

# THE IMPACT OF TECHNOLOGY ON ROMANIAN GUESTHOUSES

D. BOŞCOR<sup>1</sup> C.A. BĂLTESCU<sup>2</sup>

**Abstract:** *The Romanian guesthouses are striving to remain competitive in a market where the skilled labour is scarce and the salaries are continuously increasing. There is a strong competition from hotels and from a high number of private owners who rent their flats and create a big parallel tourism market. In this respect, they have to reduce costs by investing in new technologies. The authors used a qualitative research method based on a focus group with managers from 8 guesthouses from Braşov, Romania, to determine if these businesses are willing to invest in new technologies, and the advantages and disadvantages of such investments.*

**Key words:** *technology applications, lodging units, guesthouses.*

## 1. Introduction

Technology has changed the way to deal with customers, to overcome risks and to run a business. Technology helps customers to find accommodation, to compare prices, to share their experiences and to offer their feedbacks and reviews. As a consequence, lodging units have an increased online presence and are also involved in social media marketing.

The technological applications are more and more sophisticated, offering not only means to access lodging services, to interact with the staff and management teams and other clients, but, at the same time, a better and luxurious lodging experience. As previous studies have highlighted, technology identity, technology affection, technology dependence and technology social bonding play important roles in increasing perceptions of confidence in the smart technology provided by a lodging unit and influence perceptions of experiential satisfaction towards these units (Kang, et al., 2017; Roy, Ponnam and Mandal, 2017, Wu and Cheng, 2018).

Technological applications are important pillars for innovation and augmented control in business. Their use also allows gathering tremendous amounts of data, one of the most valuable assets in the hospitality industry (Buhalis and Leung, 2018).

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<sup>1</sup> *Transilvania* University of Braşov, dana.boscor@unitbv.ro

<sup>2</sup> *Transilvania* University of Braşov, codruta.baltescu@unitbv.ro

## 2. Theoretical Background

The development of a new model in the lodging industry, which is distinguished by new information and communication technologies, is essential for the business success (Wu and Cheng, 2018). Technology can have a positive impact on large hotel chains, but also on guesthouses, because it improves the operational efficiency through cost reduction, as well as the customer experience. The customer satisfaction increase as a result of improving the quality of hotel services supports the growth in net profit, turnover and may generate a decrease in the number of employees (Madar, 2017). Clients want to have confidence in the company's ability to provide the required quality and to maintain this quality (Neacşu, 2015).

A study conducted by Phocuswright for Oracle Hospitality on more than 2700 US and European travellers shows that customers prefer to use technology to select specific room locations and use smartphones to request services and communicate with the hotel staff (Oracle Hospitality, 2017). Recent developments have shown that technology applications in lodging units are virtually limitless.

In order to become more efficient, hotel units are trying to automate the check-in and check-out process using smartphone applications that will replace cards. In this respect, mobile phones are used as door keys. Many hotels use applications that allow customers to order room service from their mobile devices. A smart application can inform the customer about different deals and can offer information about the loyalty program. The customers can use their mobile applications also for online payments. The motion sensor technologies can reduce temperature or lighting when rooms are not occupied (Carter, 2017). There are also other technologies, not designed especially for the hotel industry that can help to improve the customers' experience, as for example, a Netflix account that can allow guests to choose their favourite program.

Many hotels like Marriott, Hilton and Best Western have invested in rooms with latest technologies in order to customize services for the guests, mainly millennials (Whittacker Associates, 2016). Personalization of the services is the best differentiation strategy that can be used in the hospitality industry, based on the information about the guests. Customized experiences for the guests, like certain types of rooms, food or entertainment, can be offered with the help of new technologies (Little, 2017). With service automation, the hotels use information about customers' preferences for creating customized experiences. For example, the temperature in the room, or the type of food could be easily adapted. By using different applications, the hotels can remind the guests about a spa appointment or could provide recommendations for entertainment or for dinner, based on the guests' feedback related to previous stays (Comcast Business Community, 2018).

The websites that can be easily opened on smartphones and applications for booking rooms, reading reviews and viewing hotel pictures are considered a key advantage in the hospitality industry. Moreover, the connection with customers and the creation of a long term relationship is based on social media that allows the hotels to use loyalty programs and to share up-to-date information. On social media platforms like Facebook or Twitter, hotels can answer to the customers' comments, increasing customers' trust in the business (Kumari, 2018).

The hospitality industry has been greatly transformed by the use of social media tools which have become increasingly relevant as part of the tourism experience (Garrido-Moreno, et. al., 2018). The social networking has spectacularly spread, people allocating it more and more time (Chițu and Tecău, 2012). Social media has changed the way that information about travel and tourism is disseminated and shared (Munar and Jacobsen, 2014). The culture of sharing experiences is more important than the culture of sharing reviews. Personal recommendations for holidays are trusted more than other types of advertising and that is why creating experiences for the customers is the key to further develop the business, mostly in the hospitality field.

### **3. Material and Methods**

In order to assess the impact of technology on guesthouses, a qualitative research method was conducted based on a focus group with 8 managers from different guesthouses from Brașov.

The discussion topic included the following issues: the importance of technology in their activity, main advantages and disadvantages related to smart applications, the main types of technologies useful to run the business, the importance of using social media and new websites adapted for smartphones for attracting new customers, and the implementation of new advertising tools.

