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**TÍTULO: ANALYSIS OF THE HOTEL INDUSTRY OF
ROMANIA. TRENDS AND FACTS**



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1. SUMMARY

This paper aims to analyze the evolution of the Romanian hotel industry by doing a review of its main components: the supply and the demand, during a period of 20 years, between 1994 and 2014. Most of the review is based on the information gathered by the Romanian national institute of statistics. On one hand, it's centered on the progress hotels made in terms of number and capacity. In order to capture the stages through which this industry has been, the analysis is approached in a deductive manner, using the 5 categories of quality the government grants each hotel. On the other hand, the survey of the demand will be done taking in consideration the type of tourist (statistic available on the national institute of statistics), by residency, and will be able to offer information about the number of tourists, length of stay and, therefore, the evolution of clients' preferences. Afterwards, a comparative analysis follows to underline the trends of the 2 main components. All data will be analyzed by tourist destinations, as the country will be divided in 6-7 destinations (different as products). The conclusions will provide enough information to issue the tendency of the industry, the strengths, as well as the weaknesses.

2. INTRODUCTION

Tourism industry in Romania still is a developing branch. Although it benefits from its almost ideal geographical position, this industry hasn't yet reached its potential. One of the main problems of Romania's tourism is its lack of branding (Cosma S. et al, 2006), although it benefits of many tourist destination or objectives that can serve as touristic brand. The fall of the communism brought big changes for Romania in all sectors; brought new (at first sight) opportunities and threats as well (Marcu S., 2004). The transition was a difficult period for all types of industries, including tourism as well. The beneficial effects of tourism have been recognized by the European Commission, saying that tourism could play a more important role in the development of the regions of Europe (European Commission, 2006). However, other authors underline the issues that may interfere within the measuring of the contribution of tourism to the economy (Leidner, 2004). This paper focuses over the supply and demand of the hotel industry in Romania. While these 2 components of the tourist market is influenced by factors like demography, income, leisure, tourism resources or tourism labor force (Neacsu N. et al, 2012), is clearly that the migration that took place since the beginning of the transition played an important role in the evolution of tourism and hotel industry (Marcu S., 2008), but mostly in the demand evolution.

On one hand, analyzing the supply, we will be able to see which tourist destination has developed most and which has not, which tourist destination suffered losses in terms of establishments (hotels) and which has improved, which quality category has improved most and which has not. This would give us an idea about how Romania managed to materialize its opportunities. Correlating these results with the information regarding tourism contribution to the GDP, investments and employment's evolution will provide sustainable facts to state conclusions about the wealth being of the hotel industry. On the other hand, analyzing the demand, we will be able to see which tourist destination are more successful, where do Romanians, on one side, and the foreigners, on the other side, prefer going on vacations. This analysis is based, more or less, on the following questions:

- How did hotel industry develop in Romania?

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- In which tourist destinations took place the biggest changes?
- How did the hotel categories develop?
- What are the factors that influenced this evolution?
- What conclusions can be drawn from the results?

The results from the supply analysis should provide enough data to answer the first question while the results from the demand analysis should provide reliable results to answer the second question. The third question will be answered in the 6th chapter, while the last 2 questions will find its answers in the conclusions, among other deductions. Although other surveys tried before to analyze the hotel industry, neither of them couldn't correlate the results and the conclusions leading, thereby, to a brief list of facts and factors that led to this situation for the hotels, all based on the results obtained through the investigation.

The paper is structured in 5 parts. First part presents some general data about Romania, presenting the tourist destinations and where are they situated as well as the geographic position, its history and economy and the importance of tourism. In the second part is analyzed the supply and in the third the demand. The fourth part the results from the analysis are compared showing tendencies and some of the reason that stood at the base of these evolutions. The last chapter will provide the conclusions.

The paper has a basic structure, with a literature review, general data about Romania (including the role of tourism in economy), and analysis of the supply and demand and a comparison. It is finalized with the conclusions.

3. GENERAL DATA ABOUT ROMANIA

3.1. About Romania

Figure 1: *Geographical position of Romania*



Source: <http://romania.ici.ro/en/geografie/pagina.php?id=431>

Romania is situated in the eastern, or better said southeastern part of the Central Europe although many states consider Romania as part of Eastern Europe (context which is used with more political connotations). Its neighbors are Bulgaria to the south, Serbia to the southwest, Hungary to the northwest, Ukraine to the north and to the east and the Republic of Moldavia to the northeast. Its area covers about 400 km from the west to the east and almost 300 km from the south to the north. It has a surface of approximately 240.000 square km, which is developed almost equally: 1/3 mountains, 1/3 hills and orchards, and 1/3 plains¹. Its position has always intrigued many of the European and worlds' powers (nowadays but also in the past). Romania lies between the European world (West-European or Occident) and the Arab/Asian World (Orient), between East and West or better said: between Russia, China and other eastern powers and the European Union and the United States of America.

¹ <http://romaniatourism.com/location.html>, accessed on 19 of March, 2015

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Romania is a democratic, semi-presidential country with a bicameral Parliament (Chamber of Deputies and Senate). Its biggest city is in fact its capital, Bucharest, with almost 2 million inhabitants².

It has a population of more than 19 million inhabitants, not counting the other millions that are living outside borders. More than a half of the inhabitants are still living in a more rural and traditional way (small villages in all the corners of the country)³. The official language is Romanian, the main religion is Christian Orthodox (81%) and by ethnicity, Romanians are preponderant (almost 85%), followed by Hungarians and Gypsies⁴. The Romanian language is a Latin language, according to specialists, fact not so well-known in the world. Although it may be hard to believe, new evidence has emerged to back an unbelievable truth: the Romanian language is not a Latin descendent, is actually vice-versa: Latin comes from Romanian, or at least from the precursor of Romanian language. It appears that the language the Romanians' ancestors, the Dacians were speaking is the source of birth for Latin⁵.

Figure 2: *The bridge of Traian from Drobeta*



Source: <http://www.istorie-pe-scurt.ro/podul-lui-traian-de-la-drobeta-turnu-severino-minune-a-lumii-antice/>

² *idem*

³ <http://www.ro-geo.ro/romania>, accessed on 19 of March, 2015

⁴ <http://romaniatourism.com/fast-facts.html>, accessed on 19 of March, 2015

⁵ <http://rationalwiki.org/wiki/Protochronism> accessed on 20 of March, 2015

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In another train of thoughts, we may say that Romania is a Latin island in a Slavonian sea. The proofs of the roman legacy still lie among the ruins of old citadels that now serve as entertainment places transformed by people who cherish well-preserved historic lands.

Figure 3: *Sarmizegetuza Regia, capital of ancient Dacia*



Source: <https://welcome2romania.wordpress.com/2012/04/04/sarmizegetuza-regia-inima-daciei-sarmizegetusa-regia-the-heart-of-ancient-dacia/>

The temperate-continental climate allows the Romanians to enjoy warm summers and chilly, breezy winters and it has four distinct seasons.

Regarding history, the Romanian's ancestors, the Dacians fought 2 times against the Romans (101-102; 105-106 a.c.). More than 12 centuries after that (in which many barbarians passed through these lands and let their mark on its culture), the Romanian people waged wars against the Turks and the Ottoman Empire and one may say that were the Romanians those who stopped the Turks from invading Central Europe. After the 2 World Wars, Romania became a socialist country, under the Soviet's influence (but in reality having the most independent development and government, which in fact may be a reason why Romania didn't attack Poland or why it had such a brave reaction towards Union Soviet's decision to attack Czechoslovakia)⁶. Until 1989, Romania remained a communist country although it had already established some commercial relations or trade agreements with E.U., U.N.O and W.T.O. After the revolution, it switched to capitalism, and became a N.A.T.O. member in 2004 and a E.U. member in 2007⁷. Being able to improve its commercial relations, not only with West-European countries, but also with

⁶ <http://romaniatourism.com/history.html>, accessed on 28 of March, 2015

⁷ *idem*

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countries from other continents allowed Romania to improve its tourism industry as well.

Being a member of the European Union, since 2007, brought both advantages and disadvantages, but, undeniable the advantages were more important (by number and potential effects). Only thinking at the free circulation of goods, services, capital and people should have improved significantly the economic situation of Romania. And it did, for a very short period. Unfortunately, the new status of the country didn't influence so much the arrivals of the foreign tourists; Nor the Romanians.

3.2. Economy and tourism

Although it is equally divided (1/3 mountains, 1/3 hills and 1/3 plains), almost a century ago, Romania was well-known in Europe for its agriculture sector and not only. The main difference between now and then is that nowadays we don't export as much as we used to. When the communists took the power, they began to invest more and more in heavy industry. Although the change was obviously welcomed by most of the specialists, agriculture remained for most of the Romanians the main "workplace", and it still concentrates almost 30% of the workforce⁸. This being said, the following question results: what would happen to the economy if a bigger percentage of the labor would be employed in the agriculture sector, given the performance it has with such a small percentage of investments? Known in the past as the "bread basket" of Europe, Romania has an undeveloped agriculture, which, in spite of all that, still represents an important economic sector.

The industry focus on branches like cars builders, chemical, petrochemical, food industry, woodworking, building materials or easy industry. Unfortunately, the steel industry, which was the "heart" of the economy during the communism era, has fallen. Even though it is still functioning today, this giant declined, year by year, part by part, because of the poor management by those who ruled the country in the years that followed communism. To realize how powerful the Romanian industry was those days, we just have to say that Romania exported TV's and not only **in**

⁸ <http://www.worldbank.org/en/country/romania/overview>, accessed on 20 of March, 2015

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China. Nowadays, almost everything is made in China. In spite of all that, Romania registered a growth in the first trimester of 2015 bigger with 4.3% than the same period last year, mainly due to the industry and services sectors.⁹

The rate of unemployment isn't very high (at the end of February 2015 – 5.51%¹⁰), but the poverty rate, which is spinning around 5%, is one of the biggest in the European Union. In spite of all that, if we look 15 years ago, we notice a dramatic fall of the rate of poverty, from 36% in 2000 to less than 5% in 2009, a welcomed change.

In comparison with other countries, Romania managed to recover quicker (apparently) after the global crisis due to the programs and measures taken in agreement with the International Monetary Fund, World Bank and the European Commission. In 2013, Romania registered an economic growth of 3.5%, number that gives the experts hopes for better forecast, based on continually growing exports and reassured investments. The problems that endanger Romania's economic future are those regarding politic stability, funds absorptions and public administration¹¹. To put it simply, reforms are still needed, especially in politics and public administration. In a country where every year are built more churches than hospitals, the health problem is not only obvious, is also seen as a sign of poor management of the public funds. An ineffective health system that removes the people from hospitals and encourage bribe is a trace of old habits from the years that followed communism. The traces of those years are affecting and slowing down the progress; in order to evolve, they must disappear entirely or else, Romania may find itself as a mid-aged country in a futuristic Europe.

Regarding tourism, this industry wasn't always as relevant as it is nowadays, but the touristic potential was always there. When we talk about potential, we refer at 2 main combined components, nature and history. These spectacular angles of mountains, lakes or hills, these various landforms combined with unique forms of

⁹ <http://www.ziare.com/economie/crestere-economica/economia-romaniei-creste-ca-fat-frumos-ce-spun-analistii-despre-vestile-bune-de-la-ins-1362951>, accessed on 18 of March, 2015

¹⁰ <http://www.anofm.ro/files/Comunicat%20de%20presa%20somalj%20februarie%202015.pdf>, accessed on 18 of March, 2015

¹¹ <http://www.worldbank.org/en/country/romania/overview>, accessed on 20 of March, 2015

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well-preserved history heritage like monasteries, villages or remains of old citadels, all of these represent the perfect habitat to develop an industry such as tourism.¹²

A more defining and clearly unchangeable factor for the tourist development is the geographical position. Representative for Romania are the 3 natural assets: the Carpathian Mountains, The Black Sea and the Danube. Actually, this is the reason why the space within is found is named the carpato-danubio-pontic space. Another asset is that Danube flows into the sea in our country, forming the Danube Delta, gathering a big variety of flora and fauna, most of these animals and birds being on the bridge of extinction; and yet, we shall see that the Danube Delta doesn't gather as many tourists as other tourist destinations, proven by the poor demand and supply developed there.

Romania has developed relationships with other states and is a member of numerous organizations that focus on not only preserving nature, but also on tourist destinations.

The tourism industry has passed through a long period of changes, of both ups and downs; hard periods like the end of the 90's, when the receipts from tourism fell with more than 50%, from nearly 700,000 US\$ to few over 300,000 US\$. The new millennium brought with it good fortune for this industry. By the time the crisis began, Romania saw a slow, but yet well controlled rise of the receipts in tourism and in 2009 registered a sum bigger than 2.6 billion US\$. Romania was no luckier than other European countries hit by the crisis. Its receipts shrunk in the first 2 years, only to rise the following 2; and yet, it's far from the record settled in 2009 (1, 9 billion US\$ in 2013)¹³.

The direct contribution of tourism to the national GDP was 1.8% in 2013, a number that was, more or less, constant during these years of recession. However, the total contribution of tourism to the national GDP is nearly 6% (all these data include travel as well). These are numbers that fade when we take a look at other European

¹² http://www.insse.ro/cms/files/publicatii/Breviar%20turism/Turismul_Romaniei_2014.pdf, accessed on 18 of March, 2015

¹³ <http://data.worldbank.org/indicator/ST.INT.RCPT.CD>, accessed on 20 of March, 2015

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countries with “history” in tourism like Spain or Italy. Tourism has a direct contribution to employment of 230,000 jobs, which represents nearly 2.7% of the national employment. The total contribution however, is about 550,000 jobs, almost 6.2% of the whole economy employment. Yet again, numbers that fade in comparison with more “experienced” states in terms of tourism.¹⁴

Romania is member of World Tourism Organization, European Travel Commission, Danube Tourist Commission, Danube Competence Centre and other organizations¹⁵. Although tourism is a growing industry (the number of arrivals rose 6.6% from 2013 to 2014¹⁶), its rise does not compensate the investments that were made. Political instability, poor development of the infrastructure (lack of highways that connect big cities and major touristic destinations) and poor management of the European funds have led Romanian tourism in hibernation. The low percentage that shows the contribution of tourism at the national GDP is clear evidence that this industry is not on the right path.

The Carpathian mountains, the Black sea, the Danube and its delta, Transylvania, Dracula, monasteries from the region of Moldavia, castles, Maramures, traditions, are only a few words and places that motivate the need of change in this industry.

3.3. Tourist destinations

Although there are many tourist destinations that are worth talking about, we will divide Romania in 6 regions, or better said 6 tourist destinations: the mountains, the delta, the seaside, the spas, Bucharest, the capitals of the counties and other localities (sometimes Bucharest will be analyzed together with the capitals of the counties).

¹⁴ <http://www.wttc.org/-/media/files/reports/economic%20impact%20research/country%20reports/romania2014.pdf>, accessed on 18 of March, 2015

¹⁵ <http://www.romania.travel/about-romania/international-organization-of-tourism/>, accessed on 18 of March, 2015

¹⁶ <http://www.insse.ro/cms/files/publicatii/publicatii%20statistice%20operative/Seria%20turism%20in%20anul%202014.pdf>, accessed on 19 of March, 2015

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3.3.1. The Carpathian Mountains

Figure 4: *The Apuseni Mountains*



Source: <https://romaniadacia.wordpress.com/tag/carpathian-apuseni-mountains/>

The Carpathian Mountains divide in 3 parts, and form a semicircle around the famous region of Transylvania. In these mountains are found some of the largest, undisturbed virgin forests of Europe, and it happens to be home for more than 60% of the brown bear population¹⁷. Not so famous as other mountains, the Carpathians, that shelter many endangered species by the way, hide ice caves (Scarisoara), Bears' cave, lakes (Red lake, Saint Ana, etc), waterfalls, salt mines, fortresses, monasteries and spectacular highroads through the mountains like Transfagarasan or Transalpina.

