

# **THE CURRENT PROFILE OF ROMANIAN HOTEL INDUSTRY: DOES IT ENHANCE THE ATTRACTIVENESS OF ROMANIA AS A TOURIST DESTINATION?**

**CORNELIA POP<sup>1</sup>**

**ABSTRACT.** The lodging industry can be considered the core of tourism industry within a destination.

Tourism development within a destination is interlinked with an adequate supply of accommodation facilities tailored to tourist demands. The present paper investigates the current profile of Romanian hotel industry, the dominant sector of Romanian lodging industry, in order to relate it with the trends in tourist arrivals by internal destinations and by type of hotels. The international brand penetration rate and the concentration of hotels within hotel groups are also investigated, since these two factors can increase the visibility and the distinctive features of the Romanian hotel industry. The results of the present investigations indicate that Romanian hotel industry while supporting the destination does not have any special feature to enhance the attractiveness of Romania as a tourist destination due to important flaws in hotel developments.

**Key words:** hotel, profile, hotel groups, penetration rate, Romania

**JEL Classification:** L83, L89

## **1. Introduction**

The lodging industry can be considered the core of tourism industry within a destination. Through the accommodation facilities the major part of income is realized as these facilities satisfy complex tourist needs. Tourism development within a destination is interlinked with an adequate supply of accommodation facilities tailored to tourist demands. Moreover, the lodging industry represents an important feature of the total tourist image of a country (Kainthola, 2009). The importance of lodging industry within a tourist

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<sup>1</sup> Prof.Dr., Department of Business, Faculty of Business, Babes-Bolyai University, Cluj-Napoca, Romania, cornelia.pop@tbs.ubbcluj.ro

destination can not be overlooked. The lodging sector can support and enhance the attractiveness of a tourist destination, if developed in an appropriate manner and include specific characteristics which can become distinctive features, or can contribute to the degradation of a given destination.

Romania remains a puzzle from a tourist destination point of view. While spoiled for choices when tourist attractions are concerned, Romania is not able to attract an important number of foreign tourists and to retain the domestic tourists, thus the domestic tourist number increased during the 2010s compared with mid of 2000s, it is still under the level of 1990. The image of Romania as a tourist destination remains confusing due to wrong choices regarding the branding or the promotional campaigns versus what the country can offer; this topic can be discussed at length and up to a point received some attention within the academic works. However, a less studied topic regards how supportive the domestic lodging industry is in order to enhance the attractiveness of Romania as a tourist destination. This investigation was triggered by the well known fact that during the 1970s and at the beginning of the 1980s, despite being a communist country, through affordable accommodation and an adequate level of quality Romania attracted, for that period, an important number of foreign tourists and for about a decade was considered a popular destination among Western European tourists. Thus, the 1990s had seen a sharp decrease in tourist inflows and the situation started to improve only at the end of the 2000s.

The present paper investigates the current profile of Romanian hotel industry, the dominant sector of Romanian lodging industry, in order to relate it with the trends in tourist arrivals by internal destinations and by type of hotels. The international brand penetration rate and the concentration of hotels within hotel groups are also investigated, since these two factors can increase the visibility and the distinctive features of the Romanian hotel industry. The results of the present investigations indicate that Romanian hotel industry while supporting the destination does not have any special feature to enhance the attractiveness of Romania as a tourist destination due to important flaws in hotel developments.

## **2. Review of literature**

While the international academic literature on various aspects regarding hotels is vast, the studies dedicated to a specific country hotel industry profile are relatively scarce. Central and Eastern Europe hotel industry was investigated by Bartl (1997), Johnson and Vanetti (2005), and, more recently, by Niewiadomski (2013). Thus, at individual country level within Central and Eastern European country group only the following studies could be found: Johnson (1997) on Hungarian hotel industry, Cizmar (2007) and Grzinic (2008) on Croatian hotel industry, and Toneva (2009) and Dabeva (2010) on Bulgarian hotel industry.

The academic literature on Romanian lodging/ hotel industry is relatively thin and covers a variety of topics. The book of Pop et al. (2007) presented for the first time the evolution and structure of Romanian hotel industry. Also, for the first time the Romanian hotel groups were identified. Between 2008 and 2013 only several studies related to the Romanian hotel industry were published. Tuclea & Padureanu (2008) investigate the factors influencing Romanian hotel industry competitiveness and expressing only general conclusions. Scarlat et al. (2008) make a comparison between Romanian and Malaysian hospitality industry, taking into consideration that both countries have emerging economies. Another comparative study of Dogramadjieva & Matei (2010) considers the Bulgarian and Romanian hotel industry between 1990 and 2007. Cosma et al. (2010) investigate the strategies used by international hotel chains to enter Romania. Lupu & Nica (2010) discuss the problems of Romanian hotel classification system and formulate some ideas regarding the future path Romania can follow in this respect. Surugiu et al. (2012) make a brief analysis of the investments made in tangible assets in Romanian hotel industry between 1999 and 2007, concluding only at general level, however confirming the relative lack of such investments. Cojocea & Coros (2013) investigate the Romanian hotel industry at the level of 2012 and point out the missing data from the official database provided by the authority of tourism. Neither study of the 2008-2013 period focus on a profile analysis of Romanian hotel industry.

The current paper continues the work of Pop et al. (2007) by updating the information and presenting the evolution of Romanian hotel industry, the current level of development, and presents this sector profile as of 2013. The study adds to the scarce literature on country hotel industry profile updated information regarding the evolution of Romanian hotel industry. Moreover, the study can represent a base for further researches regarding various problems of the Romanian hotel sector.

### **3. Data and methodology**

The present paper is a survey, with multi-dimension descriptions, investigating the profile of Romanian hotel industry in order to establish this sector potential contribution to the attractiveness of Romania as a tourist destination. For this purpose only secondary data were used from the following sources: World Economic Forum Travel and Tourism Competitiveness Reports, United Nations Database for Tourism, Eurostat, Romanian National Institute of Statistics (NIS) and the official database offered by the Romanian authority of tourism.

Several peculiarities regarding the Romanian data sources should be mentioned.

The statistics offered by the Romanian National Institute of Statistics do not include the lodgings with less than 5 rooms; they also do not include the individual rooms and apartments for rent to tourists. As follow, at the country level, the lodging sector is not entirely presented by these data. However, for the purpose of this paper the data are adequate because the focus is on hotels which must have, according to Romanian regulations, 5 rooms or more.

The database of Romanian authority of tourism became available on-line since 2008/ 2009 and it is continuously changing. New entries and re-classification are registered with some delay, while the hotels under re-evaluation process are deleted form the database despite the fact that they are operational and opened to the public. The hotels are registered at only one category of classification, while the existing regulations permit for Romanian hotels to have rooms of different classification. Within a hotel, floors or wings can be classified at 3 stars, other floors or wings can be classified at 4 stars, and in the end the hotel is registered in the general database within the classification category comprising the most rooms. These situations distort the results up to a point, thus the general picture is accurate enough when the data are crossed with those offered by NIS.

#### **4. Romania and the neighboring countries**

Romania's direct competitors as a tourist destination are the countries from Central and Eastern Europe. Being located in the same region, any tourist might take them into consideration as a group of destinations among one can choose. For the present, study only the countries from the European Union (EU) were considered given similar conditions for tourist visa and the freedom of travel between these destinations for the EU citizens.

World Economic Forum issues the Travel and Tourism Competitiveness Index. Using the general rank of these reports, Table 1 was generated. As it can be seen, Romania ranks the lowest among the selected group of countries, at more than 10 places below Poland (2007, 2008 and 2009) and Slovakia (2011). The main cause of this situation might be generated by the constantly wrong targets of promotional campaigns, but also by internal factors like the lack of co-operation between central and local authorities in order to generate a coherent development path for tourism, beside declarations<sup>2</sup>. While some progress have been made, they are spread among too many tourist destinations, initiatives and

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<sup>2</sup> The 2003 situation is emblematic: at the beginning of that year, tourism was declared 'national priority'. During the second part of that year, the Ministry of Tourism was absorbed by the Ministry of Transports and Constructions. For a year, in 2008, a browse of Romanian regulations shows that Ministry of Tourism existed independently. At the beginning of 2009, Ministry of Turism was absorbed in the structure of a new ministry: The Ministry for SMEs, Commerce, Tourism and Other Professions. At the beginning of 2010 another change occurred, this time the Ministry of Regional Development and Tourism was created, including, as the name shows, the coordination of tourism activities.

programs and their visibility and results are difficult to be identified and brought to light. When the hotel rooms are taken into consideration, Romania's position improves slightly, by stepping up on the before last position among the selected countries, over passing Poland (Table 2). This position also indicates that Romania has an adequate supply of hotel rooms.

**Table 1: Travel and Tourism Competitiveness of Romania: general rank**

Country	2007 (of 124 countries)	2008 (of 130 countries)	2009 (of 133 countries)	2011* (of 139 countries)	2013* (of 140 countries)
Bulgaria	54	43	50	48	50
Croatia	38	34	34	34	35
Czech R	35	30	26	31	31
Hungary	40	33	38	38	39
Poland	63	56	58	49	42
Romania	76	69	66	63	68
Slovakia	37	38	46	54	54
Slovenia	44	36	35	33	36

Source: World Economic Forum Travel & Tourism Competitiveness Reports

Note\*: No report was issued for 2010 and 2012

**Table 2: Travel and Tourism Competitiveness of Romania:  
rank by hotel rooms**

Country	2007 (of 124 countries)	2008 (of 130 countries)	2009 (of 133 countries)	2011* (of 139 countries)	2013* (of 140 countries)
Bulgaria	20	n/a	9	13	19
Croatia	9	11	11	12	13
Czech R	28	28	24	27	26
Hungary	40	41	43	44	44
Poland	68	70	75	77	73
Romania	51	51	53	51	56
Slovakia	n/a	40	38	40	40
Slovenia	35	36	32	28	27

Source: World Economic Forum Travel & Tourism Competitiveness Reports

Note\*: No report was issued for 2010 and 2012

Table 3 presents the international tourist arrivals and tourism expenditure (travel only) within the destination country. As it can be observed, Romania received a modest number of international tourists, similar with Slovakia, while Slovakia is about half the size of Romania and fostering less tourist attractions. Since 2005, Romania lost ground compared with Bulgaria and Slovenia and lags well behind Hungary, Poland, Czech Republic, and Croatia.

The second part of Table 3 presents the tourism expenditures within the country. With the exception of 1995, when only Bulgaria registered a lower level of expenditure, Romania remains on the last position compared with its neighboring competitors. This indicates that the entertainment facilities are not appropriate, or absent in some cases, and do not encourage tourists to extend their stay and spend money within the destination. This situation also indirectly indicates that the souvenir products offered to tourists are inadequate and/ or too expensive.

The last part of Table 3 presents the travel and tourism direct contribution to gross domestic product (GDP). In accordance with the other data, Romania is the only country from the selected group that did not manage to increase the travel and tourism sector contribution to GDP over 2% over the past two decades.

