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Czech Hospitality and Tourism Papers (hereinafter CHTP Journal), publishes mainly scientific and survey papers focusing on the development of theoretical and practical aspects of the hotel and spa industry, gastronomy and tourism. Papers are published in English language.

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SCIENTIFIC PAPERS

Štěpán Chalupa

THE IMPACT OF ONLINE REPUTATION MANAGEMENT ON CUSTOMERS' DECISION MAKING PROCESS

***Abstract:** The paper focuses on the impact of online reviews and active online reputation management strategy application on the customers' decision making process when selecting and booking hotel. Customers perceive online reviews as a valid information source and use them as social-proof and a tool for their decision evaluation. Based on collected data, 55 % percent of respondents would not book a hotel without any online review. The results show growing impact of online reviews and reputation management application in hospitality industry.*

***Key words:** Customers behaviour, electronic word-of-mouth, user generated content.*

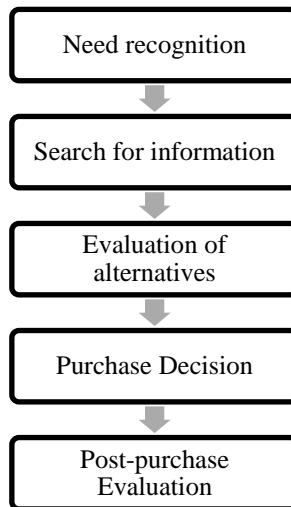
***JEL Classification:** M31, L83, Z32*

Introduction

Online hospitality marketing is still growing industry that helps hoteliers and gastronomy entrepreneurs gain and maintain competitive advantage in quickly changing market environment. Marketing, the process of understanding and satisfying customers need and wants (Kotler et al., 2013) contains 4 general marketing tools, the marketing mix – 4Ps. Product, price, place and promotion (Baker, 2014; Proctor, 2014). Modern approach to price management, dynamic price setting and distribution management is interconnected within revenue management one of the two most dynamic fields in hospitality management. The second one is reputation management, process of influencing customer's perception of hotel (Xie et al., 2014; Sparks et al., 2016).

One of the key concepts of modern marketing is decision making process model and its affection. Figure 1 shows 5 essential stages of customer decision making process.

Figure 1: Customer decision making process



Total increase in amount of information shared via Web 2.0 is changing their importance and factors affecting decision making process. Cizmar (2016) states that the most important factors impacting booking behaviour and decision making are price (96 %), rating on a review site (90 %), reviews and posts on TripAdvisor (88 %), previous experience (86 %) and proximity to key attraction (86%).

Based on the statistics of Nielsen Company (2015), the most important and trustworthy sources of information are personal recommendation from people we know and online customer reviews. Other sources, like official websites with product information, price and product comparison websites and advertisement, are not perceived as valuable as personal and online recommendations (Gretzel, 2008; Hernández-Méndez et al., 2013).

Combination of these statistics and general definition of reputation management as a process of managing company's reputation (Chamelian, 2014) shows great importance of user generated content in current hospitality. Both, from hotels and customers perspective. Reputation management can be divided into 3 separate stages. (1) Reputation building – forming the positive reputation via good personal experience sharing online. (2) Reputation maintenance – using active reputation management tools (managerial responses, applications and review collection) (3) Reputation recovery – using reputation tools to decrease the effect of negative reviews.

According to TripAdvisor (2014) and its community study the impact of customer reviews can be described by following key findings.

- More than 50 % of customers would not book a hotel without reading personal experience of other travellers.
- 75 % of people is looking not only for reviews, but as well for photography.
- More than 80 % of TripAdvisor visitors read 6-12 reviews and care more about newer reviews.

The impact of review on hotels

Several studies focused on business impact of customer reviews and their connection to economic efficiency of hotels and other accommodation services providers. Anderson (2012) shows the direct impact of review on hotel performance. Using combination of hotel KPIs provided by STR and GRI provided by ReviewPro, Anderson provided following findings.

- Increase in overall rating by 1 on scale from 1 to 5, hotel can increase average rate by 11,2 % with keeping the same market share and occupancy.
- Increase by 1 point in Global Review Index (scaled from 1 to 100) leads to rate increase by 0,89 % using ADR:
- The same increase can lead as well to increase in occupancy rate by 0,54 % and RevPAR by 1,42 %.

Davies (2011) stated that hotels with good customer reviews and overall ranking (from 4,0 to 5,0) are having higher conversion rate then hotels with ranking between 1,0 and 2,9. According to online marketing, customers review can influence search engine optimization of hotel websites. This can be illustrated by the fact that well known OTAs and Meta-Search engines are not top listed only in paid search, but as well in organic search. Customers are using the same language, the same keywords and formulations as other representatives of their segment when searching for information.

The impact of customer review can be increased even more by using several tools like reputation management applications or simply managerial responses available nearly on all websites selling hospitality products. Fox (2012) presents following findings.

- 84 % of people quoted that correct response to negative review can increase the perception of hotels reputation.
- 78 % people connects managerial responses with higher service quality and level as well as higher personalization of communication.
- More than 50 % of customers would prefer the hotel with responses to review with the same overall rating.

- Incorrect, in detail attacking and aggressive response can decrease to perception of hotels reputation.
- According to TripAdvisor (Special Nodes, 2012) correct responses leads to increase in hotel perception.

To distinguish correct and incorrect managerial responses, it is important to follow 4 basic steps created by Carolyn Murphy (2014). (1) Thank the hotel guest by name – be personal. (2) Apologize for poor experience or emphasize with unexpected situations. (3) Highlight changes, show your care and bring up good aspects of customers stay. (4) Follow up, invite back if possible. Based on these steps, it is crucial not to be defensive or even aggressive.

The goal of this study is to conduct customer survey with focus on active reputation management and its impact on customer decision-making process. Several studies shows outdated data that are used by reputation manager all over the world without local specification and local characteristics application.

Materials and Methods

Based on the previously conducted studies (Fox, 2012; Mauri, 2011; Lackermair et al., 2013), customer survey was selected as a data collection method the most suitable for customers intention recognition (Holleschovsky, 2016). Several questions were adopted from Lackermair (2013) according to customer's decision making process. More than 200 students were asked to share their opinion on reputation management. The questionnaire was directly distributed to students of the Institute of Hospitality Management in Prague during their classes before reputation management knowledge sharing. After cleaning the data, only 168 respondent left for analysis.

Students were given several questions according to their usage of online customer review, their sharing attitude and impact of active reputation management hotel strategy. Part of questionnaire was quasi-experiment based as adopted from Simester et al (2000). Respondents were given positive and negative review and were asked to quantify their attitude toward booking the hotel after reading the review on scale from 1 (lowest probability of booking hotel) to 7 (highest probability of booking hotel). Figure 2 shows the structure of online review on Booking.com portal as well as the negative experience shared by user after stay in selected hotel.

Figure 2: Negative customer review on Booking.com



Source: Booking.com (2016)

After reading the review, respondents were given the same reviews with managerial responses. Two hypotheses were tested.

- Incorrect managerial response to negative review will decrease the probability of booking the hotel.
- Correct managerial response will increase the probability of booking the hotel.

Based on previously mentioned studies, other two logical combinations were not examined. Incorrect answer to positive review leads to decrease in review perception and correct managerial response will lead to increase in possible quest perception (TripAdvisor, 2013). For testing the first hypothesis, incorrect managerial responses were selected. The response was not aggressive but shown defensive attitude.

During the experiment, respondents were asked to share their personal opinion towards customer reviews. Results show that review plays a crucial role within their decision-making process. The research focuses as well on the review type, sentiment and total evaluation and customers' sharing attitude. This study focuses as well on the situation, stimulation type (positive, negative, neutral experience) that leads to experience sharing.

Results

Customers' decision-making process is strongly influenced by information gained through user-generated reviews. Nearly 62 % of respondents quoted that they are always reading

reviews when making decisions about hotel selection and booking. Another 36,9 % is reading the review sometimes and only 1,2 % of respondents is not reading the review at all. Study also examine the motivation of respondents to read the reviews during their planning process. In general, reviews are considered as great source of social proof and better, more precise information about the accommodation. On the second position there is great motivation to gain real personal experience of other customers and their insights. On the other hand, several respondents feel, that some of the reviews can be manipulated and do not believe their real value.

Figure 3: Trustworthy information sources

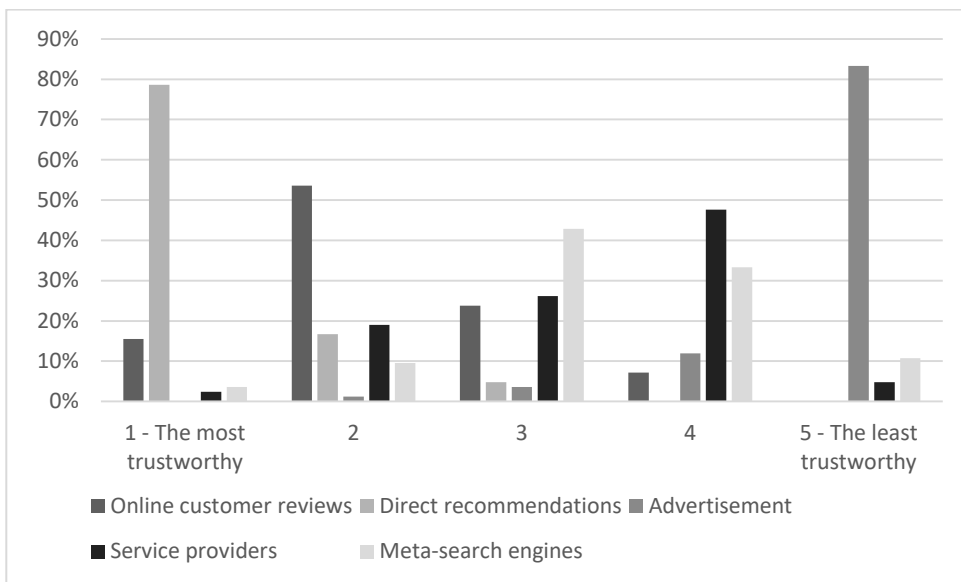


Figure 3 shows that the information source respondents trust the most are direct recommendations with average rank 1.3 (top 5 sources were ranked based the subjective feelings of customers from 1- the most trustworthy information source to 5 – the least trustworthy information source) with mode=1 and median=1. The second most valuable source was customer online reviews shared on different websites (Google, Facebook, OTAs, etc), with average score 2.2.

