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**TOURISM  
IN FUNCTION OF DEVELOPMENT  
OF THE REPUBLIC OF SERBIA**

Tourism product as a factor of competitiveness of  
the Serbian economy and experiences of other countries



**THEMATIC  
PROCEEDINGS**

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**UNIVERSITY OF KRAGUJEVAC  
FACULTY OF HOTEL MANAGEMENT  
AND TOURISM IN VRNJAČKA BANJA**



# THE ROLE OF HOTEL ORGANIZATIONS IN DOMESTIC TOURISM OFFER IMPROVEMENT

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## Abstract

*In terms of global market changes hospitality companies have to adapt in order to survive in the market and satisfy the final users. One of the biggest challenges for hotel companies today is the increasing segmentation of the market and the emergence of new market niches, such as the so-called Millennials, i.e. young consumers born in the period from 1980 to 2000 who are also the biggest users of smart phones. The local hotel companies have been able to accept new trends in the market and thus adapt to the demands of final users. Apart from the occurrence of certain brands of international hotel chains, development of congress tourism, which showed good potential of domestic hotel industry, is also significant for the rapid development of the hotel industry. However, in order to raise the level of competitiveness, domestic hotel companies have to solve the following problems: improvement of transport infrastructure, raising the level of hotel management and introducing ISO management standards.*

Key words: *hotel companies, tourism, competitiveness, management, quality*

JEL classification: *Z31*

## Introduction

Tourism represents one of the world's fastest growing economic fields. Its development does not only include significant investments in the accommodation facilities and discovering new tourist destinations all over the world, but above all, refers to the differentiation of the tourism offer with the constant growth of the service quality. All of this needs to be

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followed by the appropriate marketing effort as well. New ways of satisfying users' demands, as well as improving the quality aspects of the tourist products are essential for the further development of world's tourism. Hotel organizations are making significant efforts in order to satisfy both expressed and potential demands of their clients and also to extend the elements of their business offer. Constant improvement of the business quality and its aspects within the hotel organizations is the imperative of competitiveness on the global market.

In the economic development of the Republic of Serbia, tourism represents an underused potential. There are some tourism offer fields in the domestic market that are not exploited enough, especially regarding their international potential, e.g. congress tourism, sports tourism, medical and spa tourism, or wine tourism.

Hotel organizations play an extremely important role in the tourism offer development in Serbia. Attracting more tourists also includes the improvement of accommodation facilities which possess a developed concept of quality management.

### **The role of hotel organizations in the tourism industry**

One of the most renowned consultancy agencies in the catering field, Horwath HTL, has given the evaluation of new trends in the tourism development in the future. Hotel companies have to adapt to them if they want to remain on the market. The first five trends will have an immense influence on the demand in tourism sector. However, they would also influence the other set of trends that refer to the changes in procurement. Together, they represent the forces that will shape the future of tourism and hotel industry. The new trends in the tourism sector are the following (Horwath HTL, 2015, pp. 2):

1. Older tourists
2. X and Z generations
3. Middle class growth
4. Appearance of new destinations
5. Political problems and terrorism
6. Technological (r)evolution
7. Digital channels
8. Loyalty programs
9. Healthy life
10. Sustainability

The hotel companies need to think about these trends and start changing their business philosophy in order to be ready and to welcome new demands of final consumers. Moreover, the hotel companies already have to be prepared for the new focus group, the so-called *Millennials*. The specificity of this focus group is that they tend to do research and gain experience while staying in a certain hotel or destination. *Millennials* also require hotels to use Information Technology more in the process of hotel service delivery, so they could satisfy their demands and gain a unique hotel experience.

In order to increase the competitiveness on the modern tourism market and to encourage the loyalty of guests, hotels necessarily have to rely on modern communication technologies and start using applications for laptops and mobile phones in their business. The application "Roomera" is designed in a way which allows guests to communicate directly with the hotel and provides all the information about the hotel services. On the other hand, it gives hoteliers the chance for more efficient and rational capacity utilization, for decreasing the expenses and creating a unique database of guests and their habits related to traveling and staying in hotels (Arbutina-Petenji & Mišković, 2014, pp. 852).

