

**REDUCING COSTS AND CREATING VALUE IN THE
HOTEL INDUSTRY - FORCED GOOD PRACTICES**

**KÖLTSÉGCSÖKKENTÉS ÉS ÉRTÉKTEREMTÉS A
SZÁLLODAIPARBAN - KIKÉNYSZERÍTETT JÓ
GYAKORLATOK**

MONDOK Anita

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ABSTRACT

External business environmental challenges such as the effects of climate change and sustainable operation required hotel managers to take strategically planned action. All of this was exacerbated by the COVID-19 pandemic, which appeared in several waves from 2020, and the energy crisis resulting from the Ukrainian-Russian armed conflict. The periodic return of the pandemic has created a high level of uncertainty not only for operators but also for workers.

The energy price boom that unfolded from the second half of 2021 required cost-saving solutions from market players that typically necessitate a significant investment and provide a long-term return. In the planning process, the guest experience and value-added approach became paramount, as the long payback period required forward thinking and good prediction of the future.

In this article, focusing on relevant literature sources and using a constructivist grounded theory strategy, data mostly from the period between 2020 and 2022 has been collected and analysed, . The purpose of these two research questions is to answer what challenges Hungarian hotel market players face and what factors negatively impact their business during the period of 2020 and 2022, as well as how hotel operators respond to the identified challenges and how these responses relate to the global best practices. In addition to studying general cost-saving practices in Hungarian hotels, the focus is on improving the guest experience and providing operators with real cost-effective operational solutions. Value creation occurs in all areas of hotel operations, including front and back-of-house work areas. Solutions such as heating system modernisation, digitalisation, organisational development and outsourcing of activities will be presented.

ABSZTRAKT

Az éghajlatváltozás hatásaira való reagálás és a fenntartható működés olyan kihívások voltak a külső üzleti környezetből, amelyek stratégiaileg megtervezett lépéseket követeltek meg a szállodaüzemeltetőktől. Mindezt súlyosbította a 2020-tól több hullámban megjelenő COVID-19 járvány, valamint az ukrán-orosz fegyveres konfliktusból eredő energiaválság. A járvány időszakos visszatérése jelentős bizonytalanságot okozott nemcsak az üzemeltetők, hanem a munkavállalók részéről is.

A 2021 második felétől kibontakozó energiaár-robbanás, amelyet a lakosságot kevésbé, inkább a közszféra fogyasztóit súlytotta, olyan költségtakarékos megoldásokat követeltek meg a piaci szereplőktől, amelyek jellemzően jelentős beruházást igényelnek és hosszú távon térülnek csak meg.

Jelen cikkben a 2020-2022 időszakra fókuszáltnak, a témában releváns szakirodalmi forrásokon alapuló adatgyűjtést végeztem, amely az elemzéssel együtt a konstruktivista módon megalapozott kutatási stratégiák mentén zajlott. A két vizsgált kutatási kérdés arra kereste a választ, hogy a magyar szállodapiac szereplői 2020-2022-ben milyen kihívásokkal szembesültek, és milyen tényezők befolyásolják negatívan üzleti tevékenységüket, illetve, hogyan reagáltak a szállodaüzemeltetők az azonosított kihívásokra, és ezek a válaszok hogyan illeszkednek a globális legjobb gyakorlatokhoz. A magyar szállodák általános költségtakarékossági gyakorlatának vizsgálata mellett olyan megoldásokra helyeződik a hangsúly, amelyek a vendégélményt növelik, és a költséghatékony üzemeltetés terén valódi megoldást jelentenek az üzemeltetőktől. Az értéktérítés a szállodai működés különböző területein valósul meg, lefedve a front és back munkaterületeket egyaránt. Olyan megoldások kerülnek bemutatásra, mint a fűtési rendszer korszerűsítése, a digitalizáció, a szervezetfejlesztés vagy a tevékenységek kiszervezése.

INTRODUCTION

The hotel sector has recently recovered from the impact of the COVID-19 pandemic, with domestic hotels facing a highly challenging period due to significantly increased energy prices, escalating raw material expenses, and a noticeable decline in revenue. The article pertains to how service providers have reacted to current market trends that have challenged the hotel industry in the past three years (2020-2022). In addition to the relevance of the topic, the decision to choose this subject was influenced by the fact that existing literature has typically addressed consecutive market difficulties separately, with publications either focusing on describing the parameters of the crises or on comparing them.

Meanwhile, the exploration of practical solutions and responses to the global and local challenges faced by a particular country has remained unexplored.

The research objective of the article is to identify and systematise the often forced responses to the operational challenges of the domestic hotel market in recent years. The research question of the secondary research is how to improve the competitiveness of hotels and how to achieve efficiency improvements without reducing the guest experience. This article is not intended to present the literature on crisis management or the chronology of crisis situations. The aim is to showcase practices in the Hungarian hotel industry during the period between 2020 and 2022 out of necessity but can help improve the efficiency of organizations in the long run.

While there are many different responses to crisis management practices in the hospitality industry, there are also local examples that are similar to, but distinct from, international practices. Best practices in Hungary can serve as a model for travel companies and the hotel industry to find effective solutions.

LITERATURE REVIEW

Maximizing economic profit is the ultimate goal of enterprises and shareholders and the basis for enterprises to grow and expand. With the rapid development of the economy and technology, competition between companies has become relatively complex. The era of relying solely on products and services to remain at the forefront of business is history. Contemporary marketing theory focuses on optimizing consumer satisfaction, including demand for products and services, as well as consumers' psychological needs (Lemon & Verhoef, 2016). Business strategies that focus on improving customer experience have an effect on increased revenue and, as a result, on increasing the value of the company as well as the utility of the system for all of the company. The customer's perspective of value creation is also important in complementing strategies for value acquisition via better market distribution, transaction costs and resources.