TripAdvisor and Trivago were ranked as third reliable and valuable information source. Based on the data presented above, it is quite clear that respondents do not trust too much to officially shared information that might be connected with advertisement.

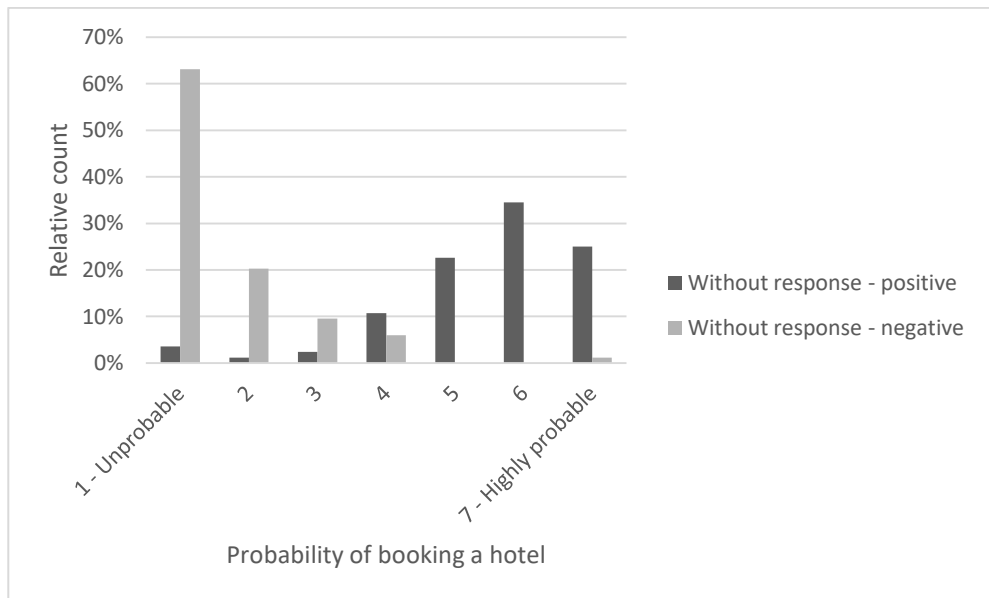
When focusing on number of reviews needed for right decision, in average respondents read 10 plus reviews with weak negative correlation with number of trips during the year.

This should lead to hypothetical situation that the more experienced the traveller is, the weaker is the impact of review.

Another really important finding that supports the importance of online reputation management is that nearly 55 % of respondents would not book a hotel without a review published online. On the other hand nearly one half of respondents is actively sharing their personal experience after leaving hotel or restaurant. Respondents are willing to share their opinion and well-targeted campaign may lead to increase in overall rating. In general, respondents do not share their neutral experience, something that fulfilled their expectation in sufficient way. These respondents do not see the reason to share their experience – 70 % of them would not think about writing a review. Respondents stated that negative experience will lead them to share their point of view with other customers more than the positive one.

The most important findings are connected with direct impact of reviews and managerial responses. Figure 4 shows the probability of booking a hotel after reading positive and negative review. Negative reviews strongly increases the change not to be selected by the quest. On the other hand, positive reviews do not have such a strong effect on decision creation. This might be caused by high expectations in service industry where customers believe that they should receive high quality services.

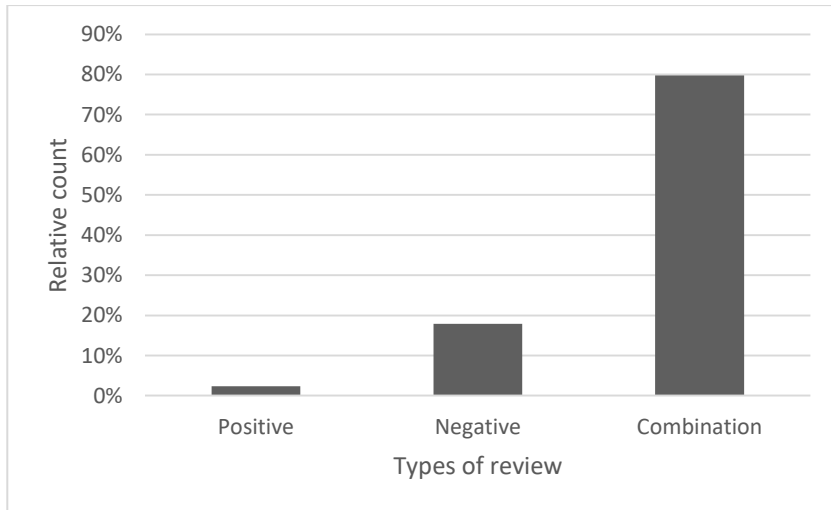
Figure 4: Probability of booking a hotel based on positive and negative reviews.



Even though hoteliers are trying to avoid negative reviews, respondents are not reading only the positive ones. Figure 5 shows that respondents are trying to find balanced opinion pool from positive and negative reviews and only 2 % of them are looking for only positive reviews. Without a surprise, 80 % of respondents look for positive and negative experience. The last 18 % of respondents is looking only for negative reviews.

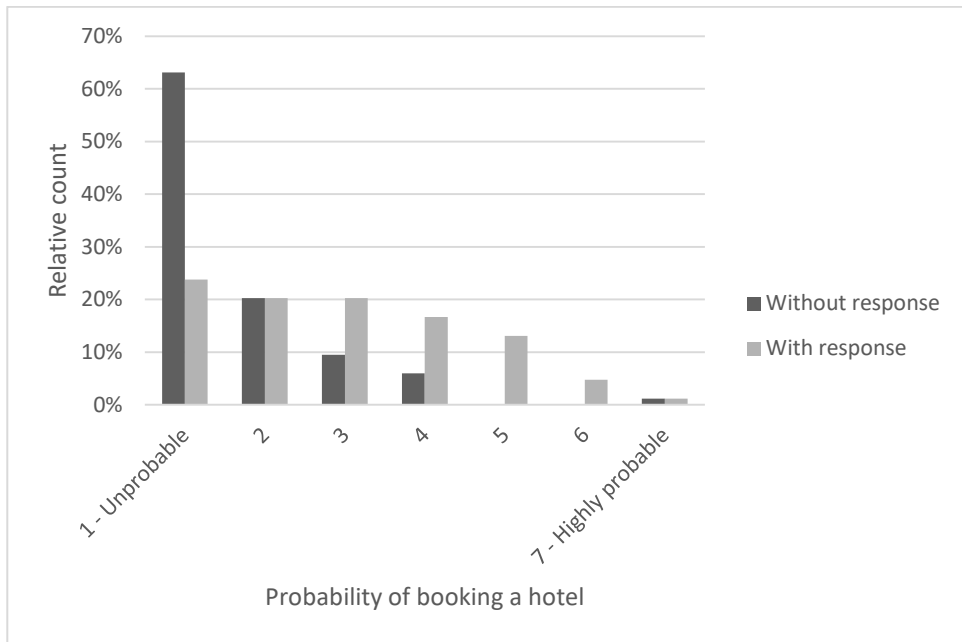
According to findings of the survey, respondents who are reading only positive reviews have already made their decision and use them only as a confirmation tool. For these respondents, reviews are not key evaluation factor during decision making process but only confirmation tool after decision creation.

Figure 5: Types of reviews read by customers



Based on previously created hypothesis, respondents were presented the same reviews (positive and negative) with managerial responses. Correct responses to positive review lead to increase in average probability of booking the hotel by 0,2 points, mode and median stays the same. Better results were given during testing incorrect response to negative review. Figure 6 shows the distribution of probabilities of booking the hotel based on presented negative review with and without managerial response.

Figure 6: Probability of booking hotel base on negative review.



According to respondents even incorrect, slightly defensive response can lead to increase in hotel perception. The average probability grew from 1, 65 to 2, 95. Median shifted from 1 to 3.

Conclusion

Based on the results presented in previous chapter it can be stated that reputation management and online customer reviews plays crucial role not only within customers decision making process but as well in effective hotel management. Global studies (TripAdvisor, 2014; Fox, 2012; Anderson, 2012) show valuable insight that should be tested on local environment.

Formulated hypothesis tried to update the position of reviews within customers' decision making process. Highly valuable insight is coming from testing of the first hypothesis. It can be directly said that not only correct managerial responses lead to the increase of hotels perception. According to findings of elaborated study, defensive and not aggressive response increases the perception of hotels reputation. This can be described by combination of two factors. The first one, activity and caring presentation and communication, and the second one, respondent's tolerance for minor misbehaviour. If the

review is presented in context of several other reviews, respondents are trying to pick the good moments and increase the perception of product, hotel.

According to the study, only 1,2 % of respondents are not reading reviews because of their bad perception. Some respondents (17 % of those who are reading reviews) are looking directly for negative review. These respondents presented 3 general reasons for their behaviour. (1) Comparison of factors causing dissatisfaction with personal preferences. (2) Finding the worst experience that can serve as source of precise information. (3) Looking for hotelier's reactions and behaviour online for estimation of future behaviour in hotel.