**Table 3: Romania as an International Tourist Destination**

<b>International Arrivals (thousands)</b>										
<b>Country</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Bulgaria	819	750	1,935	2,227	2,224	1,944	2,079	2,409	2,632	2,821
Croatia	848	4,761	6,625	7,029	7,082	6,962	6,652	7,237	10,139	10,775
Czech R	3,381	4,773	6,336	6,679	6,650	6,032	6,334	6,715	7,165	7,852
Hungary	2,878	3,214	3,446	3,451	3,516	3,228	3,385	3,671	4,164	n/a
Poland	3,703	3,118	4,310	4,387	4,046	3,862	4,135	4,409	4,979	n/a
Romania	762	867	1,430	1,551	1,466	1,276	1,347	1,517	1,653	1,715
Slovakia	895	1,045	1,498	1,665	1,739	1,283	1,313	1,448	1,511	1,653
Slovenia	709	1,037	1,514	1,704	1,870	1,731	1,767	1,921	2,125	2,226
<b>Tourism expenditure (travel) in the country (million USD)</b>										
<b>Country</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Bulgaria	473	1,074	2,412	3,713	4,306	3,776	3,571	4,021	3,689	4,051
Croatia	1,349	2,758	7,370	9,233	11,280	9,000	8,051	9,388	8,637	9,518
Czech R	2,880	2,973	4,813	6,915	7,857	7,013	7,121	7,669	7,039	7,048
Hungary	2,928	3,733	4,120	4,739	6,033	5,712	5,339	5,629	4,841	5,103
Poland	6,614	5,677	6,274	10,599	11,768	9,011	9,526	10,683	10,938	11,407
Romania	590	335	1,052	1,610	1,991	1,229	1,136	1,421	1,463	n/a
Slovakia	623	433	1,210	2,026	2,589	2,341	2,228	2,431	2,295	n/a
Slovenia	1,084	961	1,795	2,283	2,696	2,520	2,540	2,755	2,674	2,789
<b>Travel and Tourism direct contribution to GDP (%)</b>										
<b>Country</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Bulgaria	3.7	6.4	7.0	4.2	3.9	3.9	3.8	3.8	3.7	3.7
Croatia	7.8	7.5	11.2	11.1	11.9	10.3	11.3	11.2	11.9	12.1
Czech R	3.0	3.7	3.3	3.1	2.9	3.0	2.9	2.7	2.7	2.8
Hungary	4.5	5.9	3.9	3.8	4.0	4.4	4.2	4.2	4.1	4.1

Poland	3.4	3.0	2.2	2.3	2.0	2.0	1.9	1.9	2.0	2.1
Romania	1.7	1.3	2.0	1.5	1.5	1.4	1.4	1.4	1.5	1.6
Slovakia	1.6	1.4	1.8	2.2	2.5	2.6	2.3	2.2	2.2	2.3
Slovenia	3.0	3.3	3.3	3.1	3.2	3.3	3.3	3.5	3.6	3.6

Source: Eurostat for tourist arrivals (except Czech R in 1995); UN Data accessed mid August 2014, <http://data.un.org> for Tourism expenditure; WTTC for Travel and Tourism direct contribution to GDP, <http://www.wttc.org/focus/research-for-action/economic-data-search-tool/>

Table 3 confirms the information in Table 1, indicating a relative low competitiveness of Romania as tourist destination, despite the adequate accommodations, from number and capacity point of view. The last part of Table 3 also suggests that Romanian accommodation establishments, a main component of travel and tourism sector within a destination, seem to lack efficiency and profitability, therefore having a limited direct contribution to the country's GDP.

## 5. Romanian hotel industry evolution and structure

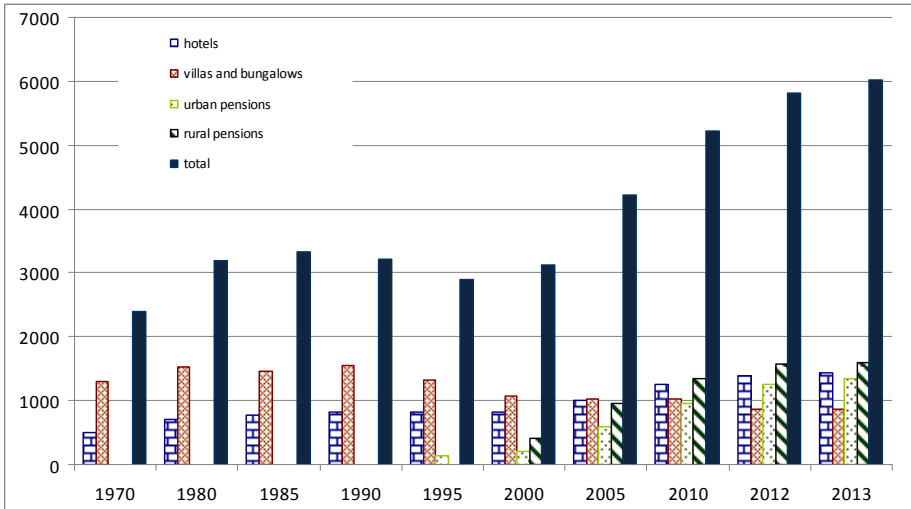
### 5.1. General information

The evolution of Romanian hotel industry is difficult to be tracked before 1970s. Between 1948, when the communist regime was imposed and the nationalization process engulfed the private lodgings, and 1968, when the nationalization process was considered closed, no official statistics were available regarding the accommodation structures available for tourists. In 1970 the first statistics regarding the lodgings in Romania became available.

The regulation that increased the variety of Romanian lodgings and changed the classification system from four categories to five stars was issued in 1993. Annex 1 presents the type of lodgings as defined by this regulation. However, important as number are few lodging types: the hotels, the villas and bungalows, and, since 1995, the tourist pensions, as it can be seen from Graph 1. Graph 2 presents the bed places in the selected accommodation types. While the number of urban and rural pensions is almost equal to hotel number since 2005, their lodging capacity is very limited, compared with the lodging capacity concentrated by hotels. The decline in villas and bungalow (previously named guesthouses) is due partly to the reclaim of the respective villas by their previous owners, while other dwellings of this type were closed due to high costs required by renovations and modernizations.

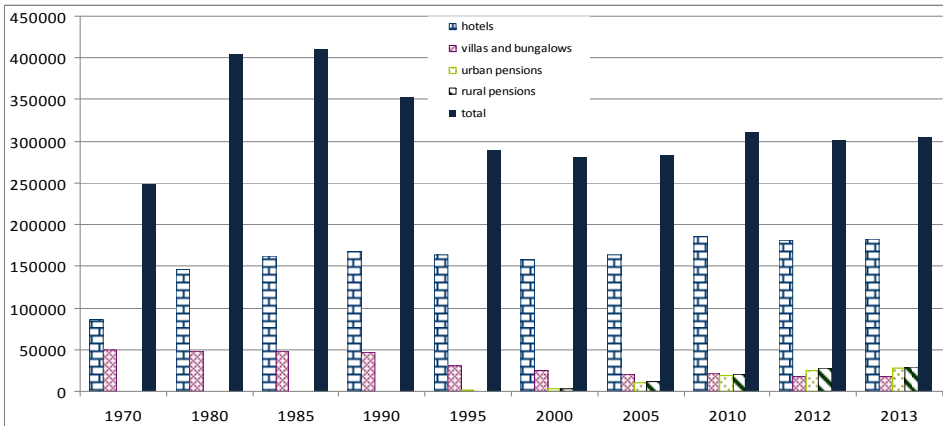
Graphs 1 and 2 clearly show that the Romanian lodging industry is dominated by hotels since 1970s. For the period 1990-2013 hotels represented, in average, 24.95% of total lodgings and 57.35% of total bed places. Graph 3 shows a more detailed evolution of hotel number and hotel bed places between

**Graph 1: The number of selected accommodation types**



Source: based on NIS (National Institute of Statistics) data

**Graph 2: Bed places in selected accommodation types**



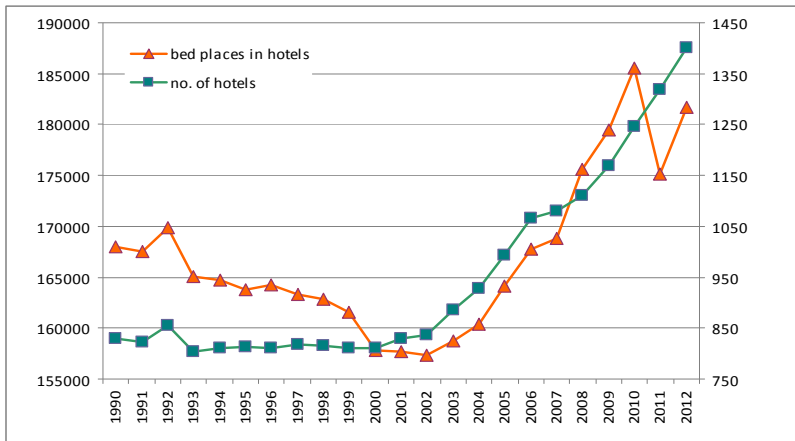
Source: based on NIS data

1990 and 2013. It can be seen that the number of hotels remained relative stationary between 1990 and 2002. This situation was due to several factors: (i) the financing resources for important investment projects like hotels were scarce and inappropriate (no mortgage loans were available) and very expensive due to high annual inflation rates; (ii) the number of domestic tourists decreased



while the borders were opened and the travel abroad became possible; (iii) the privatization process was stalled for the hotel industry, invoking the importance and the (supposedly high) value of the assets as real estate; (iv) the majority state owned hotels were managed through lease contracts, known as ‘hiring management’, which encouraged the neglecting of much needed maintenance and modernization works. The decrease of bed places while the number of hotels stagnated can be explained by the closing of hotel floors or wings, given the obsolete accommodation facilities. After 2002 the economic situation improved, the financing resources became more easily accessible and less expensive. A trend in building hotels arose, mainly dedicated to the ‘newly discovered’ business tourism. Despite the financial and economic crisis of 2007-2011, the number of Romanian hotels continued to grow; thus, the growth rate for bed places in hotels is lower and indicates a decrease for the period 2010-2013 (Table 4). In 2011 bed places dropped sharply with about 10,000 units, either due to closure of large hotels while the new entries were not able to compensate for the lost capacity, or due to partial closure of hotel floors and/ or wings due to the decrease in tourist number.

**Graph 3: Hotels and hotel bed places between 1990 and 2013**



Source: based on NIS data

Table 4 presents the hotel and bed places growth rate between 1990 and 2013 in comparison with the two previous decades. While in number the hotels growth after 1990 is almost similar to the previous decades, the growth rate of hotel bed places indicates a decrease. This suggests that the new properties entering the market after 2000 are of small capacity and also suggests that the older hotels decrease their lodging capacity in favor of larger and, supposedly, more comfortable rooms. This trend will be further discussed within the paragraph dedicated to hotels lodging capacity.

**Table 4: The total growth rate of hotels by sub periods**

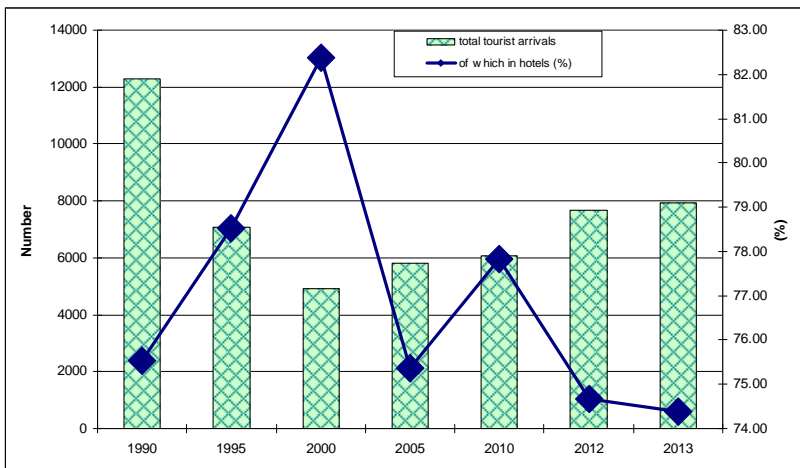
	1970-1980	1980-1990	1990-2000	2000-2005	2005-2010	2010-2013
Hotels	42.3%	17.4%	-2.2%	22.3%	25.5%	16.0%
Bed places	71.4%	14.6%	-6.0%	4.0%	13.1%	-1.2%

Source: based on NIS data

Since hotels are dominant within Romanian lodging sector, the preference of tourists for this type of accommodation is normal, as plotted by the Graphs 4 and 5. The preference of foreign tourists for hotels is higher than in the case of domestic tourists; between 88% and 93% of foreign tourist chose to stay in a hotel (Graph 5). When all the tourists are taken into consideration, the percentage is a lower, between 74% and 82.5% (Graph 4). This can be explained by the fact that since 2005, mainly during their holidays, domestic tourists started to try the services offered by other types of lodgings, mainly rural pensions. However, hotels remain the first choice if available, as the data suggests.