The company's value creation is achieved through business processes related to quantity, quality and operational business methods. In these processes, the mutual relationships between process participants are crucial, among which the relationships between enterprises and employees, enterprises and customers, and enterprises and society can be said to be the most important. Therefore, value creation does not mean generating profits for the company, but goes beyond that and aims to create the conditions for a sustainable business in the spirit of going concern (Brlečić Valčić & Bagarić, 2015). A key factor for a thriving tourism industry is the ability to identify and manage key changes and interactions of various influencing factors (Dwyer, et al., 2009). Therefore, the proper management must connect shareholders with tangible short-term benefits from revenue generation and cost control, while delivering long-term non-financial benefits through good risk management and building trust with other stakeholders to enhance brand value and reputation (Mattimoe, 2015).

Key challenges faced by hotel operators – travel demand

In a macroenvironment, numerous factors need to be considered to describe all the variables that affect the market. However, demographic changes have a direct impact on the quantity and structure of demand and thus the labour market (e.g., the number and qualifications of employees) (Grimm, 2009).

The current global travel and tourism market demand can be divided into generations (Glover, 2010). This is the reason why tourism products mainly target the unique needs of certain demographic groups in order to make them more attractive to customers. Schewe and Meredith (2006) found that the lifestyles and customer behaviours of today's consumer base are more diverse than previous generations. In the tourism market, almost all people aged 15-75 are active and decision-making tourism participants, covering four generations.

In today's business environment, excellent customer experience is critical to a company's success (Verhoef et al., 2009). Experience is widely considered in many

fields of the economy. However, capturing the experience is a difficult task. Experience has different meanings and therefore many different definitions. Mostly customer experience is described as it “originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction” (Gentile, Spiller & Noci, 2007:397). Many factors related to consumer, brand and situational factors are thought to influence consumer behaviour. The most commonly explained components of experience are affective, cognitive, conative, and sensorial (Godovykh & Tasci, 2020).

The main reason people travel is that they are looking for pleasurable experiences. Therefore, tourism is highly experience-intensive (Sørensen & Jensen, 2015). Moreover, Luo, Lam and Wang (2021) explored the direct link between hedonism and revisit intention. Viewing travel experience as a mediating variable between hedonism and repeat purchase intention justifies travel providers’ reasons to improve existing products or develop new ones to improve the travel experience. The accumulation of information and online content shapes the travel experience in three distinct stages: before travel, during travel, and after travel (Hjalager & Jensen, 2012). Reading online reviews can give travellers a clearer picture of their expectations, increase their confidence in decision making, and reduce the risk of their needs not being fulfilled (Jun, Hartwell, & Buhalis, 2012). The Internet enables users to access information, share experiences through content and communication, and co-create experiences (Neuhofer, Buhalis, & Ladkin, 2015). Online connectivity can help users meet their information, entertainment and communication needs. Because of this, connectivity gives travellers peace of mind that all needs can be met instantly. While connectivity can support and enhance a traveller’s personal development, it can also lock travellers into their own online world, missing out on potential learning experiences (Tanti & Buhalis, 2017). Perceptions of tourism risks are often viewed as potential losses due to uncertainty about the outcome of tourism activities. Of all the perceived risks associated with tourism, health risks are one of the most influential factors on

tourist behaviour (Novelli et al., 2018). During the COVID-19 pandemic, tourist perceptions of health risks have increased, negatively impacting individual travel intentions. While travel rebooking is usually free, travel cancellations often require high fees to be deducted from the refund amount, costing the traveller. Consequently, participants may choose to make riskier decisions (postpone) to avoid paying cancellation fees, and because, among other reasons, individuals tend to favour future gains and losses in the face of current uncertainty (Golets et al., 2023). Purchasing travel with lenient cancellation, rebooking or refund policies is considered more important today than before the COVID-19 outbreak (Canziani & MacSween, 2021).

Key macroenvironmental challenges faced by hotel operators

1. Tourism security

Safety is usually defined as the absence of danger, so it cannot exist without a threatening object, so it always refers to someone or something. Security is a state where there is no danger to human consciousness or life, a state where there is no fear and full certainty about the future. Tourism and safety concepts are inseparable. Tourists' behaviour and their visited travel destinations are largely influenced by safety perceptions and security and risk management. Environmental, social and economic issues, and the international governance system that manages them, now clearly belong to contemporary understandings of security (Boulding, 1991). The grouping of various safety elements in the tourism literature is inconsistent. Some authors classify these factors into six risk groups: terrorism, crime, health risks, road safety, natural disasters, and political situations (Breda & Costa, 2006). Michalkó (2020) also grouped the most important factors for tourism safety. In his work, he highlighted five factors that can be used to assess visitor safety (regardless of whether adverse events harm them or are caused by them): public safety, health safety, consumer safety, technical safety and navigation safety.

Due to recent concerns about the global spread of the coronavirus, also biosecurity has become an important awareness and management issue in the tourism industry. Concerns about the potential for travellers to spread disease between populations are evident, especially if the process of globalization does facilitate greater human mobility (Hall, Timothy & Duval, 2004)).

