

CAN BE COVID'19 CRISIS AN OPPORTUNITY FOR THE RENTAL APARTMENTS IN THEIR COMPETITION WITH THE HOTELS?

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Abstract

The field of hospitality is very dynamic, even if, some trends are difficult to change. Despite some strategic alliances were made by the large hoteliers, small accommodation units managed to retain to a certain extent an important part of the market. During the peak periods of the season, their role is an important one, because they take over the demand that remained unsatisfied by the big hoteliers. In the off-season, however, their lives are not easy. However, in certain specific situations, such as this health crisis, small hoteliers can take advantage of certain opportunities.

Moreover, the COVID'19 crisis has upset an industry in which, even so, things were not very clear. If, in the first months of 2020, it seemed that the entire hotel industry will be affected equally, it later proved that those who adapt faster and take advantage of the opportunities offered by various decisions of the authorities, will have, at least in the short term, an advantage.

This paper aims to study the way in which Romanian consumers will choose between classic accommodation in hotels and rental apartments in a daily basis. Since COVID'19 crisis will force the entire tourism industry to move from mass tourism to small groups tourism, we also aim to anticipate if this niche of accommodation in rental apartments will be capitalized.

Keywords: *short-term apartments for rent, hotels, COVID'19, niche tourism*

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1. Introduction

The hospitality field proved to be very dynamic, which has become increasingly obvious in recent years. The WTTC's annual research, which has been running for almost 30 years, shows that the travel and tourism sector has seen, with a few exceptions, almost permanent increases from one year to another in terms of GDP generated, as well as the number of people employed in this industry.

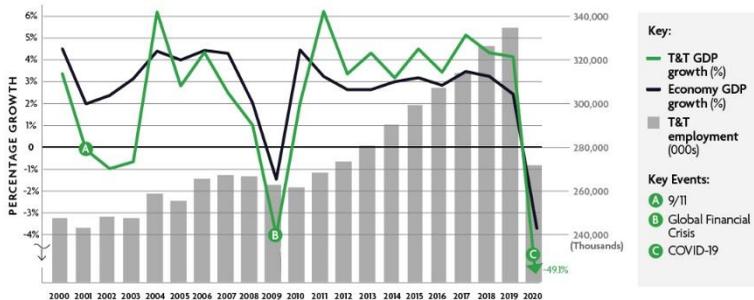
Under these conditions, the COVID'19 crisis has hit the travel and tourism industry (T&T) in all its components with devastating impact. However, as is the case in most crisis situations, when most market players are suffering, there is a small part of them that, knowing how to take advantage of certain opportunities, will progress, or, in the worst case, will not register declines as dramatic as the rest.

2. The impact of COVID'19 crisis on the global travel and tourism industry

WTTC statistics show an increase of 3.5% in T&T in 2019 compared to 2018, surpassing the growth of the global economy, of only 2.5%, for the ninth consecutive year (WTTC, 2020a). The 2019 study looked at 185 countries and their economies and found that T&T generated 10.3% of the world's gross domestic product and more than 330 million jobs as a sector, accounting for 10.4% of total jobs worldwide.

Between 2014 and 2019, one in four new net jobs globally was created by this sector, making T&T one of the best partners for governments in terms of generating new jobs.

Figure 1: Economic impact timeline



Source: WTTC Travel&Tourism economic impact 2021

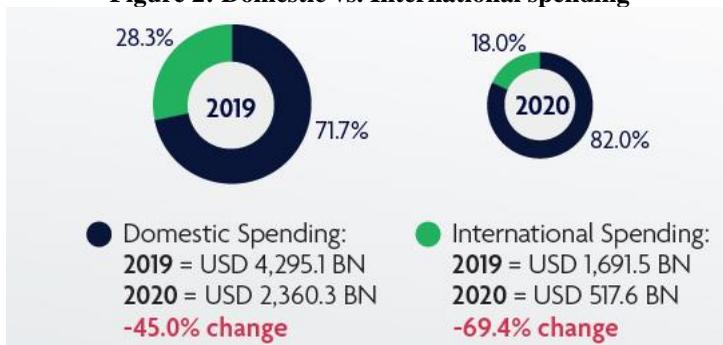
Unfortunately, the emergence of this virus has had disastrous effects on T&T (WTTC, 2021):

- a decrease in the share of the sector's gross product in the total gross world product from 10.3% to no less than 5.5%;
- a decrease in relative terms by 49.1% of the value of the gross product realized by T&T, from about 9.16 trillion (in 2019) to 4.66 trillion (in 2020);
- a decrease by 62 million in the number of people employed in the sector, from 334 million in 2019 to 272 million in 2020, representing a percentage reduction of 18.5%.