The advantage of using mobile applications is that many workers will not have problems with bunch of administration anymore, so the focus of their job would be to provide better service to each guest. They will be given better experience, both live and online. The application itself is adapted for IOS and Android mobile phones and it will give guests the opportunity not only to enter their own rooms, but also to access all other parts of the hotel for which they needed the room key, such as the fitness center, parking lot, etc. Certain InterContinental Hotels allow their guests to check-in using smart phones, while the similar opportunities are given to the guests in more than thousand Marriot Hotels, including check-in and check-out (Bogetić et al., 2015, pp. 96).

This data implies that domestic hotel companies need to adapt to the new market demands, too, if they want to be competitive. However, the issues of ICT infrastructure and education for ICT have not been emphasized enough in the domestic hospitality, especially regarding those hotels that are not yet in private property. More precisely, domestic hotel companies mostly use IT only for creating their web sites and for eventual communication with potential guests via e-mail, as well as for using the booking system. But this new era demands more and that is using social

networks. Even though this business practice already exists on the domestic market, the question is how seriously is it considered, having in mind the increasing presence of this type of communication in the world.

Nigel Wilson, the managing director of the company “Hitwise” pointed out that cheap flights, mobile phones and the Internet changed significantly the way we travel, and more importantly, the way passengers book their trips. The research that has been carried out shows to the tourist service providers the importance of the content efficiency, available via mobile phones, and also, the importance of providing relevant online content to the passengers, at the right time and on the right device. Tourist service providers should also have in mind current sensitive issues within the traveling sector, and should provide and secure constant availability of the specific information connected to certain destinations, so the passengers could travel even more carelessly (travelmagazine.rs, 2016).

The results of the research carried out by the web site for booking accommodations, Hotels.com, showed that hotel guests, of all other offered services, appreciate free Wi-Fi the most. Out of total number of 4,700 examinees from 28 countries, 53 percent from both guest categories (business passengers and guests on vacation) find this service crucial and are willing to give up other free hotel services in return. (Press hotels, 2015).

The issue of quality aspects in the hotel companies over the world includes directing the hotel organization towards two important fields:

- the field of implementation of international management standards defined by ISO, in order to establish integrated management systems, and
- the field of establishing and developing hotel standards.

The first operation field includes using ISO management standards, especially quality management systems and other necessary standards for building integrated management systems.

Halal industry will grow because of the expansion of the Muslim population and due to the large number of certified products in accordance with the Islamic Sharia Law. The experts announced that the global value of the halal industry is now 2,3 billion dollars. The wide range of halal products, from food that does not contain pork to financial

and tourist services, is increasing, considering the growth of the whole Muslim population. This industry, with the total value of 2,3 billion dollars, has 1,8 billion consumers that is equal to the current number of Muslim people in the world, according to some estimates (b92.net, 2015).

The issue of protecting the environment is one of the fields that hotel companies are extremely interested in. That is why the concept of green hotels is appearing on the market, which refers to the rational consumption of resources and protection of the environment. This business philosophy indicates that the hotel companies follow and adapt to new market trends. There are several reasons for such attitude of hotels towards this field and we will mention a few of them:

- self-investment for gaining the certificate (TripAdvisor GreenLeaders program, **Green Key, ISO 14000**) pays off through the savings that the hotel achieves by complying with new procedures;
- final consumers who take care of the environment rather stay in these hotels regardless of the accommodation cost;
- marketing potential of the hotel increases.

Green hotels include and encourage, among other things, more rational water and power consumption, as well as recycling one part of the waste produced by a hotel. This also includes using non-toxic cleaning products and the concern about the protection of the environment in general. It is achieved by, for example, turning off the electric devices automatically when the guest leaves the room, not changing the towels and sheets every day and by limiting the time of water flow in the sinks. Besides, the hotels that are further from cities can devote themselves to growing organic fruit and vegetables that will be used by guests (Stojanović Petkovski, 2015).