Addressing the effects of climate change and sustainable operations are challenges from the external environment that require serious, strategically planned actions by hotel managers (Abdou, Hassan & El Dief, 2020). These have all reached their peak in waves of COVID-19 outbreaks starting in 2020 (Zhang et al., 2022) and the energy crisis triggered by the Ukrainian-Russian armed conflict (Stanytsina et al, 2022). The periodic recurrence of the epidemic had brought great uncertainty not only to the operators, but also to the workers. Resilience as a concept has become an everyday industry term (Ugurlu et al., 2022) as many hotels took advantage of the closure due to the pandemic as an opportunity to improve and invest in energy efficiency. However, by 2022, with strong growth in domestic and international travel, the travel market could return to its pre-pandemic heyday.

Economic security has also become an issue for the tourism industry. The energy crisis demonstrates the interconnectedness of security issues, as the economic crisis also turns into a social and political crisis as people lose their jobs and prices for some basic commodities rise.

2. Energy crisis

Although tourism contributes significantly to the development of many local and national economies, business and leisure travel also poses significant environmental and socio-cultural risks, particularly because the hospitality industry often consumes unreasonably large amounts of energy. Due to the recent ongoing economic, energy, health and war crises, the hospitality industry is now more interested than ever in environmental issues and cost-effective economics.

The largest utility expense in the hospitality industry is energy, accounting for approximately 60% of total costs (Usman et al., 2020). Across all hotel categories, except the upscale category and in all urban areas, tourist accommodation demand fell as gasoline prices increased. Hotels spend money on the following categories of energy, in descending order: ventilation, air conditioning, lighting (with TV and radio), kitchen, laundry, heating and hot water (Upadhyay & Vadam, 2015). Therefore, the energy dependence of the hotel industry is becoming increasingly evident and causing concern among hoteliers (Menegaki & Agiomirgianakis, 2018, 2019). Rising energy prices not only affect the hotel industry, but also the food and beverage industry, which accounts for 17.24% of tourists' daily expenditure (Toni et al., 2022).

According to the survey of the Hungarian Association of Hotels and Restaurants, the energy cost per room in the first quarter of 2022 increased by 280 percent compared to the same period in 2019, jumping from 8 to 23 percent as a share of revenue (Fucskó, 2022). In addition, the hotel industry was not be able to pass on to guests unprecedented and unpredictable cost increases in the fall of 2022, which coincides with weakening demand and soaring inflation after the peak summer season. As a result, operators had to incur most of the additional costs at the expense of their own profits (Szász, 2022). The biggest losers are hotels that have been using a lot of energy to operate: these hotels have wellness areas. Worst affected are accommodations that have spent little or nothing on energy-related renovations in recent decades. In other words, smaller, less modern, typical three-star hotels located in the countryside have been hit the hardest (Szántó, 2022).

3. Other operational challenges

Lockdowns have distorted consumer behaviour and affected all businesses due to shortages of various inputs and significant changes caused by the labour market during the COVID-19 pandemic. Mandatory hotel closures in waves during the pandemic created a sense of insecurity for those employed in the industry, which

drew workers to sectors that offered more secure livelihoods and were less exposed to the health emergency. However, as the pandemic has subsided, former tourism workers are no longer keen to return, having found new jobs and embarked on new careers. In the absence of a Hungarian skilled labour force that can be mobilised, the number of South Asian workers in tourism is increasing, with some hotels already employing five to six guest workers, but plans are underway to increase their numbers because of a lack of domestic labour. The lack of workforce affects the standard of services, which is also a crucial aspect given the compulsory accreditation of lodgings. If a hotel establishment holds a four-star rating but its personnel only possess three stars, it cannot be considered a four-star hotel. Therefore, the evaluation should encompass the staff, presenting a highly challenging endeavour currently (Irházi, 2022).

A direct result of higher energy prices is higher inflation, which leads to lower consumer spending. This situation raises legitimate concerns for all involved (Hu, 2022). Domestic accommodation facilities not only have to survive under the pressure of a labour shortage, but the high inflation rate, which is also high by European standards, is also reducing domestic demand. The devaluation of incomes and pensions is diverting spending from purchases to necessities and services and away from travel, which meets higher levels of need. This is a major challenge for regions that provide services dominated by domestic traffic, and less of a challenge for service providers in the capital (Szabó, 2023). There would be no problem with a decline in the number of domestic visitors if the loss of visitors were made up by foreigners, but the statistics do not suggest this. The number of foreign guests in domestic accommodation is nowhere near the figures for 2019, or even below the 2018 result (Nagy, 2023).

The hotel industry actors generally use two main methods to maintain business continuity. The first is to reduce costs, either by reducing the amount of energy used or by passing the costs on to guests. The second is to increase the revenue

side, which can be achieved either by increasing service prices at the same volume or by increasing service volume at the same price level. Reducing costs may risk damaging the previous level of guest experience, while increasing prices may keep price-sensitive segments away from the service provider (Brown & Dev, 2000).

The most important practices studied and recommended in the hotel business literature are mostly related to efficiency-improving solutions. The most commonly mentioned strategies are:

- To track and manage energy costs, to eliminate waste and adopt safe practices to save energy
- To practice preventive maintenance
- To track food waste and improve inventory control
- Leveraging technology to reduce costs (automate processes, reduce unnecessary steps, and use technology to improve communication and coordination)
- Application of marketing channel management and revenue management solutions
- Supplier contract review
- Lower labour costs through cross-training and flexible working hours.

RESEARCH METHODOLOGY

The aim of this article is to identify and systematise the factors that have occurred in the Hungarian hotel market in the period between 2020 and 2022, which pose challenges for operators, and to present the responses given by market players in a summary covering different areas of operation.