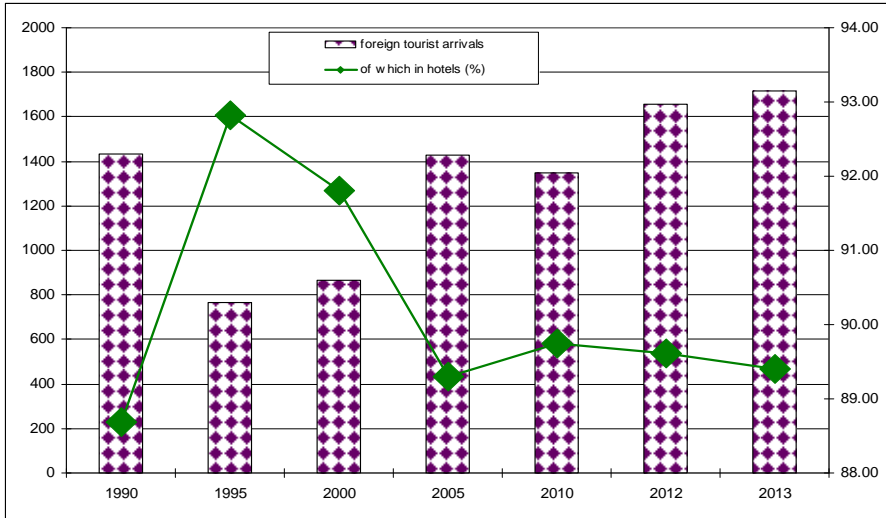
The preference for hotels is also reflected by the occupancy rate, as presented in Table 5. The occupancy rate in hotels is constantly above that at country level, the average difference is of 5.00%. During some years, the length of stay in hotels is also slightly higher than for all lodgings. Thus, the length of stay depends on the budget allocated for travel and usually increases when the economic conditions improve, like it was the case of year 2000. The effects of financial and economic crisis of 2007-2011 are visible both in occupancy rate and the length of stay; indicators dropped sharply compared with 2005.

**Graph 4: Tourist arrivals in hotels**



Source: based on NIS data

**Graph 5: Foreign tourist arrivals in hotels**



Source: based on NIS data

**Table 5: Occupancy rate and length of stay**

Year	Occupancy rate (%)		Length of stay (days)	
	Lodgings	Hotels	Lodgings	Hotels
1990	57.8	65.8	3.6	3.3
1995	45.0	45.9	3.4	3.2
2000	35.2	42.6	3.6	3.7
2005	33.4	41.1	3.2	3.4
2010	25.2	29.9	2.6	2.8
2012	25.9	32.1	2.5	2.6
2013	25.1	31.6	2.4	2.6
Average for 1990-2013	36.5	41.5	3.2	3.2

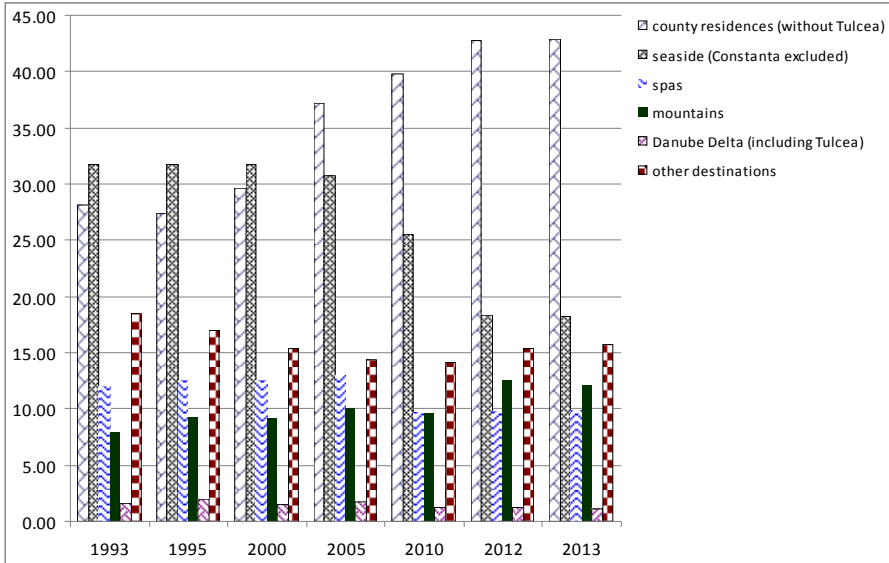
Source: based on NIS data

### **5.2. Hotels concentration by destinations**

Given the dominance of hotels within Romanian lodging sector, further the attention will concentrate on hotels only.

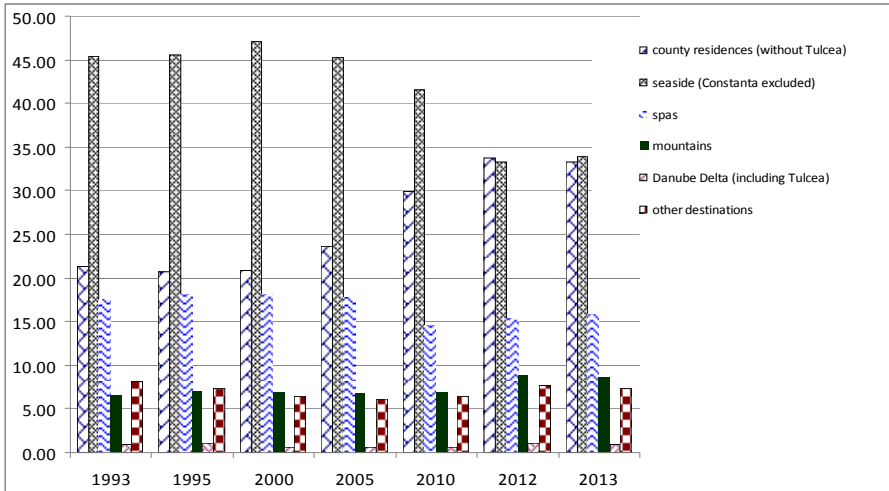
The concentration of hotels by main destinations (as defined by NIS) can be traced back to 1993, when the hotel regulations changed. Graphs 6 and 7 below present the concentration level by hotel number and by bed places in hotels.

**Graph 6: Hotels by tourist destinations (%)**



Source: based on NIS data

**Graph 7: Bed places in hotels by destinations (%)**



Source: based on NIS data

The 1993 situation can be considered similar to 1990 and reflects the concentration of hotels as it was at the end of the communist period. As both graphs show, the highest concentration of hotels was on Romanian littoral. This destination was built up during the communist regime as a mass tourism destination, to cater for a population that was not allowed to leave the country. County residences<sup>3</sup> followed closely due to their administrative position, needing hotels to accommodate those traveling for job related tasks, but also encouraging the city tourism for those who wanted to visit other parts of Romania. Spa and health resorts were also considered important by the communist regime because they catered for the working population in need of various treatments and cures, or just relaxation. The most important spa resorts were considered Calimanesti-Caciulata (Olt Valley), Buzias in Timis county, and Baile Felix in Bihor county. One might argue that many other spa resorts exists; thus the three mentioned previously concentrated an important number of hotels; moreover Baile Felix hosted the largest Romanian hotel of over 700 rooms (Pop et al., 2007).

The evolutions show a shift in this concentration starting with 2005, while this change was anticipated since 2000. The number of hotels in county residences overpasses the number of hotels on Romanian littoral and the decrease of spa resort and Danube Delta hotels became evident. By 2005 the dominance of hotels in county residences was established; thus, the county residence hotels needed seven years to overpass the lodging capacity of littoral hotels. This indicates, as highlighted above, that the new hotels in county residences were of small capacity. The number of hotels in spa resorts decreased, as well as the associated bed places due to the lack of renovation and modernization works necessary for the majority of hotels built during the 1970s and 1980s. While the number of hotels in mountain resorts grew slightly, their accommodation capacity remained roughly the same. The situation is similar for 'other destinations'. While Danube Delta is a beautiful destination, it is also a natural reserve and not easy to reach. The lodging capacity in this destination is low compared with the rest of the country, thus in concordance with the destination status of natural reservation where a relative low number of tourists is expected.

The information provided by NIS was crossed with the database offered by tourist authorities (however, this database was first available only in 2005). Table 6 presents the top 5 counties where hotels are concentrated and the data confirm the concentration pattern from Graphs 6 and 7. These five counties concentrate almost 50% of the Romanian hotels and close to 60% of hotel rooms and bed places, showing mainly the domestic preference for these destinations,

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<sup>3</sup> County residence represents the main city within a Romanian county, which hosts the main local administrative institutions and the representatives of central authorities. Usually is the most developed city within the respective county and also concentrates the largest medical care units, foster the headquarters for a largest number of business, and the main cultural institutions.

either generate by old habits and knowledge about the respective destination, or by domestic trends in choosing a holiday destination. Nevertheless, the knowledge regarding the lodging availability also triggers the preference for these destinations.

**Table 6: Top 5 counties by hotels<sup>4</sup>**

County	2005			2013			Observations
	hotels	rooms	bed places	hotels	rooms	bed places	
Constanta	293	36,520	72,726	349	33,799	67,707	Covers the Littoral
Bucharest	86	6,909	12,916	135	9,616	18,612	Country capital
Brasov	57	3,189	6,313	121	4,751	9,461	Partly covers the Prahova Valley (mountain resorts)
Prahova	51	2,724	5,370	74	3,046	6,033	Covers the Prahova Valley (mountain resorts)
Timis	48	1,966	3,890	66	2,579	5,076	
% of total hotels	<b>51.1</b>	<b>60.8</b>	<b>61.0</b>	<b>48.1</b>	<b>57.3</b>	<b>57.6</b>	

*Source:* based on authority of tourism database of 2005 and 2013 and Pop et al. (2007)

Table 6 also shows that on Romanian littoral, a number of about 5,000 bed places were lost despite the increase in hotel number, while for Brasov county, the growth was spectacular, in 5 years more than 3,000 bed places were added by new hotels, which number more than double relative to 2005. The case of Brasov is peculiar: beside being a sky destination due to the Poiana Brasov sky resort, the local authorities, led by their mayor, restored the old medieval city center of Brasov and its surroundings starting with 2006, promoted the city and the events that take place during the year and the number of tourists increased, triggering an increase in the number of lodgings. Moreover Brasov has in its proximity the Bran Castle, also know abroad as (one of) Dracula Castles and this tourist attraction also increased the interest for Brasov county. Prahova county has at its heart Sinaia mountain resorts, a popular destination due to the presence of royal Peles Castle and winter sport facilities. The position of Bucharest within Table 6 indicates how important the Romanian capital for the hotel industry is.

<sup>4</sup> The accommodation density at country level, compared with EU-27 could be calculated only as of 2011 since the Eurostat data are of that period. The data take into consideration all bed places available within all accommodation facilities. As of 2011, EU-27 registered an average of 2.9 bed places per squared km. The accommodation density at Romania's level was, as of 2011, 1.3 bed places per squared km. Bucharest had a density of 90.7 bed places per squared km. It was followed by Constanta county with a density of 12.8 bed places per squared km and by Brasov county with 4.7 bed places per squared km. Prahova county has a density of 2.4. bed places per squared km, while Timis county less than 1 bed places (0.8) per squared km.

Considering the county residences, Table 7 shows the top five<sup>5</sup>. Bucharest top position is undisputed due to its role as administrative, business, academic and medical center. The gap between Bucharest and the next ranked city (Timisoara) is important. None of the other four county residences can compete with Bucharest's importance and easiness to reach. Thus, an important growth was registered in the case of Cluj-Napoca and Brasov. These top five county residences concentrate almost 50% of county residences' hotels and over 50% of their rooms and bed places. As of 2013 all the top five county residences witnessed a slight decline in their position; thus they remain the most important destinations among county residences when the hotel availability is considered.

**Table 7: Top 5 county residences by hotels**

County	2005			2013			Observations
	hotels	rooms	bed places	hotels	rooms	bed places	
Bucharest	86	6,909	12,916	135	9,616	18,612	In establishing the ranking the number of hotels was considered.
Timisoara	33	1,274	2,524	48	1,851	3,634	
Cluj-Napoca	30	1,242	2,403	44	2,026	3,917	
Constanta (city of)	23	951	1,910	38	1,414	2,807	
Brasov (city of)	15	878	1,685	37	1,472	2,943	
% of total hotels in county residences	47.7	51.0	52.0	46.7	51.8	52.0	
% of Bucharest of total county residences	21.9	31.3	31.3	20.9	30.4	30.3	

Source: based on authority of tourism database of 2005 and 2013 and Pop et al. (2007)

Is the concentration of hotels in accordance with tourist arrivals in the respective tourist destinations?