Another great finding is connected with perception of different information sources. Hoteliers are spending huge amounts of money in marketing communication and do not care so much about their reputation and its management. Based on the customer's perception, hoteliers should focus more on analysis of their online reputation, increasing the customer's satisfaction level and their motivation to share their experience with other customers.

The increase in content shared by customers forced hoteliers to care about their online reputation. Customers can share their personal opinion and recent experience in matter of second within billions of internet users. Great part of this content is directly connected with product reviews that are perceived as the second most valuable and trustworthy information source, right after personal recommendations. Every single hotelier should create and start online reputation strategy, no matter the size of the business (Skorbenko, 2014). The strategy should contain several steps. Using 4 basic steps presented by Carolyn Murphy (2014) as a base, hoteliers should implement following strategy.

- Getting know where customers share their opinions about the hotel.
- Analysis of keywords and customers feedbacks.
- Implementation and innovation of offered product.
- Current review management (4 steps from Carolyn Murphy).
- New review collection.

Presented general steps are cycle of activities that should lead to increase in hotels online reputation. Several other benefits are directly connected with this strategy - product innovation based on customers need and wants, increase in hotel efficiency, precise, cheap and powerful marketing communication directly focused on target customers.

Discussion

Further studies should break the limits of presented research. Researchers should focus on local audiences and wider selection of customers segment. According to Nielsen study (2015) the perception of review differs within generations. For example generations Y and

Z believe more official websites than customers reviews. Another limit of this study is connected with travelling behaviour of students of tourism management who are experienced travellers. The more the respondent travel, the lower is the impact of review on his decision. Lastly researches should re-evaluate the direct impact of customer reviews on hotel efficiency by combining economic data during the process of implementation online reputation management strategy.

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Štěpán Chalupa focuses on business intelligence, data mining and text mining and business modelling in hospitality industry. The tools and methods are just a step from their implementation in e-business and complex hotel information system.

Jiří Šíp, Jitka Ryšková, František Smrčka

TERRITORIAL CONNECTIONS OF WINE TOURISM TO VINE GROWING AND WINE PRODUCE IN THE WINE-GROWING SUB-REGIONS OF SLOVÁCKO AND ZNOJEMSKO

***Abstract:** The aim of the paper is to express the territorial development of wine tourism in direct relation to the wine growing territories and their wine produce. The designated experimental territory analyses the Znojmo wine-growing sub-region with 99 wine-growing villages and the Slovácko wine-growing sub-region with 121 wine-growing villages. The results of this study are grounded in a spatial analysis based on the calculation of the coefficient showing the connection of wine tourism to vine growing and wine produce in particular areas.*

***Key words:** Accommodation. Spatial analysis. Vineyards. Wine tourism. Wine village*

***JEL classification:** Q,P*

Introduction

For thousands of years, suitable climate, geomorphological and soil preconditions as well as local inhabitants have been forming wine regions with their activities such as wine-growing and grapevine breeding. An innovative element of wine tourism can be regarded as an outcome of this continuous long-term development of vine growing and wine produce together with the formation of local cultural traditions. Visits to vineyards were carried out already in ancient Greece and Rome. Later they became part of the Grand Tours. The mid-nineteenth century can then be considered as the factual modern beginnings of wine tourism. Significant factors influencing the development of wine tourism are the increase in living standards associated with the emergence of the middle class as well as the increase in human mobility based on the development of transport infrastructure. A publication titled “Classification of Wine from the French Region of Gironde” from the year 1885 also became a significant impetus to this process (Hall, Cambourne, Sharples, Macionis, 2001). It was the first incentive to activate regional wine disparities, which have become an important motive for visiting the wine regions and identifying the specifics of their wines and local cultural traditions.

In the last twenty years, a significant synergistic effect of viticulture in the development of Moravian wine tourism can be seen on the territory of the Czech Republic. After the year 1989, private entrepreneurship subjects of winemakers were established and they gradually created investment funds for other services, especially for their own accommodation (Šíp, Novotná, Smrčka 2016). For the purpose of this paper, a spatial analysis grounded in determining the connection between accommodation establishments and wine produce has been chosen. It is based on our experience that gradual expansion of accommodation establishments in vineyard and wine cellar surroundings is the basis for the complementarity of other services specific to the wine tourism development.

The theoretical context of the solved issue

At present, wine tourism can be classified as a form of tourism, the participants of which are motivated by learning how to grow vine in traditional wine regions, by wine tasting, feeling the ambience of wine cellars, wine bars and wine shops, and by purchasing wine (Pásková, Zelenka, 2002, 311 Hall, Cambourne, Sharples, Macionis, 2001, 15-23, Carlsen, and Charters, 2006, 35).

Wine tourism is a specific form of tourism that is closely related to rural tourism (Jaroslavkova, 2001, 10) (Carlsen, Charters, 35) and there is also an important functional use of rural settlements and phytogeographical potential suitable for vine growing and culture -historical potential of the site (Hull, 2006, Šíp, 2016 Jarábková, 2017, George, Mair, Reid, 2009).

Wine tourism is an important part of gastro-tourism (Korbelářová, 2017), which is gaining more and more popularity among the general public. It is difficult to define rural tourism precisely and then to derive the definition of wine tourism from it. Different definitions come from different points of view. (Červenková, 2008), for example, shows various views on rural tourism in terms of the subordination of their types and forms, or, conversely, the subordination of their forms and types (Nilsson 2002, Bojnc 2004, Tchetchik 2006). It leads us to the issue concerning rural environment with its rural tourism (everything happens in the countryside), agro-tourism (everything is related to agriculture), farm tourism (farm stays), gastro-tourism and gastronomic events outside the countryside as well as vine-growing and wine-producing regions, such as the Tabor Wine Festival, the largest festival in Central Europe (Schwartshoff, 2017).

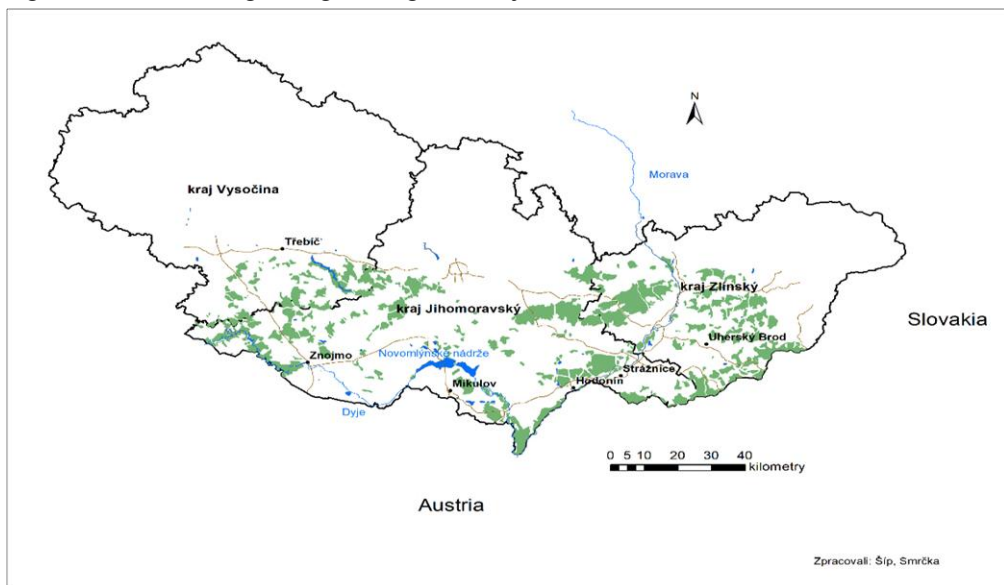
Our attention is focused on the appurtenance of wine tourism to the countryside, to agricultural production of grapes, to wine cellar management associated with wine production and finally to a micro-region with another potential of natural and social attractiveness allied with the local services infrastructure. The core of wine tourism can be seen in the primary spatial connections between wine production and complementary services linked to tourism. Accommodation is regarded as primary service in these

relationships: the accommodation provider vs. the winemaker, the winemaker vs. the accommodation provider and the winemaker is at the same time the accommodation provider. Other additional services stem from these basic preconditions for the development of wine tourism. The specifics of wine tourism are territorially determined by the uniqueness of the wine genius regionalis. (Act No. 321/2004 Coll., on Viniculture and Wine-growing §4 Established Cultivation Areas). As expressed in professional theoretical terminology, this is a basic precondition for the produce of regional tourism products derived from the cult of wine and the genius regionalis of the Bohemian and Moravian wine regions, their sub-regions and the vineyard communities belonging to them. (Šíp, Novotná, Smrčka 2016)

Materials and Methods

This paper presents an initial pilot study for a wider comparison of the Czech and Moravian wine-growing environment suitability for the development of wine tourism.

Fig. 1 Moravian wine-growing sub-regions Znojemsko and Slovácko



Source: own elaboration 2017

For the stated objective, which is an analysis of the connection between the designated vine growing area with its wine production and a basic tourist service - accommodation, two Moravian sub-regions of Slovácko and Znojmo were selected. 121 wine villages were investigated in Slovácko and 99 registered wine villages in the Znojmo Region - see Fig. 1.

These two wine sub-regions were chosen in order to compare regions that differ in geological and geomorphologic structure of the surveyed areas. While the Znojmo Region is analysed as a part of the Czech-Moravian orographic system with more favourable preconditions for the cultivation of white vine cultivars, Slovácko forms a part of the Alpine-Carpathian orographic system.