Accordingly, the information base of the secondary research was the literature research, the primary source of which was electronic publications, press releases and articles published or referring to the relevant period. In view of the novelty and topicality of the subject under study, the number of available scientific publications is limited, and in order to explore market processes, the study also

used publications that had focused on challenges that had arisen in earlier periods, however conclusions can be adopted to the current situation. The wide range of literature available relates primarily to the theoretical knowledge of general management, cost management and human resource management in the Google Scholar, EBSCO and JSTOR databases. The articles were selected based on their relevance to the field, topicality and applicability of the practices applied in the global and European market, including the Hungarian hotel market.

In this study, data collection and analysis were guided by constructivist grounded theory strategies. Grounded theory is a popular qualitative method among social scientists. In particular, its constructivist orientation has recently become increasingly important in tourism research (Matteucci & Gnoth, 2017). In contrast to Glaser's (1978) objectivist and Strauss and Corbin's (1990) postpositivist versions of grounded theory, constructivist versions of grounded theory the constructivist version of grounded theory (Charmaz, 2006, 2008, 2011) assumes that the research process results from interaction, that data production and data analysis are socially constructed, and that the goal of research is to increase situated understanding. Furthermore, constructivist grounded theory encourages researchers to process the data of their study by describing behaviours, engaging in reflexivity (Charmaz, 2011).

The research questions of the article are:

- What changes are faced by Hungarian hotel market operators in 2020-2022 and what factors have a negative impact on their business activities?
- How are hotel operators responding to the identified challenges and how do these responses align with global best practices?

RESULTS

The followings are the solutions to external environmental factors that have been most often used to address challenges and improve efficiency, grouped under four main areas.

Solution 1 - Reconstruction, refurbishment

Although favourable weather conditions led to much lower energy use than planned in the period between 2021 and 2022, which somewhat compensated for the increase in energy prices, owners and operators have recognised the need to invest in energy efficiency (Knittel, 2022).

Key areas for reducing energy consumption include facility design and construction, energy efficient building materials, insulation, lighting, air conditioning, energy efficient appliances and equipment. For operating units, retrofitting will result in significant additional costs in the short term, which will only be recovered in the longer term for own property, and is less realistic for rental units. It is mainly retrofitting insulation or replacing windows and doors, lighting awareness and equipment replacement that offer an easier, simpler solution for the whole range of operators. All of these retrofits do not negatively affect the visitor experience and may even improve lighting or air conditioning conditions to increase guest satisfaction (Yi et al., 2018).

In the domestic hotel market, different levels of energy-saving measures can also be observed for different properties. Most commonly, the replacement of traditional light bulbs with modern LED technology and the installation of motion sensors are common, but automation of systems is not uncommon.

In Hunguest Hotels units, these solutions could achieve savings of up to 30-40% in 2021 without reducing the guest experience, and these measures were continuously reviewed during 2022, looking for additional opportunities to improve energy efficiency, such as in the kitchen and laundry. Hunguest also considered it important to educate employees to ensure that they took due care

when operating energy systems (Fucskó, 2023). The training introduced the importance of using no stand-by mode of electric devices or the elimination of unnecessarily printed documents.

Renewable or clean energy is derived from natural sources that are constantly being renewed, such as solar, wind, hydro, and geothermal energy (Hardy et al., 2002). Of these, solar energy is the easiest to harness in urban environments - it can be easily installed on roof structures - while geothermal energy also has good potential in Hungary. In hotels operated by Hunguest, a renewable energy investment programme was launched in early 2022, under which solar panels have already been installed on four buildings and the technical construction of two more is underway (Fucskó, 2023).

The Hotel Lycium in Debrecen has purchased the heat energy it needs to operate from the local district heating company, which increased its costs to eighteen times the 2021 annual price level in October 2022. This could not be managed either by raising prices or by taking short-term energy efficiency measures, so the hotel's general renovation, which had been planned for several years, was brought forward. This will include, in addition to the installation of solar panels, a complete renovation of the building engineering services, the installation of shading solutions and the reconstruction of the building's insulation (turizmus.com, 2022).

The Balneo Hotel Zsori Thermal & Wellness **** in Mezőkövesd, Hungary, has launched an investment to modernise the building's energy efficiency and increase the use of renewable energy, using European Union funds. By installing a 28 square metre flat collector and a solar panel system with a nominal capacity of 50 kw, the hotel plans to reduce its current electricity consumption by almost a third, which will be generated from renewable energy sources (balneohotel.hu, 2023).

Solution 2 - Digitalisation

The change in the legal environment forcing digitalisation developments predates the COVID period. The Hungarian Tourism Agency established the National Tourism Data Centre in 2019. With the establishment of the system, it became mandatory for all accommodation establishments to use accommodation management software to provide online data. Many accommodation establishments had to digitise their previously paper-based registration systems, which posed a major challenge in terms of financial and human resources, not primarily for larger hotels, but for smaller family-run houses, guesthouses or even private accommodation providers. In many cases, digitisation in the front office has also entailed a move to computerised record-keeping in other operational areas, such as finance, purchasing and inventory management. The aim of the introduction of the system is to make the accommodation market more transparent and to eliminate the grey economy. This has been complemented by the requirement for accommodation establishments to indicate in online advertisements the type of accommodation and its registration number with the National Tourist Information Centre, thus filtering out establishments that continue to operate illegally (turizmus.com, 2020).