¹⁷ <http://romaniatourism.com/the-carpathian-mountains.html>, accessed on 20 of March, 2015

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Figure 5: *The road of Transfagarasan*



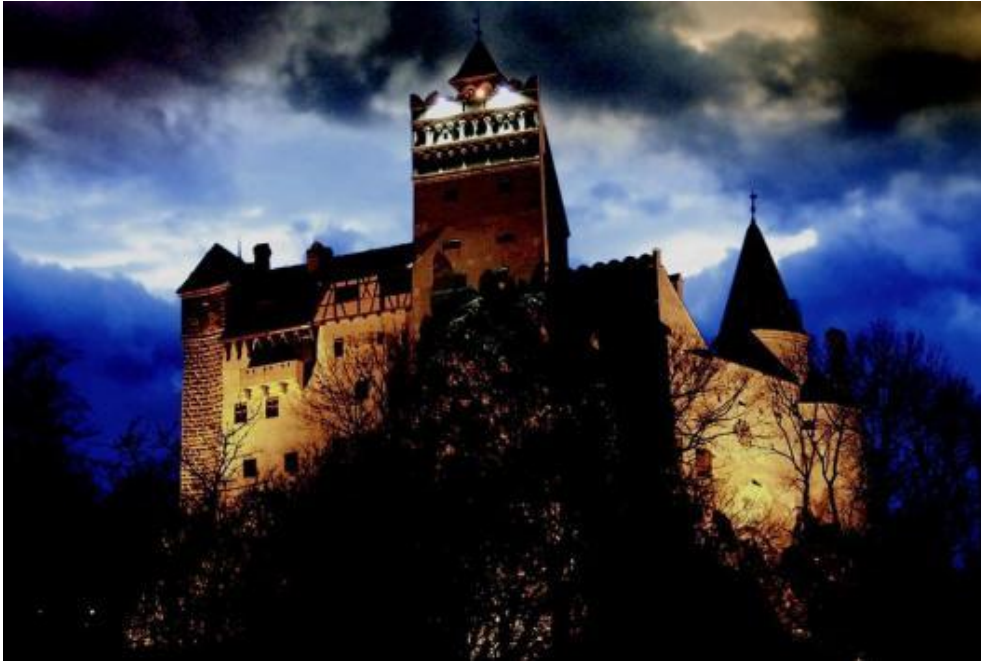
Source: <https://romaniadacia.wordpress.com/2013/11/27/transfagarasan-road/>

The road of Transfagarasan was built in 1970 by communist leader Ceausescu as a tactic road, as a response to the invasion of Czechoslovakia by the Union Soviet in 1968¹⁸. Nowadays, it represents a proof of the grandeur of the communist leader, among other spectacular buildings and roads. But, as other roads and buildings made those days, they form a part of the past that is worth remembering it.

¹⁸ <https://romaniadacia.wordpress.com/2013/11/27/transfagarasan-road/>, accessed on 20 of March, 2015

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Figure 6: *Castle Bran, also known as castle of Dracula*



Source: <https://romaniadacia.wordpress.com/2014/08/31/bran-castle-draculas-castle/>

It doesn't remain much to say about this castle and its former owner, just that, in reality Dracula was a count of the region of Wallachia, by the name of Vlad Tepes, who used to impale those who betrayed him to frighten his enemies. Nowadays, some people are against promoting the brand of Dracula as the former count of Wallachia, saying that he was a national hero and he deserves more than to be remembered as a vampire, even though, he is remembered as the most known and terrified vampire of all times. In spite of all that, Vlad could seriously help tourism rise from its current level, even from his grave.

3.3.2. The Delta of Danube

The Delta of Danube is a part of the UNESCO patrimony, as it shelters many endangered species of birds, animals and fishes. Unfortunately, these rare species also attract hunters. Illegal hunting has always been a problem for the people that guard the Delta. The Danube, the second biggest river in Europe crosses through 10

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countries and 4 European capitals before it reaches its destination, meaning the Black Sea¹⁹.

Figure 7: *The Danube Delta*



Source: <https://romaniadacia.wordpress.com/2014/03/22/danube-delta/>

The Delta is a perfect destination for those who seek places for rest, silence and a good fishing place.

Figure 8: *Another view of the Danube Delta*



Source: <https://romaniadacia.wordpress.com/2014/03/22/danube-delta/>

¹⁹ <http://global.britannica.com/place/Danube-River>, accessed on 27 of June, 2015

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3.3.3. The seaside

This specific tourist destination has a clear disadvantage: it can only attract tourists during summer, more or less. Here are included all the resorts from the Black Sea shore, but the city of Constanta is not included. The main resorts are Mamaia, Costinesti, Eforie Nord, Eforie Sud, Vama Veche, Neptun, Jupiter, Mangalia and others. In time, this destination has evolved like no other, attracting in a short period of time many tourists, both residents and no-residents as well. The spas from the resorts are not included in this category. Although there are no big differences between these resorts, the most crowded are by far Mamaia and Costinesti.

Figure 9: A club in Mamaia resort



Source: <http://www.rezervariclub.ro/club-fratelli-bucuresti/poze/132961-2140552>

If the first one is more known for its nightlife, due to the clubs with which rivals even with greater European resorts (like Ibiza), the second most known, Costinesti is known as the teenagers' resort, the place where thousands and thousands of students and youngsters gather to spend their summers holidays.

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Figure 10: *Full beach in Costinesti*



Source: <http://www.mondonews.ro/vacanta-fara-pretentii-atmosfera-de-balci-in-costinesti-a-doua-cea-mai-aglomerata-statiune-de-pe-litoral/>

3.3.4. The spas

Although, according to the annual number of tourists that come in Romania for spas, some would say that is not an important destination, it actually is. They are used for acupuncture, electrotherapy, problems with kidney, liver, heart, metabolism and many others. It all began with the Romans, who took advantage by the fact that in Romania are located nearly 1/3 of the thermal baths of Europe²⁰, and built these spas to rest and cure their soldiers. For example history says that one spa in particular, sheltered the ancient hero Hercules or that the Romans named it after him: Baile Herculane (Hercules's baths). It cannot be said that it is a specific geographic region, because spas are found in the mountains or on the seaside also.

Figure 11: *Baile Herculane, reproduction after a painting*



Source: http://commons.wikimedia.org/wiki/File:Baile_Herculane_road_1824.jpg

²⁰ <http://romaniatourism.com/spas.html>, accessed on 20 of March, 2015

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3.3.5. Bucharest

Bucharest is the capital of Romania and the most important economic and commercial centre of the country. Known in the past century as the “little Paris”, the city still maintains a bohemian nature through the buildings and boulevards. Among the buildings that still impress we count: the Arch of Triumph, House of the Free Press, Cantacuzino Palace, the Royal Palace, the Athenaeum and of course, the cherry on the cake, the Parliament Palace (or the People’s House) as the biggest administrative building in Europe as surface, and second (and the third largest in volume) in the world, after the Pentagon²¹. It is said that the Parliament is built as a pyramid, both ways, up and down, and that it has a multitude of secret passages. Ceausescu even wanted to build a secret passage that could reach Moscow.

Figure 12: *The Parliament Palace, night view*



Source: <http://www.casapoporului.ro/>

Bucharest also shelters many old churches, various museums, huge parks and beautiful gardens. The universities in Bucharest not only that preserve a unique architecture, but they also have a quite old history behind, like The University of Bucharest or The Academy of Economic Studies. The headquarters of the banks also have unique architecture, especially the CEC Palace. The old centre is probably the most entertaining place in Bucharest. No matter what day or hour, there will surely be someone in the old centre (also called Lipsani).

²¹ <http://obiective-turistice-bucuresti.viaromania.eu/>, accessed on 20 of March, 2015

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Figure 13: *Old centre of Bucharest*



Source: <http://www.iasgo2013romania.org/EN/Lipscani-Bucharest-s-Old-City>

3.3.6. The capitals of the counties

In this category we find cities like Brasov, Baia-Mare, Timisoara, Cluj-Napoca, Iasi, Constanta or Sibiu, which are like a gold mine when it comes to urban or even rural tourism, depending on the city. Perfect places for conferences as well, these cities are a multi-type of tourism objectives. Some are situated near the mountains and provide good opportunities for salt mines visits or hikes, like Brasov; others, like Baia-Mare or Iasi (also known as the capital of the region of Moldavia), are a priceless and inexhaustible source of art and culture. This category will, sometimes, be analyzed together with Bucharest, forming a more solid and simple category, named “The capitals”.

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Figure 14: *The Palace of culture, Iasi*



Source: <http://www.123iasi.ro/top-10-cele-mai-frecventate-locuri-din-iasi/>

Figure 15: *Centre of Brasov*



Source: <https://romaniadacia.wordpress.com/2014/02/28/brasov-transylvania/>

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Figure 16: *The Casino in Constanta*



Source: <http://www.turistderomania.ro/castele-cetati-si-palate/cazinoul-din-constanta/>

Figure 17: *Centre of Sibiu*



Source: <http://romania.ici.ro/en/turism/pagina.php?id=340>

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3.3.7. Other localities

In this category are included cities that are not capitals of counties and villages that present importance from the touristic point of view. Most of these localities present features for rural tourism, due to their location but urban tourism too. Although the numbers that will result may not be that concrete or practical, most of these cities and villages represent places where man still lives in harmony with nature, still living by the old habits and traditions, places where technology hasn't yet intervened or it has, but in small proportion.

Figure 18: *Razoare, a small village from the Maramures region*



Source: <http://www.emaramures.ro/Foto/5256/DEFILEUL-LAPUSLUI-In-fundal-colt-stranga-sus-sat-Razoare>

4. THE HOTEL SUPPLY (OFFER)

The analysis of the hotel supply concentrates over a period of 20 years, between 1994 and 2014 and it seeks to point out the tendency of the hotels' supply during this long period of time. This period was chosen to be analyzed because of the statistical data available from the National Institute of Statistic. It begins with 1994, 5 years after the fall of communism when Romania was still adjusting to European economy and free market and it ends with 2014 because it is the last year that provides meaningful data. Between these years, 2004 is also a reference year; in that year Romania became a member of N.A.T.O. and submitted the documents to become a E.U. member and began to open its borders and markets to the world and vice-versa. The main factors that are taken in consideration are the number of hotels and its capacity. Thereby, we will be able to see how did they evolve during this period of time and which were the tourist destinations in which it has been invested more.

4.1. The number of hotels

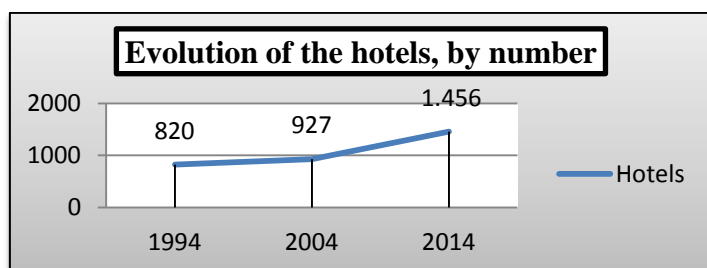
One particular reason which influenced the evolution of the hotel industry was the evolution and the fall of communism. Only after this dramatic change, the foreign investments and real financial options were available to apply for tourism development as increasing its foreign demand as well.

As it can be seen below, in the first 10 years there was a growth, but not as significant as the growth in the following 10 years, when there were registered more than 500 new hotels. Probably because, in these last years, the Romanian people realized that the country has indeed what it takes to transform the tourism industry into a strong industry, so they began to invest more human and material resources (unfortunately, not so many as we could believe).

The evolution of these destinations follows a general trend: a small, almost insignificant growth in the first half of the period, and a more significant growth in the second half of the period.

THE ANALYSIS OF THE HOTEL INDUSTRY IN ROMANIA. TRENDS AND FACTS

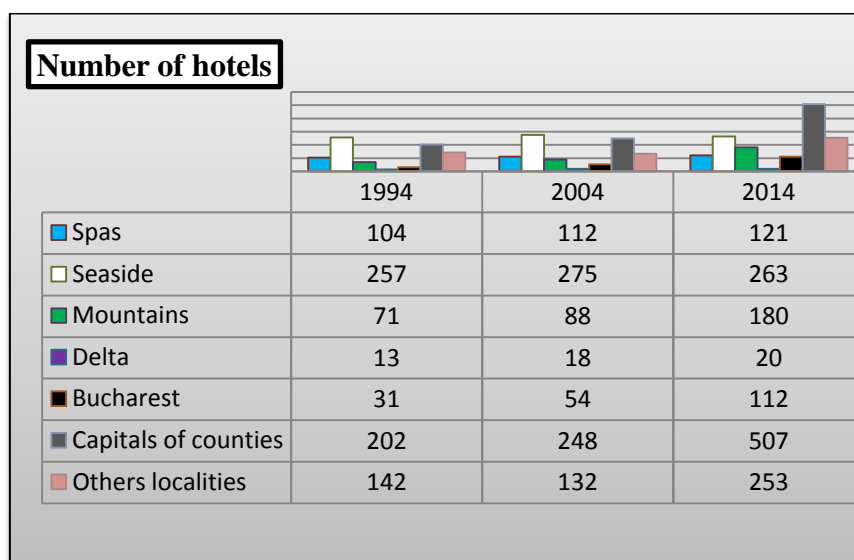
Graph 1: *Evolution of the hotels, by number*



Source: *Own interpretation from* <http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

If we take a closer look at the graph below, we can see the tourist destinations that stand out of the others in terms of number of hotels. They are Bucharest, which logically, provides many opportunities for leisure and business, the mountains, which finally began to provide substantial revenues, the capitals of the counties and, surprisingly at a first view, the other localities. On the other hand, the seaside, the spas and the Delta have known small rises in terms of hotels' number. It is not hard to observe that more hotels were built in the cities and the Carpathian Mountains, meanwhile the eastern part, which involves the seaside and the Delta, was, somehow, left behind.

Graph 1: *The evolution of the hotels, by tourist destination*



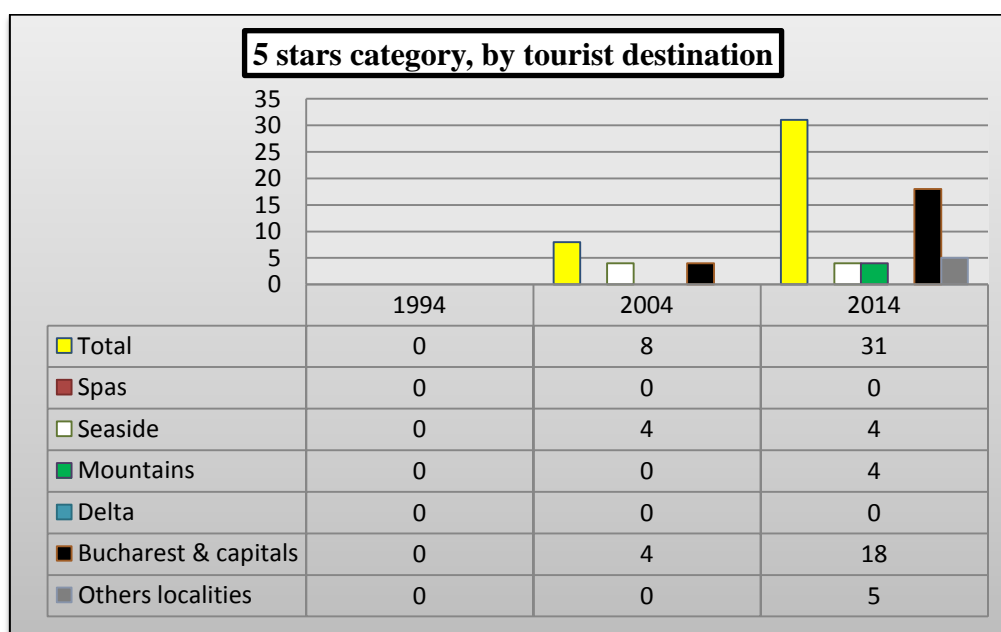
Source: *Own interpretation from* <http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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In terms of categories, in Romania there are, more or less, 6 criteria of classification for hotels: 5 stars, 4 stars, 3 stars, 2 stars, 1 star and the last criteria, called “no classification”. The last one will be left aside because it does not possess a meaningful influence.

Starting with the highest category, 5 stars, we have to notice that, until 1998, there were no 5 stars hotels in Romania. The first one was built in Bucharest, the Intercontinental, quite big for its time. It was built, most likely, in order to define its role as a “grand metropolis in progress”. Due to the fact that Bucharest is taken under consideration together with the capitals of the counties, these tourist destinations hold the lead, with a considerable distance from the other ones. However there are destinations, which seems to not attract the attention of the 5 stars hotels owners, or perhaps it is due to the strategy; for example, what reason should there be for a 5 stars hotel in the Delta, when, generally, the tourists which visit the Delta are looking for silence, rest and a good old-fashion of fishing game, not to seek hotels with high conditions. It respects the general tendency, as the growth from the last 10 years is obviously higher than the one from the first 10 years.

