

Problems and Prospects of Hotel Service Development in the Republic of Kazakhstan

Besekey Erkin

Kazakh Economics University Named After T. Ryskulov, Almaty, Kazakhstan

Abstract: This article considers trends in the development of hotel services in the Republic of Kazakhstan, concerning the importance of hotel services in modern economy, a research has been done on the peculiarities of their organizational space, the condition of hotel industry has been evaluated, the main problems faced by hotel businesses have been determined, the main suggestions on the development of hotel business in the RK have been formulated.

Key words: Hotel business • Hospitality industry • Service process • Average room occupancy • Small hotels

INTRODUCTION

The gap between the global trends in development of hotel industry and its condition in Kazakhstan, while having real reserves and potential, requires a solution of a number of organizational and economic problems. Some of these problems are: underdevelopment of tourism infrastructure, low quality of service, inadequacy of service quality and prices, low professional level of personnel, etc. Solution of these problems requires research of hotel industry in the Republic of Kazakhstan.

Hotel industry is one of the important elements of service industry, which functions as a provider of accommodation, catering and various additional services to citizens of Kazakhstan and foreigners. The investment prospects of Kazakhstan, improvement of living standards of the population, big global hotel chains entering the local market, have caused intensive development of hotel services and a necessity to improve their quality to match the world standards.

In the first years of the Republic's independence hotels worked on the analogy with soviet times standards, i.e. when the overall hotel industry management and the quality of hotel services in particular were dominated by administrative approach, without having a clear idea of the real customer needs or the situation in the market, which resulted in the loss of consumer appeal of the hotel services.

Development of hotel industry prompted a transition from large to small property, from public to private ownership, also to the emergence and functioning of sole

proprietorship businesses (private apartments). At the moment Kazakhstan hotel business is developing mainly in the area of business tourism, whereas the highest demand is for middle class hotels. According to some experts, provided the necessary conditions are created, it is possible that the economic return of national hotel industry will increase.

The current economic processes make for a necessity of search and implementation of service standards, which would take into consideration the national specifics and the country's mentality, in addition to the requirements to the hotel services imposed by the global community. It is necessary to make use of the western experience of hotel business management, implement international standards of ISO 9001 and introduce overall quality management concept.

Analysis of the Latest Researches and Publications:

Hotel business as a specific type of activity in the service industry has been studied most profoundly by R.A. Brimer, N.A. Fowler, G. Walker, G.A. Bondarenko, Y.F. Volkov, V.A. Kvartalnov and some other scholars. However, the above-mentioned studies do not suggest any solutions aimed at developing regional service markets. The works of these scholars are not adapted to the market of Kazakhstan and their results are strongly oriented at the national market of the country of the scholar's origin. There are works specially focused on hotel business in Kazakhstan by R.A. Rayeva, G.N. Yulchiyeva, O.Zh. Ustinova, M.R. Smykova.

The aim of the research is to study the development of hotel services in the Republic, revealing problems hindering development of this sector and developing suggestions for solving these problems.

Research Methods: In the process of writing were used scientific methods such as analysis and synthesis, methods of economic, logical analysis and systematic approach.

The Main Results of the Research: Hotel businesses have common features, which define the nature of hospitality industry and the latter forms organizational structure of the companies, defines their management policy and operations:

- Hotel business is represented by different types of enterprises;
- This industry deals with both service and production;
- There are different clients with different needs and expectations;
- The service is directed at the customer and the provided goods are tangible and intangible by nature;
- Many of the operations are combined, most of them are produced simultaneously;
- There is a need for high level of coordination, often with tight deadlines.
- Apart from highly-skilled labor there is a lot of unskilled labor;
- A comparatively low level of wages;
- High staff turnover in the industry (between different sectors) [1].

Although it is hard to call hospitality industry solely service providing, it demonstrates many of the main features of other service industries. Western specialists put these features together in seven points [2]:

- A customer is a participant in the process of service providing;
- Production and consumption processes concur;
- Service volumes are not stable in time
- Location is defined by customers' demand;
- Process of service providing is labor-consuming;
- Product is intangible;
- Performance is hard to measure;

In contrast to production, service providing process is limited in time. During the period of low demand, with the price level remaining high, insufficient sales are impossible to compensate during the following period of high demand, whereas with an increase in demand, insufficient means of service can result in lower profits due to inability to fully meet the demand.