Hotels have been given a further step towards digitalisation during the COVID period, when, starting from 1st September 2021, all lodging facilities were mandated to digitally document all visitors' personal papers - irrespective of the age of the traveller. As a component of the registration procedure, lodging facilities are obligated to employ a document scanner and property management software to send the information. The visitor information documented in the software through the digital document scanners is also added to the Guest Information Closed Database in conjunction with the National Tourist Information Centre. This stipulation has compelled lodging operators to acquire supplementary hardware, and has additionally presented a hurdle for software development firms.

Social media has dramatically changed service industries such as hospitality and tourism. During the epidemic, social media promotions have become standard operating procedures for many companies. Live streaming allows viewers to communicate and share ideas. A variety of live hotel business can attract hotel customers, from kitchen cooking to hotel room tours to wedding exhibitions in banquet halls. As a result, popular live streaming platforms enable hotels to create online communities, initiate meaningful discussions about their products and attract more hotel guests.

During the epidemic, people's lifestyles quickly adapted to the new virtual reality, including e-learning, e-commerce, electronic entertainment, live conferences and remote work. A particular manifestation of the fear of the virus, of living in quarantine, was the number of guests moving into hotels, who wanted to continue their usual business life from the properties.

The COVID-19 pandemic has led more companies to turn to digital applications to enable a work-from-anywhere economy and reduce risk in daily operations. In some ways, the COVID-19 pandemic is accelerating enterprise demand for 5G technology solutions.

Due to the COVID-19 pandemic, facial recognition hardware manufacturers have developed contactless body temperature measurement and facial recognition solutions to meet the urgent need to control the virus in a timely manner.

In many cases, the digitisation process has been forced upon accommodation establishments by external circumstances. However, digitalisation is not only essential for more efficient operations, but also for enhancing the guest experience. Data-driven personalisation allows establishments to offer guests personalised offers and services. Digital systems used in operations can help to achieve significant savings in energy consumption, which helps to increase cost efficiency. In addition, smart applications can also save significant amounts of paper through digitised processes from booking to check-out, supporting the sustainable operation of accommodation facilities. Digital technologies can also

reduce exposure to labour shortages, one of the most serious problems facing the industry today. Digitalisation is primarily a means to increase efficiency and can only replace a fraction of the tasks that require live labour. A common problem is that unnecessary duplication of processes is generated because IT is more advanced than the digital competences of employees (Potekhina et al., 2022).

In daily practice, guests mostly encounter digital room keys, which already existed before, but the pandemic has accelerated the uptake of the service. Both businesses and guests have recognised their usefulness in minimising personal interaction. Self-check-in has also spread to many establishments in the aftermath of the pandemic - online check-in, long used in air travel, has become a popular service for guests (António & Rita, 2022). Many hotels support their guests' hotel stays with a smartphone application, which in many cases also controls the technical equipment in the guest rooms. A common solution is to control lighting or air conditioning via the app. Smart guestroom solutions also play a role in energy efficient operation of guest rooms, reducing operating costs and improving the guest experience. The continuous monitoring of guest rooms also increases guest safety (Lam & Law, 2019).

KViHotel, a four-star hotel in Budapest, has fully digitised both the mandatory (booking, payment, check-in, key collection and delivery) and the usual operation processes (room status check, meal management, contact with reception/cleaning staff, room temperature adjustment, taxi ordering, etc.). The advantage of this solution is that there is no queuing and no waiting, all the tasks are placed in a single online interface for the convenience of the guest. Thanks to digitalisation, the cost of running the reception is minimal, while housekeeping costs are also lower than in other units of similar size and service level (ekkv.hu, 2018).

The hotel industry has also discovered chatbots as a cheaper and faster way to manage guest requests 24 hours a day. This means that even guests travelling from another time zone can request detailed information about their future accommodation at any time. The chatbot can also collect and forward important

information to hotel staff. Both physical and voice-based robots require the development of artificial intelligence adapted to the needs of the hotel industry. The Barack Thermal Hotel & Spa in Tiszaúcskés has integrated the Bonomi chat assistant into its website, which is a Messenger-based application, using chatbot technology to automatically chat with visitors and guests (bonomi.io, 2023).

The application of AI-related technologies is evident in the accommodation industry, and with the development of service robots in South Korea, the United States, and European countries, especially Japan, we find more and more practical applications of robotics in the accommodation industry (Yu, 2020). Although the hotel industry is utilizing cutting-edge technology to provide a service that aligns with the customer experience, widespread acceptance is lacking. Despite the potential for artificial intelligence, automation, and other advancements to transform operations and enhance customer service, there exists a certain hesitancy to embrace them in favour of customization (Orea-Giner et al., 2022). However, there are some industry-leading examples such as Connie, the AI-powered concierge at the Hilton or the Savvy smart mirror at the Sinclair Hotel in Texas.

Ketty and Bella, intelligent serving robots have been put on shift at Hotel Karos Spa****. After the probationary period, Bella continues to assist the waiters in the Food Garden, while Ketty continues to provide guidance and information to guests in the lobby and occasionally event participants can also meet her at conferences (karos-spa.hu, 2022).

Solution 3 - Reorganisation of hotel operation processes

While Covid-19 has had a significant impact on hoteliers worldwide, these challenges also present opportunities for innovative redesigns. As hoteliers reopen, they are forced to be more efficient. With no other options, the existing management model was forced to be creative and aggressively adapt to the

unprecedented situation, especially when it came to raising capital and realigning operational strategies (Breier et al., 2021).