In practice, there are several types of green certificates and the choice depends on hotel's readiness to follow the financial demands for the introduction of these standards. TripAdvisor GreenLeaders program is not a financially demanding standard, compared to some other current standards, and it gives its users (potential passengers) the possibility to be on a list of the so-called green or ecological hotels. However, the Green Key Certificate is a much more serious and financially demanding standard which lasts for only one year. The purpose of this program is the development and management of accommodation facilities in a sustainable way, through eco certification (ecological certification, certification considering the protection of environment) based on internationally accepted criteria. The Green Key is an international

program of certification/rewarding accommodation facilities in order to increase the awareness of owners, staff and clients, considering the need to protect the environment, so the development and management would be sustainable (ambassadors-env.com, 2012, pp.1).

Apart from the most common ISO standards, such as ISO 9000, ISO 14000, ISO 22000, ISO 5000, there are others that are being applied in tourism and hotel industry as well, and they are:

ISO 18513:2003 – Tourism services – Hotels and other types of tourism accommodation – Terminology

ISO standards for adventure tourism (ISO 21101:2014, ISO/TR 21102:2013, ISO 21103:2014)

ISO 13009:2015 – Beach standard

ISO 13687:2014 – Yacht harbor standard

ISO 18065:2015 - Standard for protected natural areas

ISO 17680:2015 – Thalassotherapy standard

ISO 13810:2015 – Tourism industry standard

The second field of hotel organizations' operations in the terms of improving quality aspects refers to the application and development of hotel standards. They are concentrated around the managing issues in international hotel chains or fulfilling the conditions prescribed within the associations of hoteliers or within a certain hotel cluster. In order to operate more efficiently, hotel companies need to create internal standards that represent defined work processes. Each hotel company creates its own internal standards which make it recognizable on the market. The hotel company Ritz-Carlton represents a good example of introducing a personalized standard to its business. Their CRM model "Ritz-Carlton Mistique" shows that caring for customers, their wishes and needs is of crucial significance for the success of a hotel company. They clearly defined the rules of dealing with hotel guests, as well as the hotel itself and its staff. In that way, the Ritz-Carlton Hotel wants constantly to improve the service quality, so their guests would be satisfied. Therefore, it is not a surprising fact that the Ritz-Carlton Hotel was the winner of the Malcolm Baldrige National Quality Award (in 1992 and 1999) as the only company from the hotel industry sector to achieve this.

### **The analysis of management and development opportunities of the hotel organizations on the market in the Republic of Serbia**

Domestic tourism offer mainly relies on other aspects of the destination tourism offer, such as recreation, entertainment, festivals and other

manifestations, fast food, etc., while the offer of accommodation facilities remains an inadequate part in the total domestic tourism offer. This fact refers to big cities like Belgrade and Novi Sad, as well as to mountains and spas as typical tourist destinations in Serbia. Tourism workers in Serbia are making significant efforts to improve various aspects of additional service (which is, by the way, far below than in some countries in the region, e.g. Austria and Hungary), while neglecting the aspect of accommodation facilities quality and their diversity, which are the key factors for attracting new tourists and increasing the number of overnight stays.

Table 1 gives the data from the World Economic Forum, i.e. certain poles related to the Competitiveness Index in the traveling and tourism fields, which show the competitiveness of the Republic of Serbia in this industry. The Competitiveness Index itself consists of 14 poles divided into four subgroups. According to data from 2014, Serbia holds the 95th place when it comes to competitiveness in the traveling and tourism fields. Here, we will present only three subgroups which have their indices in the Table 1.

The subgroup Friendly environment includes general parameters necessary for working in the country: business environment, human resources, job market, ICT readiness. The subgroup Traveling and tourism policy and enabling conditions includes certain policies or strategic aspects that act more directly on the traveling and tourism industry: giving priority to traveling and tourism, international openness, price competitiveness and environment sustainability. It is important to point out that the Index of the price competitiveness of the tourist destination indicates that the lower the value, the lower the competitiveness, and in the case of Serbia this shows that we are very uncompetitive. The subgroup Infrastructure includes the availability and the quality of every economy's physical infrastructure: air traffic infrastructure, infrastructure of roads and harbors, tourist service infrastructure (WEF 2015, pp. 4).