Graph 3: *The evolution of the 5 stars category, by tourist destination*

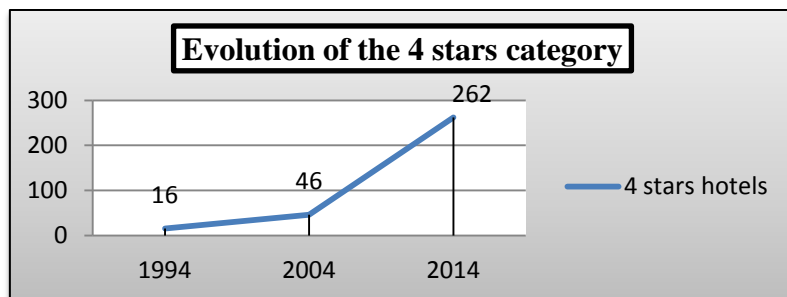


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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Regarding the 4 stars category, basically, the changes respect the tendency: a great raise in the last 10 years.

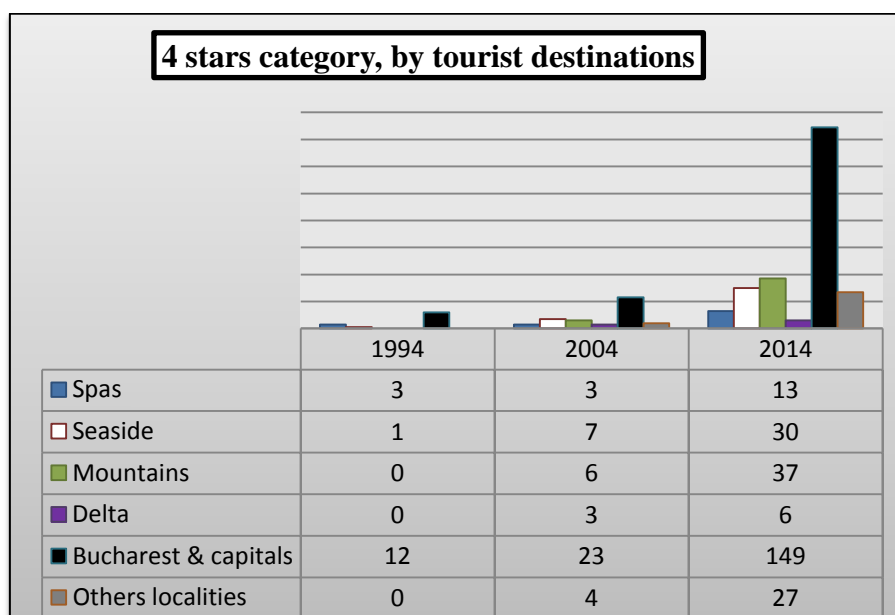
Graph 5: *The evolution of the 4 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

A great raise was registered in Bucharest and the capitals, the mountains and in other localities, only this time, it is registered an important raise in the seaside too. In particular, in Bucharest and in the capitals, over the last 10 years, there has been a growth of more than 600%, more than 100 hotels of 4 stars being built.

Graph 4: *4 stars category, by tourist destination*

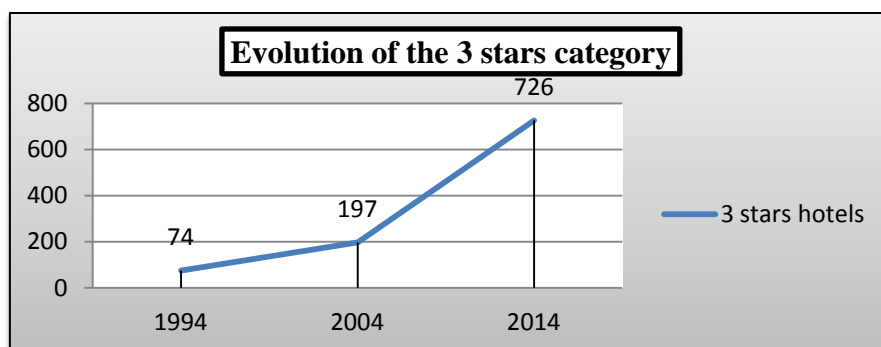


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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Following the graph below, which represents the evolution of the 3 stars category, the tendency is, yet again, respected: the last 10 years have seen a raise of over 500 hotels.

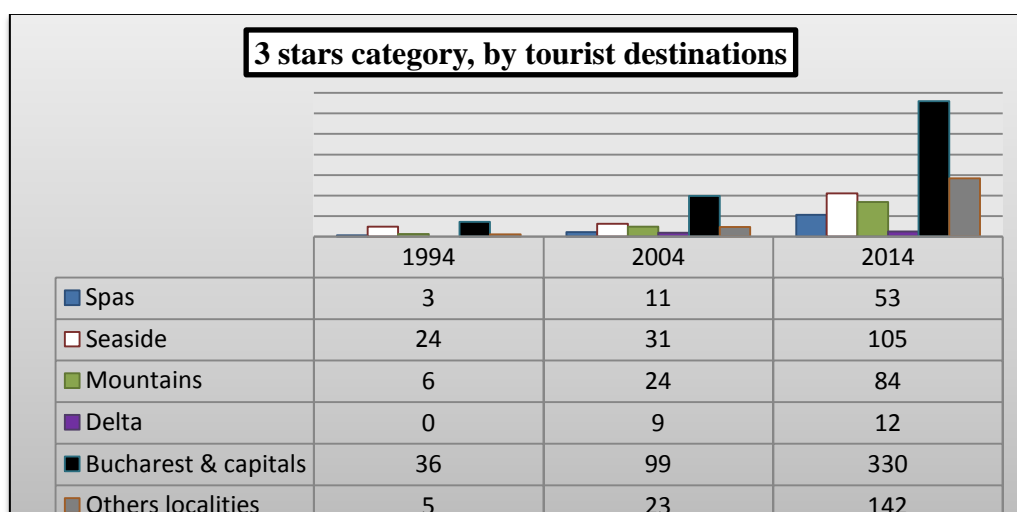
Graph 6: *The evolution of the 3 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Only this time, there were destinations like the seaside, the mountains, the spas and the cities (no matter if they were capitals or not) which enjoyed a bigger increase in terms of hotels. Mostly because, these are destinations with big numbers of tourists coming every year, so it makes sense developing a network of hotels in these areas to ensure the satisfaction of their clients and not only.

Graph 7: *3 stars category, by tourist destination*

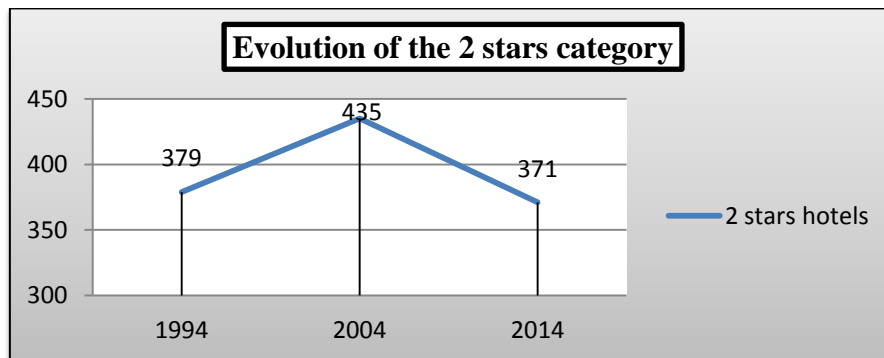


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

THE ANALYSIS OF THE HOTEL INDUSTRY IN ROMANIA. TRENDS AND FACTS

Regarding the 2 stars hotels, if in the first decade, a small raise was registered in almost all tourist destinations, in the second decade, there's a fall, influenced by the newly improved demand of the tourists, which, by the time, expected better and better conditions.

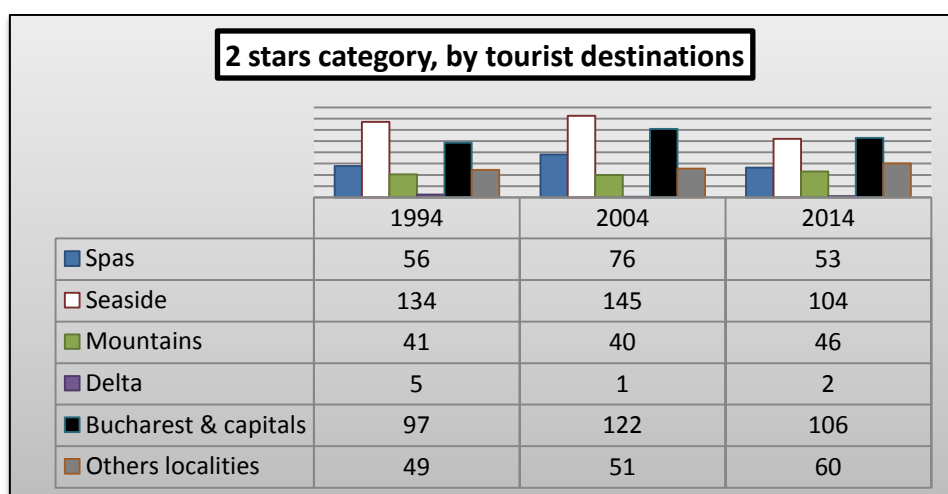
Graph 8: *The evolution of the 2 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Small increases were registered in the mountains and Bucharest & capitals. The rest of the destinations registered drops but no so important. It's the first quality category where a decrease is registered over all period, but it will not be the only one.

Graph 9: *2 stars category, by tourist destination*

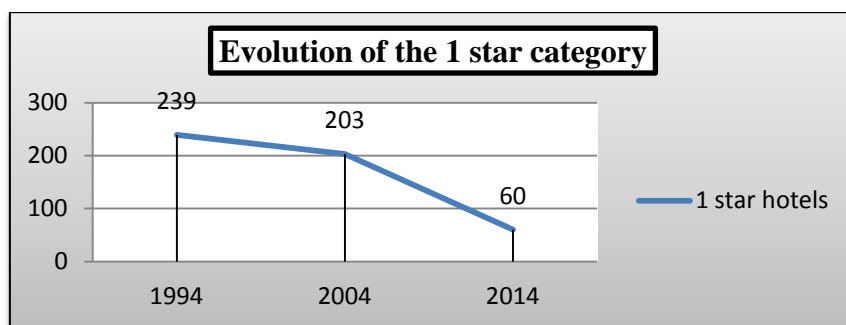


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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The decrease of the hotels of 1 star was obvious; as time went by, the country got closer to the European habits and requests, the people started improving their lives, so they began to invest more in quality than in quantity.

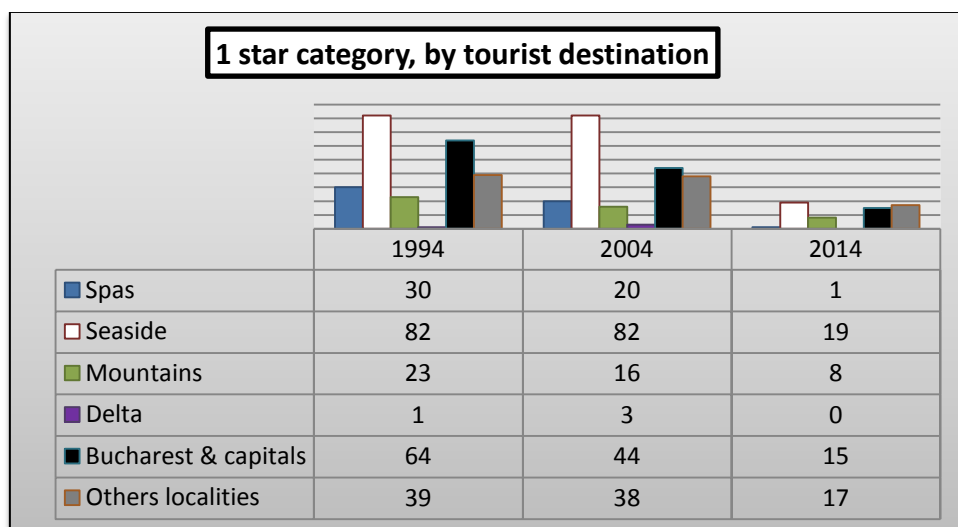
Graph 10: *The evolution of the 1 star category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

The trend is reversing here: small drop in the first 10 years while the last decade registered massive drops in all categories, as a sign of a higher quality demand from tourists. Interestingly enough, in the Danube Delta the number of hotels rose in the first decade, only to remain with none in 2014.

Graph 11: *1 star category, by tourist destination*

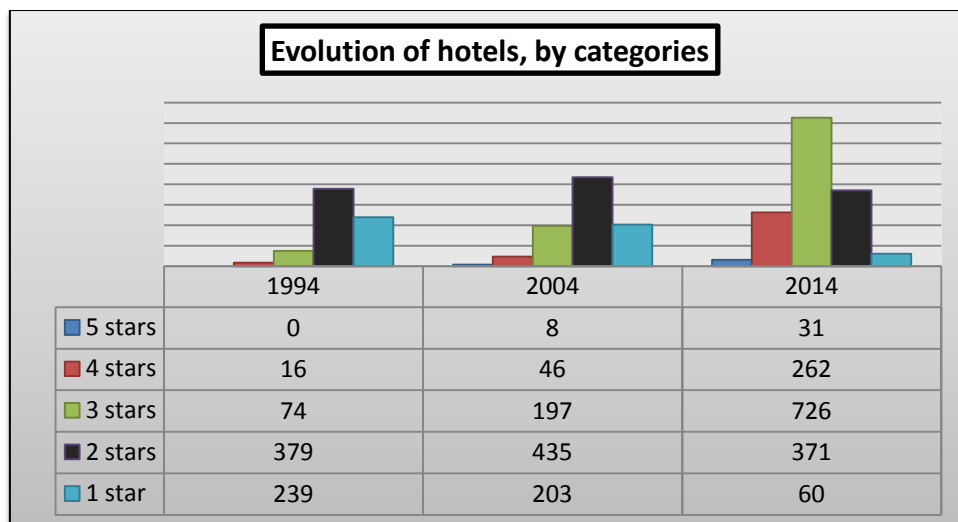


Source: *http Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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From the discussion above, it emerges a more logic point of view: the first decade was one of adjustment, in which tourism couldn't evolve properly as long as the country faced critical internal problems, regarding economic behavior. To attract European tourists and not only, they had to (re)create European environments in the hotels, so they focused more on 3+ stars hotels and less on 2 and 1 star hotels. In time, this industry seized the opportunity to develop more suitable accommodations to satisfy all of tourists' desires.

Graph 12: *Evolution of hotels, by category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

As a trend, we notice that first decade saw a raise (especially in higher categories) while the second one registered massive increase, mostly into the 3 stars category.

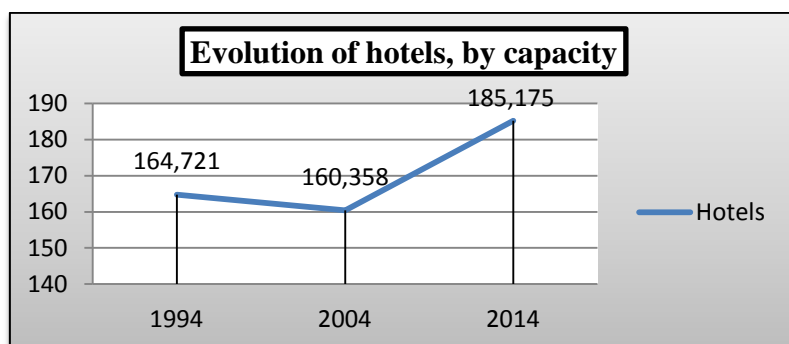
4.2. Capacity

The second part of this analysis focuses on the capacity of the hotels (places or beds, not rooms) and how it has developed during these 20 years, taking in consideration also the tourist destinations, and pointing out the “hot-spot” for tourist supply.

There are no major changes during the first 10 years, only a slight decrease, which will be overrun by the raise from the following 10 years.