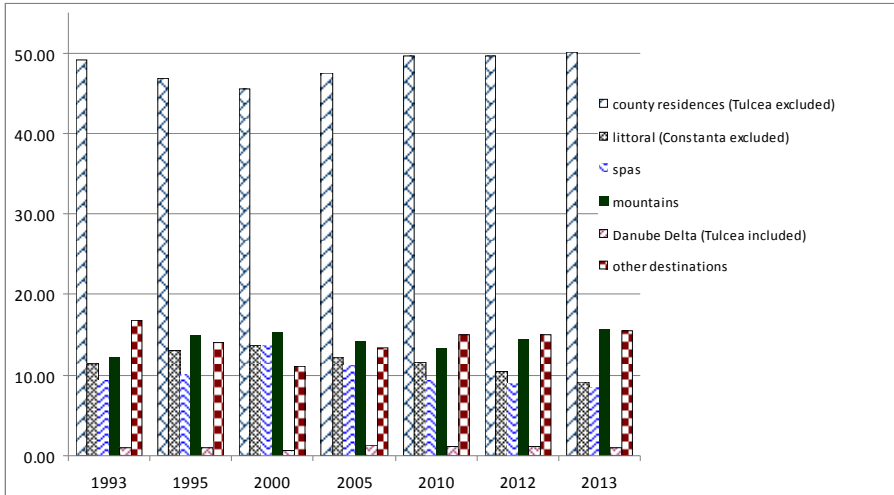
Graph 8 and Graph 9 are showing the tourist and respectively foreign tourists arrivals by main destinations.

As it can be observed, the preference for county residences is obvious, while foreign tourists seem to give almost exclusive preference to these cities. This situation can be explained by several factors: county residences attract business and job related tourism, are easier to reach by main roads, by regular train services and in several cases by airplane (a number of international flights

<sup>5</sup> As of 2013, the county residences ranked on the sixth and seventh position are Sibiu and Iasi and the follow at an important gap, with only 24 hotels each. They are followed by Arad with 23 hotels, Craiova with 21 hotels and Pitesti with 20 hotels. The remaining 31 county residences hosts between 2 and 18 hotels, with an average of 8 hotels per destination.

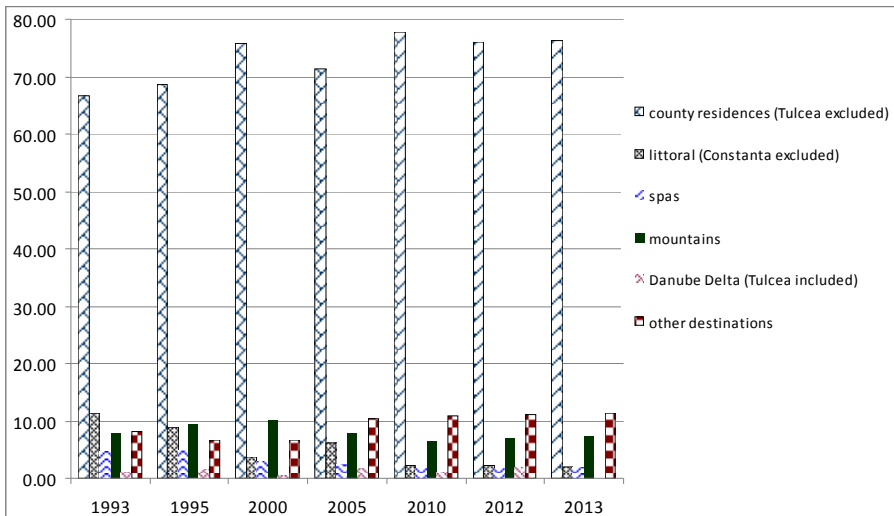
are also available). Several county residences are important academic and medical centers, attracting this type of tourism too (Timisoara, Cluj, Iasi, and Constanta).

**Graph 8: Tourist arrivals by main destinations**



Source: based on NIS data

**Graph 9: Foreign tourist arrivals by main destinations**



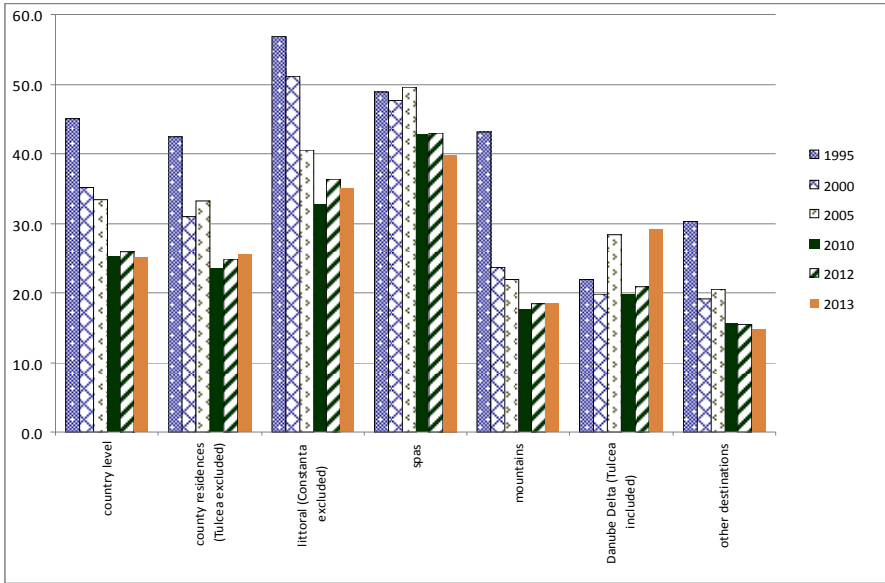
Source: based on NIS (National Institute of Tourism) data



There is an obvious discrepancy between the lodging capacity available on Romania littoral and the preference of tourist for the respective destination. The decline of Black Seaside as tourist destination (mainly after 2000) was induced by several reasons: the average to poor quality of accommodation in hotels which did not undergo the appropriate maintenance and renovation works, the poor quality services outside hotels, including the cleanness of beaches, and the absence of diverse entertainment facilities. These reasons are confirmed by the information presented in Graphs 10 and 11, which show the sharp decrease of littoral hotels occupancy rate from about 60% to 35% and the length of stay from 7 days to 4 days between 1995 and 2013.

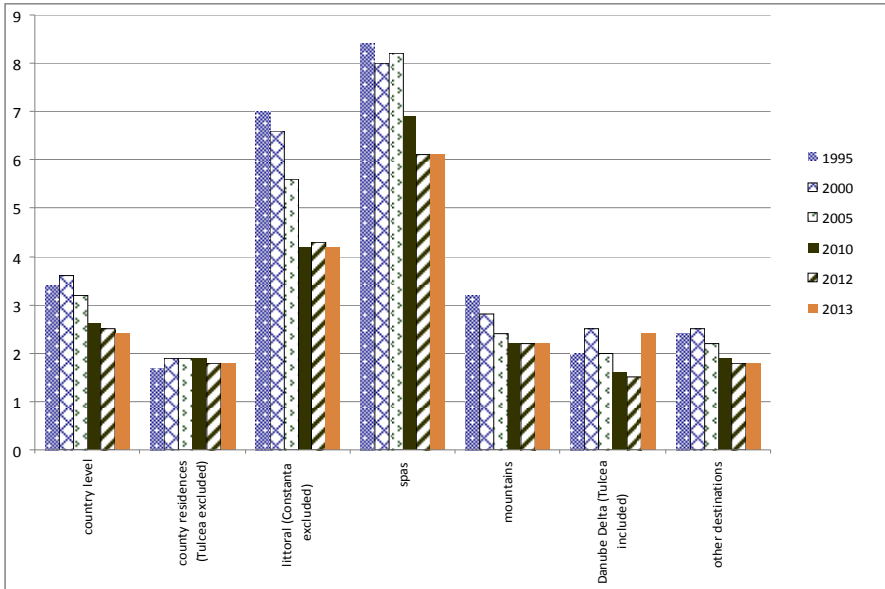
In the case of spa resorts, the situation should be considered under the influence of several factors accumulated during the communist period: these resorts were destined to cater for various treatments and cures for the working population in need of such services. Also they were supposed to provide the treatments for pensioners. As follow, in most spa resorts large hotels (of over 150 rooms) were built, ready to receive an important number of people all year round, while not mass tourist destinations. The 1990s with their lack of investments in hotel industry eroded the treatment facilities quality along with the quality of accommodation, 'frozen in time' at the level of the 1980s. These large hotels became obsolete and not very attractive for younger tourists. The situation was also due to the long postponed privatization of Romanian hotels. Despite the relative poor quality of accommodation and old and obsolete treatment facilities, Romanian spa resorts continued to be visited mainly by Romanian tourists (as Graphs 8 and 9 indicate) due to the relative low prices paid for a period of stay (sejour), in most cases the discount being covered either by labor unions or through the resources available at the level of social security budget (subsidized stays). While the accommodation facilities improved slowly during the first decade of 2000s and treatment facilities were gradually replaced (in some cases) by new and modern ones, because the hotels in these resorts still cater at discounted prices for those with various illnesses or in need of treatments, the Romanian spas are overlooked by the tourists in search of wellness and relaxation. The absence of diverse entertainment facilities is another reason these resorts are avoided, while most of them are located in beautiful natural surroundings, thus not always easy to reach. Due to the discounted services they offer despite the average quality, at best, the spa resorts manage to maintain the highest occupancy rate of all destinations (Graph 10) and highest length of stay (Graph 11), the last being connected with the length of a treatment or cure. The situation presented above is partly confirmed by the study on Romanian spa tourism of Erdeli et al. (2011) and by Aluculesei & Nistoreanu (2014).

**Graph 10: Occupancy rate by destinations**



Source: based on NIS data

**Graph 11: Length of stay by destinations**



Source: based on NIS data

Mountain resorts and other destinations seem to attract almost the same amount of tourists, mainly domestic (Graphs 8 and 9). However, both destinations seems not to be able to retain the tourists for longer periods of time, mainly due to the absence of entertainment facilities needed to complete the various tourist attractions. The situation is confirmed by the data plotted in graphs 10 and 11.

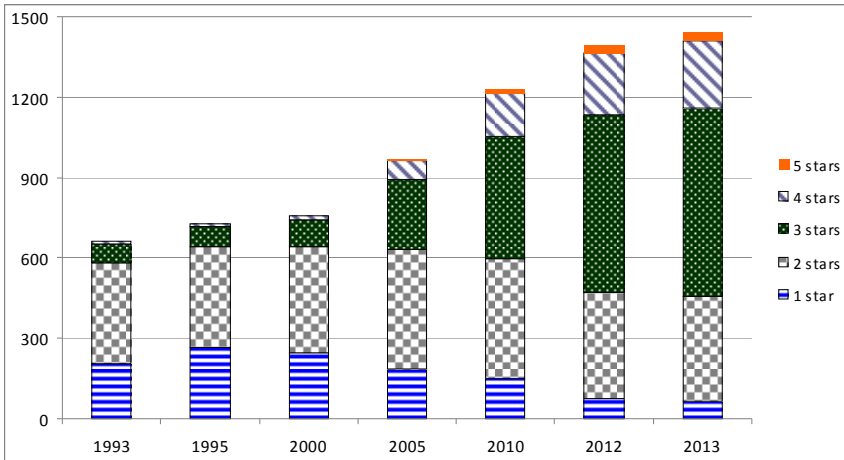
The concentration of Romanian hotels remained under the influence of communist developments. The highest number of hotels and bed places can be found on Romanian littoral, while this destination is losing its appeal to domestic tourists and presents almost of no interest for foreign tourists. The level of concentration started to shift toward county residences (with Bucharest leading at an important gap) in order to respond to the increased demand for accommodation in these destinations. Spa resorts and mountain resorts remain of some interest, their main problems being the absence of entertainment facilities and, in some cases, the difficulty to be reached by foreign tourists. Danube Delta, due to its status, is only of marginal interest, attracting mainly tourists that love to travel and spend time in a delta environment.

### ***5.3. Hotels ranked by stars***

In 1993 Romanian tourism authority changed the classification system for hotels from four categories to five stars. Currently, 1 and 2 star hotels are dedicated to budget/ economy travel segment, the 3 star hotels cover the mid-market segment, 4 and 5 star hotels provide for up-market and luxury segments, as suggested by Pop et al. (2007). It must be specified that the Romanian classification system is based mainly on physical characteristics (room dimensions, lobby dimension, the presence of various facilities) and on the number of services declared to be provided by the respective hotels. The system does not have an evaluation of the services quality and no anonymous guest evaluations are used. Moreover, in some cases, a hotel might have different wings or floors classified at different categories (e.g. one wing at 5 stars and the other wing at 4 stars). In such a case, the hotel is reported within the category of classification comprising the highest number of rooms.