Notable features of hotels' propensity to outsource include the wide range of activities carried out, the high labour costs associated with many hotel activities, and the volatility in demand for hotel services. Strong fluctuations in hotel demand can be seen within economic cycles, a year, a week or even a day. Consequently, outsourcing has been described as "part of hotel operations" (Wood, 1999). Outsourcing is especially important in the travel industry, where hotels are increasingly choosing to outsource a variety of non-core services, even some that are more relevant to their competitive advantage. Today, the services provided by providers cover almost all the activities required to provide hospitality services. The decision to outsource can allow a company to free up needed resources to focus on what matters most and invest in new or improved ROI processes or new opportunities.

Due to the market challenges posed by COVID-19, hoteliers are often using tactical and strategic outsourcing to increase efficiency and reduce costs. Outsourcing in the future is expected to be more sustainable given the triple bottom line (economic, socio-cultural and environmental). This type of outsourcing should also have a positive impact on the hotel's sustainable performance. In addition, outsourcing can also facilitate the use of Industry 4.0-related technologies in the hospitality industry, making them more accessible and faster to implement (Espino-Rodríguez, 2023).

More and more, major corporations are seeking to completely outsource their operational finance and accounting procedures, allowing them the freedom to concentrate their financial assets on crucial strategic business value.

Furthermore, after the pandemic outbreak, Hungarian hotels enhanced HR practices such as employee rotation, job mergers, and employee cross-training as mandatory training elements (Grotte et al., 2021). Mercure Budapest Corona implemented one of the best practices. The hotel closed for only three months

when it was unable to accommodate guests during the COVID-19 pandemic. In order to protect trained employees, no workers have been dismissed in a year. Positions and functions were thoroughly reviewed to determine where there was room for rationalization, which tasks were redundant, and who was suited for what. Waiters were found work in other areas, such as workers in central warehouses, security services or temporary help at reception (turizmus.com, 2020).

Since Shostack (1982), service blueprints have been widely used by service providers as a tool for designing and managing service processes. Blueprints are a way to visualize the process of a service. A service blueprint is an image or map that provides an overview of the service system so that it can be objectively understood and addressed by the various actors involved in the delivery, regardless of their role perspective. The design process consists of four steps: identifying all necessary processes, isolating failure points, establishing time frames, and making cost-benefit analysis (Shostack, 1984). Because flexibility and standardization are two major benefits of service blueprinting work, a successful service blueprinting process must produce a blueprint that describes a standardized process, but is flexible enough to meet the unique needs of customers (Kelley, 1993).

As many hotels try to ensure the safety of their operations during the pandemic, service blueprints help them assess existing hotel-guest personal relationships in service processes and digitize or adapt protocols to the health emergency. As the pandemic recedes, service blueprints are being used to improve efficiency, emphasizing solutions such as streamlining redundant processes, standardizing or involving guests in service delivery. Standardized service process, that is, the international practice of operating under a hotel brand, is becoming more and more common in the domestic hotel market, with some new brands entering the capital (such as Intercity Hotel, Hard Rock Hotel, Eurostar), and newly opened

countryside hotels (e.g., Tokaj, Mercure and MGallery; Debrecen, Mercure; Szántód, Mövenpick hotel).

As one of the areas of sustainability, the reduction of waste and the recycling of food waste has also become a focus of the hotels in the context of making processes more efficient. For example, the hotels in the “Stylish Rural Hotels” cooperative have gained a competitive advantage precisely through conscious, environmentally friendly operation. The Hotel Nemzeti, Hotel Oktogon or Mamaison Hotel Andrásy recycle food left over from breakfast through the Munch meal-saving app.

A long-standing practice in the USA is to reward guests if they do not request daily cleaning. For hotels, promoting guests to reduce housekeeping has multiple advantages: it allows operators to adopt eco-friendly measures by consuming less water, electricity, and cleaning substances; it assists them in reducing labour expenses, and it motivates guests to join reward programs, which holds significance for the chains.

From September 2020, the Royal Club Hotel plants a tree for every direct booking in partnership with the non-profit organisation One Tree Planted, with a target of 5,000 trees (hah.hu, 2020). Increasing the proportion of direct bookings will help reduce the hotel’s commission to intermediaries and direct communication with guests will also help build guest loyalty.

Although experts predicted a significant wave of hotel, restaurant and spa closures in the autumn of 2022 (Vámosi, 2023), the mild winter, falling energy prices and stronger foreign and domestic demand compared to previous years helped accommodation operators to stay open. Kastélyhotel Sasvár in Parádsasvár, Hotel Castello in Siklós, Hotel Solar in Nagyatád, Hotel Nagyerdő in Debrecen and Danubius Hotel Hungária in Budapest will be closed for several weeks during the winter of 2022-2023. In some hotels, departments (health, fitness) or floors are closed in order to work more economically. In the end, the Hungarian hotel

market lost only a few operators, such as Kincsem Wellness Hotel in Kisbér or Zichy Park Hotel in Bikács. The Thermal Gara Hotel in Füzesgyarmat, the Tiszavirág Hotel in Szeged and the Park Hotel in Harkány cease their operations indefinitely.