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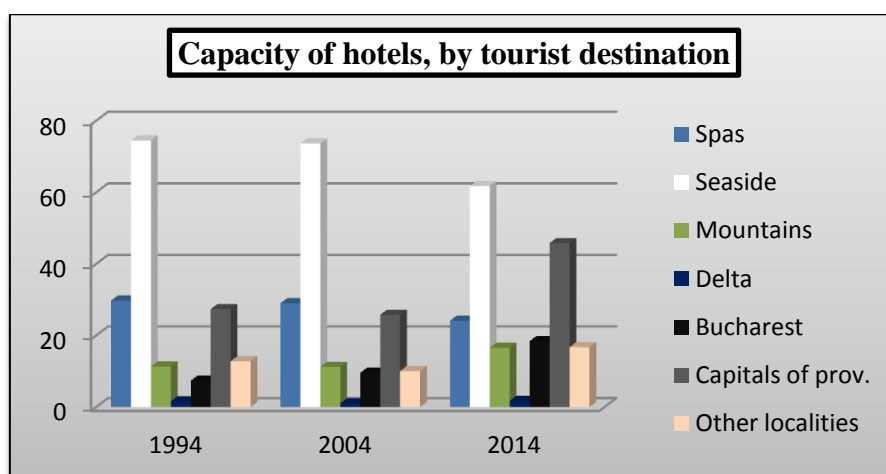
Graph 13: *Evolution of hotels, by capacity*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

It looks like the destinations that have registered small raises in terms of number of hotels have registered drops in terms of capacity (seaside, spas), with the exception of the Delta. Meanwhile, significant increases were seen in the following tourist destinations: the mountains, Bucharest, the capitals of the counties and other localities. Another thing that stands out is the fact that in the first decade, only the hotels from Bucharest increased their capacity while the rest of them registered drops, this way Bucharest seems to be a landmark for the beginning of the hotel industry in Romania.

Graph 14: *Evolution of hotels, by tourist destination*

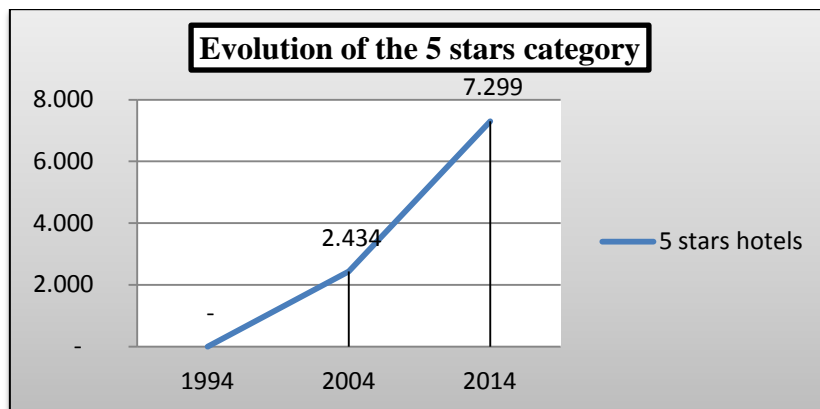


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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Slowly, as the number of 5 stars hotels began to rise, the same happened to the capacity of these hotels. And, with the construction of new hotels, appeared rooms with more places, more beds.

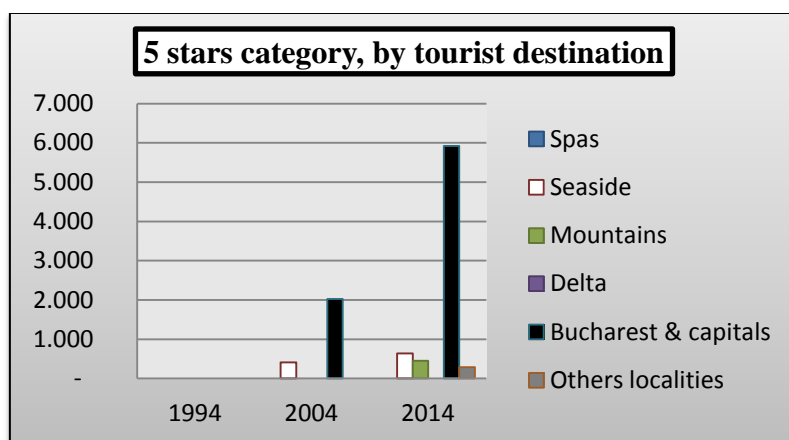
Graph 15: *The evolution of the 5 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Due to the fact that in the last 10 years have appeared many 5 stars hotels, most of them in Bucharest and in the capitals of the counties, in terms of capacity, this destination stays in front, covering more than 80% of the national supply capacity (of the 5 stars hotels).

Graph 16: *5 stars category, by tourist destination*

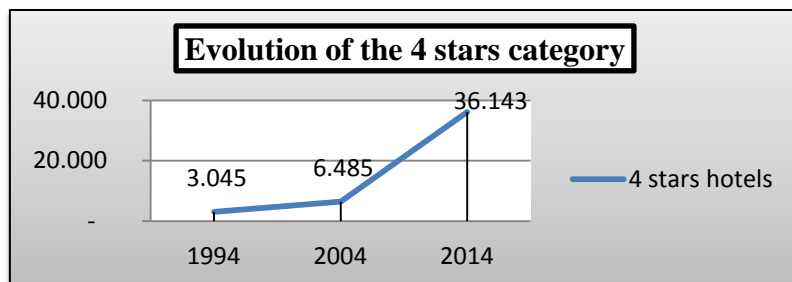


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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The hotels from the 4 stars category are the ones that have largely extended their capacity, especially in the last decade.

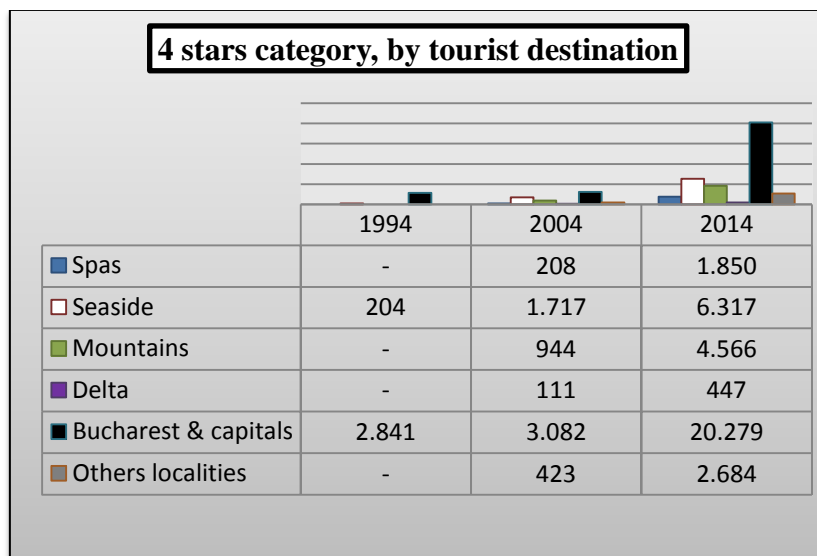
Graph 17: *The evolution of the 4 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

A certain proof stands as the giant increase registered in Bucharest and the capitals of the counties in the last years (more than 17,000 places). But this wasn't the only destination that increased heavily in the last decade. The mountains and the seaside are also destinations that enlarged their capacity to satisfy their enormous demand, especially during summer season.

Graph 18: *4 stars category, by tourist destination*

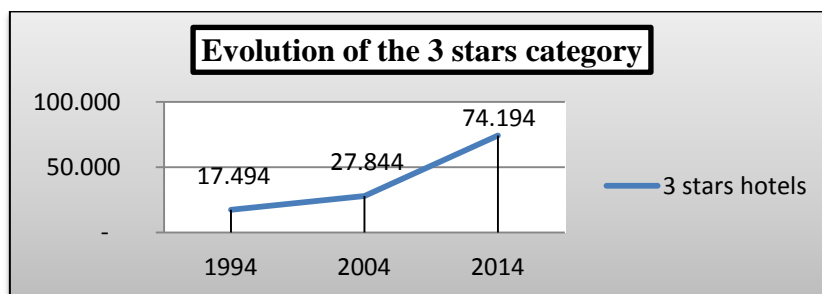


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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One of the categories that have seen big changes is the 3 stars category. It comes naturally that the category with the biggest number of hotels (more than 700) has the biggest capacity. We notice from the figure below the impressive increase that the 3 stars category has between 1994 and 2004, but it actually peaks in the last decade.

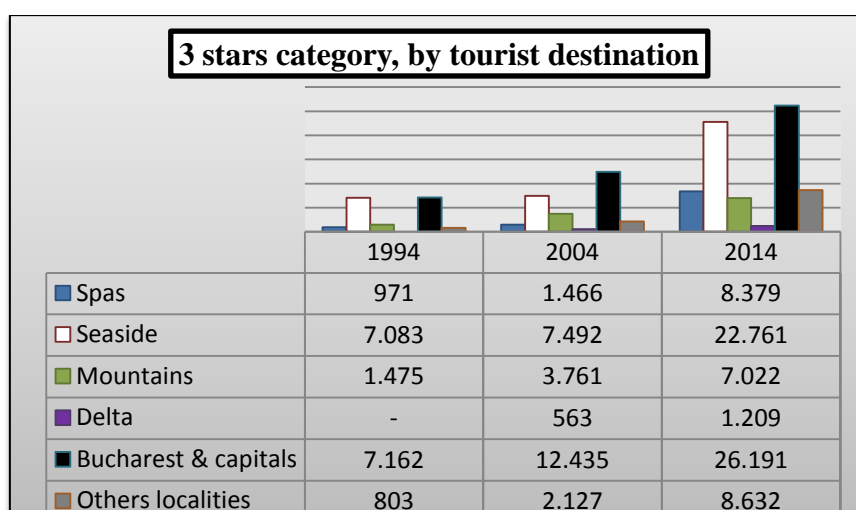
Graph 19: *The evolution of the 3 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Destinations like the seaside and Bucharest & capitals are in top, with increases higher than 200%. Yet, increases are registered in all destinations. The mountains, the spas and other localities register significant growths. Yet again, the delta's capacity isn't among the highest.

Graph 20: *3 stars category, by tourist destination*

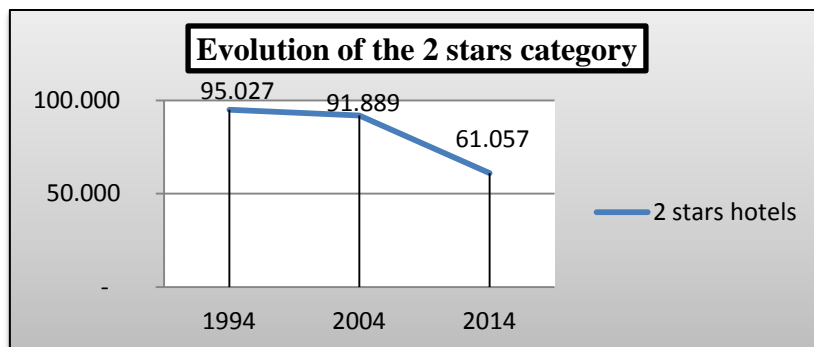


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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Regarding the 2 stars category, if in terms of number of hotels the drop isn't so obvious, in terms of capacity, it is more than obvious.

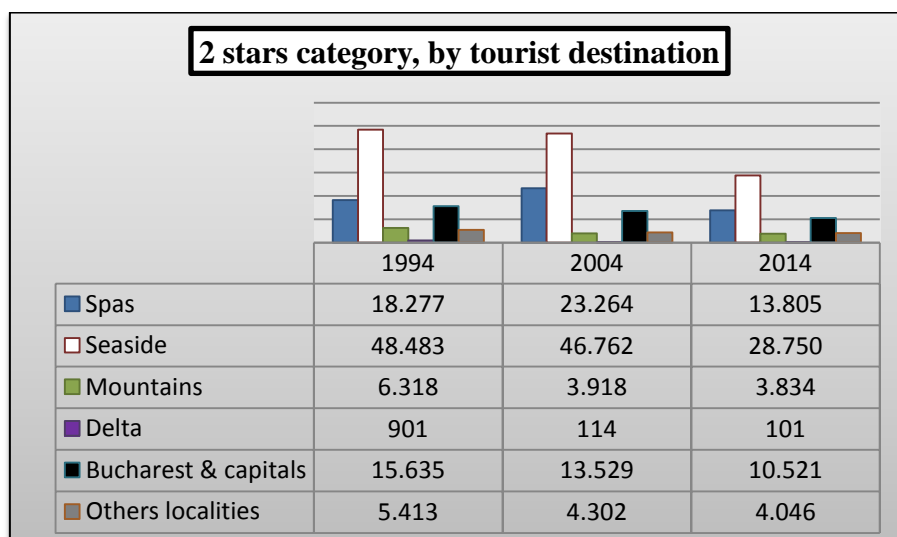
Graph 21: *The evolution of the 2 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

In 20 years, the 2 stars hotels lost more than 30% of their accommodation capacity, the biggest drop being registered in the seaside (almost 20,000 places). As it can be seen, every 10 years all the destinations register drops in their accommodation capacity.

Graph 22: *2 stars category, by tourist destination*

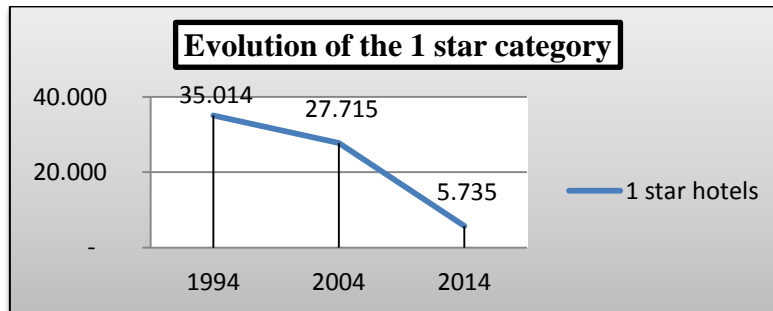


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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If we take a look at what happened to the 2 stars hotels (number and capacity), we can guess towards what it heads the last category. The drop until 2004 is significant but what comes after is a normal result of the trend; it results a total loss of more than 29,000 places.

Graph 23: *The evolution of the 1 star category*

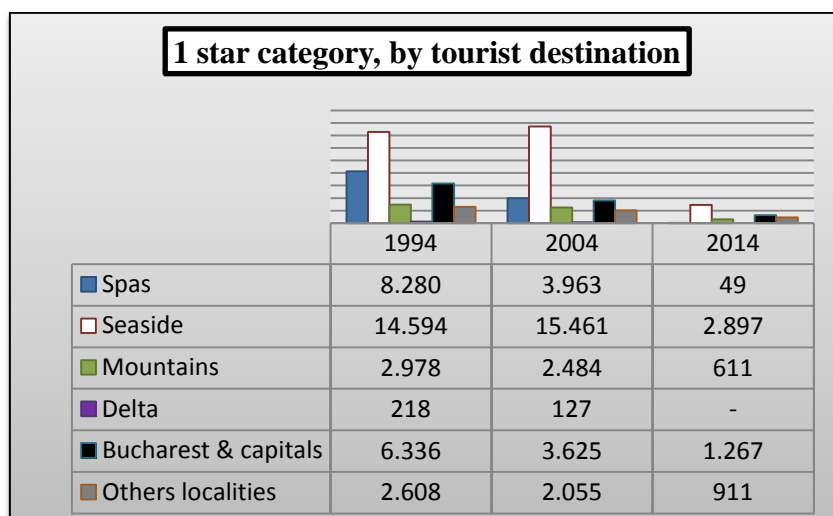


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

The only destination where was registered a increase in the first decade was the seaside, while in all other destination capacity of the hotels shrunk, due to the fact that in this period more than 30 hotels were closed or transformed in higher quality hotels. In the last 10 years there were big drops in all destinations. The biggest drop is the one in the spas, which in 1994 had 30 hotels, and now has only one; it lost more than 8,000 places in terms of capacity.

