 578	3 656	3 840	4 011
France (4)	3 789	3 858	4 126	4 484	4 974	5 249	5 079	5 096	5 317	5 548	5 456
Poland (9)	6 270	6 027	5 504	4 879	3 791	5 001	4 909	4 815	4 871	4 515	4 785
Sweden	6 174	6 140	6 006	6 452	6 667	6 841	6 669	7 457	7 315	7 157	7 449
Portugal (11)	4 227	4 352	4 553	5 128	5 182	5 328	5 274	5 129	4 974	5 187	5 283
Hungary (16)	2 189	2 009	1 972	2 392	2 394	2 458	2 416	2 276	2 202	2 768	2 872
Slovakia (19)	3 360	3 732	4 024	3 303	3 291	3 297	2 759	2 879	2 718	2 609	2 765
Slovenia (20)	3 925	3 169	3 205	3 175	3 162	3 117	6 678	3 737	3 978	4 549	4 802

Source: Eurostat – Tourism in the enlarged European Union, Statistics in focus, 13/2005, Eurostat – Tourism – Statistical pocketbook (1995–2005), KSH, 1995–2006, furthermore using data supplied by the statistical yearbooks of the enlisted countries for (1995–2006).

The analysis of the number of guest arrivals per hotel or other commercial accommodation is giving further evidence for the presumption that the development of the existing hotels must be prioritized. Countries with a lower number of hotels and other commercial accommodation, like Poland, Sweden and Portugal, are boasting a much higher value than Hungary for guest arrivals. The same tendency can be observed for Spain and France, which have similar values for accommodation. Naturally, tourism cannot be evaluated exclusively on the basis of figures, and the country's touristic conditions as well as the peculiarities of the local supply must also be taken into consideration. For all the above factors, it must not be forgotten that foreign tourist traffic in Hungary is rather concentrated: foreigners know only two centres of tourism, Budapest and Lake Balaton. More than three quarters of the guest nights have been registered in Budapest and around Balaton (KSH, 2006: 25–27). The situation is further worsened by the fact that the tourist traffic around the Balaton is very seasonal, it is restricted to the summer months. Furthermore, a high proportion of foreign entrants are only transit passengers, or they stay in Hungary only a very short time, and they arrive from countries geographically close to Hungary. To enhance the tourists' demand, one must take into consideration a new trend just in the making; a new focus in tourism is on services with a higher value added, services providing more experiences, adventures to the tourists (Szabó, 2006: 14–41).

The number and utilization of hotels operating in Hungary

As a first step of analyzing the past decade of the hotel industry, I investigated the changes in the numbers and the ranking in star categories of the hotels operating in Hungary.

Table 3
Numbers of hotels in Hungary 1995–2006

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
5	5	5	5	5	7	10	11	12	14	16	17	17
4	27	30	35	41	51	64	72	80	89	105	121	127
3	205	230	240	268	303	341	360	411	414	428	440	458
2	198	197	207	214	229	218	217	222	224	200	192	199
1	132	136	138	123	114	85	76	81	81	75	66	71
Total:	567	598	625	651	704	718	736	806	822	824	836	837

The number of hotels operating in Hungary has seen a dynamic growth in the past decade. While in 1995 567 hotels were registered, a slightly less than 47 pc development by 2006 has resulted in 837 hotels serving the guests' relaxation. A move towards higher star categories has been discernible. While in 1995 there were as few as 5 hotels ranked as belonging to the highest star category, hardly more than 10 years later this number has increased to 3.4 times higher. The development has been most spectacular in the four-star hotels (their number has grown to 4.7 times higher). This dynamic growth was partly due to the fact that, as a result of the developments, the three-star hotels finally met the requirements of the higher category, and also, to a lesser extent, some of the newly-built hotels also contributed to the growth. Growth has also been observable in the three-star category, though, at a much lesser extent (2.2 times) than in the four- and five-star group. As for the number of two-star hotels, there has been a slight, 10 pc development from 1995, but, starting from the year 2003, a process of steady decrease pushed it back down to the 1995 level. As for the one-star hotels it can be stated that their number has shown dramatic fall, to almost half.

Analysing the star-ranking of the hotels, it becomes apparent that the socio-economic transition has obviously entailed the transformation of the tourism sector in general, and the hotel industry in particular. I presume that this process has not yet come to an end, and the reranking of one- and two-star hotels in the higher categories will continue. They will, by all probability, be able to meet the classification standards of the three-star hotels, while a few three-star hotels with better-off owners might be able to enter the "top" category.

