

**CURRENT TRENDS
IN TOURISM WITH AN EMPHASIS
ON HOSPITALITY**

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The recovery of tourism last year was confirmed, and further prospects of its development are positive.

The phenomenon of shared economy affects tourism, especially in certain traditional Czech tourism destinations.

Innovation in the form of modern technology is increasingly affecting the hotel environment and determining the success of hotel facilities in the market.

The hotel market in the Czech Republic has undergone rapid development in the recent period. The rapid growth was followed by a slump and uncertainty. All this perfectly mirrored the economic situation in the country. This shows that the necessary preconditions for success are correct interpretation and a timely response to both economic and socio-economic trends.

Especially the tourism industry is particularly vulnerable to the current situation and overall health of the economy. The line between successful and unsuccessful business is thin, and it seems that in some highly competitive industries properly understanding the development of the industry in a broader context is essential.

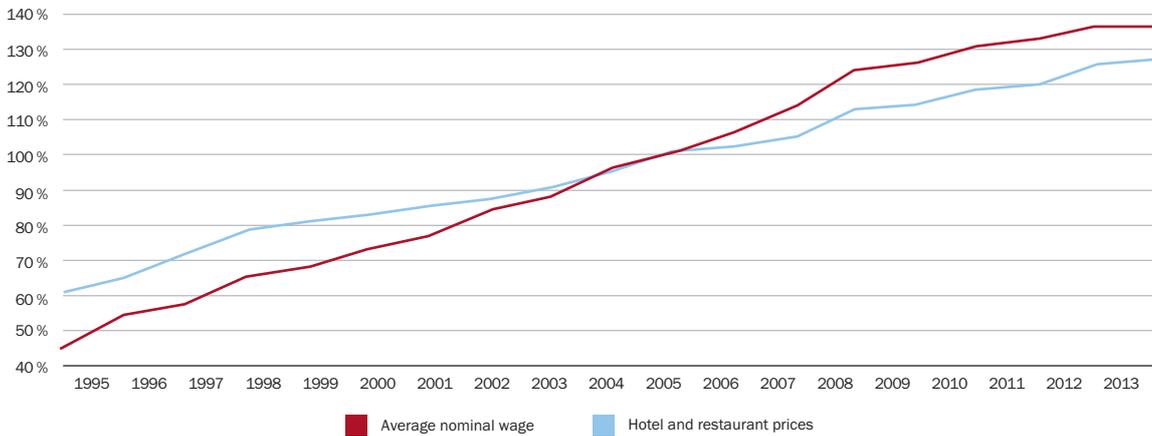
The Czech economy is experiencing a revival; the average and minimum wage are at historic highs. The median wage for the third quarter of 2016 even exceeded 23,500 CZK. Year on year, the average gross monthly wage increased by 4.5%, while consumer prices only increased by 0.5%, which also means an increase in real wages (by 4%). The purchasing power of the population is therefore growing disproportionately faster than the prices of services, and this also applies to hotels and restaurants.

The input commodity that is most important and most difficult to replace, human capital, is therefore becoming very expensive for hotel operators in the Czech Republic. This fact is amplified by the abnormally low unemployment



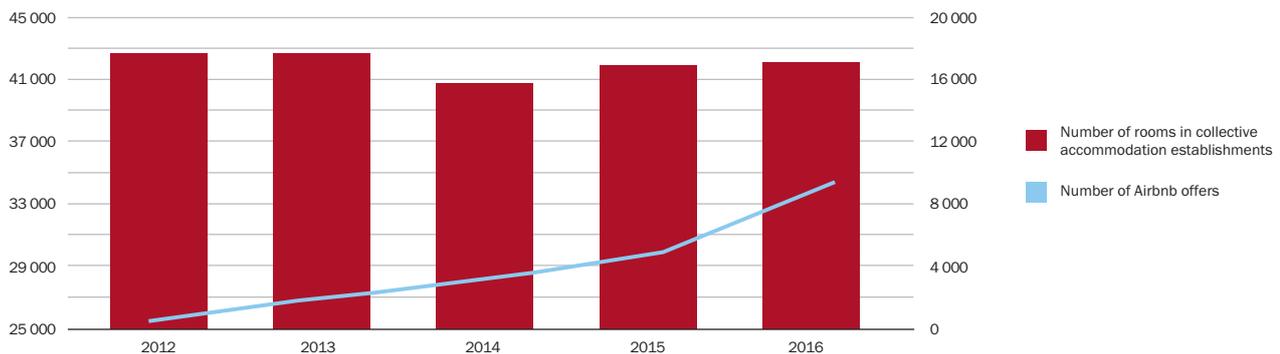
GRAPH Average wages vs. Prices of accommodation and catering services (in wage and price % of 2005).