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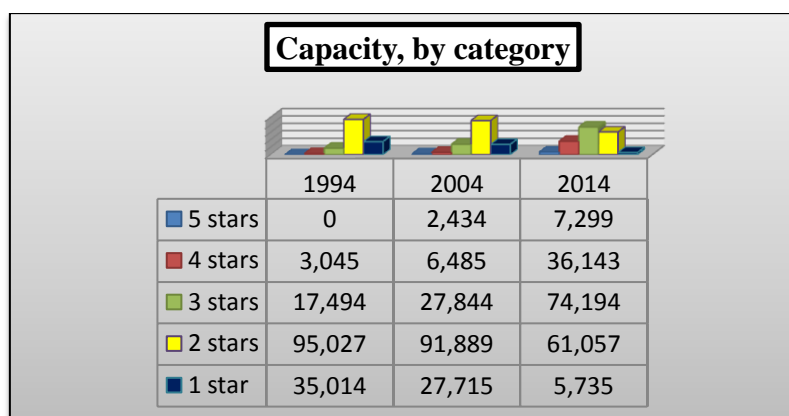
Graph 24: 1 star category, by tourist destination



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

If in the 3, 4 and 5 stars categories, the hotels number as the accommodation capacity grew during these 20 years, the hotels of 2 and 1 star category suffered big drops, all due to the trend that followed this industry. Risen the higher categories, fall the less luxurious ones. Per general, the tendency is respected in this case too. First decade sees a small raise while the second one sees a bigger increase, although not spectacular but big enough to produce some changes.

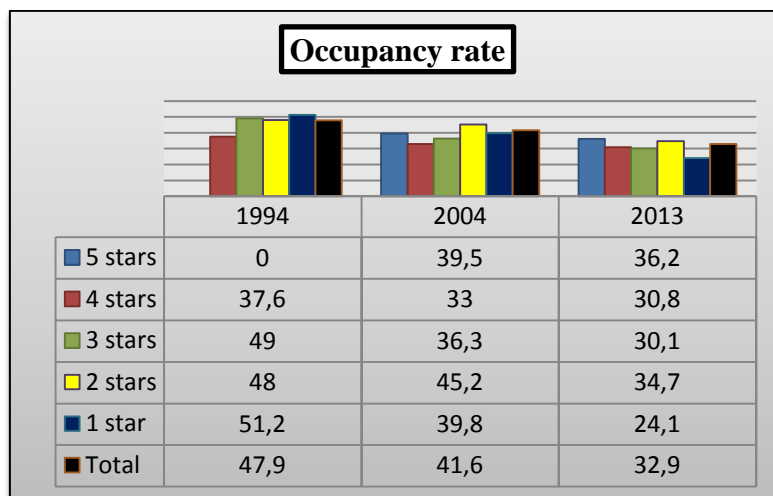
Graph 25: Evolution of hotels, by category



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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Graph 26: *Occupancy rate*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

The occupancy rate shows the number of rooms that have been occupied during a year in comparison with the total number of rooms of a hotel²² (in this case, of the hotels of a certain quality category). Basically, is a rapport between the total rooms occupied and total hotel rooms, multiplied by 100 so that the outcome may result in percentage. The graph above shows how the 1 star category went from more than 50% to less than 24% in 20 years. It lost more than half. In all quality categories the occupancy rate decrease which isn't a rare thing; it appears that the same thing happened in Spain also²³.

20 years ago, the lower categories were most effective ones, but with time, the occupancy rate reveals that hotels are emptier than they used to be. If the number of hotels has risen and the capacity has decreased, this can only mean that hotels with big capacity collapsed (like the 2 stars hotels) and that the new hotels that were built didn't enjoy of such bigger capacity as the previous ones.

It looks like in the last 20 years Romania focused more on building hotels of greater conditions, especially in the regions of great tourists' traffic, like the big cities, the seaside and the mountains. Regarding the Delta, we have seen that are not many hotels

²² <http://www.insee.fr/en/methodes/default.asp?page=definitions/taux-occupation-hotel-camping.htm>, accessed on 25 of June, 2015

²³ Artal A. et al (2011): *Duración de la estancia, características del destino y perfil del turista de litoral: análisis mediante modelos de regresión de Poisson. Papers de Turisme, Vol. n° 49-50 pag. 105-120*

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here, and as consequence, no big capacity. The Delta has many guest houses and houses where rooms can be rented, so big, fancies hotels, don't quite belong there. The seaside continues to be one of the greatest tourists' destinations, maintaining itself as an important Romanian product, since before communism. The spas nowadays are beginning to attract more and more foreign tourists; they were more known for their success in attracting Romanian tourists, foreign tourists weren't so into Romanian spas. Now, things have changed. Perhaps this is the reason why the hotels' number is growing in this tourist destination. In the destination described as other localities, there is a great potential for agro tourism, religious tourism, rural tourism etc., and the responsible people are trying to use this in their advantage. The Carpathian Mountains is a destination that sure is worth the effort, fact confirmed by the increase in hotels' number and capacity.

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5. THE DEMAND

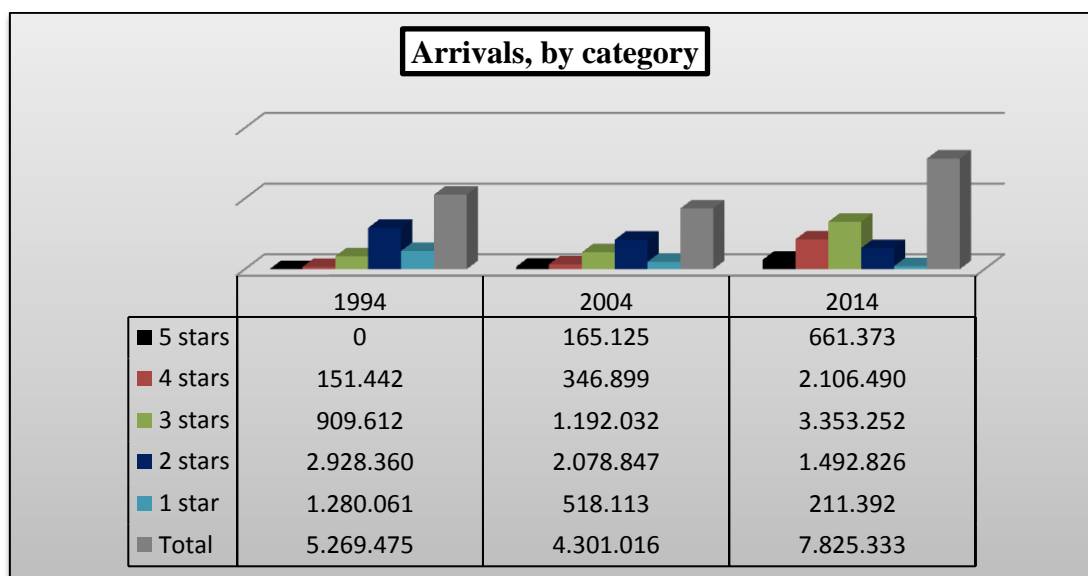
As the previous chapter, the demand of the hotel industry in Romania will be analyzed during a period of 20 years (1994-2014). The main indicators of the demand are the arrivals and the overnights of available type of tourists, foreigners and Romanians (better put, residents and non-residents). This analysis will provide significant data about the hotel categories and how it evolved during this period, resulting into an outcome that will show the either a steady and proper evolution of the industry or a not trustworthy industry for investments.

5.1. Arrivals

Because of the poor infrastructure, the hotel industry couldn't be as powerful as it may be nowadays, but, as time passed by, it grew stronger. In 1994, the biggest number of arrivals was registered at the 2 stars category, almost 3 million, followed by the 1 star category, mostly due to the high number of hotels (379 and 239). On the other hand, the highest comfort categories did not enjoy good numbers in 1994. A poor offer of the 3 stars category and even a poorer offer, in terms of hotels' number and quality from the 4 stars category. However, as it was proven, tourism is a growing industry and in order to survive its demands, or better said the clients' demands, quality had to be offered and began to grow faster than quantity. We can see in the graph below, that in 2004, the lower categories already began to lose clients and the higher categories began to win more and more clients. In 20 years, the 2 stars category lost almost half of the total number of arrivals while the 1 star category lost more than 80%. As Romanians began to accustom with European style of life (more or less) so had the tourism industry and by so, the hotel industry. The highest quality category climbed to better numbers while the 3 stars category became the category that gathered most tourists in 2013, followed by the 4 stars category. A fact that speaks for itself about the evolution of the hotel industry, about the tourism in Romania and about the fast changing preferences of the clients, clients which, are mostly formed of Romanian tourists, one of the biggest problem tourism has in this country.

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Graph 27: *Total arrivals, by category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

The first thing that attracts our attention is the fall of the arrivals in 2004, underlining the difficulty of the first decade. Interestingly, while the total demand has fallen in the first decade the supply has increased. In other words, investors had faith that once with the total adherence of Romania to Europe (E.U.) the hotel industry will benefit, among other industries. And it paid off. In the last 10 years, the total number of arrivals increased by more than 80%.

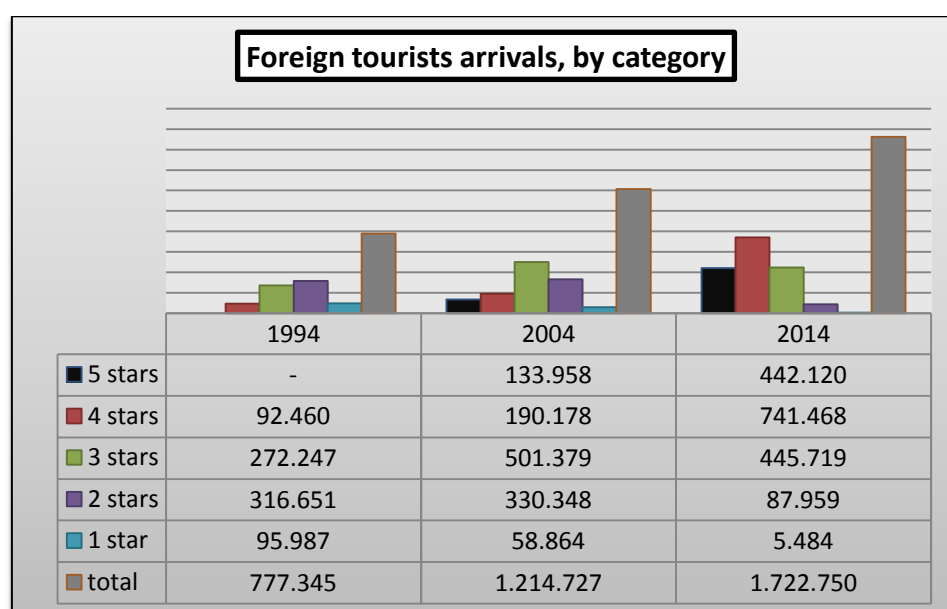
As previously said, most of the total number of tourists are Romanians. If we compare the results from the latest year with the data from one and 2 decades ago, the difference isn't that significant. The foreigners have, indeed, enlarged their participation at the total number of tourists while the number of Romanian tourists has decreased. However, the difference is still overwhelming, the foreign tourists' number still being in clear disadvantage to the Romanian tourists' number.

All 5 categories are formed, in majority, by Romanian tourists, except for one. The 5 stars category is the only one that registered, every year, since the appearance of it, first time in Bucharest, more foreign tourists than Romanian tourists. If in 2004, the foreigners formed more than 80% of the total of the arrivals registered in the 5 stars

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hotels, in 2014 they form less than 70%, meaning that Romanians also have begun to enjoy more and more of the higher conditions offered by this category. The 4 stars category began with a higher number of foreign tourists than the number of Romanian tourists but, in less than 10 years, it changed. Nowadays the number of Romanian tourists exceeds the number of foreign tourists by nearly half of million. Nevertheless, this category is the favorite of foreigners, here being registered the highest number of tourists, more than 740,000, more than the 5 stars and the 3 stars category (data registered in 2014).

Graph 28: *The arrivals of the foreign tourists, by category*



Source: *Own interpretation from <http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>*

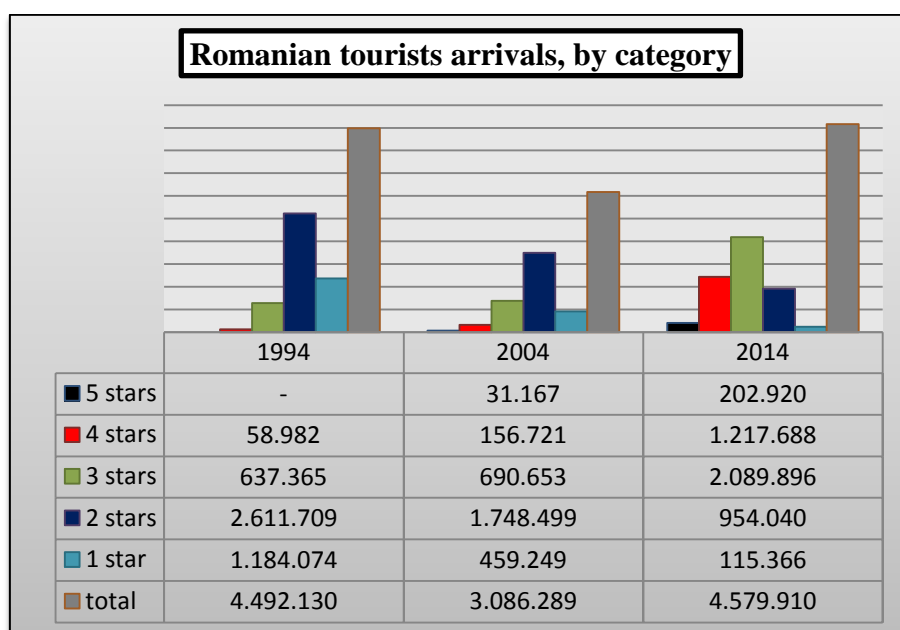
If the 4 stars is the foreigners' favorite, the 3 stars category is the Romanians' most appreciated hotel category. If we take a closer look at the graph of the above, we can notice 2 trends that took place during this period. If in 1994, foreigners preferred the 2 stars and the 3 stars category, nowadays it seems that they rather enjoy the 4 and the 3 stars categories. Simply put, every 10 years, a higher category registered the biggest number of foreign tourists' arrivals, perhaps because of the decrease of the lower categories' supply. As a deduction we may say that foreign tourists come in Romania

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and spend each year more money (as they move towards higher quality categories of hotels, and more expensive).

The other trend regards the other type of tourists. In 1994, the Romanians were mostly registered in the 2 stars as in 2004 as well, but in 2014 the 3 stars categories exceeded expectations and registered more than 2 million Romanian tourists. If we take a look at the graph below, we notice a difference between the increases in the first and the second decade; the conclusion is more than obvious: the second decade brought a greater affinity of the Romanian tourists towards the 3 stars hotels. Per overall, in the first decade the demand lost almost 1/3 of the arrivals registered in 1994, but managed to recover and even overcome the loss in the second decade, proving once more that the investors were right to build more hotels even though the total demand decreased per overall.

Graph 29: *The arrivals of Romanian tourists, by category*



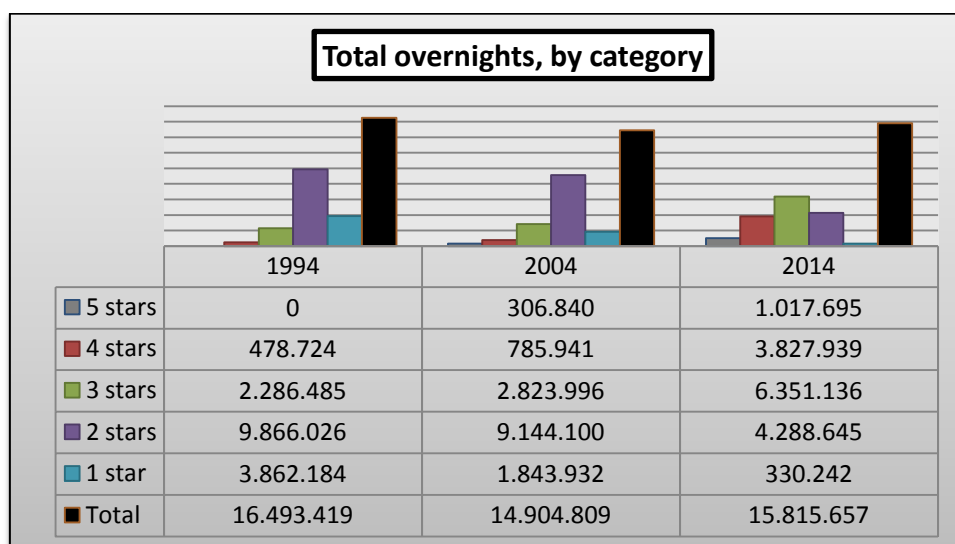
Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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5.2. Overnight stays

The data resulted from the analysis of the overnights should be related to the data resulted from the previous analysis, more or less. Regarding 1994, the category that Romanians preferred the most, the 2 stars category registered nearly 10 million overnights, exceeding by far the rest of the hotels' category. The poorest category also registered a high number of overnights and it even grew more the following 2 years. The trend can easily be seen here as well; the first decade saw small increases in the higher quality categories and more significant decreases in the lower quality categories. Nevertheless, the second decade brought significant rises in the higher categories, for example the 4 stars category had an increase of more than 180%, and moreover the 5 stars category saw a rise of more than 220%. However, the biggest increase was registered in the 4 stars category: nearly 490%. Meanwhile, the other categories lost a high amount of overnight stays, for example the category of 2 stars lost more than half and the category of 1 star came from 1,8 millions to 0,3. The main reason of these drops is the fall of the arrivals in these undervalued categories.