Due to the lack of availability of secondary statistical data on bed capacities in municipalities, we decided to collect our primary statistical data on spatial distribution, quantity and quality of bed capacities in the monitored regions. The field survey was based on direct communication with municipalities and entrepreneurs in accommodation services and on the comparison of offers of accommodation in the tourism market. Secondary data on the number and areas of vineyards in wine-making villages were taken from the land registers of municipalities, the Czech Statistical Office and the Regional Information Service (RIS) (www.risy.cz). The key data were those regarding the areas of registered vineyards defined by the Act No. 321/2004 Coll. on Viticulture and Wine Making. The principle of the modified Defert's function (see, for example, Pásková, Zelenka 2002), which we called vintner-tourist function VT (f), was used to express spatial connections,

$$VT(f) = N \times 100/P$$

N = bed capacity in the municipality register

P = registered vineyards area in a wine-growing village

100 = potential bed occupancy rate per year

The function was used as an indicator of measuring the intensity of the influence of vine growing and wine produce on wine tourism in the wine-growing municipalities of the monitored area. The accumulated values were divided into 5 intervals. The higher the value of the function, the more the area can be considered as a destination where the growing and production of wine has an influence on the increase of wine tourism activities.

The intervals of VT(f) :

VT (f) = 0 - zero connection of wine produce to wine tourism development

VT (f) = 1-10 - minimal connection of wine produce to wine tourism development

VT (f) = 11-100 - average connection of wine produce to wine tourism development

VT (f) = 101-500 - substantial connection of wine produce to wine tourism development

VT (f) = over 500 - high connection of wine produce to wine tourism development

Survey results

A total of 121 wine-growing municipalities with an area of registered vineyards on 4,556 hectares in Slovácko and 99 wine-growing municipalities with a total area of registered vineyards on 3,040 hectares in the Znojmo region were analyzed for the purpose of evaluation of the connections between wine tourism and vine-growing. Regarding the

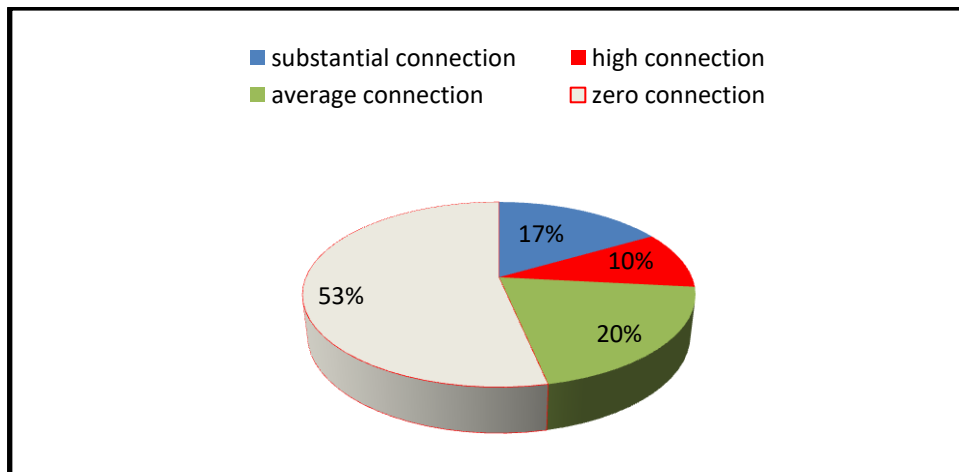
primary data for our analysis on bed capacities, 6,349 beds (on average 2 beds per hectare of registered vineyards) in the Znojmo region and 7,750 beds (on average 1.7 beds per hectare of registered vineyards) in the Slovácko region were identified by our own survey. The secondary data were taken from the register of vineyards. All of the data were used to calculate VT (f). According to our compiled scale (see the methodology), the calculated Wine Tourism Function data of 220 wine-growing municipalities were divided into five categories (see Table 1, Cartograms No. 1, 2, 3 and Charts No. 1, 2, 3).

Table No.1 Overview of the distribution of wine-growing municipalities into 5 categories of VT (f)

Sub-region	High connection	Substantial connection	Average connection	Minimal connection	Zero Connection	Total
Slovácko	12	20	24	1	64	121
Znojemsko	9	15	10	0	65	99
Total	21	35	34	1	129	220

Source: own elaboration 2017

Chart No. 1 percentage of VT(f) value categories of wine-growing municipalities in Slovácko

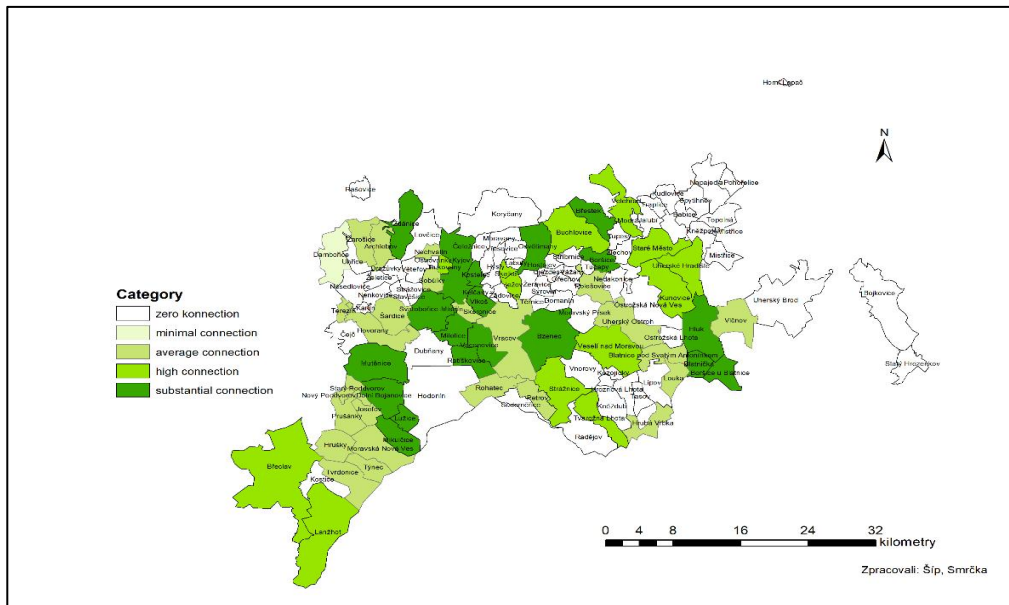


Source: own elaboration 2017

As can be seen from graph No.1 and cartogram No. 1, the basic connection among the vineyard, the village and the accommodation can be identified only in the smaller part of

the Slovácko wine-growing sub-region. There can be seen a forming nodality around several centres (Mutěnice, Bzenec, Strážnice, Uherské Hradiště, Buchlovice) which show high and significant values of our VT (f) classification, and the basis of the spatial connections is multiplied by the long history of vine growing and wine production associated with a continuous long-term development of folk traditions that are nowadays being activated for the general public (such as The Ride of the Kings, New Wine Festivals, International Folklore Festival Straznice, Wine Cellars Open Days, etc.). The other parts are at the stage of potential possibilities for further development.

Cartogram No 1 Wine-growing municipalities in the Slovácko region and the intensity of connections between wine tourism, vine-growing and wine production

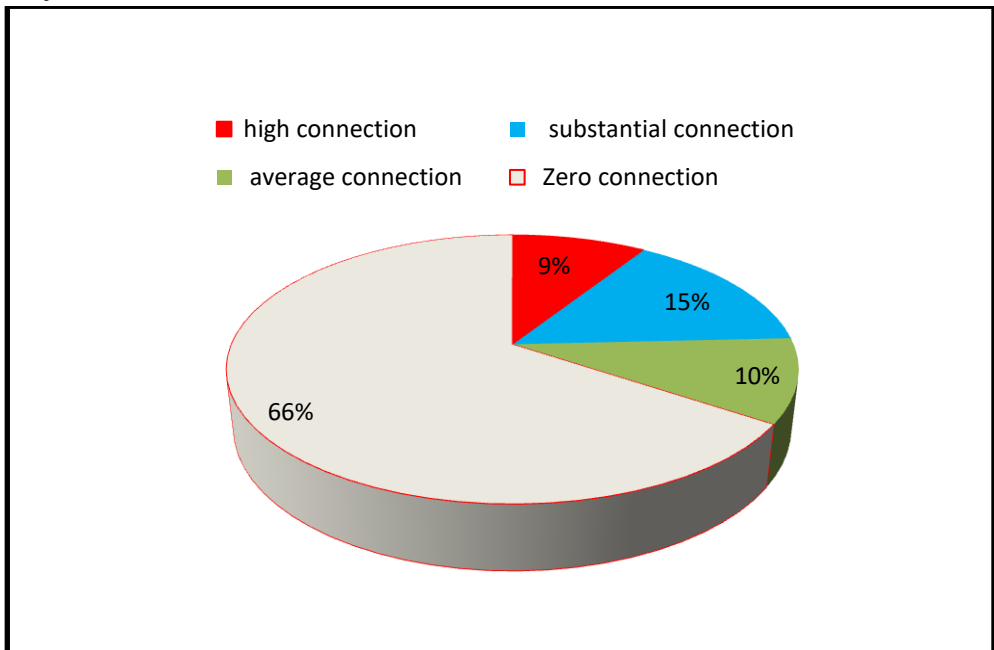


Source: own elaboration 2017

Similarly to the Slovácko region, the basic connection among the vineyard, the village, and the accommodation can also be identified only in the smaller part of Znojmo wine-growing sub-region, as can be seen from the chart and cartogram No. 2. It is evident from the monitored municipalities that in the designated micro-region, the dominant town of Znojmo is a significant national nodality of viticulture associated with the provision of a wide range of additional services, as well as tourist products, such as traditional vintage, wine-cellars open days and many other activities related to wine.