Table 1: *Poles of competitiveness in the traveling and tourism fields for the Republic of Serbia in 2014*

<b>Poles of competitiveness</b>	<b>Rank</b>
Business environment	133
Human resources and job market	89

ICT readiness	56
Giving priority to traveling and tourism	113
International openness	101
Price competitiveness	78
Environment sustainability	72
Air traffic infrastructure	102
Infrastructure of roads and harbors	98
Tourist service infrastructure	63

Source: *World Economic Forum, Travel and Tourism Competitiveness Report 2015*, [www.weforum.org/reports/travel-tourism-competitiveness-report-2015](http://www.weforum.org/reports/travel-tourism-competitiveness-report-2015), pg. 33-44

The indices from Table 1 highlight the crucial issues when it comes to the faster development of competitiveness in the hotel industry in Serbia and they could be divided into four groups:

1. Creating an appropriate environment that will encourage the development of the domestic tourism and hospitality,
2. Development of human resources in the hotel industry,
3. Business policy transformation in domestic hotels,
4. Development of the transport infrastructure.

The precondition for a successful development of domestic hotel industry is the existence of an appropriate environment that also includes good cooperation between public and private institutions, for example between the National Tourism Organization of Serbia and hoteliers. They should be acting together on foreign markets in order to achieve excellent results in increasing the number of foreign tourists in Serbia and better popularization of domestic hotels and tourist potentials abroad.

The issue of human resources is extremely important for the development of the hotel industry. According to some experts in the hospitality field "a luxurious hotel without appropriate human resources would only be a museum". Therefore, domestic hotels must always work on improving their human potentials. The position of our country on a list that ranks the status of human resources (86th place) does not give us the right to be positive, as we are still falling behind some countries in the region. When talking about the hospitality education, a special attention should be paid to young people, as future managers, receptionists and other crucial employees in hotel companies. The issue of education and professional training of pupils and students of tourism and hospitality, as well as the

incompatibility of the educational system with real market needs, indicates a lack of strategy for the development of human resources in the hotel industry field. In this sense, there is a necessity for cooperation in the hospitality education field between the Ministries of Education, Trade and Tourism on one side and schools, faculties, high professional and guild organizations and the private sector on the other.

Congress tourism represents an excellent opportunity for developing long-term business, because it has been shown in practice that many foreign professional associations and companies plan their symposiums and congresses several years ahead. Because of this, it happens that some hotels are booked even a year in advance, which represents a completely different business philosophy from ours, which is mainly prone to improvisation. If we compare standard and congress tourism, we can ascertain that congress tourism is more profitable than standard one. The reason for this lies in the fact that guests, who we consider to be standard tourists, usually book their hotel rooms on the Internet, and they come to the city exclusively for the business meetings. When they are choosing a hotel, clients look for the ones with best rankings, then they read comments on Trip Advisor, where we can find out facts about the hotels, quality of their service and the accommodation price. Only on the basis of this received information, the clients decide where they will book a room.

From 2007 the Republic of Serbia is trying to accelerate this type of tourism through establishing the Serbia Convention Bureau which is a part of the National Tourism Organization of Serbia. According to the data from the International Congress and Convention Association (ICCA), the Republic of Serbia was on the 72nd position in 2007, with eleven congresses, which made it the fastest growing congress destination in Europe in the following period.

When it comes to cities in the Republic of Serbia, Belgrade and Novi Sad have particularly stood out. Table 2 shows the positions of Belgrade and Novi Sad, according to the ICCA list for the years 2013 and 2014. As it can be seen, both cities have fallen down on the list in comparison to 2014, while Belgrade hosted fewer congresses as well. However, it is important to highlight that, in the competition of 354 world cities, Belgrade shared the 50th place with the Canadian city of Montreal in 2014, and in 2013 with Melburn in Australia.