### **4. Results**

The first issue discussed was linked to the importance of technology for the hospitality business and the advantages of using new technologies. The managers agreed that the technology is very important and have highlighted the advantages of new technologies. One of the most important advantages is cost reduction because in the Romanian tourism there is a lack of skilled labour and the salaries are continuously increasing, creating problems for guesthouses to remain competitive. The increasing competition in the market creates pressures on prices and therefore guesthouses are trying to find solutions to reduce costs. Another important advantage of using new technologies is for the customer, because guests will spend less time for check-in, check-out and payment activities. Also, from the customer's point of view, the technologies that allow the guesthouse to offer personalized services make the customers' experience more pleasant. The loyalty programs can be better used when the guesthouses have information about the customers and the relationship with the customers is improved.

The managers were asked what were the types of technologies they were willing to invest in to improve their business and reduce costs. Four of the eight interviewed managers answered that they wanted to invest in new technologies that could help them to automate the check-in and check-out process and to replace the old systems based on cards with smartphone apps. The payments are made online and therefore the time spent for check in is considerably reduced. Two managers mentioned that they invested in systems that use the smartphone for controlling the temperature in the common areas. The other two, managers were reluctant about the investments in new

technologies and they thought that the Romanian customer was not prepared at the moment to embrace these new technologies. Regarding the technological education of customers, the managers thought that there were big differences between the younger generations, who are tech addicted, and older generations, who are more conservative.

Another topic discussed was linked to the importance of using social media and new websites adapted for smartphones for attracting new customers. A number of 4 managers mentioned that they invested in new websites and that they had a person employed at the reception who was in charge with the communication with customers on social networks and with the new posts on social networks like Facebook. They also checked the customers' reviews on Facebook, Booking, Google, Trip Advisor and local sites like Turistinfo.

Regarding the personalized experiences of customers, the managers agreed that the investment in new technologies would help them to know the customers' preferences and to create customized services. Taking into account that the guesthouses have a small number of rooms, it is hard for them to invest in new technologies and to compete with hotel chains, but they have the advantage of creating a familiar environment, having a closer relationship with the customer.

Regarding the 360 degrees videos and presentation tours, two managers mentioned that they invested in these new types of advertising and that they had a positive feedback from their customers. All the managers who participated in the discussion mentioned that they relied on word of mouth communication, but agreed that more customers take into account reviews, comments from social media and booking sites.

An important disadvantage of adopting new technologies by guesthouses is linked to the costs of the initial investment. The price of an automatic lock exceeds 200 Euro, so the investment for a guesthouse with 15 rooms will be 3000 Euro. The other new technologies based on sensors that can adapt room temperature and lighting require big investments at the beginning. The guesthouses were slower in adopting new technologies in comparison to hotels, although they understood that new technologies can help them to save costs, while improving customers' relationships.

The managers agreed that another issue of concern is the investment in security software systems because the lack of protection regarding the customers' personal information might damage the company's image. The Internet helps small and medium sized enterprises in the hospitality field to go global and to attract foreign customers, but the online presence also has costs calculated as commissions given to different sites like Booking, Expedia and others. There are many sites which require the payment of a fixed amount for each year in comparison to the others which charge a commission as a percentage of the total price.

#### **4. Conclusions and Discussion**

Technology has a big impact on companies and will change the way businesses are conducted. Smaller companies can benefit from these changes if they are smart enough to invest in new technologies. These new technologies can help them to reduce labour costs and to offer better services and experiences to more demanding consumers. The

use of robots or other technologies is still at the beginning in the hospitality field, but things are changing fast. As for Brașov city, the hospitality sector represents a catalyst for the development of the economy, being a key factor for the socio-economic progress (Voicu and Albu, 2018).

The Romanian guesthouses are striving to remain competitive in a market where the skilled labour is scarce and the salaries are continuously increasing. There is a strong competition from hotels and from a high number of private owners who rent their flats and create a big parallel tourism market. In this respect, they have to reduce costs by investing in new technologies. The initial investments are usually high, but the total savings are higher than total investments. The most important barriers in adopting new technologies are: lack of financial resources, lack of owners' education in the tech field, conservative older generations who do not invest in new gadgets. A solution to the problem of financial resources needed to invest in new technologies could be the use of European funds. The Romanian banks should also be involved in financing projects for small and medium sized enterprises. Different software companies are interested in attracting the customers from this market and they offer good payment solutions for their products, even the opportunity to use subscriptions or to pay in instalments.

The most important advantages for guesthouses in adopting new technologies are: the opportunity to manage information about customer and using it to create customized services and unique experiences for the customer, labour costs reduction, improving quality of services and brand image.

When adopting new technologies, the guesthouses must not forget about the human interaction which is still a valuable asset in the hospitality field and can easily combine technology with best skilled human resources.

The use of social media and the investments in new websites will help guesthouses to create experiences for their customers and to use the familiar atmosphere as a competitive weapon in a market that attracts big hotel chains and privately owned flats.

Although a stay in a guesthouse is unique because it provides a friendly atmosphere and the word of mouth is the most effective marketing strategy, the smaller accommodation units must invest in new technologies in order to keep pace with big competitors in the hospitality field. Technology should not replace human interaction, but could help the guest to obtain a memorable personal experience.

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