The above-mentioned effects were predicted in all kinds of scenarios imagined by WTTC researchers after the outbreak of the crisis, from the most pessimistic to the most optimistic ones (WTTC, 2020). The fact that the percentage drop in employment has not been as dramatic as in the case of GDP demonstrates the proactive spirit and involvement shown by governments in pursuing policies to protect employees and industry players, especially those small or medium size.

A comparison of domestic and international tourism shows a greater impact on domestic tourism, due to travel restrictions imposed by most governments after the start of the pandemic. Thus, the effect of travel expenses abroad was reduced by 69.4%, compared to a reduction of only 45% in travel expenses in the country of residence.

Figure 2: Domestic vs. International spending



Source: WTTC Travel&Tourism economic impact 2021

It worth mentioning that this sharper decline in international travel comparing with domestic one has also had positive effects, but not from the economic point of view, such as a significant reduction in international flights and, consequently, in the pollution generated by them.

3. The impact of the COVID'19 crisis on the travel and tourism industry in Romania

Although, during the pandemic, the evolution of Romanian tourism was a bit atypical, in the sense that the pandemic waves manifested themselves in slightly different periods from most European countries, the results were still predictable, expected. It was obvious that the restrictions imposed on the international tourist circulation will also affect the tourist activity in Romania, supposition which the data collected by the National Institute of Statistics validated.

Table 1: Overnight stays of tourists in Romania

	Overnight stays (number)					
	2019			2020		
	Total	Romanian tourists	Foreign tourists	Total	Romanian tourists	Foreign tourists
TOTAL	30086091	24795253	5290838	14579140	13581775	997365
of which hotels	21989605	17445877	4543728	10112651	9224299	888352

Source: INS, Turismul României 2018-2020, Breviar statistic

From the table above we can calculate that the total number of overnight stays decreased in 2020 by 51.55% compared to 2019, but this decrease was distributed differently between Romanian and foreign tourists: the number of overnight stays of Romanian tourists decreased by only 45.22 %, while the number of overnight stays of foreign tourists decreased by no less than 81.15%.

The situation is pretty similar in terms of the evolution of the number of overnight stays strictly in hotel structures: a decrease of 54.01% in the total number of overnight stays, distributed as follows: a decrease of 47.12% of overnight stays of Romanian tourists and a much more drastic one, with 80.45% of the overnight stays of foreign tourists in hotel units.

I appreciate that the main causes for this situation have been international traffic restrictions and the fear of tourists traveling outside their home countries and being stranded away from home due to frequent changes in travel conditions.

On the other hand, sometimes the weaknesses of an economy can be, paradoxically, helpful. Specifically, given that T&T contributes to Romania's GDP by about 4%, compared to a contribution of about 15% in countries with developed tourism, such as Spain, Italy or France, a reduction to less than half of this contributions is felt quite differently in the economy. However, instead of accepting this situation as a pale consolation, it would be desirable to find and take the appropriate measures to exploit this situation in our own interest.

Unfortunately, the National Institute of Statistics collects data only from tour operators with accommodation functions that have at least 10 accommodation places in their units. This makes it impossible to quantify the contribution of a special category of providers, **short-term apartments for rent**. The places offered by them may not represent a significant percentage as a share of the total offer, but it should not be neglected either. For example, at the level of 2020, in the Center region, a number of 70,176 places were reported in the tourist reception structures (INS, 2021). A brief search on a booking site (booking.com) shows a minimum of 1000 short term apartments for rent, which could offer around 3000 accommodation places. This means a percentage of 4.27% of the total accommodation offer. It doesn't seem like a big deal, but the importance of this category of bidders is not negligible, because they behave like an expansion vessel attached to a heating system. When the demand for accommodation becomes higher than the supply of hoteliers, these hotel apartments take over part (or even all) of the surplus, releasing market pressure.

4. What should be done?

Because in the first half of 2020, 90% of the global population has adapted to life imposed by travel restrictions, and the rest of the population has stayed home fearing the virus, the travel and tourism sector has reached an almost total stalemate. An important report published by WTTC in collaboration with Oliver Wyman Organization explores the impact and implications of COVID-19 on the Travel and Tourism industry.

The report identified four trends (WTTC and Oliver Wyman Org., 2020):

Demand evolution: Travellers' preferences and behaviours have shifted to everything familiar, predictable, and reliable. Domestic vacations, extensive planning and outdoor activities will prevail in the short term, even if business tourism is already in the process of adapting.

Health and hygiene: health, safety and trust are paramount in this new era. Personal experiences, fear of being stuck in another country, and worries about distancing will guide consumers' behaviour in the short to medium term. Businesses will need to work even harder with their extended value chains to

Innovation and digitization: COVID-19 is proving to be an unexpected catalyst for innovation and the integration of new technologies in the travel and tourism sector. Home orders, digitization and online consumption are on the rise. Consumers now expect contactless technologies, among other things, as a prerequisite for a safe and hassle-free travel experience.