Table 2: *Position and number of congresses*

City	2013		2014	
	Europe	World	Europe	World
Belgrade	22	44	27	27
Novi Sad	148	294	143	289

Source: *ICCA Statistics Report 2014, ICCA Statistics Report 2013, www.iccaworld.com*

Table 3 represents ranking of countries from the former European Eastern Block in 2014 where Serbia holds the 46<sup>th</sup> place (42<sup>nd</sup>), which is a decline regarding the previous year. Better ranked countries ahead of Serbia are Poland, the Czech Republic, Hungary, Croatia and Romania.

Based on the data presented so far, we can conclude that the Republic of Serbia has the potential for the congress tourism development, but it is necessary to improve the transport infrastructure first, as well as the domestic hotels as the places where congresses take place according to ICCA standards.

Table 3: *Position and number of congresses in the Republic of Serbia and other countries in the region in 2014*

Rank	Number of congresses	Country
24↓	161	Poland
27↓	146	Czech Republic
31↓	125	Hungary
40↑	81	Croatia
45↑	68	Romania
46↓	67	Serbia
48↑	48	Bosnia and Herzegovina
48↑	48	Macedonia
49↓	47	Slovenia
55↑	42	Bulgaria

Source: *ICCA Statistics Report 2014, ICCA Statistics Report 2013, www.iccaworld.com*

Table 4 represents the top ten countries in the congress tourism field. As it can be seen, there are very few changes in comparison to the previous 2013.

Table 4: *Position and number of congresses in the top ten countries in 2014*

<b>Rank</b>	<b>Number of congresses</b>	<b>Country</b>
1	831	USA
2	659	Germany
3	578	Spain
4↑	543	Great Britain
5↓	533	France
6	452	Italy
7	337	Japan
8	332	China
9↑	307	Netherlands
10↓	291	Brazil

Source: *ICCA Statistics Report 2014, ICCA Statistics Report 2013, www.iccaworld.com*

However, Table 4 points to two important facts. The first one is that the USA is far ahead from other countries by the number of held congresses and the second is that Europe is dominant in regard to other continents.

### **The analysis of improving business quality of hotel organizations on the Serbian market**

One of the most important issues, when it comes to directing the hotel company regarding the destination tourism offer, is the issue of improving the business quality aspects.

The issue of the business quality concept in domestic hotel organizations is in a direct connection with the issue of the tourism offer itself. Namely, the largest number of domestic hotels is designed in order to be compliant with the demands of tourists who visit destinations in Serbia and they are mostly the tourists with relatively low purchasing power. The remaining part of tourists, with higher purchasing power, usually stays in one of the hotels from the international hotel chains that operate on the Serbian market. Domestic hotels lack in some main offer elements that reflect the service quality, such as parking lots, attractive lobbies with additional contents (shops, bars, cafeterias), specialized restaurants, swimming pools, fitness centers, and especially congress halls. The focus of domestic hoteliers is on the overnight stays, usually during certain periods, e.g. New Year holidays, winter holidays, certain festivals and

manifestations and part of the summer holidays. Essentially, this kind of strategic orientation of domestic hotel organizations requires a minimum effort in creating the business quality concept.

When talking about the quality aspects of domestic hotel organizations, the first thing to be noticed is that most hotels do not have a quality concept according to the demands of international managing standards. The issues are even bigger if you consider the fact that certain hotel complexes, mainly located in the inland of the Republic of Serbia, do not satisfy even some basic quality criteria of hotel service, up to the level that they face problems with tap water, cleanliness in restaurants, etc. In the last few years, this led to some serious issues, such as mass poisoning of children who visited those hotels during excursion, and many others. The hotel industry market consists of three groups: big hotel chains, private domestic hotel chains and state hotels. As a result of the absence of environment and market, there is always an unfair competition which restrains this industry's development. However, even domestic hotel companies have to follow the trends in tourism and hospitality and to adapt to the new requirements of final consumers. Therefore, the more intensive application of the management concept is considered as a precondition. For example, quality management, corporate social responsibility, integrated management systems and others have an influence on raising the hotel service quality, as well as the competitiveness of domestic hotels on the market.