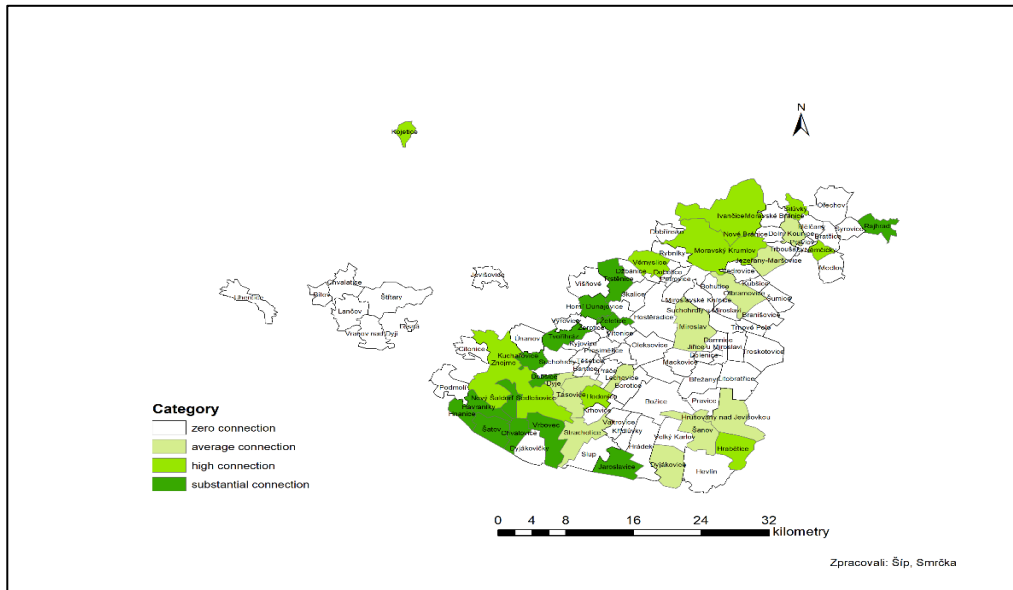
Other neighbouring villages with high development proportionality are the municipalities neighbouring Znojmo (Hnanice, Nový Šaldorf-Sedlšovice, Šatov, Havraníky Vrbovec, Horní Dunajovice, Moravský Krumlov, Rajhrad) which use its high nodal gravity. Similarly to Znojmo, they also use their geographic location on a historically and currently significant international communication between Prague and Vienna as well as the neighbourhood with the Podyjí national park and the neighbourhood with the Austrian Weinfiertel. The other parts are at the stage of potential possibilities for further development.

Chart No.2 percentage of VT (f) value categories of wine-growing municipalities in Znojmsko



Source: own elaboration 2017

Cartogram No. 2 Wine-growing villages in Znojemsko and the intensity of connections between wine tourism, vine-growing and wine production



Own research, 2017

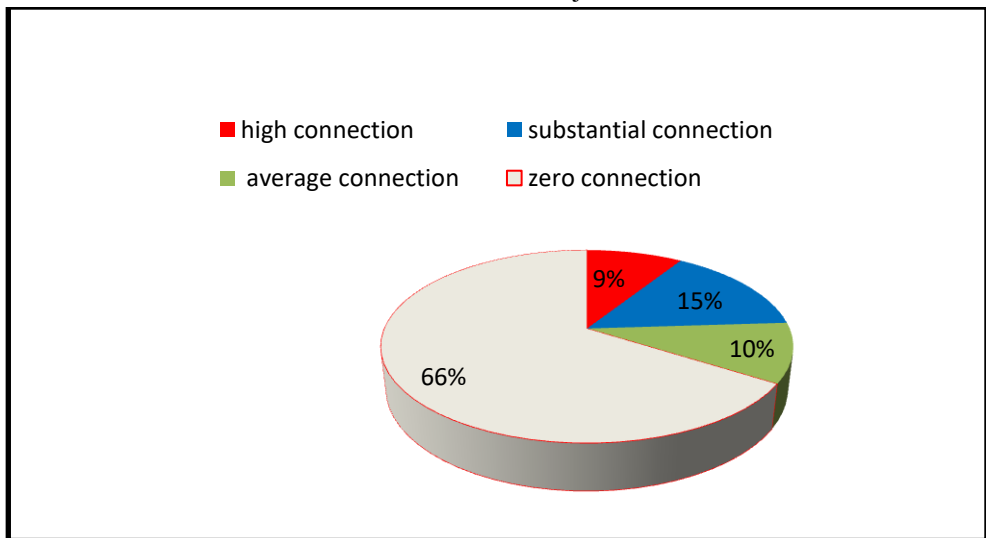
Discussion

The expressed spatial differentiation of the monitored area according to selected data and compiled tables, graphs and cartograms can be discussed as an environment with basic preconditions for the development of wine tourism. A particular basic precondition for the development of wine tourism, the natural environment suitable for the cultivation and processing of grapevine and the realization of this precondition itself appear to be primary. Other factors important for the development of wine tourism and its further development are wine produce coupled with the tradition of the wine cult, an activation of the secondary potential of the infrastructure and the superstructure of services and at the same time an activation of the tertiary potential, which is based on the principles of destination managements running.

Structured interviews with winemakers in the Znojmo region (Novotná, Šíp 2016) showed that business issues related to wine growing and wine production begun to develop officially after 1989. Currently, 27% of respondents have been doing this business less than 5 years, 10% of respondents more than 5 but less than 10 years, 23% of respondents more than 10 but less than 15 years, 6% of respondents more than 15 but less than 20 years, and 17% of respondents have been doing this business for more than 20 years. 17% of the respondents, the followers of the family tradition in wine production, can be considered as

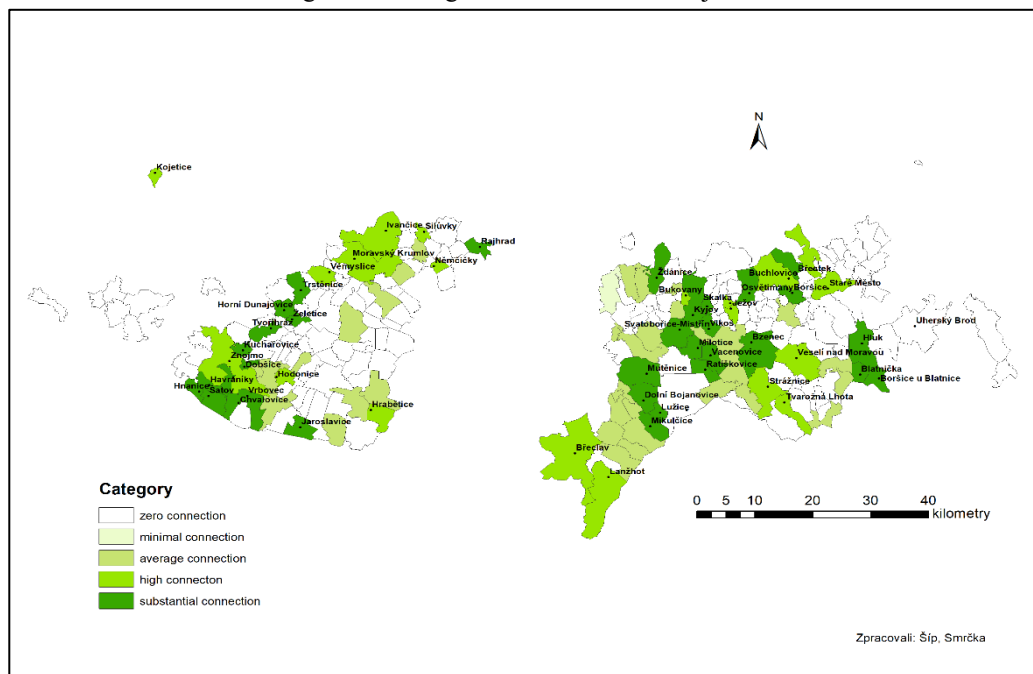
winemakers with a competitive edge. This number seems to be relatively low and signifies a relatively young business environment. All facts related to the length of business in the branch and family traditions are also important factors influencing the capital investment in additional, tourism-related services. As seen from the above tables, charts and cartograms, the intensity of the connections between vine growing, wine production and the accommodation services of the wine-growing municipalities can be divided into 5 categories. Municipalities with a minimal connection have no tourist accommodation but they can participate in this type of tourism, for example, thanks to their geographic position on bicycle paths or their closeness to the local node. Another factor is that entrepreneurs in these municipalities are more concerned with the cultivation and subsequent sale of grapes to other wine producers. Another factor of development differentiation is the above mentioned structure of business entities in terms of disposable investment capital as well as the ability of the destination management to operate the destination on the principle of communication, coordination, and cooperation. Small scale entrepreneurs who have been building their business for a shorter time, approximately less than 15 years, have not generated sufficient capital for further investment in tourism yet.

Fig No.3 percentage of VT(f categories) according to wine municipalities in Slovácko and Znojemsko



Source: own elaboration 2017

Cartogram No.3 Territorial connections of wine tourism to vine growing and wine produce in a designated subregions Slovácko and Znojmsko



Source: own elaboration 2017

Conclusion

The current complex international political situation due to terrorism, which dramatically manifests itself in form of attacks on tourists in various foreign destinations, results in a higher demand for domestic tourism. The phenomenon of cult of wine and gastronomy creates an increasing demand for wine tourism, especially among Czech clients. Genius regionalis and genius loci, based on suitable areas for growing, processing and sales of wine together with local cultural traditions, can be seen as an innovative tool for further sustainable regional development on the principle of the wine tourism development. Restructuring of wine regions through sustainable tourism principles is based on the formation of tourist regional products lined with a visit to a particular place.