Solution 4 - Employee and guest empowerment

Among the most important resources for a successful hospitality operation is the talent of its employees. Recruiting and retaining a high-quality workforce remains a major challenge for operators. Sharing power and authority regarding decision-making empowers workers and improves their sense of self-efficacy, which is positively related to their overall satisfaction on the job (Meng & Han, 2014). Providing employees with empowerment promotes employee involvement in decisions, the generation of good ideas, and the implementation of those ideas. Embedding empowerment in an organization's culture has been argued to facilitate employee satisfaction, motivation, and productivity. In addition to becoming more responsible, employees can also be motivated to develop their capabilities and competencies by accepting more responsibilities. Empowering employees involves sharing power and responsibility and obtaining their commitment. It is well documented that highly committed and loyal employees perform better at work and are more productive (Locke & Latham, 1990), possess higher levels of responsibility, and are more satisfied with their jobs (Karim & Rehman, 2012). Employee commitment is linked to low turnover rates, high employee satisfaction, and high productivity (Sahoo, Behera & Tripathy, 2010). Supervisors play a crucial role in acting as a mentor, offering guidance and facilitation, rather than relying on the control and command approach. They should regularly provide feedback to employees regarding work-related matters so that they can consistently enhance their performance. Support from supervisors and colleagues will stimulate employees' enthusiasm to share their ideas. Education also has a significant correlation with empowerment; therefore,

employees should be exposed to various customer service training aspects not only upon their initial arrival at the hotel but also throughout their careers. Those who contribute ideas that benefit the organization should receive rewards, whether monetary or non-monetary. Meanwhile, mistakes should be seen as learning experiences or opportunities to grow rather than just a way for management to assign blame (Ayupp & Chung, 2010).

In Hungary the training companies most often promote the following trainings: leadership communication trainings, assertive communication training for employees, effective feedback techniques for managers, training of peer coaches for the development of the hotel organisation, understanding and managing generational differences in the workplace community. In addition, the most common empowerment tools in domestic hotels are the career programme, the talent management programme, company events for employees and their relatives, the employee exchange programme and the exit interview.

Danubius Hotels applies performance assessment system to get feedback on employee contribution and employee satisfaction is measured through a public opinion survey, these elements are incorporated to the Employee Value Programme (danubiushotels.com, 2023). Katedra Danubius is the internal management training platform at Danubiushotels. It aims to provide a practice-oriented management approach to effectively motivate and manage hotel teams. A further objective is to develop self-awareness and learn leadership techniques. Each group will learn the skills through intensive training over seven months, using highly practical methods. Many motivation and coaching sessions are also provided, with one-to-one discussions and mentoring (Balassa, 2020).

In addition to cafeteria elements (health fund, pension fund, school start-up allowance, travel allowance), the most commonly used incentives are the service fee or the use of own services at a discount.

Mellow Mood Academy's talent programme provides excellent development opportunities and career planning for employees (mellowmoodhotels.com, 2017).

The Hungarian University of Agricultural and Life Sciences and Mellow Mood Hotels Group have signed a cooperation agreement for the implementation of joint training, research and practical programmes under the supervision of the Mellow Mood Academy in 2022 (uni-mate.hu, 2022).

The fusion of customer and employee contentment, it is contended, results in enhanced organizational performance via, firstly, repeat business and positive word-of-mouth endorsement, and, secondly, enhanced employee morale, heightened exertion and reduced staff turnover and absenteeism, as well as ingenuity and originality (Hales & Klidas, 1998).

While manufacturing companies have primarily relied on internalized research and development procedures to generate innovative knowledge (Chu & Chan, 2009), the majority of hospitality enterprises are shifting their focus towards external procedures that depend on knowledge generated by external sources, such as clients, business partners, and competing firms (Williams & Cothrel, 2000). Importantly, numerous hospitality enterprises are utilizing online platforms to facilitate customer interaction (Blazevic & Lievens, 2008). A crucial challenge is to efficiently employ these platforms for the creation of innovative knowledge. Effective customer interaction contributes knowledge that can be utilized for the creation of new services or more personalized service offerings (Bogers et al., 2017).

Traveller evaluations such as satisfaction, perceived quality and value, trust, and safety gained more value during the pandemic. Perceived hazard is characterized by uncertainty and outcomes, with escalating levels of uncertainty and/or a growing likelihood of more severe adverse outcomes resulting in heightened perceived risk (Oglethorpe & Monroe, 1987). Throughout the health crisis, lodging providers employed a plethora of communication platforms to effectively connect with and persuade visitors. The primary emphasis was on fulfilling guests' desires for security and hygiene, which emerged as the predominant aspect shared

among travellers. Encounters that evoked positive sentiments have notably heightened the inclination of potential vacationers to embark on journeys (Sekar & Santhanam, 2022). E-Word of Mouth (e-WOM) on social media platforms played a crucial role during the COVID-19 pandemic; its contribution was vital for communication throughout the period of quarantine. Hotels have recognised the effectiveness of social media and e-WOM, which they continue to actively use in the post-pandemic period.

To encourage guests to return, hotels have moved away from price marketing tools to value creation and guest loyalty due to cost pressures. The significance of providing exceptional customer value in the hotel sector is acknowledged as a possible origin of competitive edge and a precursor to customer contentment, allegiance, future buying intentions (Mohd-Any, Winklhofer & Ennew, 2015) and recommendations (Prayag et al., 2017). Value can arise from the engagement between the hotel and the traveller via a process of value co-creation in order to devise distinctive or personalized guest experiences resulting in heightened levels of customer satisfaction.

The Kecskemét 4Points by Sheraton hotel primarily caters to corporate travellers, hence it is of utmost significance to offer top-notch services. Amidst the Covid closure, the hotel's in-house ticketing system underwent enhancements to oversee, document, and supervise the upkeep and fixing of technological apparatus within the hotel, alongside the housekeeping tasks concerning guest rooms and communal spaces. The user-friendly cloud-based software, which is uncomplicated in nature, also furnishes hotel managers with real-time updates on the progress of tasks. The Customer Relationship Management resolution aids in heightening guest contentment and enhancing customer loyalty (diosoft.hu, 2023).