The application of modern management methods and techniques, confirmed through the global business practice, affects the improvement of knowledge productivity, both of the employees in the modern business organization and of the organization itself.

Among the management methods and techniques that particularly stand out are the management of databases, quality management system, corporate social responsibility, relationship marketing, bench marketing, managing the costumers' satisfaction, etc. (Ćockalo et al., 2012, pp. 57).

Certain hotels have already started to apply some management concepts, like QMS, HACCP and IMS, but the problem is that it is still being done by a small number of domestic hotels compared to the total number. When talking about the application of ISO standards in domestic hospitality, unfortunately, the data about the number of certified hotels is not available. However, there are few individual initiatives done by some

private hotels, for example, the Zepter Hotel successfully finished the certification check of the integrated managing system (ISO 9001 and HACCP), carried out by the Lloyds Register Quality Assurance (LRQA) certification organization in Serbia in September 2015. This is a good example of developing competitiveness of domestic hotels in the conditions of serious competition on the Belgrade market. Unfortunately, domestic hotel companies are unable to implement the standards mentioned above, with the exception of the ISO 18513:2003, because other standards cannot be found in Serbian translation at the Institute for Standardization of Serbia, which acts as our referential institution in the standardization field. A special attention should be paid to the ISO 17680:2015, because the number of wellness and spa centers on the domestic market is increasing, so the application of this standard would significantly improve the quality of the service they are offering.

The opinions of future managers and experts are very important for defining development guidelines regarding the competitiveness of domestic companies. The results of the research, which analyzed the attitudes of young people towards tourism and hotel business, point to the way future experts and managers think, as they are going to deal directly with this business sector, primarily in operational terms. The research was carried out in Belgrade between January and March 2016. The sample included 120 students who opted for tourism (Belgrade Business School – Higher Education Institution for Applied Studies and The College of Tourism). The research covered graduate students and students of specialist studies from the mentioned higher education institutions.

The majority of analyzed students – 58.3% of them, think that the role of hotel facilities in tourism is important, 33.3% think that this role is extremely important, while the remaining 8.4% find it only partially important. The biggest number of students (38.3%) said that they would like to work in a hotel business after graduation, while 30.8% would choose to work in tourist agencies and 20.8% as tourist guides. If they would get a job in the hotel business, the majority of examinees said that they would prefer to work in international hotel chains – 62.6%, then in domestic hotels – 11.3%, small town hotels – 10.3% and resorts – 9.3% (Đorđević et al., 2016).

The students estimate that the hotel service quality in Serbia is partially good – 48.7%, or good – 38.5%, while only 4.3% of examinees thinks that it is extremely good and 8.5% that it is not good at all. The majority

of analyzed students (64.1%) believe that, at the moment, there is no suitable environment in Serbia which would stimulate the development of hotel companies, while 35.9% of them thinks the opposite. The most significant limitations that could be seen on the Serbian market, when it comes to the hotel business, are: unstable political and economic situation – 36.7%, poor transport infrastructure – 31.6%, excessive taxes – 13.9%, limited market – 12.7% and unfair competition – 5.1%.

In case of evaluating the competitiveness of domestic hotel companies, compared to international hotel chains, the largest number of examinees (54.3%) believes that domestic hotel companies are partially competitive, 25.7% think that the competitiveness is satisfactory, 16.2% that it is unsatisfactory and 3.8% of analyzed students find the competitiveness very satisfying. According to examinees' opinions, the most important factors that are missing in the process of developing the competitiveness of domestic hotel companies are:

- Marketing – 13.2%,
- Financial support – 12%,
- Education – 10.9%,
- Innovation – 10.2% and
- Application of new technologies – 9.5%.

When it comes to evaluating the level of innovation in domestic hotel companies, the majority of examinees (60.4%) believe that this level is partially satisfying, 22.7% that it is satisfying, 11.9% find it unsatisfying, while the remaining 5% of respondents think that the level of innovation is very satisfying.