The connection of wine sales and accommodation in correspondence to historically shaped cultural traditions can be considered as a basis of the tourist regional product. The question presents itself, why wine tourism in the Czech Republic wine region does not develop similarly to Moravia? The Czech Republic wine region has a poorly developed connections between cellar network and accommodation options. Nor are the cultural traditions associated with the cult of wine and the local inhabitants as strong as in Moravia.

In this paper, there was only mentioned a section of basic issues based on a simplified relationship between the village, a registered vineyard area and a potential visitor who will stay in the village overnight and create the preconditions for developing synergic impacts of wine tourism on the development of wine growing regions. Graph no. 3 and comparative cartogram No. 3 show that despite the slightly different input components of Slovácko and Znojensko the resulting structure of VT (f) connections is similar and is the basis for further sustainable development of wine tourism in the region. The components mentioned in the previous sentence are: different affiliation to the geomorphological units of the Czech Republic (Bohemian Massif, the Carpathians), microclimatic variability, soil structure, geographic position, and historical process of socio-economic development.

It is not possible to state which region is more dominant, but at the same time, within the complex of the Moravian wine-growing region, the internal differentiation of the differences in geographic and historical preconditions of the individual wine growing sub-regions creates opportunities for the construction of interregional tourism products.

This paper is an introductory pilot study for a broader comparison of the Czech and Moravian wine-growing background for the development of wine tourism.

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INFORMATION PAPERS

Alona Rogale-Homika, Marina Gunare

HUMAN CAPITAL IN DEVELOPMENT OF TOURISM AND HOSPITALITY INDUSTRY IN LATVIA: THE ISSUE OF QUALIFIED LABOUR SHORTAGE

***Abstract:** Nowadays tourism and hospitality industry became a significant player in the global labour market, by offering many working places and contributing to the country's GDP. This paper analyses the characteristics of the employment in the tourism and hospitality industry, as well as the educational system in the tourism and hospitality fields in Latvia and addresses the issue of qualified labour shortage.*

***Key words:** employment in tourism and hospitality industry, labour force, education in tourism and hospitality*

***JEL classification:** L83*

Introduction

The hospitality and tourism industry are one of the most fastest growing industries in today's global economy (International Labour Organization, 2011). International tourism continues to create jobs and GDP, with this ensuring support to the growth of the economics in many destinations (World Tourism Organization and International Labour Organization, 2014). Around 260 million people are employed in the industry, both directly and indirectly.

It is considered that "one job in the tourism industry creates about 1 ½ additional jobs". The return on investment in tourism creates economic well-being for the citizens of the country (Slager, 2013).

The growth of Tourism and Hospitality industry largely depends on the human capital with the skills corresponding to the needs of the market (World Travel and Tourism Council, 2014). Tourism and Hospitality industry is dynamic and diversified. It ensures not only work experience and income, but also contributes to personal development of the employees. Employment in industry is characterised by seasonality and is different between regions of a country (World Tourism Organization and International Labour Organization, 2014).

The aim of the following research is to determine the role of the Tourism and Hospitality industry in enhancing the level of economic growth of the population. The role of human capital in development of the industry and challenges it is facing in Latvia.

Materials and Methods

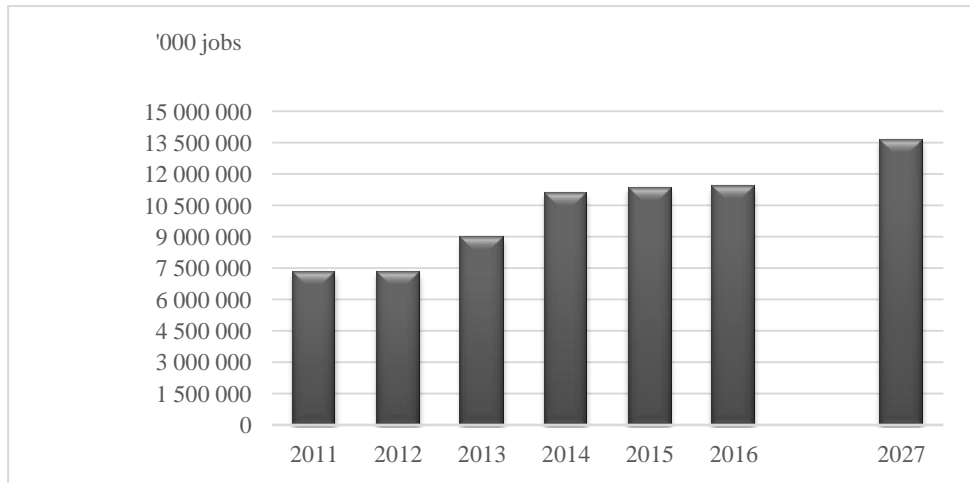
Eldabi et al (2002) identify that the base for any type of research should be a comprehensible methodology based on scientific viewpoints. Research topic/problem determines particular data collection and analysis methods. Moreover, tourism and leisure research, according to Finn et al (2000) should increase knowledge of the subject. The following research will help to understand the role of tourism and hospitality industry in the European economy in terms of providing workplaces, as well as the role of human capital in development of tourism in Latvia.

The author applied a secondary research in her paper and two of the research techniques, that are qualitative and quantitative. For qualitative research method the author used secondary data - literature review and for quantitative research method, the author used secondary data - statistics. While primary data collection, essentially with human participants, is considered reactive, obtrusive and intrusive, secondary data collection is described as non-reactive, unobtrusive (non-noticeable) and non-intrusive. There is no interaction with study participants. There is also no intrusion as the data have already been collected and exist in the diverse repository of our cultural products and documents (Jennings, 2001). For the qualitative data collection method, the author used literature review – the in-depth evaluation of previous papers in the similar field of study. For the quantitative data collection method, the author used statistics, which were provided by Central Statistical Bureau of Latvia (2017), State Education and Development Agency (2012), World Travel and Tourism Council (2012-2017) and State Revenue Office (2016) However, the statistical data was not complete and different sources on the same topic showed different results.

Results and discussion

European tourism contributes to the growth of the economy an employment (Slager, 2013).

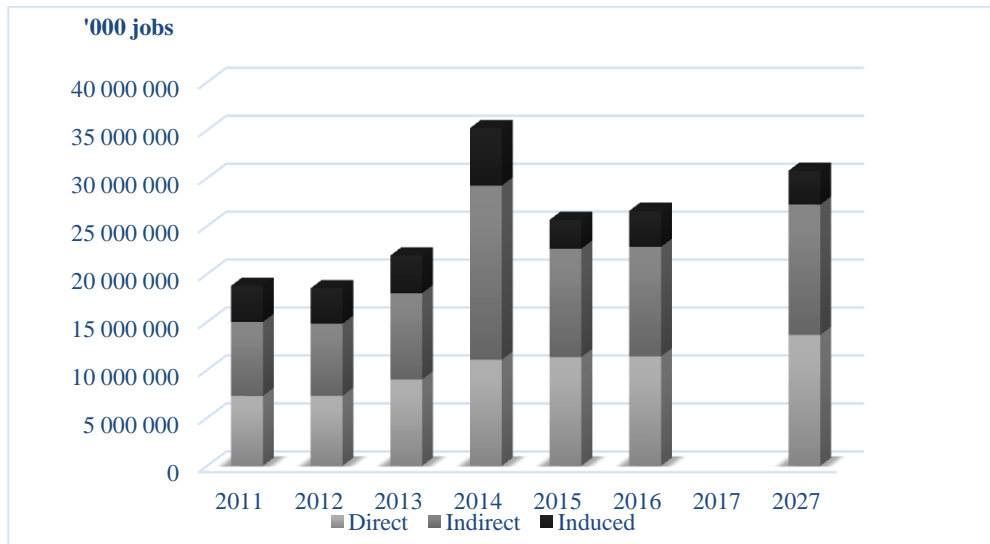
Graph 1: Travel & Tourism's direct contribution to employment in European Union



Source: WTTC (2012-2017)

According to World Travel and Tourism Council (WTTC) Travel and Tourism industry makes a distinctive contribution to the employment, specifically in European Union with a tendency for a constant growth. In 2011 industry generated about 6,900,000 jobs directly. This number has grown and in 2016 Travel and Tourism industry contributed to the increase of employment in European Union by generating about 5.0% of the total number of employed. This includes employment by the enterprises directly involved in tourism and hospitality industry, as airlines, hotels, travel agencies, as well as “the activities of the restaurant and leisure industries directly supported by tourists” (WTTC, 2017). “It is forecasted that by 2027 Travel and Tourism will account for 13,641,000 jobs directly, an increase of 1.5% pa over the next ten years” (Graph 1).

Graph 2: Travel & Tourism's total contribution to employment in European Union



Source: WTTC (2012-2017)

The total contribution of Travel & Tourism to employment (the number of jobs generated directly in the Travel & Tourism sector plus the indirect and induced contributions) (Association of Accredited Public Policy Advocates to the European Union, 2015) was 26,585,000 jobs in 2016. By 2027 it is forecasted that Travel & Tourism will have a total contribution to employment with 30,768,000 jobs, “an increase of 1.3% pa over the period” (Graph 2). (WTTC, 2017).

The interest to employment in the tourism industry is justified by the fact that it has reached global proportions. Consumer demand is changing, and these changes should be able to understand the quality of the tourism products and services, but also to understand one of the major - the quality of human resources (Maslennikov, 2007).