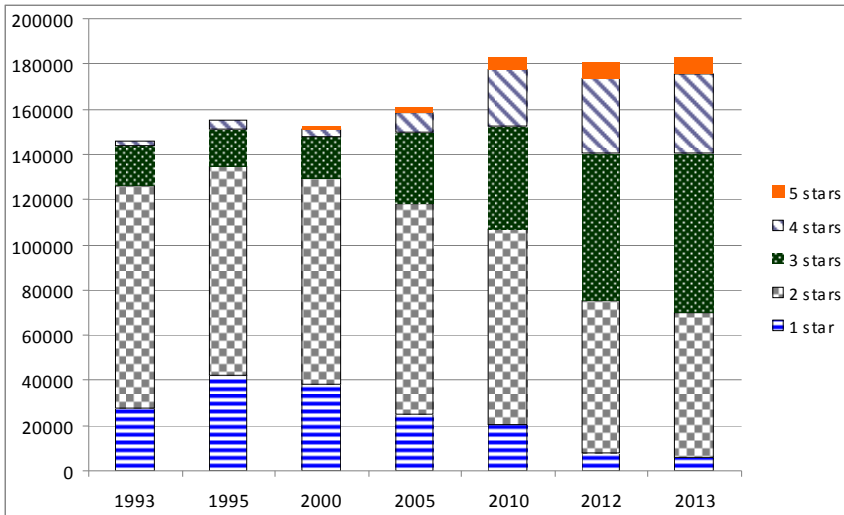
As Graph 12 and 13 shows, as of 1993, the hotel industry was dominated by two and one star hotels. It reflected the structure of hotel industry from the communist period, dedicated mainly to domestic budget tourists with no alternatives than to spend their annual holiday within the country. The structure by stars remained almost unchanged until 2000. The only difference in 2000 is the apparition of a small number of hotels classified at 5 stars. It can be observed that the number of 2 star hotels remained almost the same between 1993 and 2013, mainly due to the reclassification of 1 star hotels after undergoing renovations and modernization works. In 2005 a change in structure became obvious, the 3 and 4 star hotels becoming more important. By 2013, the number

**Graph 12: Hotels by stars**



Source: based on NIS data

**Graph 13: Bed places in hotels by stars**

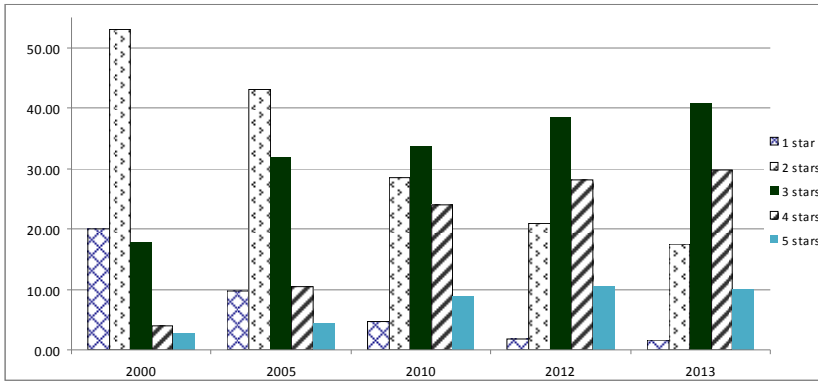


Source: based on NIS data

of 3 star hotels overpasses the combined number of 1 and 2 star hotels. This is in concordance with the arrival of tourists by hotel category (Graphs 14 and 15); the tourist preference toward 3 and 4 star hotels being obvious. Thus, when the bed places in hotels are considered, the 2 star hotels concentrated the majority of

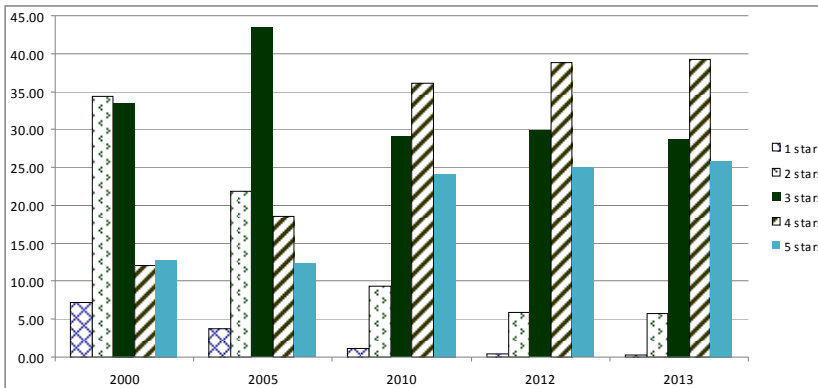
lodging capacity. Until 2010 the growth in number of 3 star hotels did not managed to balance the bed places in 2 star hotels. This balance was reached in 2012 and it is supposed to be generated by a wave of former 2 star hotels reclassified to 3 star hotels, after various renovations and improvements. The number of 4 and 5 star hotels also grew, but their importance within the hotel segment remain low, as expected mainly when 5 star hotels are considered due to the relative narrow niche of luxury tourists.

**Graph 14: Total arrivals in hotels by stars**



Source: based on NIS data

**Graph 15: Foreign arrivals in hotels by stars**



Source: based on NIS data

Romanian hotel industry evolved from a budget/economy (2 star) room supply toward a mid-market (3 star) room supply. However, not only the tourist preferences generated this shift; this change in preferences can also be

triggered by the absence or limited choices regarding the budget/economy hotel offers. The Romanian hotel owners/ investors have the tendency to confound low star hotel classification with low quality, when in fact this means just smaller rooms and a lower number of services available for tourists within a hotel. Moreover, this perception is combined with the fact that in most cases the owner perceived the hotel trophy property, as highlighted by (Pop & Coros, 2011). The combination of these distorted views generated a trend toward new or renovated hotels of 3, 4, or 5 stars.

Thus, this trend is not supported by the data regarding the occupancy rate by stars and the length of stay by stars, as Table 8 indicates. The two star hotels exhibit a higher occupancy rate and a longer length of stay. This situation is partly due to the two star hotels concentration in spa resorts, where the length of stay is related to the recommended treatments and/ or cures.

**Table 8: Occupancy rate and length of stay by stars**

Year	Occupancy rate (%)					Length of stay (days)				
	1 star	2 stars	3 stars	4 stars	5 stars	1 star	2 stars	3 stars	4 stars	5 stars
1995	50.7	50.2	47.5	40.4	n/a	3.4	3.2	2.6	3.3	n/a
2000	41.8	45.0	37.7	35.7	40.3	4.1	4.0	2.6	2.7	1.7
2005	41.1	45.1	36.2	32.8	39.7	3.9	4.5	2.3	2.2	1.8
2010	32.1	35.2	25.5	26.1	32.1	3.7	4.4	2.2	2.0	1.5
2012	27.7	37.2	28.7	30.5	36.1	3.3	4.4	2.4	2.0	1.5
2013	24.1	34.7	30.1	30.8	32.1	2.8	4.3	2.5	2.0	1.6

*Source:* based on NIS data

The sharp decrease of budget/ economy hotels within all destination with the exception of spa resorts is presented in Annex 2 for two star hotels in comparison with the increase of mid-market (three star) hotels. This trend hints at the lack of vision of Romanian hotel owners and developers. They completely ignore the young (foreign and domestic) tourist segment which has few options within a, usually, limited travel budget, given the small number of Romanian hostels. Other tourist niches are ignored, like domestic tourists traveling for medical reasons or the companions of those who have to undergo medical procedures, or those who travel for personal reasons and with a limited travel budget. All those tourists (mainly domestic probably) would rather prefer a quality budget/economy accommodation rather than a mid-market one. A lower accommodation price also might induce an increased length of stay.

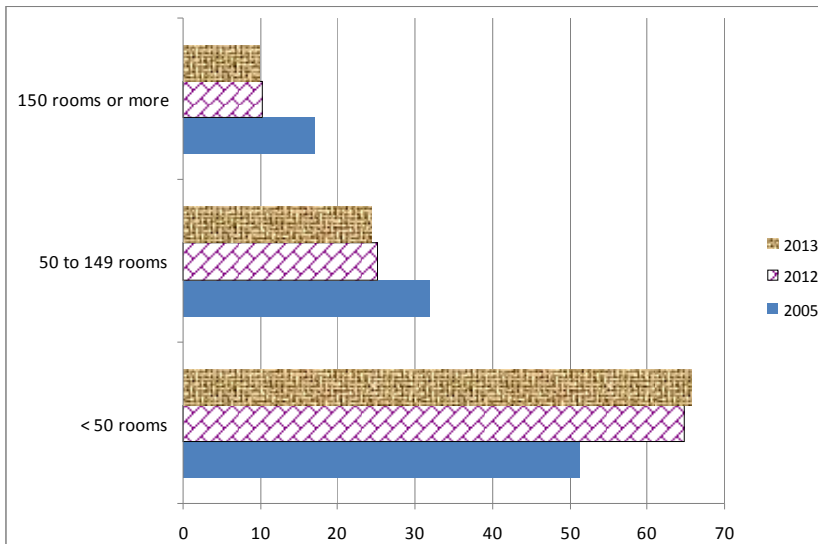
In Romania, only Continental Hotel Group owner, Radu Enache, embraced this idea and tried to develop within its group the two star brand Hello. However, with only one hotel in Bucharest, thus it seems to be successful, the idea came to a standstill.

Nevertheless, if the number of three star hotels will continue to grow while the occupancy rate of that segment will continue to drop, probably a shift in hotel owners and developers' visions and decisions is expected to occur.

#### 5.4. Hotel lodging capacity

The scale suggested by by Bohdanowicz (2005) and used by Pop et al. (2007) is used within the present paper to discuss the Romanian hotel lodging capacity. The scale splits hotels in three categories: small hotels with less than 50 rooms, medium sized hotels with a capacity between 50 and 149 rooms and large hotels with 150 rooms or more. Graph 16 presents the situation of the three categories in 2005, when they were first identified by Pop et al. (2007) and in 2012 and 2013. The dominant position of small hotels is obvious; this category increased its share within domestic hotels with about 15 % over the last 9 years.

**Graph 16: Hotel structure by number of rooms (%)**



Source: Based on Pop et al. (2007) for 2005 and on the authority of tourism database for 2012 and 2013

Table 9 presents the evolution of the average number of rooms per hotel in comparison with lodgings. The data support Graph 16 information and also the data presented in the previous paragraphs which indicated this trend of new entries of small capacity. Compared with the 1990, by 2005 a number of 15 rooms were lost per hotel, while as of 2013 this number increased at 38. The

decrease in Romanian hotel lodging capacity was also generated by the modernization and renovation works performed within larger hotels (see Annex 3); in other cases floors or wings were closed due to the inappropriate state of rooms.

**Table 9: Hotels and lodgings average number of rooms**

	1970	1980	1990	2000	2005	2010	2012	2013
Hotels	86	104	101	97	86	74	65	63
Lodgings	52	63	55	45	34	30	26	25

*Note:* NIS does not report the number of rooms, the data above was obtained by dividing the bed places by 2, a standard room having usually 2 bed places

*Source:* based on NIS data

The trend toward small new hotels was generated by multiple reasons: a) the absence of appropriate financial resources for medium or large developments between 1990 and 2003/2004; when the resources became available, most of the small companies interested in developing a hotel did not qualified for the required loans; b) the preference of Romanian small business to rely mainly on their (usually limited) internal financial resources; c) in Romania there were no commercial real estate investment trusts (REITs) and no specialized developers for hotels or complex real estate development projects. Only since 2010-2011 some sporadic news occurred regarding several intentions of some developers to include hotels in real estate projects; d) mainly within cities and towns, the new small hotels are in fact reconverted old buildings which limited development options; e) even if the hotels were new, as in many urban areas today, the availability of space imposed its restrictions on the hotel number of rooms.

Table 10 presents the hotel dimensions by stars, indicating that the 2 star hotels (most of them constructed during the communist period) represent the category with the highest concentration of large hotels.