Zdroj: ARTN survey



GRAPH Number of rooms in accommodation facilities vs. Number of Airbnb offers.

Zdroj: ARTN survey



rate, which is far below its estimated natural rate. There is therefore a shortage of workforce, and capable qualified employees will need to be well paid. The pressure on wage growth will naturally compel operators to more efficient behavior and to save costs in other areas, which may impact the quality of services provided in the future.

MILESTONE: SHARED ECONOMY

If we were to call the shared economy phenomenon the new great transformation in the industry that destroys well-established arrangements, this claim would not be exaggerated. Airbnb is already the largest provider of accommodation in the world, and the fast growth of this project and other similar platforms is not slowing down. It used to be a rule that fixed costs for entering the industry were relatively high. With the advent of Airbnb, however, this no longer applies. If longstanding paradigms are changing, it is most likely that the entire industry will change.

The global number of offers on Airbnb is growing sharply. In 2015 about 17 million offers were published on this portal, and more than 350 thousand guests used the service. This is also evident in the Czech Republic, where an 80% increase in the number of offers on this platform was recorded between 2015 and 2016. We can see a similar increase in Český Krumlov, Karlovy Vary, Brno and mountainous areas.

The main reasons for the increasing popularity of Airbnb and similar platforms is the possibility of quick price comparison, an elaborate system of references, a wide range of services, and the option of experiencing a whole new dimension to travel, to which the traditional accommodation offer is unable to respond flexibly.

In the phenomenon of shared economy, the hotel business competition has significantly increased. Hotels are therefore forced to innovate, improve service quality, and expand and individualize their offer much faster. The ability to adapt to customer needs will be crucial for maintaining their competitiveness in the long term.

The current state of the legislative environment poses a problem; it cannot respond to constantly emerging new types of services based on the principle of shared economy. The business environment, especially in accommodation services, is bound by a number of laws, which leads to different starting conditions for business.

The main impact of shared economy on tourism can be summarized in a few points, and it is up to accommodators whether they can quickly and properly respond to this new trend.

- Increased market diversity
- Pressure for traditional providers to innovate
 - the need to change the offer
- Increased importance of Online Reputation Management
- Safety, missing legal framework and regulation
- The entry of new providers and the increase in current providers of shared economy
- Savings and the possibility of making money
- Convenient reservation, easy recommendations

RECOVERY CONFIRMED

Available data show that the Czech economy has fully recovered from the global economic downturn and most of its negative impacts. The tourism industry has responded to this recovery with an approximately two-year delay.

The total number of tourists in the Czech Republic declined steadily between 2007 and 2010. There were

also significant travel cost cuts in companies, which has become one of the ways to reduce their costs. A change in development can be seen from 2012. Since then, there has been a gradual increase in demand as well as a growth in travel expenses. The following data suggest that tourism has finally overcome the effects of the recession:

- According to the Czech Statistical Office, in 2016 over 18 million guests stayed in collective accommodation establishments, staying for almost 50 million nights.
- In 2015, tourism consumption increased further, reaching 250 billion crowns, which was a year-on-year growth of 5.3%. Inbound tourism contributed nearly 60% to the overall tourism performance.
- The average bed occupancy in hotels and similar establishments is also increasing, exceeding 45%.

Increasing the demand in tourism enables hoteliers to gradually raise prices. This helps to increase the overall profitability of the business. Hotels are therefore once again becoming a desired investment commodity. However, the situation is different than it was before the crisis. Investments must be well planned, and it is not true that any investment in accommodation guarantees future profits. It is appropriate to consider the location, focus on customers and the overall concept of the accommodation facility very well.