Graph 30: *Total overnight stays, by category*

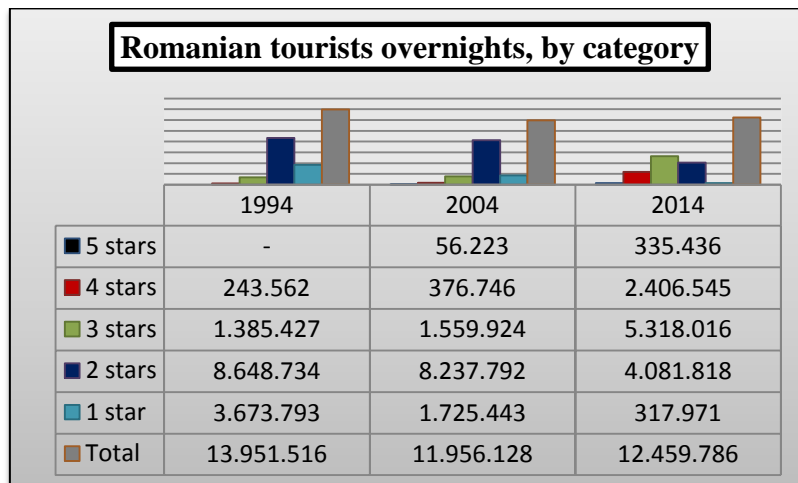


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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In terms of tourists type, it seems that, nowadays foreigners prefer spending more nights in the higher quality hotels rather than in lower ones. But, in 1994, both categories of tourists used to spend more nights in the 2 stars hotels than in any other category hotel.

Graph 31: *Overnight stays of Romanian tourists, by category*

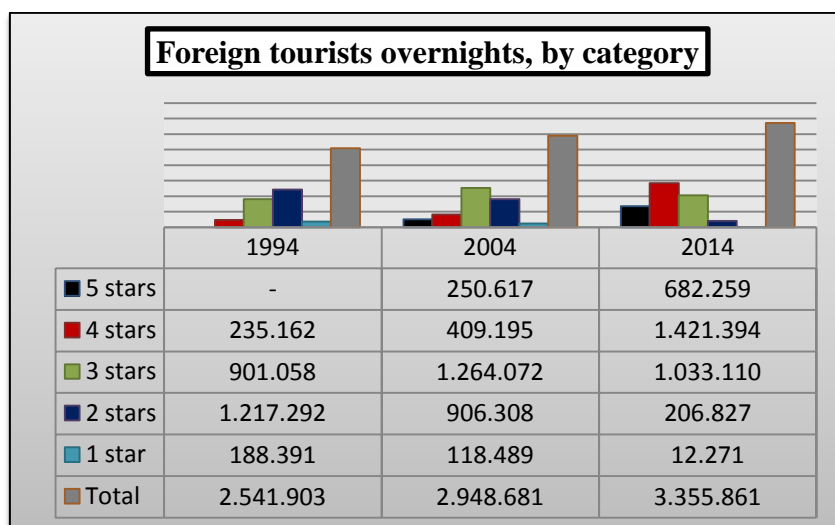


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

A decade ago, the 2 stars category still was the most appreciated by the Romanian tourists in terms of overnight stays, while foreigners moved to a higher category. Last year saw a rise in both types of tourists. The Romanian demand, in terms of overnight stays has the same trend as in terms of arrivals: falls in the first decade and rise in the second one, only this time does not recover all that lost. As percentage, the gap from the first decade is not as big as the arrivals' fall. Neither is the growth in the second decade.

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Graph 32: *Overnight stays of foreign tourists, by category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

While the number of nights spent by the Romanians in the 3 stars hotels overcame the number of overnights spent in the 2 stars, foreigners climbed one more category. More simply put, in 20 years, foreigners came from spending most of the nights from 2 stars category to 4 stars category while the Romanians came from 2 stars to 3 stars. As in the Romanian demand's case, the foreign demand in terms of overnight stays has the same tendency as it has in terms of arrivals: nearly equal growths in both decades.

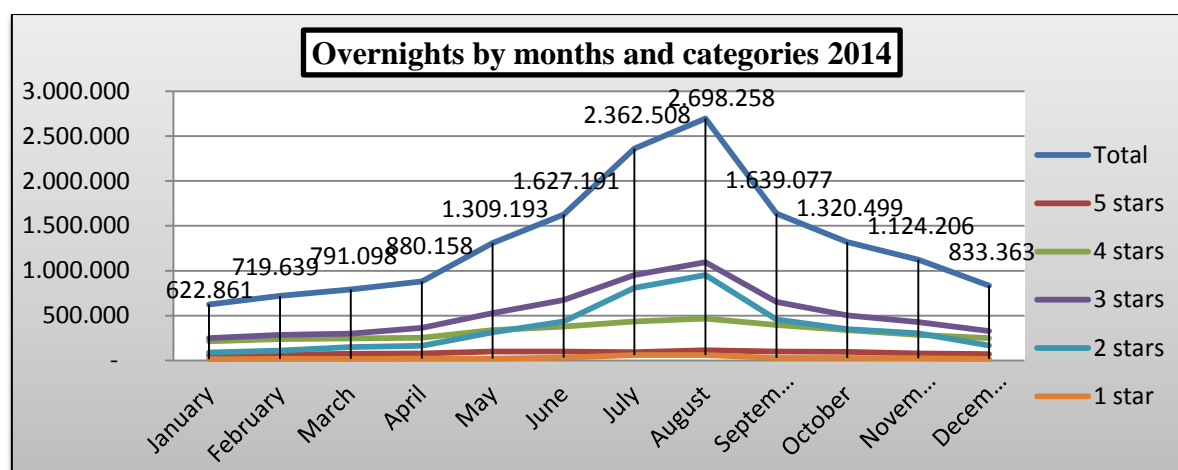
The graph below shows the seasonality in Romania. Seasonality presents fluctuations in the arrivals and overnight stays of the tourists because of a large volume of factors like weather conditions, institutions schedule, etc²⁴. Simply put, it concentrates a big number of tourists (and visitors) during the summer season. As a general problem in tourism, seasonality shows the same issues in Romania too. Because of it, in summer there an over demand of workforce while in the other months there might appear a lack of demand of labor. Other problems that may occur are inefficiency, overburden of the workforce, and others. Looks like in 2014, the month that registered most overnights was August, followed by July and June. No wonder that summer months are the ones that register the highest numbers of overnights spent. Months like March or April

²⁴ <http://europe.unwto.org/es/node/41083>, accessed on 25 of June, 2015

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register more overnights than winter months²⁵. In the last 4 years, summer months are preferred by tourists in the detriment of winter months. Blankly put, winter is the period with the fewest overnight stays registered in the season, although Romania presents good features for some winter sports and not only. The Carpathians Mountains or the region of Transylvania should provide enough raw materials to develop specific winter activities. Unfortunately, it lacks either publicity or good management of the investments; or perhaps it lacks both of them.

Graph 33: *Overnight stays, by months and categories in 2014*



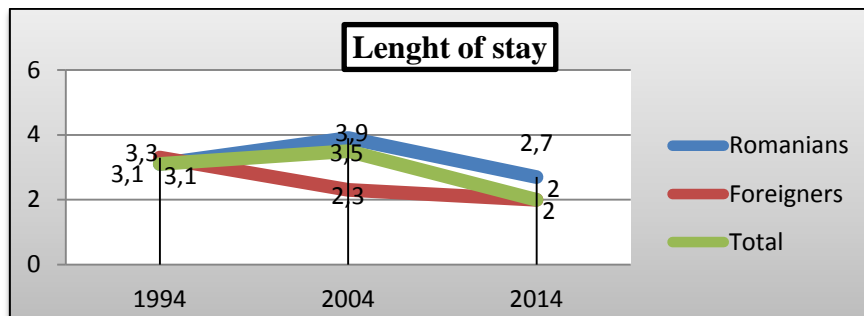
Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

From the data resulted, an index that measures the length of stay can be calculated. As we can see below, at the beginning of the analyzed period, the index shows that foreigners spent more nights than Romanians did, but, with time, things have changed. In one decade, not only that Romanians began to spend more nights than foreigners, but also the difference became highly significant (a difference higher than 1 night per overall). The last decade reduced this gap to half. Before, the general index was relying more on the Romanians' nights spent, yet it seems that last year, foreigners had a hard say regarding this general index. Clearly lower than other countries' index, this shows that Romania is a country used, more or less, as a place for weekends, ends of weeks by both types of tourists, Romanians and foreigners as well.

²⁵ <http://statistici.insse.ro/shop/>, accessed on 10 of June, 2015

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Graph 34: *Length of stay, by tourist type*



Source: *Own interpretation from*

<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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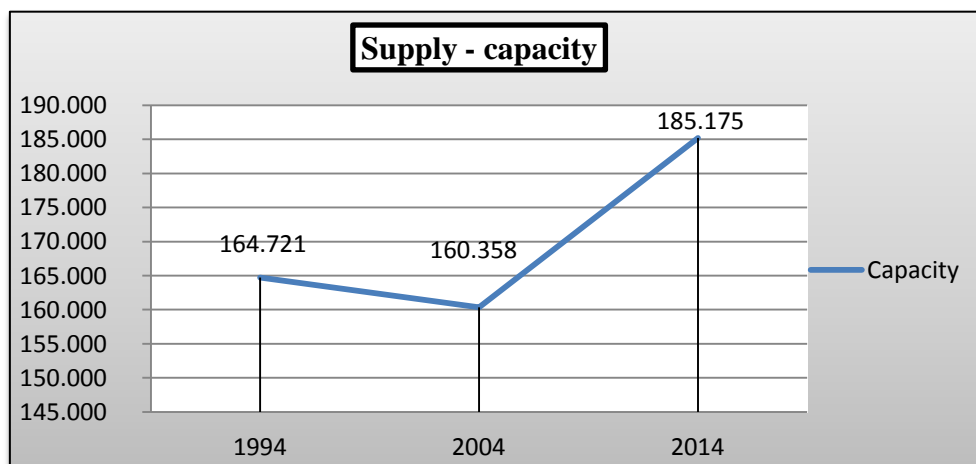
6. RESULTS AND FACTORS.

This chapter focuses on the differences that are between the supply and the demand's evolution, demand's components, hotel category and aims to underline the relations between the supply and demand and how the quality categories depend on the demand from the point of view of the tourist type.

6.1. Supply and demand. Evolution.

Previously analyzed, the supply, from the capacity's point of view, has an evolution that tends to decrease in the first decade and to rise sharply in the second one. But, taking a look at the graph which describes the evolution of the demand, it looks like the trends are alike. First decade registers a drop and the second one sees an increase, higher than the previous drop (as quantity), although not as impressive as the increase of the supply.

Graph 35: *The supply's evolution - capacity*

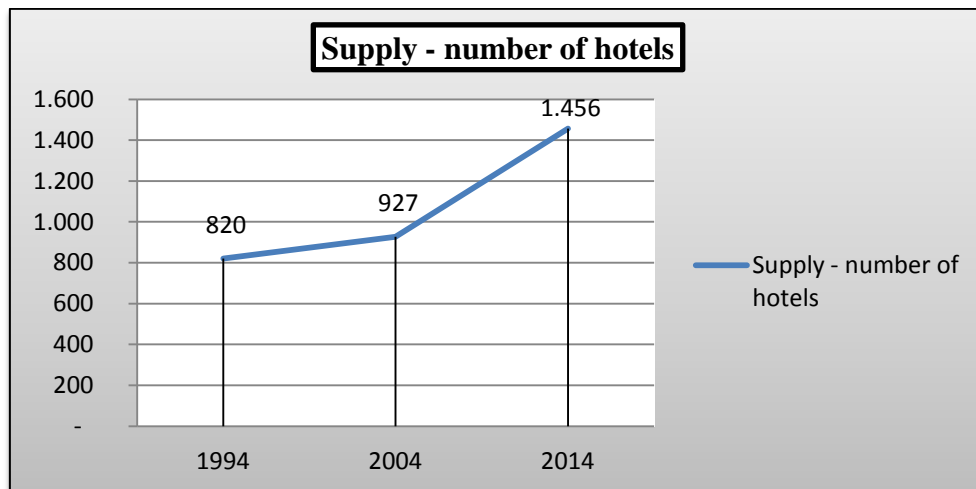


Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

But, if we take a look at the graph below which shows the trend of the supply from the point of view of number of hotels, we see that is different, presenting a small increase in the first decade and an important growth in the second one; meaning that although hotels have risen in number, those that disappeared had a bigger capacity than the new ones and that new hotels that were built didn't had such a bigger capacity as the old ones did have.

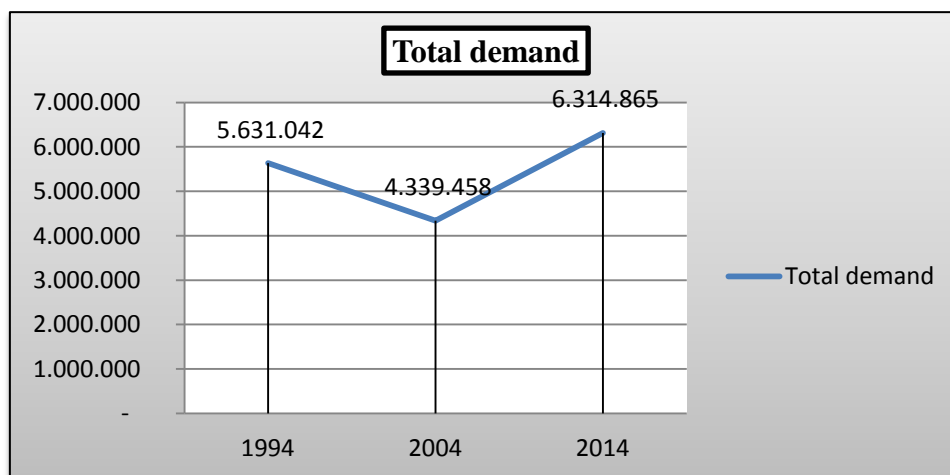
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Graph 36: *The supply's evolution – number of hotels*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Graph 37: *The total demand's evolution*



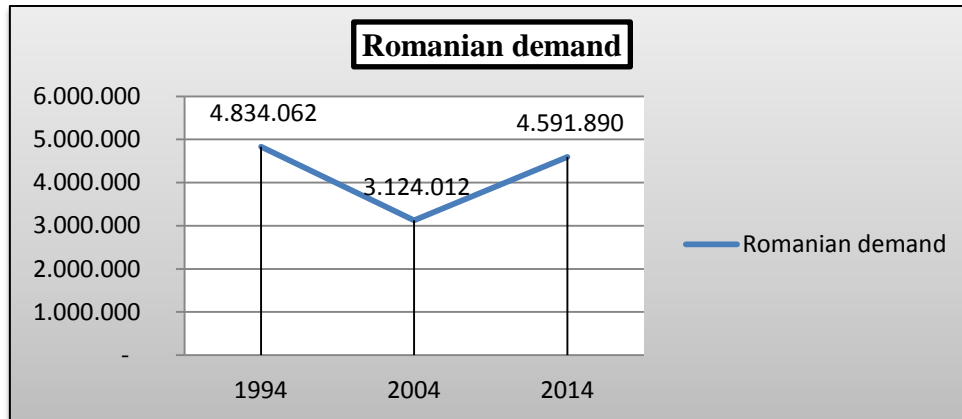
Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

However, from the total demand's graph, things appear to be more difficult to relate. But the demand, in this particular case, has 2 components: Romanian demand and foreign demand. The first is almost similar to the total demand; the only difference appears in the second decade where, at the end of it, the result isn't higher than 20 years

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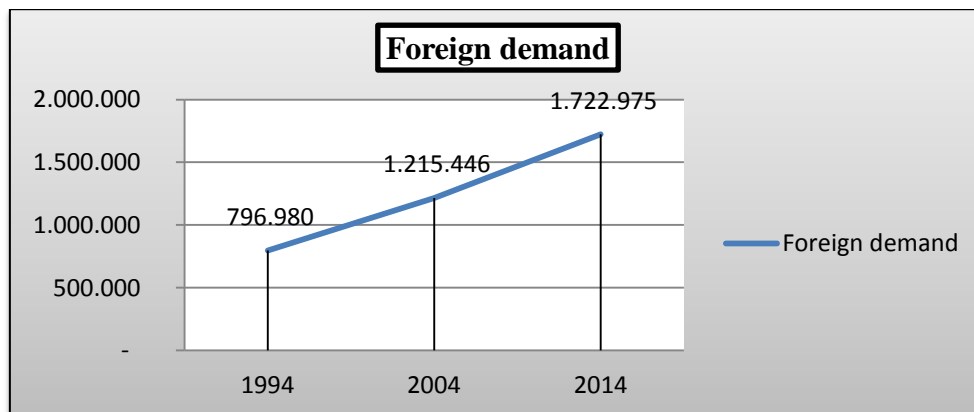
ago. Instead, the foreign demand registers a continuous growth and thereby the difference between the 2 decades is barely noticed.