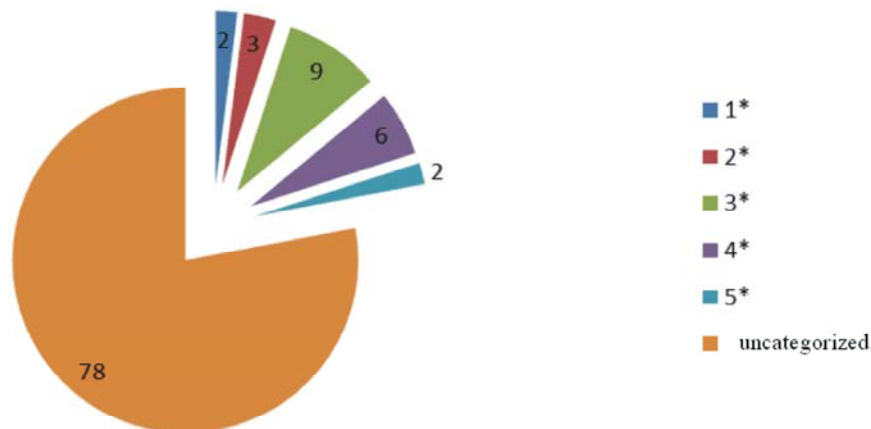
1,432 enterprises and individual entrepreneurs were registered in the RK in 2012, totaling 37,786 rooms with capacity to provide 83,103 beds at a time. They served 3,026.2 thousand people, providing 66,540.9 million tenge worth of services. The sales volume of accommodation services, excluding restaurant services in compatible prices increased by 6.3% compared to 2011 [3].

Hotel industry directly depends on the dynamics of growth of visitors coming to the RK, as 68.8% of customers who used hotel services in 2010 were RK residents. Business activity has been and is going to remain the main factor of growth. At the same time the total number of customers who used hotel accommodation in 2012 increased by over 272.4 thousand people compared to 2010. It is a significant growth compared to the results of the previous years, which were marked by a decline since 2007 due to a decrease in business activity. However, this rate has not yet reached the level of 2007.

We can observe a transition of the industry towards 4-star hotels. The number of 2-3-star hotels and non-categorized hotels is decreasing. The number of hotels with any number of stars accounts for 22% of the total accommodations, the rest is unordered and unclassified market.

A hotel as a business is hard to manage. The staff turnover is as big as in retail trade, while there is a strong need to implement standards, to maintain safety of catering and accommodation, all that presents a difficult management problem [4].

When planning a hotel business there are two factors to focus on: average sales typical of a region or a city and average room price. The average hotel sales in Kazakhstan in 2012 amounted to as little as 20.3% of the capacity. Average cost of accommodation is estimated at 50% of the declared prices. For example, average cost of accommodation in a 5-star hotel is approximately 35000 tenge, or 233 US dollars, whereas the declared rates of world-class 5-star hotels range from 60-70 thousand tenge or 400-500 US dollars per night and more [3].



Pic. 1: Distribution of the number of accommodations by categories in 2012

Source: www.stat.kz

As for the government support of the industry, in 2007-2010 development was based on the realization of State Program of Tourism Industry Development for 2007-2011, approved by executive order No 231, issued by the President of the RK on December, 29, 2006. This period was characterized by improvement and development of laws and regulations [5].

In order to work out a further vision of tourism development in the framework of the State Program of Accelerated Industrial and Innovative Development of the RK for 2010-2014, the Program for Development of Future-Oriented Areas of Tourism Industry of the RK in 2010-2014 was approved by decree No 1048 issued by the Government of the RK on October, 11, 2010 [6].

To protect the interests of tourism and hotel industries in the country, a non-profit nongovernmental organization KAGiR (Kazakhstan Association of Hotels and Restaurants) has been working since 1998. KAGiR unites hotel complexes of the RK, representative offices of international hotel chains, providers of hotel industry, mass media, such as "Hotel and Restaurant: Business and Management", universities and colleges having faculties of service [7].

The leaders in the number of customers, who used hotel services, are Astana city, Almaty city, Atyrau and Eastern-Kazakhstan regions. The lowest number of guests is registered in Qyzylorda, Northern-Kazakhstan, Western-Kazakhstan and Zhambyl regions. The biggest hotel room capacity is found in Almaty city, Astana city and Eastern-Kazakhstan region, the smallest is in Northern-Kazakhstan, Qyzylorda and Zhambyl regions. The leaders in the utilization of capacity are Mangistau (64%) and Atyrau (61%) regions [3].

As it is seen in Table 1, the highest hotel occupancy is in hotels with restaurants. These hotels accommodated twice as many guests as those without restaurants. Hotels with restaurants are mainly middle-sized and large businesses, whose category is over 2 stars. The occupancy of hotels with restaurants is also 34.3% higher than of those without restaurants.