Table 4
Guest turnover of hotels according to star categories (1000 people)

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
5	214	240	242	238	292	312	329	342	366	475	572	584
4	538	610	701	809	839	1021	1060	1167	1272	1619	1853	1925
3	1377	1472	1441	1548	1607	1788	1860	1871	1804	1930	2095	2164
2	761	729	719	683	643	621	579	543	507	425	383	352
1	397	337	327	288	263	206	160	137	143	121	115	109
Total:	3286	3389	3429	3566	3645	3948	3988	4060	4092	4571	5018	5143

Source: (KSH, 1995–2006)

The hotels' guest turnover has been increasing dynamically, the value of the growth has reached 56 pc, compared with 1995. The most conspicuous growth has been discernible in the four-star category, where the number of guests has increased to 3.5 times higher. It is worth mentioning that the guest turnover of four-star hotels, 1.925 million, registered in 2006, hardly falls short of the 2.164 million of three-star hotels, though the number of four-star hotels is just a quarter of that of three-star ones. Today the highest guest turnover is produced by three-star hotels, but the rate of growth shows a slowing trend. Four-star hotels were followed by five-star ones in showing the second most dynamic growth. Guest turnover, compared with 1995, increased to 2.73 times higher. As for one- and two-star hotels, there has been a drastic fall in guest turnover. The statistics of the hotels' guest turnover provides further evidence for the tendency that the guests are giving priority to accommodation with more conveniences, and, within this category, four-star hotels are taking the lead in the market.

Table 5
Room utilization per star category (percent)

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
5	63.5	69.8	68.8	67.1	64.7	63.8	61.4	60.4	55.1	60.5	65.4	65.3
4	62.1	63.6	63.7	62.5	60.0	62.4	58.6	57.3	54.9	58.2	59.0	57.0
3	44.5	46.8	47.0	46.4	44.3	43.2	44.3	41.9	41.0	42.6	43.8	44.2
2	39.2	39.7	40.2	38.1	34.8	35.6	35.1	33.6	31.1	28.8	28.6	27.8
1	34.1	32.0	31.9	33.6	31.1	36.6	33.6	32.8	30.8	31.6	31.2	34.1
Total:	45.4	47.2	47.7	47.5	45.5	46.7	46.6	45.1	43.7	46.4	48.1	47.9

Source: (KSH, 1995–2006)

The analysis of the room utilization of hotels leads to the conclusion that in each year of the period studied room utilization is higher than the national average for four- and five-star hotels, while it is around the average for three-star hotels, and below the average for one- and two-star hotels.

It seems worth analyzing numbers of hotels, room utilization and guest numbers simultaneously over a longer interval.

Table 6
Hotel numbers, guest numbers, room utilization

Denomination	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
No hotels	567	598	625	651	704	718	736	806	822	824	836	837
No guests	3286	3389	3429	3566	3645	3948	3988	4060	4092	4571	5018	5134
Room utilization	45.4	47.2	47.7	47.5	45.5	46.7	46.6	45.1	43.7	46.4	48.1	47.9

Source: (KSH, 1995–2006)

Despite the steady increase in guest numbers, which can be seen on nation level, in the three-, four-, and five-star hotels, the room utilization shows a falling tendency in all five star categories. The increase in the number of hotels has resulted in an increase in the number of guests the hotels can sleep, and the latter was higher than the increase in the actual number of guests. Once again, the question arose, whether it was necessary to build new hotels. In order to answer this question properly, it became necessary to analyze the wealth, financial and revenue positions of the hotels operating in Hungary.

Analysis of the economic efficiency of hotels operating in Hungary

To enhance competitive investment and operating conditions, the hotels had to be examined according to star categories. If one wishes to get a comprehensive overview of the wealth, financial and revenue positions of the hotels operating in Hungary, the balance statement and net earning data of the hotels chosen for the sample had to be carried out. The rate of hotels involved in the study, compared to all hotels operating in Hungary, reached 45 pc on average, for three-, four- and five-star hotels, thus the analysis can be considered representative.

Through analyzing the balance statement and net earnings data of the hotels operating in Hungary I actually examined the developmental tendencies of over 10 years (1995–2006). In choosing the indicators I primarily relied on analyses applied in accounting practice.

Examining economic efficiency and profitability with variance analysis

The analysis of economic efficiency and profitability with variance analysis, as well as with the methods of descriptive statistics, involved the whole range of hotels. *It can be established for the whole range of hotels involved in the sample – 341 hotels – that there is a significant correlation between the number of stars and the profitability indicators.*

Table 7
The closeness and significance of the correlation between hotels' star ratings and economic efficiency

Indicator of economic efficiency	Correlation significant?	Closeness of correlation
Revenue per assets	yes	0.135
Revenue per costs	yes	0.254

Source: own calculation

The analysis was carried out with the application of the two most typical indicators, revenue per assets and revenue per costs. In the case of the revenue per assets indicator, it can be stated with 81.6 pc reliability and at a 0.184 significance level, that the averages typical of the different categories of hotels significantly differ from each other. As for the revenue per costs indicator, there is a well-discernible, marked stochastic relationship between star categories and efficiency. The result show that it can be stated with full – 99.9 pc – certainty that revenue per costs depends on which star category the hotels belong to.