NEW TECHNOLOGY

Industrial revolution 4.0., coupled with automation, the internet of things, social networking, big data... These are all hot topics that also represent an opportunity for the hotel industry. Every provider of accommodation services that wants to be successful should actively engage in these topics. New technology and modern trends are simply a part of customers' lives. We are beginning to require the comfort and standard that technological progress affords in our daily lives.

It is no longer enough to simply offer free internet access or the possibility of sharing your own content on interactive hotel televisions. High-quality technical equipment of the rooms themselves is now standard. The increasing demands of guests are leading to further necessary investments in new technology.

A new trend is the emergence of smart rooms, which are completely controlled by smartphones. This allows for maximum customization to the individual expectations and needs of the guests. New trends are also increasingly penetrating the MICE (congress) sector, where advanced technologies are helping to build more attractive congress and conference facilities, as well as a number of new types of events.

New technologies can help deal with the situation of workforce shortages. Automation and robotics are no longer such a distant reality. Processes that require human resources will probably gradually diminish in the hotel industry as well. Such services will be stable, accurate and most importantly reliable. Automation will most certainly lead to the release of human resources from the industry, which is a major opportunity for the services sector, including the hotel industry. This trend will benefit both the customer and the provider.

New technologies and the amount of data also allow better customer satisfaction management, as well as the introduction and use of new sales channels. This also resulted in the growing popularity of reference and booking portals (tripadvisor, booking.com or four-square). For operators, it is not only necessary for them to play an active role, they must also work effectively

with the data these systems provide. The benefits include increased customer satisfaction and loyalty, lower operating costs and overall optimization of the modus operandi of hotels.

SECURITY FIRST

The global security crisis is a sensitive and topical issue, not only in relation to tourism.

Global security has recently been declining, and the question is how this will affect travel. Surveys linked to significant incidence of past years show that the impact on the overall performance of tourism is minimal. The selection of a particular destination is fundamentally changing, but not the willingness to travel: in the conflict affected areas the total number of arrivals is dramatically decreasing. This may benefit less popular destinations, as well as regions where the perceived danger is lower.

According to the ranking of the Global Peace Index (GPI), the Czech Republic is among the ten safest regions in the world. It has ranked in top positions since 2008. In the unstable development of the global security situation, this result is of increasing importance. Countries that have a long-term stable security situation and offer their visitors a relatively safer stay have a substantial competitive advantage in this respect.

The Czech Republic even ranked higher than most neighboring countries, which are also direct competition in inbound tourism. The only exception is Austria, which is one of the overall safest destinations. The perception of the Czech Republic as a safe destination is therefore positively reflected in the performance of domestic tourism. There is not only an increase in the arrivals of foreign visitors, but domestic tourism is also strengthening.

GPI can be considered a credible source of information, because it assesses a total of 23 criteria for the overall security of the country. It monitors the size of the country's army, the number of police officers, terrorist activity, the likelihood of violent demonstrations and political stability. These are important selective premises, which are often the decisive criteria in choosing the perfect destination for a holiday.

In terms of future development, we can expect a continuation of the upward trend, especially if the Czech Republic continues to be perceived as a safe destination. We can expect a steady increase in the number of visitors, as well as a growth in the revenue of hoteliers. However, the competitive environment in the market will deepen, with new service providers in shared economy or the emergence of new global hotel players in our market. It will be necessary to prepare for competition from foreign destinations. The anticipated end of the Czech National Bank's exchange rate commitment, or the improvement of global security, could mean a partial restriction of the positive development.

We can especially expect sustainable growth in selected destinations in the Czech Republic, in which conditions are created systematically or their attractiveness on an international scale is persistently high. These destinations will include Prague, selected UNESCO sites or certain spa resorts, especially if they manage to alleviate their focus on certain high-risk markets. We can also expect a significant increase in the visit rate in dynamically growing regions, such as Lipensko, Dolní Morava and others.

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KPMG Česká republika

TABLE Global Peace Index 2016.

Source: www.visionofhumanity.org

1.	Iceland
2.	Denmark
3.	Austria
4.	New Zealand
5.	Portugal
6.	Czech Republic
7.	Switzerland
8.	Canada
9.	Japan
10.	Slovenia