Due to the fact that 72.05% of the hotel guests in the RK in 2012 were travelling on business, the best way to invest in hotel business would be to focus on a corporate customer. The best regions for this purpose in the coming years are going to be Mangistau and Atyrau regions, due to the high demand for hotel services in the regions, where the average occupancy of the hotels is around 60%, whereas the average rate in the Republic equals 20% [3].

According to the forecasts of KAGiR, hotel business in RK has survived and is gradually moving towards the pre-crisis levels.

Business tourism segment in western regions of the Republic depends totally on the processes in oil and gas industry. Taking into account the fact that hotel occupancy level in Mangistau region is 64%, in Atyrau region – 61%, it should be noted that with the development of oil sector there soon will be a need to build more hotels in these regions. The essential advantage of these hotels must be world-class service of hotels having 3 and more stars, which will be an important criterion of choosing a hotel for foreign tourists.

The role of management in hotel business is defined by constantly changing conditions of hotel services market, by competitiveness, by the aim to

Table 1: Performance indicators of hotel accommodations by regions of the RK in 2012

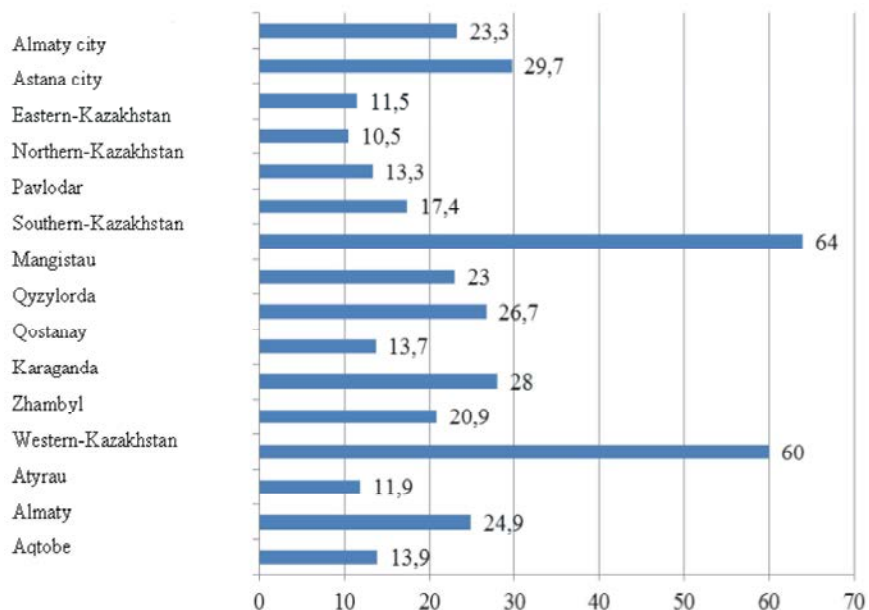
	Total number of rooms, in units.	Simultaneous accommodation, guest beds	Amount of provided bed-nights	Hotel occupancy rate, %	Total area of the building, sq.m.
RK	24918	55918	4356704	21,3	1 972216,2
Aqmola	1308	3269	166126	13,9	79732,6
Aqtobe	719	1094	99424	24,9	34328,0
Almaty	1192	2900	126385	11,9	76431,7
Atyrau	1669	2260	494993	60	135015,1
Western-Kazakhstan	1127	2163	164917	20,9	46412,4
Zhambyl	314	590	60210	28	17824,5
Karaganda	2134	7059	353439	13,7	110783,4
Qostanay	477	811	79124	26,7	36142,2
Qyzylorda	280	511	42895	23	18963,4
Mangistau	1081	2235	521822	64	80917,5
Southern-Kazakhstan	845	1490	94424	17,4	54321,1
Pavlodar	1554	4269	207943	13,3	99373,1
Northern-Kazakhstan	250	766	29418	10,5	18787,1
Eastern-Kazakhstan	3333	10913	456231	11,5	387554,6
Astana city	3347	5808	629065	29,7	342142,5
Almaty city	5288	9780	830288	23,3	433489,0

Note –according to the materials of the Statistics Agency of RK [www.stat.kz]