Table 8
The closeness and significance of the correlation between the economic efficiency of four- and five-star hotels

Indicator of economic efficiency	Correlation significant?	Closeness of correlation
Revenue per assets	no	0.073
Revenue per costs	no	0.128

Source: own calculation

The correlation between economic efficiency and the star categories, as well as its closeness, has also been analyzed constrained to four- and five-star hotels. Among four- and five star hotels, the correlation is not significant for any indicator. All this suggests that within the "élite"

category of hotels the increase in the number of stars no longer improves efficiency significantly. It should be noted that the standard deviation ratio measuring the closeness of the correlation is usually rather low due to the quite high deviation within the individual hotel categories, but even so it can be proved with no doubt that the correlation between star categories and efficiency is much less close within the subset of four- and five-star hotels than within all hotels.

Besides economic efficiency, profitability has also been analyzed. To analyze profitability, five indicators have been selected.

Table 9
The closeness and significance of the correlation between hotels' star categories and profitability

Profitability indicator	Correlation significant?	Closeness of correlation
Earnings on income	no	0.105
EBIDTA	yes	0.153
ROA	yes	0.148
ROI	yes	0.149
After-tax earnings on capital	no	0.124
Retained profit on capital	no	0.122

Source: own calculation

Similarly to the method applied in the analysis of economic efficiency, the analysis was carried out first for all hotels involved in the study, then for four- and five-star hotels. In terms of all hotels, it can be stated with a reliability rate of 90.7 pc for the EBIDTA indicator, 88.9 pc for ROA, and 89 pc for ROI that the profitability of hotels depends on which star category they belong to. In the case of earning on income, after-tax earning on capital and retained profit on capital the difference between profitability and the hotels belonging to different star categories is not significant, though, which can be explained primarily by the fact that due to the outstanding value of the individual hotels – that goes back to the controversies inherent in its capital structure – the coherence is not detectable.

Table 10
The closeness and significance of the correlation between the profitability of four- and five-star hotels

Profitability indicator	Correlation significant?	Closeness of correlation
Earnings on income	no	0.046
EBIDTA	no	0.142
ROA	no	0.101
ROI	no	0.102
After-tax earnings on capital	no	0.039
Retained profit on capital	no	0.040

Source: own calculation

Limiting the circle of hotels to four- and five star ones, the investigation has underpinned also for profitability indicators that there is no significant correlation, ie. the increase in the number of stars does not significantly improve profitability.

Literature

Eurostat [2005]: Statistics Tourism Statistical pocketbook (2001-2004), Luxemburg, 2005.

Ipari, Kereskedelmi és Idegenforgalmi Minisztérium [1998]: 45/1998. (VI. 24.) IKIM rendelet a kereskedelmi és fizetővendéglátó szálláshelyek osztályba sorolásáról, valamint a falusi szálláshelyek minősítéséről.

Kérékgyártó Györgyné – Mundruczó György – Sugár András [2001]: Statisztikai módszerek és alkalmazásuk a gazdasági, üzleti elemzésekben. Aula Kiadó, Budapest, 2001.

Központi Statisztikai Hivatal [1996-2006] Turisztikai Statisztikai Évkönyv, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005.

Magyar Turizmus Zrt., Gyógy, és wellness szálló katalógus internetes honlapja: (http://www.itthon.hu/images/mtrt/tartalom/gyogy_szallok_2006/magyar_kicsi.pdf), letöltés dátuma: 2007. augusztus 21.

Magyar Turisztikai Hivatal [2005]: Nemzeti Turizmusfejlesztési Stratégia (NTS) 2005-2013. Budapest, 2005.

Magyarország turizmus szatellit számlái [2004]: KSH, Budapest, 2004.

Marques A. [1992]: Community Competition Policy and Economic and Social Cohesion. Regional Studies, Vol 26. No. 4., 1992.

Nemzeti és Fejlesztési Hivatal honlapja: (<http://www.nfh.hu>).

Organización Mundial del Turismo Datos y cifras, www.world-tourism.org Edición. Madrid, 2005..

Szabó László [2006]: Turizmus az Európai Unióban. Bővülő Európa, Ecostat, 2006/3.

Tourism Statistical pocketbook [2005]: Eurostat, Luxemburg, 2005.

Turizmusfejlesztési Program [2000]: Gazdasági Minisztérium, Budapest, 2000. szeptember

World Tourism Organisation [2005]: Organización Mundial del Turismo Datos y cifras, www.world-tourism.org Edición 2005. Madrid, Spanyolország (letöltés dátuma: 2007. november 11.)

World Tourism Organisation [2006]: Tourism Highlights. WTO, Madrid, Spanyolország, 2005.