Main characteristics of employment in tourism and hospitality industry

The work in the tourism sector is characterised by heterogeneity, which is reflected in the division of labour on the mental and physical, organisational and performing, complex and simple, self-organised and regulated, creative and stereotypical (Maslennikov, 2007). The number of employees in hospitality establishments depends on the company's specialisation, the variety of offered products and services, type of service, target group, location, season, etc. (Maslennikov, 2007). As a major characteristic of tourism, seasonality influences also industry employment, which led to large-scale seasonal employment,

underemployment and unemployment (Jolliffe, 2003). A seasonal nature of the services is a special characteristic of employment in the tourism sector. Seasonality creates uneven distribution of working time, a significant proportion of part-time employment. In terms of seasonality and underemployment as a serious problem appears recruitment and retention of qualified employees, especially because according to labour market theory seasonality assumes mainly dismissal rather than reduction of wages in the off-season (Maslennikov, 2007). However, Ball (1988) assumes that seasonal jobs should not be viewed as qualitatively inferior, as they help to fill in the gap between unemployment and employment.

Even though employment in tourism is often associated with low level of education and limited skills, this has been changing as higher education institutions have widened educational programmes by adding subjects that meet the needs of the modern labour market (Daniel et al, 2017). Most jobs in tourism and hospitality, like room service, luggage handling, cashiers etc. can be replaced by technological inventions. However, this doesn't mean that jobs in tourism and hospitality industry, like many can think, will disappear. These jobs will transform and in order to be able to adapt to the needs of the modern and changing world and to make a tourism education sustainable it is extremely important to meet the needs of the modern world and offer quality service to the sophisticated and knowing clientele. "Radical transformations and breakthroughs" are required to the tourism education (Hsu, C.H.C., 2017).

The labour market in tourism industry in Latvia

Nevertheless, the total tourism and hospitality industry revenue amount in Latvia is quite small comparing to other EU member states, it is regarded as one of the country's economic development opportunities and priorities and an important source of export income, which makes a significant contribution to the country's GDP (Cabinet of Ministers of LR, 2014). Hotel and restaurant sector is one of the fastest growing in the Latvian economy. Central Statistical Bureau data show that, regarding to the development of tourism, as well as the change of citizens' consumption structure, is increasing the demand for industry services.

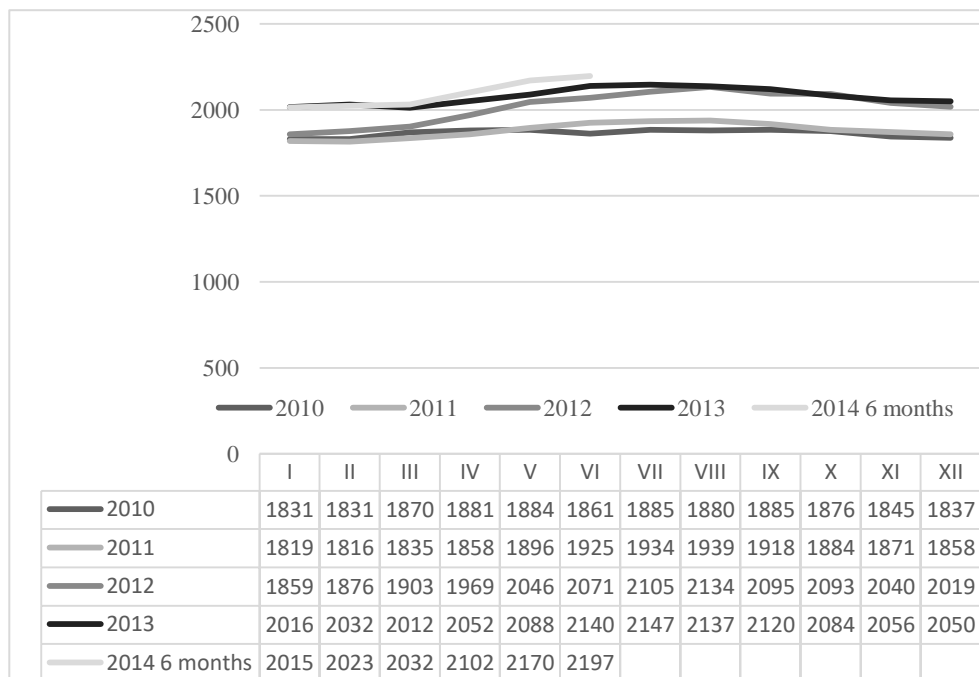
Table 1: The number of taxpayers in tourism and hospitality industry in Latvia

		The number of taxpayers on the 30 th March, 2016			
NACE 2.ed. code	NACE 2.ed. code name	Legal entities	Private persons – commercial activities performers	Incl. private entrepreneurs	TOTAL
79	Tourism industry	1 144	367	45	1 511

Source: State Revenue Office (2016)

According to State Revenue Service on the 30th of March, 2016 the industry operated 1,511 taxpayers (0.4% of all taxpayers in the country), including 478 (or 31.6% of all industry taxpayers) who are value added tax (VAT) and 232 (15.4%) and micro-enterprise tax payers (Table 1).

Graph 3: The dynamics of the number of employees in tourism industry during the period of January, 2010 to June, 2014



Source: State Revenue Office (2016)

The tourism industry is an active labour market because jobs in this sector are in high demand (State Education and Development Agency, 2012). Tourism is a people's sector in all its aspects and dimensions (World Tourism Organization and International Labour Organization, 2014).

The number of employed in the industry sector to the general tax regime operating tourism industry employers in the first 6 months of 2014 was nearly 2090 employees (Graph 3). Comparing to the corresponding period of 2013 the number of employed in the industry increased for 1,6%.

Recruitment companies characterise tourism labour market as quite active and seasonally fluctuating. Demand for employees in this sector is permanent with an upward trend in business during the season - from May to September. However, the demand in labour market is for those employees, who are studying or have graduated from secondary

vocational school or high school, which offer studies in the field of tourism and hospitality (Latvia Hotels and Restaurants Association, 2015). Despite the growth of hospitality business and the increase of capital investment in the sector, frequently appear signals on labour and skills shortage in the industry (Millere et al, 2007). Latvia is suffering from the lack of professionals in this industry, a good example of this is waiter's profession – there are only few real professionals, as waiter's position in Latvia is not considered a prestigious, unlike other European countries. This affects the quality of service respectively (Latvia Hotels and Restaurants Association, 2015).

According to employers' confederation of Latvia (Lice, 2016) 65.3% of all respondents said that it is rather difficult to find good employees. Hereby 43.9% said there is professional employee shortage in their company. According to the University of Latvia (Kassalis et al, 2016) held research, major labour market problems nowadays are:

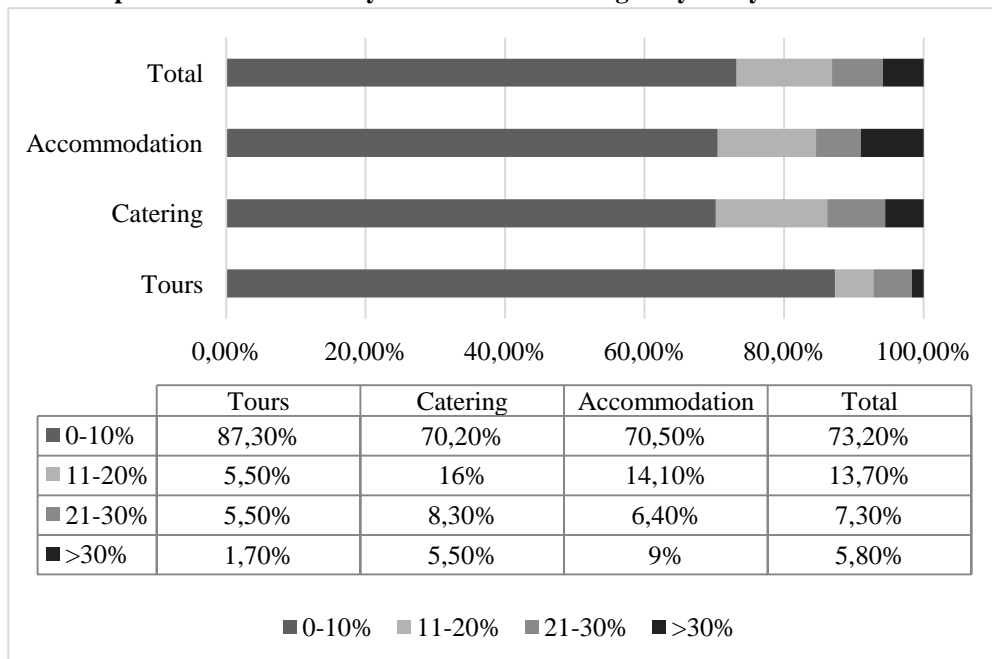
- Labour force demand and supply imbalance (skills and education mismatch)
- Demographic processes and society aging
- Emigration
- The growth of the demographic load
- Insufficient economic activity (participation) level (youth and pre-retirement age groups)

The president of "Rural Tourism" Association Asnate Ziemele adds that the lack of staff continues to be the biggest problem in rural tourism, and this problem is being addressed in many places by recruiting people from Belarus and Russia. "This is a pain for us, that we can't retain people. Of course, all this is also influenced by seasonality" (2016).

One of the key problems in the educational sector of tourism industry is the fact that tourism isn't perceived by the residents as an independent and economically significant industry. Therefore, jobs related to tourism are not considered economically significant and prestigious.

Staff turnover

Graph 4: Tourism industry staff turnover during the year by NACE sectors



Source: Survey data (State Education and Development Agency, 2012)

Analysing the tourism industry staff turnover trends, it is seen that in all sectors of the industry staff turnover is small - an average of 73.2% of the company's staff turnover during the year does not exceed 10% (Graph 4).

Comparing to other sectors, staff turnover is slightly higher in accommodation and food service sector enterprises - 29.5% in accommodation service sector and 29.8% in food service establishment's turnover exceeds the 11% threshold. This can be interpreted by the following factors:

- Periodically there is an active rotation of employees within the industry (both in the lower and managerial levels);
- Tourism industry is characterised by seasonality, which entails seasonal employment (for example, in the summer period);
- Often young employees are not psychologically prepared for the specifics of the industry, as they must work in stress conditions, must be sociable and be able to quickly and effectively perform their duties (State Education and Development Agency, 2012).