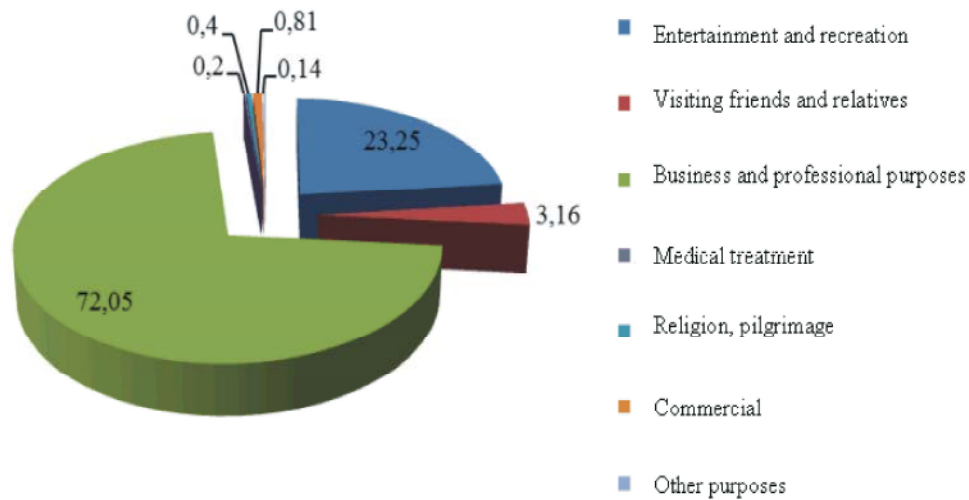
Table 2: Hotel accommodation distribution by size of enterprises, in units

	2007	2008	2009	2010	2011	In 2011 in comparison with 2010 r.
Total	992	1149	1235	1494	1642	109,9
Small enterprises	857	994	1048	1307	1442	110,3
Medium-sized enterprises	100	105	130	134	119	88,8
Large-scale enterprises	35	50	57	53	81	152,8

Note– according to the materials of the Statistics Agency of RK [www.stat.kz].



Pic. 2: Hotel occupancy in 2012, %
Source: www.state.kz



Pic. 3: Percentage of guests served in 2012, by purpose of visit
Source: www.stat.kz

increase profitability and economic efficiency of hotel business objects, by room occupancy level and quality of the provided services [8].

In the latest years small hotels have been gaining popularity, having become leaders of special programs and marketing researches [9].

Table 2 contains data on hotel business distribution by size in the RK in 2007-2011 provided by the Statistics Agency.

As it is seen in the table, the number of small enterprises of hotel business in 2011 compared to 2010 increased by 10.3%. The number of large-scale enterprises also increased.

At present there are no strictly defined international or national standards which would classify accommodations by volume. At the moment a small-sized hotel in the RK is considered to have 10 to 100 rooms. Small-sized hotels are of interest not only in the RK. It is caused by the changes in behavior of the main consumers of hotel services. Small hotels are more flexible and can easily adapt to each customer, create an atmosphere of “a home away from home”, which does not exclude bringing in some national color to the guests’ living conditions. Apart from that, as a rule, small hotels apply a more flexible discount system and work out less expensive for a customer than a bigger-sized hotel of the same class. All this allows such forms of hotel businesses to get a foothold in the markets of different countries including the RK. Thus, the emergence of small hotels is a response to the newly arisen tourists’ demand for smaller sizes and homelike comfort.

However, having a small room capacity, as a result, the hotel has low sales volume. Besides, the amount of variable costs in the turnover structure of such hotels increases considerably [10], due to their inability to get reasonable prices for detergents, laundry services, etc. because of the small buying quantities. Small hotels experience difficulties with personnel. The staff working there should be able to perform numerous tasks for the hotel to remain profitable. This way, it is difficult for a small hotel to increase efficiency by means of cutting costs. On the other hand, under the pressure from competition it cannot increase accommodation rates. There is only one way for a small hotel to reduce variable costs – that is to unite with similar businesses in order to buy in bulk at reasonable prices, to carry out joint advertising campaigns and marketing research and to use other ways to reduce the cost-based budget.

Thus, the small hotel market segment is very unstable, although, a part of tourist flow prefers it to the others. Under these conditions development of small-sized enterprises, which small hotels can definitely be referred to, requires direct support from the bodies of state administration.

CONCLUSION

The main problems faced by hotel businesses can be formulated as following:

- Low room occupancy, especially in the regions
- Few visits of foreign tourists (incoming tourism)

- The hotels having bank debts, were experiencing difficulties, because they had taken loans before the crisis.
- High accommodation rates.
- Shortage of highly-skilled personnel.
- Low quality of services.

Output: Analysis of the hotel business of the Republic has revealed the following trends of its development: step-by-step recovery and gradual return to the pre-crisis levels of occupancy. Hotel business of Kazakhstan is expanding annually, international operators entering the market will contribute to increasing activity and qualitative development of hotel services market, local operators are developing the middle-class segment of hotels.

In our opinion, in the future hotel rooms of “express class”, guest houses with extended services and home-hotels (when foreigners buy out the rooms) are going to have the best investment prospects.

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