**Table 10: Hotel number by stars and by rooms**

Scale	2005					2013				
	1*	2*	3*	4*	5*	1*	2*	3*	4*	5*
< 50 rooms	97	188	214	44	3	39	236	578	157	9
50 to 149 rooms	43	160	92	29	3	10	116	149	88	16
150 rooms or more	17	97	39	16	6	1	56	52	36	6

*Source:* Based on Pop et al. (2007) for 2005 and on the authority of tourism database available on-line for 2013



In Annex 3 are presented the largest Romanian hotels (over 400 rooms) and Annex 4 presents the concentration of these hotels. Annex 3 shows a decrease in the number of these large hotels, with only one entry in 9 years. The information from Annex 4 confirms the idea presented above, that the communist authorities concentrated their efforts on Romanian littoral, in several spa, and in Bucharest resorts for building these large hotels.

Since Romania is not a mass tourism destination, most of its tourist attractions not being easy to reach, the small hotels are better suited to cater for small groups, families or individual tourists. However, despite the fact that the average lodging capacity per hotel decreased, Romanian hotels seem not to be able to sell their rooms and keep their tourists for longer periods, as the data presented above for occupancy rate and length of stay have shown (Table 8). The reasons can fill pages: from the quality of services offered to the room rates, from the attitude of hotel employees and reception desk clerks, to the kitsch environment created by owners who 'know it all'. However, every hotel should be considered individually and not all the reasons apply to all. What Romanian hotels are lacking is a coherent and uniform attitude toward tourists and the quality of services; the data in Annex 7 indirectly confirms this idea. All these could be learned from international hotel groups or consortia. However, the presence of foreign hotel brands in Romania is relatively scarce, despite the growth registered between 2005 and 2013 and will be discussed within the next paragraph.

### **5.5. International hotel groups and chains<sup>6</sup> penetration rate**

The first to calculate the international brand penetration rate as of 2005 at Romanian level were Pop et al. (2007). According to this source, the penetration rate from hotel number point of view was 2.22% and 4.19% when rooms were considered (pp.116-117). The low penetration rate of international hotel brands at Romania's level was further confirmed by Baltescu (2009) and by Cosma et al. (2010).

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<sup>6</sup> The working definitions for hotel chains and hotel groups are further presented. A *hotel chain* is a collection or grouping of hotels under one recognizable brand regardless of their legal status (subsidiaries, franchises, management contract). O'Neill & Carlbaeck (2011) suggests that the minimum number of hotels for a hotel chain should be three. The majority of hotel chains are profit oriented and currently they are operated through a management company. The concentration of hotel industry generated the nascence of complex hotel groups. A *hotel group* is an organization that includes one or several hotel chains which generates a collection of brands, a management company and, in some cases, specialized financial subsidiaries. The hotel groups' development strategies include direct ownership, management contracts and franchising contracts. Another type of hotel chains is represented by the voluntary hotel chains. A voluntary hotel chain is a non-profit organization, which use just one brand and which bases its development on voluntary affiliations. Best Western is the most notorious example of a voluntary hotel chain. Given the increased competition within the hotel industry the number of voluntary hotel chains decreased; part of them became profit oriented hotel chains, others were transformed in consortia.

As of 2013, the penetration rate at hotel level was 2.84% and at room level 7.31%. These figures should be considered under the reserve of missing hotels for various reasons from the official database. Details are provided in Table 11.

The top position held by Accor in 2005 was lost in favor of Ramada brand of Wyndham Hotels in 2013. Thus, Accor retains a strong second position, followed at an important gap by Louvre Hotel Group with the Golden Tulip brand.

Bucharest concentrates the majority of branded hotels and rooms, thus its position declined in 2013 compared with 2005 as international brands started to spread slowly mainly within other county residences.

**Table 11: International hotel groups in Romania (as registered within the authority of tourism data base)\***

Group/Brands	2005		2013	
	Hotels	Rooms	Hotels	Rooms
<b>InterContinental Hotels Group</b>	<b>2</b>	<b>351</b>	<b>2</b>	<b>421</b>
InterContinental	1	187	1	257
Crowne Plaza	1	164	1	164
<b>Wyndham Hotel</b>	<b>2</b>	<b>396</b>	<b>11</b>	<b>1,877</b>
Howard Johnson	1	285	1	285
Ramada	1	111	10 (4 in Bucharest)	1,592
<b>Hilton Hotels &amp; Resorts**</b>	<b>1</b>	<b>272</b>	<b>3</b>	<b>534</b>
Hilton	1	272	2 (1 in Bucharest)	387
<b>Double Tree by Hilton</b>	-	-	1 (in Oradea)	147
<b>Marriott Hotels</b>	<b>1</b>	<b>402</b>	<b>1</b>	<b>402</b>
J.W.Marriott	1	402	1	402
<b>Best Western***</b>	<b>7</b> (1 in Bucharest)	<b>731</b>	<b>8</b> (2 in Bucharest)	<b>525</b>
<b>Accor</b>	<b>4</b>	<b>770</b>	<b>6</b>	<b>1,221</b>
Sofitel	1	203	-	-
Pullman	-	-	1	203
Novotel	-	-	1	258
Ibis	3 (2 in Bucharest)	567	4 (2 in Bucharest)	760
<b>Louvre Hotel Group</b>	<b>2</b>	<b>153</b>	<b>5</b>	<b>636</b>
Golden Tulip	2	153	5 (2 in Bucharest)	636
<b>NH Hotels****</b>	<b>1</b>	<b>78</b>	<b>1</b>	<b>76</b>
<b>Danubius Hotels*****</b>	<b>1</b> (in Sovata)	<b>160</b>	<b>2</b> (all in Sovata)	<b>346</b>

Group/Brands	2005		2013	
	Hotels	Rooms	Hotels	Rooms
<b>Hunguest Hotels*****</b>	<b>1</b> (in Miercurea Ciuc)	<b>108</b>	<b>1</b> (in Miercurea Ciuc)	<b>65</b>
<b>K+K Hotels</b>	-	-	<b>1</b>	<b>66</b>
<b>Europa Group Hotels</b>	-	-	<b>1</b>	<b>92</b>
Europa Royale	-	-	1	92
<b>Vienna International Hotels</b>	-	-	<b>1</b>	<b>177</b>
Angelo	-	-	1	177
<b>The Rezidor Hotel Group</b>	-	-	<b>1</b>	<b>424</b>
Radisson Blu	-	-	1	424
<b>Total*****</b>	<b>22</b>	<b>3,421</b>	<b>44</b>	<b>6,862</b>
of which in Bucharest (%)	59.1	74.3	50.0	62.0

*Note \**: where no mention is made under the hotel number, those hotels are located in Bucharest

*Note\*\**: On Hilton website a Double Tree by Hilton is located in Bucharest; however, this hotel is not in the official database, probably due to re-authorization procedures. At the beginning of 2014 a Hamptons by Hilton was opened in Cluj-Napoca and two others were announced for the end of 2014 and 2015 in Iasi and Brasov ([www.travellermagazin.ro](http://www.travellermagazin.ro)). Also a Double Tree by Hilton was announced to be opened in Ploiesti, thus no news could be found on this topic.

*Note\*\*\**: Best Western is a voluntary hotel chain and has as only brand its name. According to Best Western website, 10 hotels are affiliated in Romania. However, two hotels, from Zalau and Baia Mare, are missing from the official database, probably due to re-authorization procedures.

*Note\*\*\*\**: NH Hotels group indicated also a NH Timisoara Hotel; this is absent from the official database, probably due to re-authorization procedures.

*Note\*\*\*\*\**: The third hotel owned by Danubius in Sovata was closed due to renovation and modernization works during 2013 and therefore absent from the official database.

*Note\*\*\*\*\**: Hunguest, like Best Western, is a voluntary hotel chain and has Hunguest as the only brand.

*Note\*\*\*\*\**: Another hotel, from Cluj-Napoca, is integrated within the Italian Select Hotel Collection, a family owned group. There is no clear reason why the hotel is not registered in the official database since it is open and receiving guests since 2011.

Sources: For 2005, Pop et al (2007). For 2013 cross information between the hotels on groups' websites as of December 31, 2013 and the hotels registered within the authority of tourism official database

If the penetration rate is to be considered by county residences, at the level of 2005 Bucharest position was undisputed with a 15.12% at hotel level and 36.78% at room level, while the other destinations hosted 1 or 2 branded hotels. At the level of 2013, the situation slightly changed. While Bucharest has an increased penetration rate of 16.30% at hotel level and 44.25% at room level, a county residence arose as competitor. The city of Sibiu with a penetration rate at hotel level of 20.83% overpasses Bucharest. Thus, at the room level, with 39.21%, Sibiu lags behind the Romanian capital. The particular situation of Sibiu is due to

its position as European Capital of Culture, along with Luxembourg, for 2007 which triggered an increased interest for this destination in the years that followed.

Table 12 presents the penetration rate by stars and by lodging capacity. Combining the information from Table 11 with Table 12, the majority of international brands that entered Romania are suited for up-market and luxury hotels and this situation is reflected by the penetration rate. Also medium and large scale hotels are more likely to be integrated under an international brand umbrella, given the specific requirement of the respective brands. What obviously are lacking at Romanian hotels level are appropriated brands for the numerous small, mid-market hotels. On the other hand, this absence hints at two possible reasons: a) the lack of knowledge regarding the possibilities of affiliation to mid-market brands; b) the domestic hoteliers desire to keep their independence, in spite of the low occupancy rates and, probably, the low profitability.

**Table 12 Penetration rate by hotels' stars and lodging capacity**

By stars	2005		2013	
	Hotels	Rooms	Hotels	Rooms
2 stars	-	-	0.25%	0.47%
3 stars	2.65%	4.96%	1.03%	2.52%
4 stars	8.99%	14.57%	10.32%	20.72%
5 stars	45.45%	82.13%	19.35%	47.83%
By lodging capacity	Hotels	Rooms	Hotels	Rooms
< 50 rooms	0.58%	0.98%	0.39%	0.56%
50 to 149 rooms	2.52%	1.31%	5.80%	6.60%
>150 rooms	6.51%	6.35%	11.92%	13.30%

Sources: For 2005, Pop et al (2007). For 2013 the authority of tourism official database.

While for 2005 no survey was conducted in a trial to determine the presence of international hotel consortia<sup>7</sup> in Romania, for this paper their presence was identified as of 2013. Using the top 25 hotel consortia lists

<sup>7</sup> The working definition for a hotel consortium for the current paper is the following: a hotel consortium is an association of (small) independent hotels based on voluntary membership and/ or affiliation. Through a consortium, the member/ affiliated hotels combine resources in order to establish corporate management services such as marketing and promotional activities, reservation systems, purchasing, personnel training, revenue management, management consulting, concept/ product development, financial assistance (Roper, 1992, Holverson et al., 2008). The main difference between a consortium and a voluntary hotel chain is the absence of a brand in the case of consortium. No common name is used for the member/ affiliated hotels at a consortium.

published by Hotel Magazine between 2007 and 2013, only 3 international hotel consortia were identified within Romania: Minotel Consortium, Utell, and Hotusa Hotels Consortium<sup>8</sup>. Only Hotusa has two affiliated hotels of which one is the NH Bucharest. The presence of consortia can be considered almost negligible. This is a negative aspect since consortia, along with voluntary hotel groups, are appropriate for the dominant three star small hotels, as highlighted by Hubertus (2000) and Holverson and Revaz (2006).

The relative low penetration rate of international brands and the virtual absence of affiliations to consortia might hint to the lack of vision and strategy of Romanian hotel owners. In most cases, when the decision to open a new hotel is taken, the idea to operate it under a known brand or to affiliate it to a consortium is ignored. The hotel is built or an old building is modified according to owners ideas and by the time when a potential affiliation or a franchise contract is considered, either the building does not fulfill the standards of the considered brand/ consortium, or the alteration needed are too many and/ or too expensive and the idea is abandoned.

This situation reduces considerably the visibility of Romanian hotels especially at the level of foreign tourists which will have the tendency to limit their choices to branded and up-market properties when selecting a hotel.

### ***5.6. Romanian hotel groups and hidden hotel groups***

The first attempt to identify the Romanian hotel groups was made by Pop et al. (2007). The authors included in the category of hotel groups all the economic entities owning three hotels or more. As of 2005, 34 hotel groups were identified.

For the present paper the analysis was limited to the hotel groups that include five hotels or more. This limit was imposed by the frequent changes that occurred within the smaller hotel groups of three and four hotels and the difficulty of tracing them down.