Hotel brands expanded their loyalty programmes during the pandemic, and many of them are investing significantly in maintaining their progress. Frequent traveller programmes not only encourage direct bookings as customers accumulate and

redeem their points, but they also provide hoteliers with a direct means of communication with guests and incentivize the utilization of hotel restaurants, bars, and spas, thereby increasing additional revenue. Hotel companies are now making more development decisions with loyalty members in mind. As Covid-19 disrupted the guest mix, loyalty programmes were in need of a makeover. With a decline in high-volume business travel, traditional loyalty programmes are no longer practical. The most successful frequent traveller programmes now offer more personalized incentives that cater to the needs of both occasional business travellers and leisure travellers. Loyalty programmes play a crucial role in customer retention, as many conveniences, such as mobile check-in and keyless entry, are exclusive to loyalty programme members (travelweekly.com, 2022).

IHG Hotels and Resorts (represented in Hungary by Crowne Plaza Budapest, InterContinental Budapest, Holiday Inn Budaörs, Vignette Collection Budapest - Verno House and D8 Budapest) has completely renewed its IHG Rewards loyalty programme for 2022. Five tiers have been created instead of the previous four, and the way points are earned and used has also changed, offering a wider range of options to programme participants (ihg.com, 2022).

Table 1. Key areas of challenges and usual responses in the Hungarian hospitality market in the examined period

1. Reconstruction, refurbishment
- facility design and construction, energy efficient building materials, insulation, air conditioning, energy efficient appliances and equipment - replacement of traditional light bulbs with modern LED technology, installation of motion sensors, installing automation systems - use of renewable energy (solar, geothermal)
2. Digitalisation
- IT development to be compatible with National Tourism Data Centre and Guest Information Closed Database - e-conference solutions and remote work – hotels became places of quarantines or safe areas to be in - digital applications to enable a work-from-anywhere - contactless body temperature measurement and facial recognition solutions to diagnose ill persons

- contactless check-in and check-out, use of electronic keys - smartphone application to support hotel guest experience - use of chatbots - use of AI and robots
3. Reorganisation of hotel operation processes
- outsourcing activities to reduce labour shortages - employee rotation, job mergers, employee cross-training - service blueprinting - standardisation - reduction of waste and recycling of food waste - rewarding guests if they require no housekeeping services or making direct booking
4. Employee and guest empowerment
- sharing power and authority regarding decision-making, embedding empowerment - mentoring, offering guidance and facilitation - performance assessment system to get feedback on employee contribution and employee satisfaction - career planning for employees - leadership communication trainings, assertive communication training for employees, effective feedback techniques for managers, training of peer coaches for the development of the hotel organisation, understanding and managing generational differences in the workplace community - active use of social media platforms to keep contact to guests and to promote properties - reshaping of guest loyalty programmes - Customer Relationship Management solutions

Source: compiled by the author

CONCLUSION, SUGGESTIONS

The challenges, which came in several waves, generated a wide spectrum of responses from service providers, mainly in the short term. However, dealing with an emergency immediately, does not offer long-term impact, and once it has passed, changing circumstances present a new challenge. This is why it is important to define short and long-term strategies simultaneously, as the guest encounter and the exceptional level of service to guests are consistent anticipations that should not be undermined. As such, many believe the COVID-19 pandemic to be a significant turning point in tourism that afforded the

opportunity to consider the environmental and social issues that are pertinent to the sector and initiate a new course in tourism management (S  raphin & Gowreesunkar, 2020).

It should be emphasised that successive challenges have forced hotel operators to carry out renovations and improvements that have been delayed, and to retrain or reskill their staff. In addition, the social responsibility of hotel operators has been strengthened, primarily through collaborative efforts to retain employees. It has been demonstrated that operators can effectively address the situation by discovering innovative solutions of their own.

At the same time, the vulnerability and fragility of the sector has also become clear, which in the long term reminds the decision-makers that, by learning from the situation and considering the acquired knowledge, they must be more deliberate in preparing for similar crises in the future. Moving forward, the successful lodging providers will be those who can promptly and appropriately respond to the altered situation, based on their abilities and circumstances, and utilizing their resources consciously.

The reconstruction or refurbishment projects have long-run returns, however increase guest experience mostly in short term. Preference may be given to design or boutique hotels whose operating model is based on keeping the interior design and appearance constantly modern and in line with trends. The presence of local folklore or traditions is a distinctive feature of an increasing number of hotels (e.g., Hungarikum Hotel, Castellum Hotel). Sustainability should also be a key aspect of reconstruction projects, and is increasingly expected by guests.

Significant resources must also be devoted to retaining employees, which can be achieved by more extensive internal training, expanding the cafeteria system or supporting atypical employment.

Another crucial domain is the implementation and continuous advancement of digital technologies, which have demonstrated their effectiveness and suitability throughout the COVID-19 outbreak. Moving forward, digital technologies will

have a significant impact on streamlining services and other procedures, as well as guaranteeing contact-free services. Additionally, digital technologies have the potential to elevate the guest experience in hotels, particularly for Generation Y and Z, while simultaneously boosting productivity.

The business process management is evident in executing operational business processes and tasks with a greater degree of effectiveness. The utilization of this approach enhances the adaptability of a hotel company, ability to innovate, and the pace at which innovations are implemented in response to the needs of hotel guests. As there are no limitations between functional divisions, employees are increasingly perceiving the organizational goals as their own, leading to a greater contribution to the competitive strategy and its expedited achievement.

Consequently, continuous improvement and responsiveness will play a key role in the market success of hotel operators.

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