Graph 38: *The Romanian demand's evolution*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Graph 39: *The foreign demand's evolution*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

The total demand appears to be more influenced, more alike the Romanian demand, because of the higher number that concentrates. If in 1994 the rapport was 6 to 1 in favor of the Romanian demand, in 2004 this rapport has highly decreased, 2.6 to 1. As both demands increased in the last decade, the rapport is more alike 10 years ago, leading to a 2.7 to 1 rapport in 2014. Moreover, to realize the relationship of the supply

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to the demand, and specifically to the Romanian or foreign demand, we can use the coefficient of correlation of Pearson. This coefficient shows the relation between 2 variables, better said a linear relation. The result may vary between -1 and 1. As closer the result is to these extreme numbers, as stronger the relation is. This coefficient although it shows the correlations between the demands (arrivals) and the supply (capacity) and the strengths of the correlations it doesn't say anything about the slope of the line (where it might come some important differences, more or less)²⁶.

Calculating it for the Romanian demand and the supply, as well for the foreign demand and the supply we get the following results:

$$R_{RD} = 0.37 \qquad R_{FD} = 0.84$$

The intern demand seems to have a medium correlation with the supply while the foreign demand has a very strong correlation with the supply, leading to a preliminary presumption that the trend of the foreign demand is similar to the supply. Although appears rather odd to have such small coefficient that shows the correlation between the supply and the residents demand, the next step should provide explanations.

6.2. Categories.

As the supply, each category has its own tendency, influenced by the 2 demands in different measures. We shall notice that there are categories influenced in a higher measure by the foreign demand and categories influenced more by the Romanian demand.

Using the same coefficient but changing the data with the one for the 5 and 4 stars category, we get the next results:

$$R_{RD} = 0.968 \qquad R_{FD} = 0.986$$

$$R_{RD} = 0.992 \qquad R_{FD} = 0.978$$

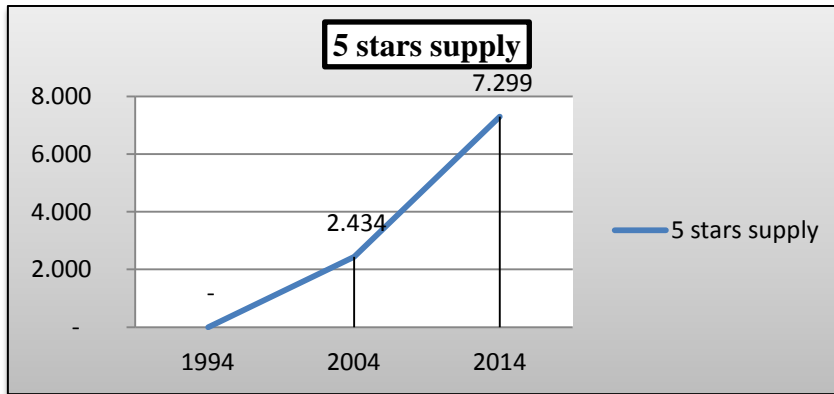
Big numbers resulted from calculating the coefficient of correlation, for both demands. Both correlation are strong and can easily be sustained and explained with the graphs

²⁶ <http://www.statisticshowto.com/what-is-the-pearson-correlation-coefficient/>, accessed on 3 of July, 2015

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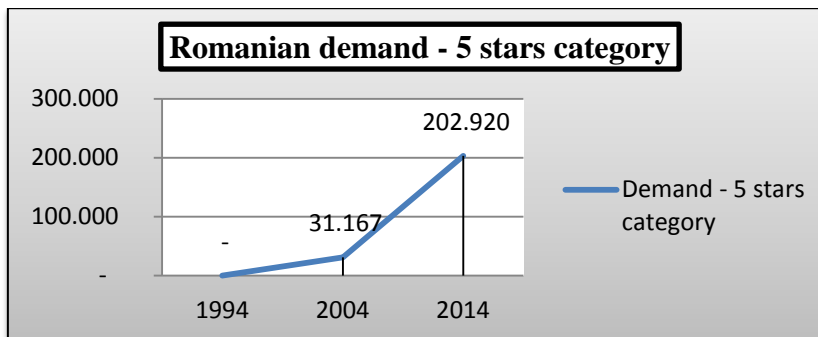
below that show they have the same trend: rise in first decade and an even bigger rise in the second one.

Graph 40: *Supply, 5 stars category by capacity*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

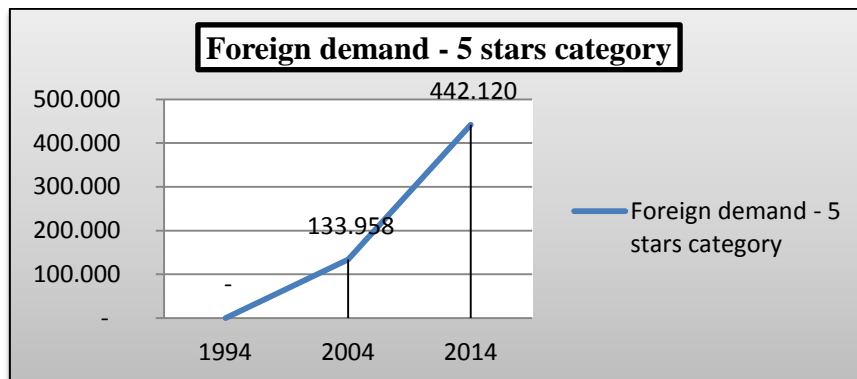
Graph 41: *Romanian demand, 5 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

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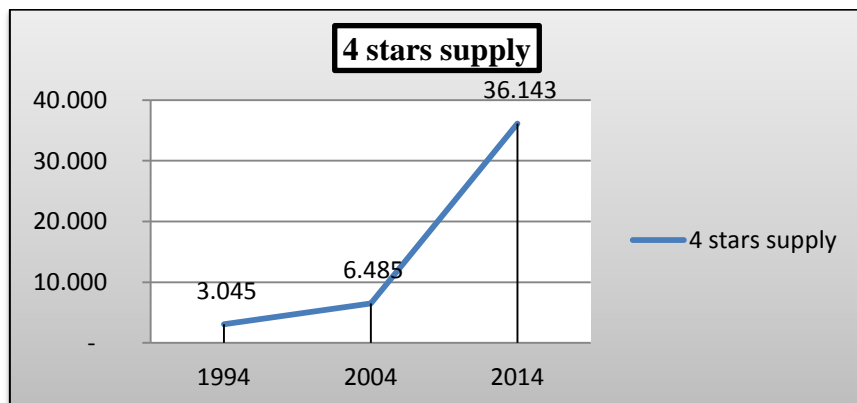
Graph 42: *Foreign demand, 5 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Though the rise from the second decade is obviously bigger than the one from the first decade, it's interesting to notice that until 1998, Romania did not enjoy of any 5 stars hotel, fact that makes the rise more impressive. And it also enjoys the advantage of the numbers.

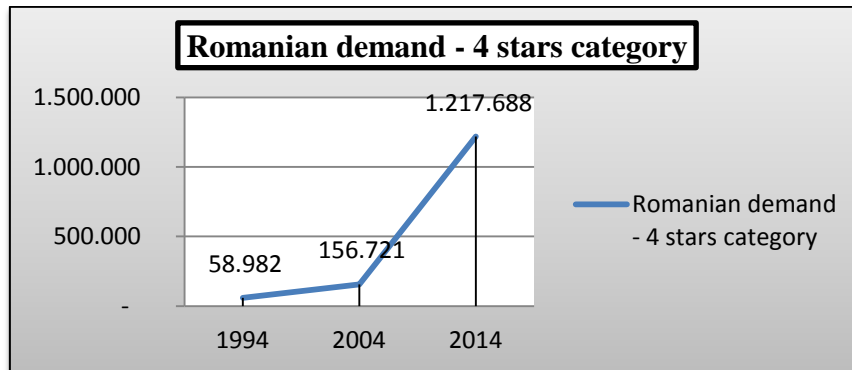
Graph 43: *Supply, 4 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

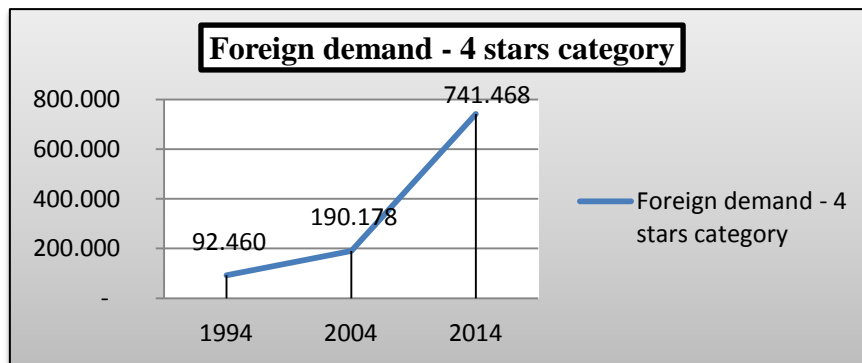
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Graph 44: *Romanian demand, 4 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Graph 45: *Foreign demand, 4 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

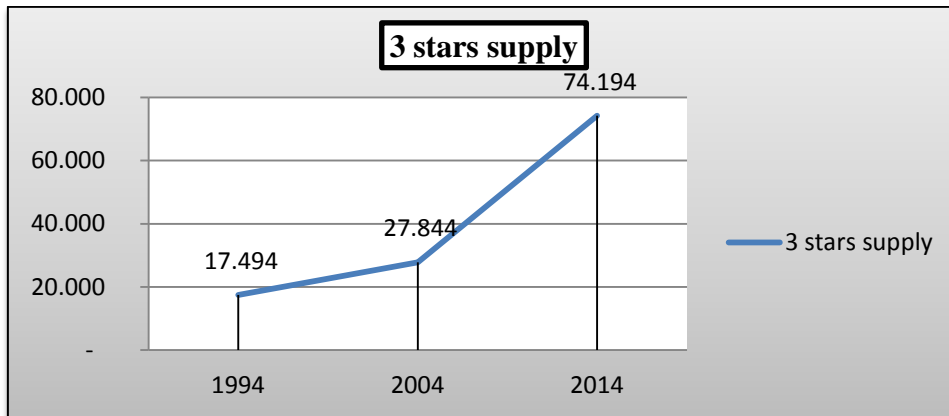
In terms of 3 stars category, things are different:

$$R_{RD} = 0.975 \qquad R_{FD} = 0.312$$

A very strong correlation has the supply with the Romanian demand and a medium (but significantly lower than the previous one) with the foreign demand. Given the trends of the supply and of the demands, we notice the fall of the foreign demand in this category. Therefore it can be said that the supply is influenced by the Romanian demand in this case, as it continues to grow due to the same evolution of the Romanian demand whilst the foreign one decreases in the second decade.

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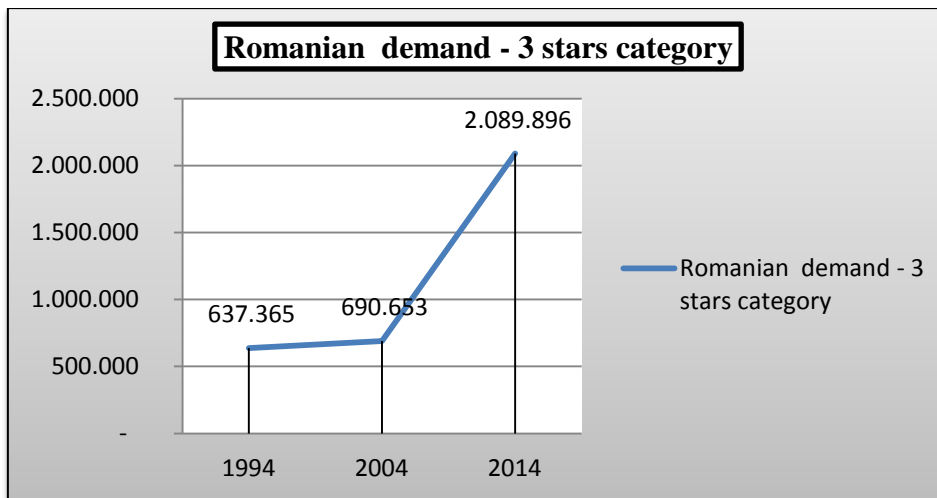
Graph 46: *Supply, 3 stars category*



Source: *Own interpretation from*

<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Graph 47: *Romanian demand, 3 stars category*

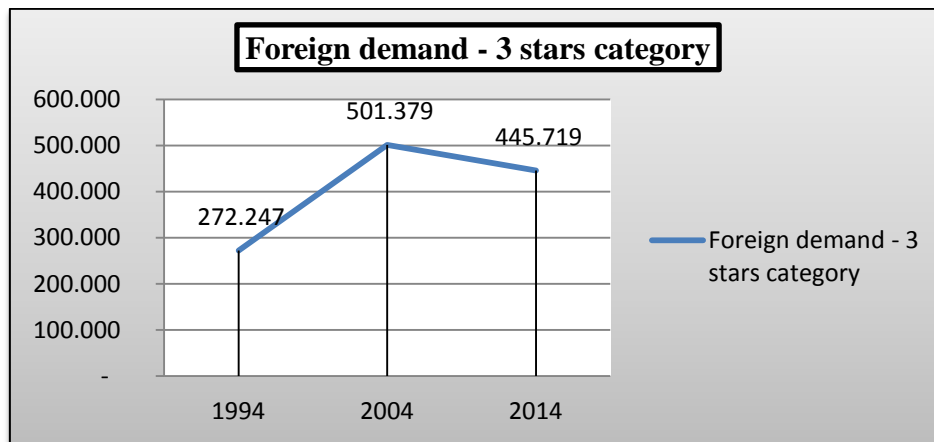


Source: *Own interpretation from*

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Graph 48: *Foreign demand, 3 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

For the last 2 categories, the following outcome has resulted:

$$R_{RD} = 0.622$$

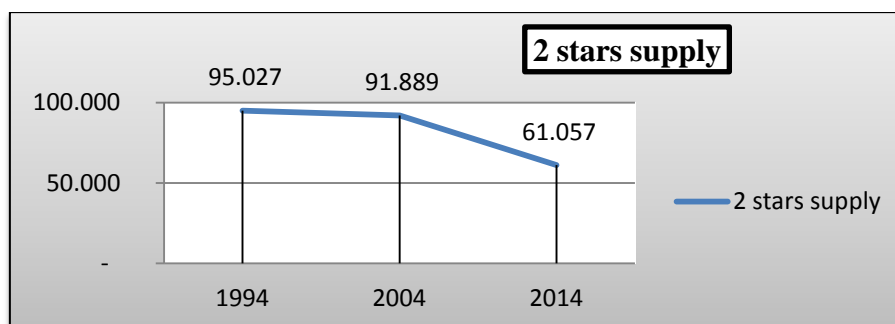
$$R_{FD} = 0.745$$

$$R_{RD} = 0.858$$

$$R_{FD} = 0.857$$

In both cases the tendencies taken by the supply and both demands are the same, more or less. They all register falls during this period of time. Again the graphs are more than enlightening.