Table 13 presents the Romanian hotel groups including five hotels or more. It must be mentioned that with the exception of 3 hotel groups (Turism Felix, Ana Hotels and ARO Palace Grup), the other groups include also in their lodging portfolio other types of accommodations. For the current study, only the owned hotels were considered. More details regarding the 10 identified groups could be found in Annex 5.

As Table 13 shows, the number of identified hotel groups remained unchanged, with no new hotel group entering the list. The most obvious change is the decrease in the number of owned hotels and bed places, mainly in the

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<sup>8</sup> As of 2012, a Bucharest hotel was affiliated to Epoque Hotels Consortium; thus the official website of the consortium did not list the Romanian hotel anymore for 2013.

cases of the first ranked group. Given the increase in hotel number at country level and with very small growth rates of bed places in the cases two hotel groups, the concentration level of Romanian hotel industry decreased.

**Table 13: Hotel groups in 2005 and 2012 (the same company owning 5 hotels or more)\***

No.	Group	2005		2013	
		hotels	bed places	hotels	bed places
1.	Turism Hoteluri si Restaurante (THR) Marea Neagra SA <a href="http://www.thrmareaneagra.ro">http://www.thrmareaneagra.ro</a>	42	14,935	22	7,532
2.	Sind Romania SRL (or Sind Rom SRL) <a href="http://www.sindromania.ro/">http://www.sindromania.ro/</a> (in 2013 the hotels were under administration of 4 other companies controlled by Sind Romania: Alfa Hotels, BN Sind Balneo Turism, Sind Tour Trading and CSDR Sind Turism)	23	10,964	19	8,084
3.	Unita Turism SA <a href="http://www.unita-turism.ro/">http://www.unita-turism.ro/</a> (including Olimp Estival Hotels)	18	3,554	14	3,478
4.	SC TBRCM SA <sup>9</sup> <a href="http://www.tbrcm.ro/">http://www.tbrcm.ro/</a>	14	3,168	13	3,168
5.	Continental Hotels SA <a href="http://continentalhotels.ro/">http://continentalhotels.ro/</a> (including the 4 hotels under Ibis franchise)	13	3,152	13	3,420
6.	RA-APPS <sup>10</sup> <a href="http://ra.apps.ro/turism/">http://ra.apps.ro/turism/</a>	13	1,806	8	1,306
7.	Turism Felix SA <a href="http://www.felixspa.com/">http://www.felixspa.com/</a>	9	3,058	7	2,376
8.	Ana Hotels SA <a href="http://www.anahotels.ro/default-en.html">http://www.anahotels.ro/default-en.html</a>	6	1,373	6	1,742
9.	Aro Palace Grup SA <a href="http://www.aro-palace.ro/">http://www.aro-palace.ro/</a>	6	1,267	5	835
10.	Calimanesti-Caciulata SA <a href="http://www.calimanesti-caciulata.ro">www.calimanesti-caciulata.ro</a>	5	1,608	7	1,734
	Total	149	44,885	114	33,693
	% of total hotels/ bed places in hotels	<b>14.23</b>	<b>27.04</b>	<b>7.36</b>	<b>18.15</b>

Source: Pop et al. (2007) for 2005 and authority of tourism database for 2013

Note\*: only the hotels registered in the official database as of December 2005 respectively 2013 were considered.

<sup>9</sup> The complete name of this company is (in Romanian) Societatea Comerciala de Tratament Balnear si Recuperare a Capacitatii de Munca S.A.. It is a joint stock company and its website does not have any link to an English section.

<sup>10</sup> The complete name (in Romanian) is: Regia Autonoma Administratia Patrimoniului Protocolului de Stat. There is no official translation of this name in English.

While an in depth analysis of every one of these hotel groups can be interesting, for the present paper only several facts will be briefly presented.

Of the ten hotel groups, two are state owned (rank 4 and 6). The remaining eight companies are privately owned by domestic investors. Unita Turism, Continental Hotels, and Ana Hotels can be considered family owned hotel groups since in both cases the majority shareholders are the persons who created the companies along with their family members. Other three companies, THR Marea Neagra, Turism Felix, and Aro Palace Grup have the same majority owner: SIF Transilvania, a domestic closed-end fund listed at Bucharest Stock Exchange under SIF3 symbol. In all three companies SIF Transilvania owns more than 60% of the shares. All the three companies controlled by this investment fund are also listed: THR Marea Neagra and Turism Felix at Bucharest Stock Exchange on the main market under the symbols EFO and respectively TUFÉ, while Aro Palace Grup start listing at the end of February 2014 at the SIBEX on the ATS (Alternative Trading System) under ARO symbol.

The location of the owned hotels is interesting to be mentioned. In the cases of THR Marea Neagra, Turism Felix, and Aro Hotels the owned hotels are concentrated in just one destination, as Annex 5 shows<sup>11</sup>. In the case of Calimanesti-Caciulata, the bulk of the hotels are concentrated in one destination. Continental Hotels has a different profile, locating its hotels mainly within county residences, while Ana Hotels owns hotels within the most popular destinations in Romania: Bucharest, Black Seaside and Poiana Brasov mountain resort. However, these destinations have also the highest accommodation density.

Of the 10 hotel groups, only two include international branded hotels: Continental Hotels which has an exclusivity contract with Accor for developing and operating Ibis hotels in Romania, and Ana Hotels with two branded hotels in Bucharest: Athenee Palace Hilton Hotel and Crowne Plaza Hotel.

Only one hotel group, Continental Hotels, started the segmentation and branding process for its hotels. It launched the Continental Forum brand in 2007 for the newly renovated and refurbished four star hotels and kept the name Continental as brand for the three star hotels. It was the only group that considered launching a brand for two star hotels: Hello Hotels. Thus, only one hotel in Bucharest is operated under this name. The collaboration with Accor for the Ibis brand might have increased this group brand awareness.

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<sup>11</sup> Since these three companies are owned by the same investment fund it can be said that SIF Transilvania owns a diversified hotel portfolio. However, each of the three companies is exposed to the risk related to the destination where the hotels are located. The Black Seaside is only a summer destination, while the popularity of the other two destinations might increase and decrease depending on tourists' choices and preferences. During 2007 and 2008 an idea was launched by Romanian media that SIF Transilvania will merge all the companies under its control. Thus, the idea is no longer mentioned. It is not clear if it was abandoned or is too difficult to be put in practice

Neither of the remaining seven private hotel groups made any attempt to build a brand or to segment the owned hotels. Moreover, in several cases, the hotel groups present themselves on the respective websites as 'hotel chains' ignoring that there is no common name to unify the hotels. Most of the time the tourists, even the domestic ones, are not aware that the hotel they chose (mainly through booking websites) belong to the same group. Romanian hotel groups are not complex organizations; they are rather a simple hotel grouping under one company that owns the respective hotels and operate them directly. No recognizable brand exists, with the exception of Continental Hotels. Therefore the confusion the owners of these hotel groups are making by calling their organizations 'hotel chains' is easy to understand. The only key element missing is obviously the brand. With no brand to sell the franchising and management contracts are no options when development strategies are considered. As such, the probability of an increase in the Romanian hotel industry concentration level remains low for the years to come.

Along with the identified hotel groups, a number of hidden hotel groups<sup>12</sup> exist at Romania's level. Those hotel groups were partly identified by Pop & Coros (2011) using the information available for the 300 richest Romanians. Surfacing this hidden hotel groups is difficult and a complete list will be almost impossible to deliver. Within the Annex of Pop & Coros (2011) at least 5 persons have under their control five hotels or more. The study also shows that the majority of hotels are owned within groups of companies that include building companies, construction material companies and/ or real estate companies (involved in buying/ selling real estates). Similar to the ten identified hotel groups, the hidden hotel groups are just a grouping of hotels. The study of Pop & Coros (2011) conclude that the main reason of these people to build or/ and own a hotel is generated by their desire to have a trophy or a vanity property. This attitude explains why the brand awareness is low, and the interest for an efficient exploitation of the respective hotels is only marginal as the decreasing occupancy rates and length of stay show.

Thus, through this hidden hotel groups, the degree of Romanian hotel industry concentration might be a little bit higher than the one presented in Table 13.

With only one hotel group, Continental Hotels, trying to build brands and replicate the development of international hotel groups, it can be safely said that Romanian hotel industry does not have a leader and a model. Continental Hotels is a relatively small group and barely visible at international level; its visibility is impaired by its name which can easily be confused with InterContinental Hotels.

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<sup>12</sup> A hidden hotel group, for the present paper, is considered a collection of hotels owned by the same person through a number of economic entities all under the respective person control.



For the near future, the segmentation and brand creation process started by Continental Hotels is not expected to be followed. Such a process require dedication to hotel business (which is almost absent in the case of hidden hotel groups and not clearly visible within the identified hotel groups), vision and imagination, and a degree of sophistication that the majority of Romanian hotel owners did not acquired during the past two decades. If some hotel group owners will consider that Continental Hotels got results from its brands development, they will simply try copy the process. In general, Romanian hotel owners are trend or pattern followers and not trend setters as Pop & Coros (2011) also highlight.

## 6. Discussions and conclusions

Currently the Romanian hotel industry profile depicts a highly fragmented sector, as the low level of concentration within domestic hotel groups and the low international brand penetration rate show. The hotel sector is dominated by privately owned small hotels, of less than 50 rooms, classified at three stars and therefore covering the mid-market segment. The hotel concentration by destinations indicates that the county residences and the Romanian littoral host an important number of hotels, over 30% each. Thus, when the county residences are concerned, of the 41 county residences and the Romanian capital, only Bucharest and four other county residences (Timisoara, Cluj-Napoca, Constanta and Brasov) host an important number of hotels. Combined, these five cities concentrate about 47% of the total hotels and over 50% of the total hotel rooms as of 2013. The gap between Bucharest and the next ranked city (Timisoara) is important and shows the importance of the Romanian capital as administrative, academic, medical and cultural center.

The fragmentation level of the Romanian hotel industry is similar to the European fragmented hotel sector<sup>13</sup>. Thus, while at the European level the main reason for the fragmentation is the uniqueness of the hotel properties and in order to overcome the competitive pressure a number of hotel consortia were created, at Romania's level the reasons for a fragmented hotel sector are different. The delay in privatizing the state owned hotel companies of the 1990s end up in a 'fire sale' privatization between 2000 and 2004 which fragmented the former important hotel groups<sup>14</sup>. The trend of new small hotels entering the market which started around 2004 or 2005 was generated by what was the newly discovered trend of business tourism and MICE (meetings, incentives,

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<sup>13</sup> The degree of European hotel industry fragmentation is presented briefly by Holverson et al. (2008).

<sup>14</sup> For example, one hotel group named Neptun-Olimp at Black Seaside was split in at least 21 companies each with one or two hotels. This example can be documented through the RASDAQ market where the group is listed under NEOL symbol.

conferences and exhibitions/events) tourism. Moreover, this trend was enhanced by a secondary trend that arose within Romanian business people community: that owning a hotel, among other assets, is a 'must' for a well established business person. This trend was documented by Pop & Coros (2011) within the top 300 richest Romanians. Neither of these reasons for fragmentation seems to provide a base Romanian hoteliers to consider the affiliation to an international hotel consortia. Until now there is no evidence that Romanian hoteliers consider the idea to launch domestic hotel consortia.

The Romanian hotel industry profile gradually changed from a sector dominated during at the end of the 1990s by the former state owned companies, which mainly included medium to large size hotels classified at two stars. This old profile was completely under the influence of communist period developments which were focused toward domestic tourists spending their holidays either on Romanian littoral, or in spa or mountain resorts since the travel abroad was virtually impossible.

Thus, the change that occurred in Romanian industry profile has numerous flaws. The most important is the lack of correlation of hotel development with tourist flows, as Annex 6 show at country level. More in depth analysis by destinations and by classification categories are needed, thus at least for the Romanian littoral, and mountain resorts, and for 3 star hotels they will show the same uncorrelated trend. The gradually disappearance of budget/ economy hotels from county residences indicates that young and other budget tourists are ignored. The dominance of budget/ economy hotels within the Romanian spa resorts ignores the mid-market and up-market tourists. From the general data presented it can be extracted the following conclusion: the decision to develop a hotel is based on the popularity of a destination and does consider a thorough analysis of supply and demand. To this if one adds the view of the hotel as a trophy property, the flaws in Romanian hotel industry development can be easily understood.