Educational system in tourism and hospitality field in Latvia

According to the National Database of Learning Opportunities and the Higher Education Quality Evaluation Centre publicly available information there are 61 educational institutions in Latvia, which provide education related with tourism, including high schools, colleges and vocational education institutions (State Education and Development Agency, 2012). 7 of which are vocational secondary schools, 1 vocational school, 9 colleges, 15 educational centres, 16 professional secondary schools, 1 academy, 1 commercial school, 2 high schools, 2 universities, 7 specialised secondary schools. After analysing the structure of the programmes offered at the mentioned above institutions the author concludes, that educational institutions in Latvia provide foreign language learning opportunities. All of them offer studies in professional English terminology, some also German and Russian. However, the number of hours covered in specific course by different institutions vary. For example, professional bachelor programme Tourism and Hospitality Management offered by School of Business Administration “Turiba” and Baltic International Academy offer professional terminology in English to acquire by getting 8 credit points, when the similar programme offered by College of Business administration (2018) provides only 2 credit points for professional terminology. Hereby the duration of programme is 2.5 years, which is shorter, than in “Turiba” and Baltic International Academy (4 years) (BIA, 2018; Turiba, 2018). However, the duration of the specific programme shouldn’t affect the quality of the offered knowledge, as soon as the programmes are the same.

Moreover, tourism industry is among those sectors, which already began to restructure to comply with the fast-growing world of IT. Some professions related to tourism will disappear or restructure. Among them is the profession of travel agent. The main role of a travel agent is to make travel arrangements for clients, including transportation, accommodation, insurance and admission to entertainment activities. However, the level of awareness of the modern traveller is very high. Most of the travellers are using Internet to search and book their vacations and this tendency is expected to grow. In the meantime, there is no technology that can replace the real physical contact with travel agent. Thus, the integration and use of new technologies will enable the development of travel agencies and will ease the process of communication with customers and others involved. This means an “additional investment in education and vocational training” of employees (Mihajlovic, 2012).

Choosing the tourism sector as their field of study, students need to have different skills to be able to deal with the “challenges of this highly competitive and demanding industry” (Dale & Decosta, 2017).

When studying human capital in tourism and hospitality it’s important to consider both sides: needs of the market and needs of the tourism and hospitality students. A great part of the tourism and hospitality students after graduation do not prefer to work in the tourism and hospitality industry. This can be characterised by low level of payment and qualifications - the lack of unified standards; discrepancy between theory and practice –

desired and actual situation (a negative image of the industry); high proportion of low skilled jobs, etc. Because of these factors tourism and hospitality industry are facing the same problems worldwide – “attracting and retaining” qualified staff (Bahçelerli & Sucuoğlu, 2015).

According to State Education Development Agency held survey (State Education and Development Agency, 2012), only 42,2 % of all graduated are employed by profession in Latvia, while approximately 1/5 of all graduated (19,5%) choose another industry; 13,8% continue their studies in higher educational institutions, almost the same number (13,3%) work abroad and only 6,5% of all graduated are not working and not studying. It is important to mention that there is not data regarding the 23,9% of all respondents, which make this survey inaccurate and therefore it requires a more detailed approach in the research of the issue. However, evaluating the educational institutions in the survey provided information, it can be concluded that the employment rate in the industry companies is relatively low. This, according to the author, can be caused by the following factors:

- Discrepancy with the expected and real
- Lack of information regarding the industry and required professions
- Outdated and inefficient materials
- Outdated technical base
- The level of qualification of educational staff
- The lack of bilateral cooperation between the employers and educational institutions

Conclusions

There are 61 educational institutions in Latvia, which provide education related with tourism and hospitality. However, according to the information obtained, the professional qualifications acquired at the educational institutions are evaluated low: there is a discrepancy in theoretical and practical knowledge of graduates in Latvia, which make it difficult for them to find a suitable job and meet the requirements of the employers. This indicates a mismatch between the quality of education provided by the vocational education institutions and industry requirements. The most of the graduates lack the necessary language knowledge. Lack of ambition and motivation, as well as too high remuneration requirements are typical for young professionals (State Education and Development Agency, 2012). However, it is possible to achieve positive results in the educational field of tourism and hospitality by closely cooperating with the industry employers and/or employers' confederation of Latvia (LDDK), which “is the largest organisation that represents employers in Latvia (LDDK), as well as such professional associations, as ALTA (Association of Latvian Travel Agents and Operators), the Association of Hotels and

Restaurants of Latvia, Rural tourism association. This feedback will help to identify the main problems employers are facing with recruiting graduates. Moreover, the proper statistical base should be available to achieve maximum results, as for this moment records on tourism-related employment are still not clear. Data is not qualitative and lacks international comparability. Different methods and sources in the data collection often result in different figures and outcomes. This happens both in national and international level. In order to control the labour market in tourism system of statistical data collection should be improved. The development of the unified system of reports, etc. should be considered (World Tourism Organization and International Labour Organization, 2014).

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The author, Alona Rogale-Homika, is currently pursuing her PhD degree. The subject of her research is the issue of the phenomenon of seasonality in tourism in Latvia and strategies for overcoming it.

REVIEW

PLZÁKOVÁ, L., STUDNIČKA, P., TITTELBACHOVÁ, Š. *Místní poplatky v přímé vazbě na cestovní ruch, hotelnictví a lázeňství – Local fees directly related to tourism, hotel and spa hospitality.* Praha: Wolters Kluwer, 2018. 110 p. ISBN 978-80-7552-984-8.

Overview

The authors have prepared a professional publication of around one hundred pages in a format close to print and scale for review. The review focuses on the topic of local fees directly related to tourism.

Various aspects, including a foreign analysis and comparison, are used to assess the existing applications of fees and the utilization of these fees by municipalities. Included are suggestions for the possible update and amendment of legislation for these charges.

The content of the publication adheres to the fact that it is based on research projects dealing with the issue of local fees in connection with tourism, hotel and spa hospitality. The publication presents numerous factual data in the form of tables, graphs, as well as, examples from the Czech Republic and abroad.

Content Focus

The publication is divided into eight sub-topics (chapters), with a concise summary:

Chapter One briefly discusses public finances, financial resources of local governments and the inclusion of local fees in the structure of state and municipal revenues. In relation to revenues of territorial self-governing units, a text dealing with the differences in taxes and fees is appropriately included. The interpretation of this data is based on current legislative adjustments and in both cases, for taxes and fees, concerns public revenue. Additionally, as spa guests or tourists are often charged various commercial fees, examples of this and its historical development have been included in the first chapter. The conclusion of Chapter One deals with the current legislation on local fees. Undoubtedly, a valuable output of this sub-topic review is Table 1.5, in which the potential structure of local fees (as defined by law), including their actual application in municipalities and their revenues in 2016, is discussed.

The following chapters are more closely related to tourism related charges – *Chapter Two* discusses local fees for spa or recreational stays, and *Chapter Three* the local fees for accommodation capacity. In both chapters, the basic characteristics of these fees are presented first, with an analysis of the selection of these fees following, illustrated by numerous tables and charts.

Chapter Four deals with local fees related to tourism, hotel and spa hospitality abroad. The text provides a lot of interesting information about how a self-governing body can determine taxes and designate them. It further discusses the extent to which the type of accommodation, season, age of resident, and strict or liberal use of these financial resources in the budgets of municipalities is taken into consideration. There is no doubt that this chapter, due to its content, is considered one of the most interesting and in its summary leads to the conclusion that there is no universal or dominant way of determining local accommodation or recreational fees.

Chapter Five deals with the utilization of local tourist tax revenue in its development of the tourism industry. The authors draw attention to the fact that it is difficult to strictly define the expenditure on tourism, perhaps because the current legislation does not require municipalities to direct selected funds back into the industry at all. The chapter also presents examples from abroad, where it seeks to establish closer links between the acquisition and issuing of associated funds within the tourism industry.

Chapter Six discusses a proposal to amend the laws on local taxes, especially in regards to tourism. The proposal seeks to provide a more accurate scope of areas affected, those areas in which fees can be levied, by reducing the number of persons exempt from local tax, by updating the rules for flat rate tax collection and by merging local tax fees into a single maximum local tax rate until the total collected data can be registered. The proposal can be considered as beneficial and a certain degree of simplification can also be appreciated in order to reduce the workload associated with the local fee agenda to allow digitization in this area.

Chapter Seven presents a number of case studies that contain specific information about selected locations in the Czech Republic and the amount of selected local fees. An interesting conclusion can be found at the end of the chapter and concerns the size of the collection of fees related to tourism in Český Krumlov and Lipno nad Vltavou. Krumlov, a UNESCO-listed town with nearly twenty times more inhabitants than Lipno nad Vltavou, collects more than one million crowns (6 to 7.2 million CZK) a year.

The final chapter, *Chapter Eight*, contains basic information about sharing economy and mainly sharing accommodation in the City of Prague which will give consideration to the functioning of the "gray" zone in the field of accommodation and tourism and the associated costs. There is no doubt that accommodation organized by the on-line platform Airbnb, as well as various forms of "casual" accommodation, are a significant source of accommodation capacity, which is not always taxable. This creates an uneven business environment, not to mention fiscal losses.

Conclusion

The authors of the publication have undoubtedly prepared an interesting and useful piece of material covering one area of fiscal revenue, such as accommodation and spa and recreational stays. It is an original publication that has no comparable competition with its concepts and scope in the market. It can therefore be assumed that it will find interested university student readers particularly from universities focused on accommodation services and tourism. The publication could also spark interest amongst relevant staff dealing with the issue of tourism-related fees in governing bodies of municipalities.