The largest number of respondents, even 80.4%, thinks that the domestic hotel companies are not competitive on the international level and only 19.6% of them believe the opposite.

According to the presented results of the survey, it is clear that future young professionals in the management and tourism fields, who will be dealing with operational issues in the hotel business, are aware of the fact that the application of modern management methods and techniques, along with innovative operating and application of modern technological achievements, is the basis for improving the competitiveness of domestic hotel companies. It is also necessary to emphasize the importance of the financial support from the state in this field as well, at least in the same amount as it stimulates the development of the production capacities. This

is preferable because tourism, and especially the development of hotel facilities, represents a significant source of revenue at the local, regional and national economic level.

The majority of analyzed students thinks that tourism is extremely important for the economic development of Serbia, more precisely 39.2%, while 37.5% of them think it is important. A smaller number of respondents believes that tourism is just partially important – 20.8% and only 2.5% find tourism insignificant for the development of domestic economy. The largest number of students considers that the fields of tourism which require building of hotel facilities are, at the same time, the most important fields for the domestic tourism development: spa tourism – 33.3%, mountain tourism – 21.7%, congress tourism – 8.3% and city tourism – 5.8%. Therefore, over 69% of examinees expressed that it is necessary to promote those types of tourism, which requires the development of specific hotel facilities.

### **Conclusion**

According to some opinions (Đorđević et al., 2011, pp. 74), managing of domestic companies has to be based on the application of management techniques which support competitiveness, innovation and flexibility, as well as on the indirect knowledge improvement of their employees, and especially of their management sector. In order to increase the level of competitiveness in domestic hotel companies, it is necessary to solve the issues which affect the business quality and they are:

- Insufficiently developed transport infrastructure across the entire Republic of Serbia interferes free transfer of people from one part of the country to the other and thus, prevents the utilization of all accommodation facilities,
- Insufficient education of employees in terms of modern management concepts.

Because of the poor transport infrastructure, potential consumers will consider staying in a certain hotel carefully. The example of Stara planina and one of its hotels which stopped collaborating with Falkensteiner, the famous international hotel group, shows that bad infrastructure has a negative influence on business plans and also on business quality, because there is not enough motivation for the guests to visit this hotel, although it is on the list of top five hotels with the best spa centers. Domestic hotel companies have to change their business philosophy and focus on

adapting to the needs of modern guests and on providing additional services, like the Internet and child care, instead of the basic service which includes lodging and food. Moreover, domestic hotel companies should not neglect businessmen as another focus group. Globally, this focus group is extremely important and most hotel companies are adapting to their needs.

When talking about the competitiveness of domestic hotels, some experts in this field believe that they are making a crucial mistake by trying to be similar to the international hotel chains, which is not feasible. The reason is the fact that every country, including ours, has something specific that domestic hotels could use and launch through their business philosophy to make it interesting for the potential foreign guests. In our case, those are the natural beauties, gastronomy, rich history and tradition. The Republic of Serbia, as a tourist destination, needs to develop fresh and unique programs which will differ from the other offers on a global tourism market, due to the peculiarity of our region.

In that sense, it is necessary that the hotels receive timely information from their guests. That is why domestic hotels need to do market research, according to which they would get information about the wishes, needs, opinions and traveling reasons of their clients. Moreover, they have to be active on social networks where they will follow the guests' comments about the quality of the services they provide, as they could accept the critics and improve the hotel service. The application of CRM model can help the domestic hoteliers in this field.

As a result of not having knowledge in the field of management, a small number of domestic hotels has introduced, or is planning to introduce, some of the international ISO standards. Without accepting these management concepts, domestic hotel companies will not have a long-term prospective, because these standards require companies to focus on the final consumers. All this should be supported by a documented and planned approach and not improvisation, which is something we tend to do.

Apart from the two issues mentioned above, we also have to highlight the lack of the appropriate environment that would lower the grey work zone in hospitality to the minimum, and establish a system where all the crucial institutions in the hospitality and tourism field will be included: Ministries, companies, professional and guild organizations, faculties and higher education institutions.

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