The analysis of Romanian hotel groups has also revealed the absence of a branding strategy within the respective groups, with one exception. If the brand awareness is absent for organizations that are supposed to be role models, it can be safely presumed that is almost unknown at the level of small, independent hotels. Moreover, the low penetration rate of international brands and the virtual absence of international hotel consortia indirectly confirm the lack of strategy in developing and operating hotels. All these facts are confirmed by the findings of Pop & Coros (2011) which suggested that Romanian hoteliers are rather trend followers and not trend setters.

It can be concluded that Romanian hotel industry does not have any special features to enhance the attractiveness of the country as a tourist destination, as the data in Annex 7 show. While the accommodation provided seems adequate to a point, the hotel industry lacks visibility and distinctive

features. Romanian hotels are in search of their own identity, as Romania is in search of its identity as a tourist destination. The diverse tourist potential of Romania can not compensate the absence of a strong, efficient and customer oriented hotel sector.

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**Annex 1****Types of lodgings as defined by Romanian regulations**

<b>During the 1980s</b>	<b>Current</b>
Hotels	Hotels
Inns	-
Lodges	Lodges
Campings	Campsites and cabins in campgrounds, dwellings in resting areas
Guesthouses	Villas
School camps	-
Dwellings in school units	-
Rooms for rent for tourists in private houses	Rooms and apartment for rent to tourist in private homes
	Apartment hotels
	Motels
	Hostels
	Bungalows
	Holiday dwelling complexes
	Urban pensions
	Rural pensions
	Accommodation on cruise or docked ships

*Source:* Pop et al. (2007) and current regulation Order no.1051/ 2011 issued by the Ministry of Regional Development and Tourism

## Annex 2

### Two and three star hotels concentration by destination (% of total hotels within the destination)

Two (2) star hotels						
Destination	1993	2000	2005	2010	2012	2013
County residences (Tulcea excluded)	45.10	49.12	35.44	25.10	18.00	17.51
Littoral (Constanta excluded)	55.33	54.18	54.48	50.16	44.31	42.02
Spa resorts	58.76	61.22	66.67	62.18	54.41	50.70
Mountain resorts	55.41	54.17	45.65	33.04	26.90	26.32
Danube Delta (Tulcea included)	45.45	22.22	20.00	13.33	16.67	17.65
Other destinations	46.81	46.08	40.48	30.23	24.88	24.78
Three (3) star hotels						
Destination	1993	2000	2005	2010	2012	2013
County residences (Tulcea excluded)	17.65	21.24	39.34	45.47	54.33	54.17
Littoral (Constanta excluded)	9.02	8.76	13.26	20.26	35.29	37.35
Spa resorts	3.09	6.12	14.17	20.17	28.68	35.21
Mountain resorts	8.11	15.28	31.52	43.48	45.03	45.61
Danube Delta (Tulcea included)	9.09	33.33	60.00	60.00	61.11	58.82
Other destinations	5.32	9.80	26.19	47.09	55.50	56.19

*Note:* The same trend occur in corresponding bed places, therefore the data for bed places were not reproduced here.

*Source:* Based on NIS data

## Annex 3

### Hotels with more than 400 rooms

Hotel name	2005		2013		Location
	rooms	stars	room	stars	
J.W.Marriott Grand	402	5	402	5	Bucharest
Bucharest currently Radisson Blu	446	3	424	5	Bucharest
Muncel	490	2	289	2	Spa resort, Baile Felix
Lebada	507	2	255	2	Spa resort, Amara
Dacia	535	2	444	2	Spa resort, Baile Herculane
Padis	728	2	312	2	Spa resort, Baile Felix
Rin Grand	-	-	489	4	Bucharest

*Source:* Pop et al. (2007) for 2005 and the authority of tourism database

**Annex 4****Concentration of large hotels (of 150 rooms or more)**

Location	2005 (174 large hotels)	2013 (151 large hotels)
Bihor county (of which in Baile Felix/ spa resort)	11 (10)	10 (9)
Bucharest	15	18
Caras Severin county – Baile Herculane/ spa resort)	6	5
Constanta county (covering the littoral)	98	81
Valcea county (of which in Calimanesti-Olanesti-Govora spa resorts)	13 (8)	9 (7)

Source: The authority of tourism databases for 2005 and 2012

**Annex 5****Selected details regarding Romanian hotel groups**

No.	Group	Observation
1.	Turism Hoteluri si Restaurante Marea Neagra SA <a href="http://www.thrmareaneagra.ro">http://www.thrmareaneagra.ro</a>	Majority shareholder: SIF Transilvania (SIF 3), a Romanian closed-end fund. Hotels' location: Black Sea Littoral Listed at Bucharest Stock Exchange (main market) under symbol EFO. An important number of hotels were sold during the past 7 years.
2.	Sind Romania SRL (or Sind Rom SRL) <a href="http://www.sindromania.ro/">http://www.sindromania.ro/</a>	Majority shareholder: n/a Hotels' location: various spa resorts all over the country Provides accommodation mainly for various affiliated labor unions, at discounted prices in economy to mid-market hotels.
3.	Unita Turism SA <a href="http://www.unita-turism.ro/">http://www.unita-turism.ro/</a>	Majority shareholder: Joseph Goschy & family Hotels' location: county residences and spa resorts The buying & selling activities are frequent within this company. As of December 2013 about half of the owned hotels were listed for



No.	Group	Observation
		sale on the company website. It behaves rather like an intermediary for buying/ selling hotel properties than a hotel group.
4.	SC TBRCM SA <a href="http://www.tbrcm.ro/">http://www.tbrcm.ro/</a>	State owned through CNPAS (Pensions and Social Security authority) Offers discounted accommodations mainly for pensioners and for working persons in need for various types of recuperation procedures, treatments and cures in order to improve their health Hotels' location: spa resorts all over the country
5.	Continental Hotels SA <a href="http://continentalhotels.ro/">http://continentalhotels.ro/</a>	Majority shareholder: Radu Enache & family. Hotels' location: in county residences and one on Prahova Valley. Four of its hotels are operated under Ibis brand (Accor).
6.	RA-APPS <a href="http://ra.apps.ro/turism/">http://ra.apps.ro/turism/</a>	State owed company (regie autonoma) that offers support services for public administration of various assets/ buildings. Hotels' location: county residences, Black Seaside, Prahova Valley. This hotel group might gradually disappear if the intention to privatize the owned hotels will be put in practice.
7.	Turism Felix SA <a href="http://www.felixspa.com/">http://www.felixspa.com/</a>	Majority shareholder: SIF Transilvania (SIF 3). Hotels' location: spa resort Baile Felix, Bihor county Listed at Bucharest Stock Exchange (main market) under symbol TUFÉ.
8.	Ana Hotels SA <a href="http://www.anahotels.ro/default-en.html">http://www.anahotels.ro/default-en.html</a>	Controlled by George Copos & family. Hotels' location: 2 hotels in Bucharest which are operated under 2 international brands (Hilton and Crowne Plaza); 1 hotel is located at Black Seaside; 3 hotels are located in the mountain resort Poiana Brasov (near city of Brasov).
9.	Aro Palace Grup SA <a href="http://www.aro-palace.ro/">http://www.aro-palace.ro/</a>	Majority shareholder: SIF Transilvania (SIF 3). Hotels' location: Brasov city centre. Formerly known as Postavarul SA, the company was listed between November/December 1997 and December 2000 on RASDAQ market.

No.	Group	Observation
		Listed at SIBEX on ATS (Alternative Trading System) since the end of February 2014 under symbol ARO.
10.	Calimanesti-Caciulata SA www.calimanesti-caciulata.ro	Majority shareholder: n/a Hotels' location: 5 of the hotels are in the spa resort Calimanesti-Caciulata; 2 hotels are located on Prahova Valley Was listed between January 1998 and March 2010 on RASDAQ market under symbol CALU.

### Annex 6

#### Descriptive statistics of hotel, hotel occupancy rate and hotel length of stay annual growth rates for the period 1990 to 2013

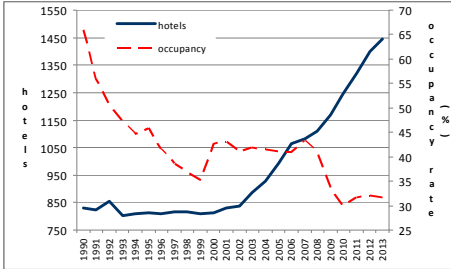
	Hotel growth rate	Hotel occupancy rate growth rate	Hotel length of stay growth rate
Average	2.49217	-2.83304	-0.93217
Standard deviation	3.31199	8.00352	4.54496
Minimum	-6.07	-18.29	-9.09
Maximum	7.35	21.02	6.90
Skewness	-0.91674	1.59860	0.51090
Kurtosis	0.28271	2.65679	-0.87486
Observations	23	23	23

#### Correlation matrices

	Pearson correlation coefficient			Spearman (rank) correlation coefficient		
	Hotel growth rate (1)	Hotel occupancy rate growth rate (2)	Hotel length of stay growth rate (3)	Hotel growth rate (1)	Hotel occupancy rate growth rate (2)	Hotel length of stay growth rate (3)
(1)	1	0.0659	-0.4777*	1	0.2288	-0.3952
(2)		1	0.3041		1	0.2091
(3)			1			1

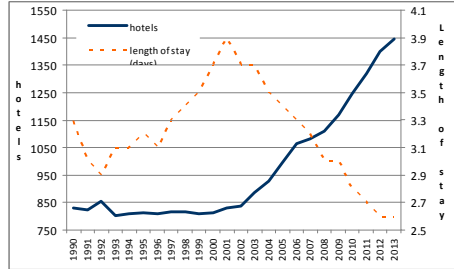
\*P-value < 0.05

**Graph A6.1 Hotels versus hotel occupancy rate**



Source: based on NIS data

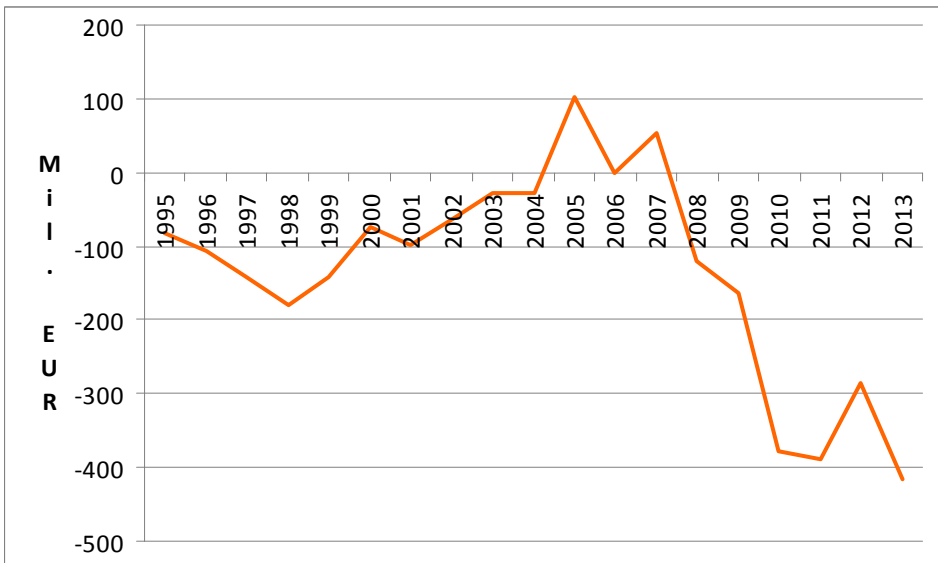
**Graph A6.2 Hotels versus length of stay**



Source: based on NIS data

**Annex 7**

**Travel & tourism account balance (million EUR)**



Source: based on Romanian National Bank data

**Affinity for travel & tourism at Romania's level**

<b>Indicator</b>	<b>2007</b> (of 124 countries)	<b>2008</b> (of 130 countries)	<b>2009</b> (of 133 countries)	<b>2011</b> (of 139 countries)	<b>2013</b> (of 140 countries)
Tourism openness	<b>85</b>	<b>101</b>	<b>118</b>	<b>123</b>	<b>116</b>
Attitude of population toward foreign tourists	<b>76</b>	<b>85</b>	<b>88</b>	<b>87</b>	<b>122</b>
Degree of customer orientation	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>114</b>

*Source: World Economic Forum Travel & Tourism Competitiveness Reports*