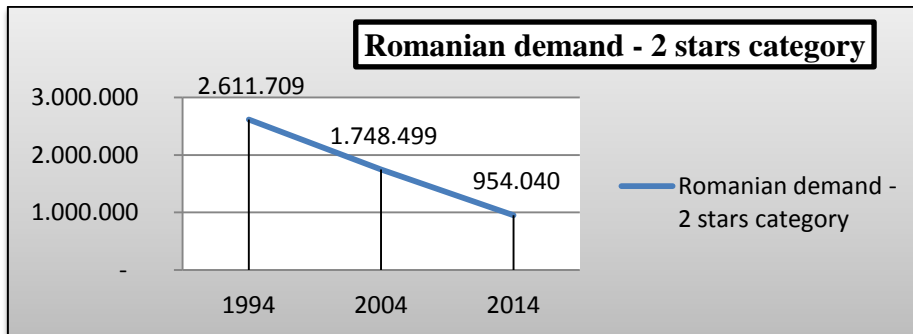
Graph 49: *Supply, 2 stars category*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

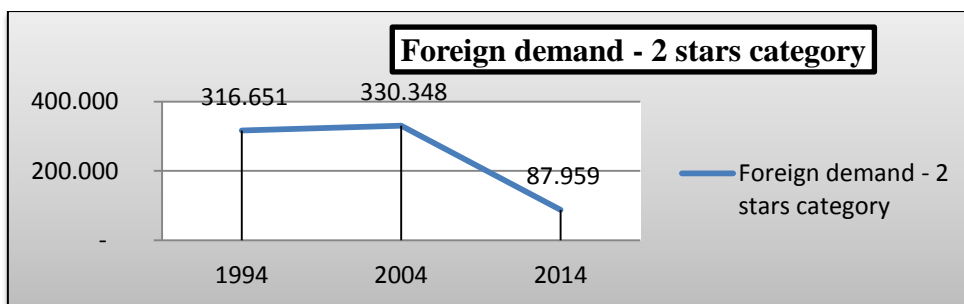
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Graph 50: Romanian demand, 2 stars category



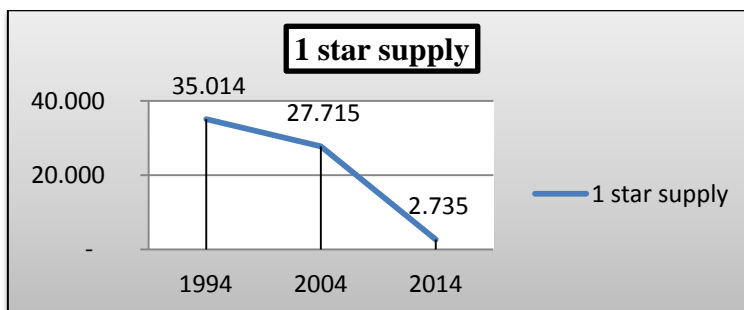
Source: *Own interpretation* from <http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Graph 51: Foreign demand, 2 stars category



Source: *Own interpretation* from <http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

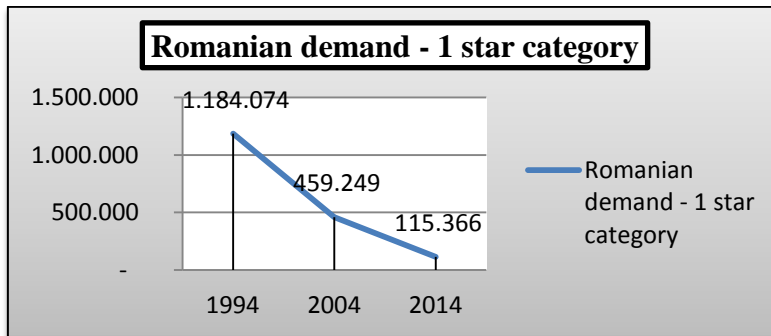
Graph 52: Supply, 1 star category



Source: *Own interpretation* from <http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

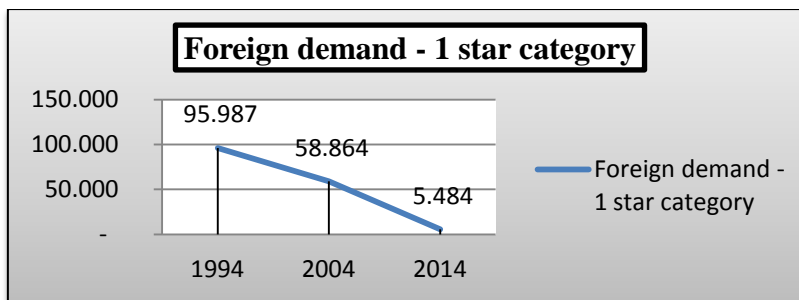
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Graph 53: Romanian demand, 1 star category



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

Graph 54: Foreign demand, 1 star category



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

After looking over these correlations, we might say the following: The 4 and 5 stars categories grew these last 2 decades, while the last 2 categories fell. The 3 stars category grew because of the evolution of the Romanian demand; although the foreign demand fell in the second decade, investors continued to built and/or enlarge already existing hotels, because they were counting on residents not on foreigners. By taking a look at the numbers shown by the graphs, the next outcome surges: in this period the residents moved from 1 and 2 stars to 3 stars and in a lower proportion to 4 stars, while foreigners moved from 2 and 3 stars to higher categories (4 and 5 stars).

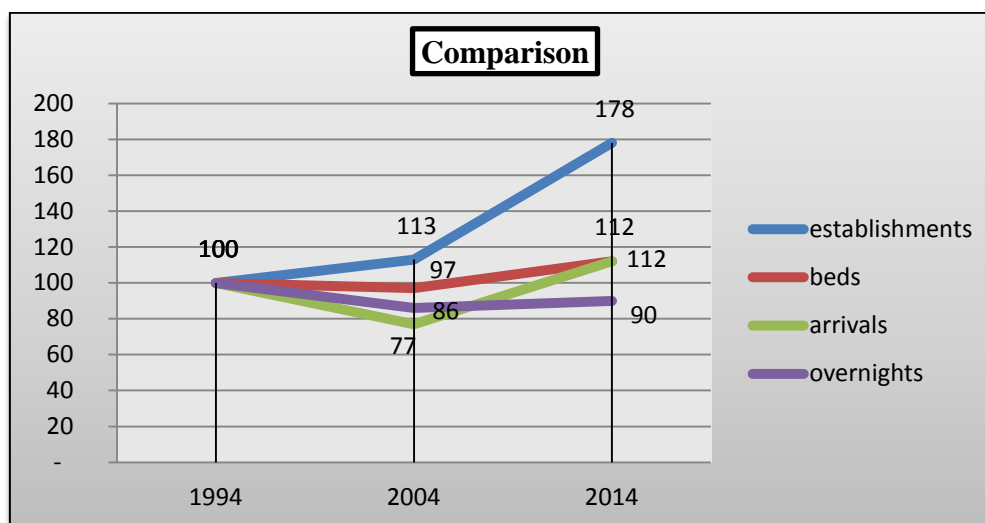
Returning to the previous subchapter, the small coefficient of correlation between the supply and the residents demand couldn't explained until we would have seen the categories correlations. In the first decade, many hotels of lower categories began to

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disappear or to transform in higher quality hotels. Meanwhile new hotels of 4 and 5 stars were being built. That means that the supply followed this trend in order to capture more foreign tourists. The lower categories were mostly used by residents while the higher ones by foreigners. Residents moved to 3 stars category while foreigners moved to 4 and 5 stars categories.

If in terms of arrivals the residents seem to have a greater say, in terms of overnights things might be different in some cases; in others not. For 4 and 5 stars we have a rapport of: 4.46 in 2004 that moved to 2.03 in 2014, in favor of foreigners (5 stars category) and from 1.08 to 0.6 for 4 stars category. For the 3 stars category we have a rapport of 0.81 that shrank to less than 0.2 in 2014. The last 2 categories: from 0.11 to 0.05 (a huge difference between the demands) and from 0.07 to 0.04, an even smaller rapport.

Graph 55: *Comparison between supply and demand*



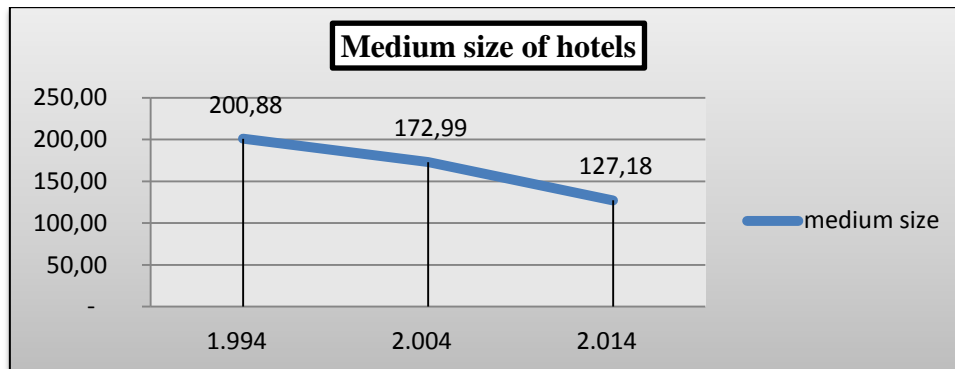
Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

The graph from above is a comparison between the components of the supply and of the demand. Data is calculated in function of the data from 1994, and thereby, calculated in percentage. Regarding the demand, the number of arrivals rose more than the overnight stays; therefore the length of stay has decreased, as it was previously showed in chapter 5. As for the supply, the big raise of the number of establishments and the small raise of

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the capacity lead to next assumption: the lower quality hotels that were shut down had big capacity while the new built hotels had less capacity leading to the results shown in the graph.

Graph 56: *The medium size of the establishments*



Source: *Own interpretation from*
<http://statistici.insse.ro/shop/index.jsp?page=tempo2&lang=ro&context=63>

The medium size of the hotels shrunk as a consequence of the evolution of the supply. The number of establishments rose much more than their capacity. The coefficient for the medium size of hotels is actually a rapport between the capacity and the number of hotels.

7. CONCLUSIONS

From this analysis many conclusions can be summed up. Some of them are drawn from the beginning, others from the analysis of the hotel industry. One that results even before starting the analysis is the small role that tourism has in Romanian economy. With a total contribution of only 4.8% in 2014, Romania ranks among the last European countries, overcome by countries like Hungary (10.6%), Ukraine (8.6%) or Czech Republic (8.4%)²⁷. While tourism contributes to the global economy with 9.5%, we notice that Romania's tourism contribution is not only small in comparison with other's countries tourism, but with the contribution of tourism at the global economy as well.

Although tourism doesn't seem a powerful industry, the potential exists, and was recognized by other countries and institutions also. Is one of the fewest countries that has an exit to the sea (whose beaches' quality isn't low), mountains (that gather the biggest population of brown bears and have the biggest area of virgin forests in Europe), the river Danube (whose delta is one of the most beautiful ones in Europe), a climate that permits having chilly winters and hot summers, natural spas that have a long history behind and represent 1/3 of Europe's mineral waters, many fortresses, castles or monasteries that remained as a proof of the controversial past of this country, etc. Basically, it has potential, at least for (re)becoming one of the most important touristic markets in the East Europe.

It seems that the evolution of the demand has determined the evolution of the supply. Therefore it has influenced the evolution of the tourist destination. Some of them continued to evolve due to the growing demand; some of them stood still, or grew but slowly. This might explain the difference between destinations like the capitals of the counties and the Danube delta. From this conclusion surges another conclusion: the type of tourism that attracts. Urban tourism has more effect than rural or religious tourism although the last two have more potential than the urban tourism.

Moving forward on the analysis, we easily come to the conclusion that the most important part of this country's tourism is the intern one, the residents are the ones that

²⁷ www.wttc.org/-/media/files/reports/economic_impact_research/country_reports, accessed on 25 of June, 2015

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cover somewhere around 2/3 of the total tourism. Although the contribution of foreigners has risen during the years, its importance is still under the shadow of the Romanian tourists. Other countries, for example Spain has a total number of foreign tourists clearly bigger than the number of local tourists²⁸. In other words, the heavy contribution of the intern tourism is the one that influenced the evolution of the supply.

From the analysis of the supply, we observe 2 trends: supply is raising its higher categories and lowering its poorer categories. More simply put, the quality of the supply is on an ascending ramp due to these changes that took place in the same time. Meanwhile, as the poorer quality hotels were on the brink of extinction, new higher quality hotels were been built. As a consequence, in this period residents moved from 1 and 2 stars hotels to 3 stars hotels and foreigners from 2 and 3 stars to 4 and 5 stars hotels.

The period analyzed is divided in 2 separated periods: the first one from 1994 to 2004 and the second one from 2004 to 2014. If in the case of the supply, things are clear (being registered a continuous raise), the demand has 2 different behaviors during these 2 periods. In the first decade, the Romanian demand is decreasing (because of the adjusting of the Romanian's life to the European one) while the foreign demand is increasing (because of the newly opened touristic market. In the second decade both type of demands increase with similar percentage (the Romanian demand raises with 47% while the foreign one with 42% but with different values, 1.47 million and 0.5 million).

The period, over which focuses this analysis, has 2 different trends as we have previously seen; from 1994 until 2004 tourism grows slowly due to the changes the country was going through like adjustments to the European markets, labor, investments, etc. while from 2004 until 2014 tourism has seen a great raise, confirmed by the growth of both supply and demand. Among the reasons of this raise lays the adherence of Romania to N.A.T.O. in 2004 and to E.U. in 2007 (although in 2004 it submitted the documents for the adherence to the European Union). Therefore the borders opened for Romania and since then it had more access to European markets and to the choice of free circulation of capital, human resources, products and services.

²⁸ http://ine.es/inebmenu/mnu_hosteleria.htm, accessed on 25 of June, 2015

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The index of length of stay shows us the general trend towards it leads. If in the first decade, for foreigners this index fell from 3.1 to 2.3, for the Romanian tourists it grew from 3.3 to 3.9. However the second decade shows a different behavior. If for the foreigners decreases but only till 2, for the Romanians it falls from 3.9 to 2.7, losing more than 1 night per general. Between some of the causes we might include the modification of the period of the vacations (nowadays they are shorter and more while before they were less and bigger) and the decreasing trend of the transport costs, much more cheap nowadays.

Regarding investments, looks like in the last 2 years the budget allocated for tourism didn't change very much. As in 2013, last year same percent of the total investments was directed towards tourism, meaning 7.3%²⁹. It might be a query to ask but one may say that if they won't allow more funds to invest into tourism, tourism won't develop by itself. There could many reasons for this fact, like a poor quality of the projects or some people's belief that tourism isn't an industry with potential and/or profitable on long-term.

The productivity in Romania's tourism is an issue to be debated. The small numbers such as contribution to the national GDP, percentage of the total investments allowed to tourism or jobs in this field as a small percentage of the total employment give an idea about how productivity is managing. Various factors could be the source of this problem as the poor use of the policies or poor implementing them as some authors already think³⁰.

As any other study, this one has its limitations. The database made on the basis of information provided by the National Institute of Statistics, cannot cover all points of view from which it can be discussed this matter. Certain lack of data may lead to impossibility of analysis of categories like the survey of tourist's movements at frontiers (Frontur in Spain), survey of tourist expenditure (Egatur in Spain). In the same time other studies could be made as new databases are available (due to the data from the NIS) for survey of tourist movements of residents (Familitur in Spain). Also the lack of

²⁹ *idem*

³⁰ http://epubs.surrey.ac.uk/2199/1/Drivers_of_Productivity_EDITED_v2.pdf, accessed on 25 of June, 2015

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reliable data cannot make possible a proper analysis of the GDP because the data includes current currency, not constant currency (calculated with the inflation). On the other hand, an analysis of the GDP per capita cannot be taken into account because of the lack of information (is available only for the last couple of years). It applies for foreign investment also. Moreover there is no available data of the foreign investments to relate to the supply. Even though it may have been important investments in the higher categories, the lack of information makes it inaccessible.

Other lines of investigation may surge from this paper. One could be the management of the tourist destinations, or better said, how to manage properly the tourist destinations. As we have already seen, there are destinations that either haven't developed as it should have (like the mountains, the spas or the Delta of Danube) or have reached a certain level of saturation although this level should've been reached many years later on (like the seaside). Others may be related to the macro data that either is not available or isn't reliable.

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