Sustainability: from rising unemployment rates and anti-racism movements to restoring natural habitats, the world has been stimulated to address social, environmental, and institutional sustainability. In particular, the growing public awareness of the fraudulent destruction and exploitation of wildlife and poaching, ocean pollution, has stimulated the advocacy for the sustainability of small businesses. Given the possible increased involvement of women, minorities, and young people in tourism in other areas, the Travel and Tourism sector has an ability and at the same time a chance to further protect and involve vulnerable groups, thus helping to reduce poverty and inequality.

Accommodation providers who will understand and accept the trends mentioned above will be the ones who will take more and faster advantage of the changes that are now taking place in the market.

Especially in Romania, where the Travel and Tourism sector has not yet reached its maximum potential and there is still room for growth, it is important for small investors to plan their business considering these trends. Especially since most statistics show that most of the time, newly established companies in this sector are micro-enterprises or small firms that are more likely to transform an existing location into an accommodation unit (Popescu, 2017).

5. Hotels vs. short-term apartments for rent

It is obvious that the short-term apartments for rent do not have the capacity and power to compete on an equal footing, not even with unaffiliated hoteliers, especially with those integrated in chains or affiliate structures. But that doesn't mean there's no room for them on the market. They can be the

pressure valve of the market and they can make a lot of use of this possible role, obviously, provided they play their chances well. The pandemic has led to significant changes in advertising, marketing, promotional and media spending, forcing companies to change their approach to the current and future of advertising and marketing campaigns (Fuciu, 2020).

To be able to make a comparison between hotels short-term apartments for rent, we should review the most important reasons why a potential tourist would choose for each one of them.

5.1. Arguments for choosing a hotel room

- a. room cleaning and accommodation services included in the paid rate - this is a very important aspect for comfortable tourists or for those seeking relaxation holidays.
- b. availability of restaurants within the hotel unit and room-service facility, which makes it easier to solve the problem of meals.
- c. reception services - the reception is open, in most cases, 24 hours, which eliminates the inconvenience of agreeing with the host on the check-in and check-out arrangements and the related restrictions.
- d. additional services offered by the hotel - useful information, ticket reservations, laundry / cleaning services, various intermediaries, etc.

5.2. Arguments for choosing a short-term apartment for rent

- a. the cost of the stay will be much better, especially for groups consisting of at least three people traveling together.
- b. more space for larger groups; when we are talking about groups of three or more people, an extra bed can fill in all the free space in a hotel room.
- c. the host can provide useful advice on how to spend your free time during your stay; the interaction of the tourist with the host is much more personal than in the case of the interaction with the receptionist.
- d. the availability of a kitchen or kitchenette offers flexibility in terms of meals when you wake up early (for an early check-out) or when you return late at night (or in case of a late check-in), but also lower costs for meals for those who are not very comfortable and would be willing to cook their own meals.

- e. access to a washing machine or other facilities provided by household appliances - useful when the tourist is on a long journey, moving from one place to another.
- f. the possibility to have a much-sought privacy during this pandemic period, to be protected from exposure to contact with a larger number of people and, implicitly, to significantly reduce the risks of infection to which the tourist is exposed during the holidays.

Being about personalized services, the choice of one of the above options will depend very much on the preferences of each tourist, how comfortable it is, the budget he has available for the holiday, the size of the group with which he travels and so on. Usually, the preferences for the hotel or for a short-term apartment for rent do not change too easily, these are the choices that tourists make even before they start looking for an accommodation unit for their vacation.

6. Conclusions

Although the last years have been characterized by the completing of several strategic alliances in the hotel field, due to the desire of large hoteliers to have a privileged position in the market, small hoteliers have managed to retain a significant part of the market.

If, in the first months of 2020, it seemed that the entire hotel industry would be affected equally, it later proved that those who adapt faster and take advantage of the opportunities offered by the various decisions of the authorities, will have, at least in short term, an advantage.

We can say that the owners of short-term apartments for rent have made quite good use of the advantages and opportunities previously presented in the context of the successive pandemic waves we have gone through, not only in Romania, but globally.

In the first part of the pandemic, at the beginning of 2020, hotel restaurants were closed in some cases for more than 2 months, which had detrimental consequences for hotels, which lost one of their advantages over hotel reception facilities. In some hotels, attempts have been made to cover the needs of guests to serve meals in the hotel through room service, but with high costs for the hotelier and, implicitly, for the guests.

The crisis-induced psychosis, combined with the very poor communication of crisis-related information by the authorities, has led to some

changes in consumer behavior - e.g. consumers have considered moving from crowded spaces to more intimate, more private spaces, or giving up eating in a restaurant and preparing their own meals. An increasing number of tourists preferred to look for accommodation units for small groups of guests, which they rent in full, so that they do not have to intersect in the accommodation unit with other guests. And the apartments and other hotel accommodation structures (bungalows, private chalets, small pensions) have made extraordinarily good use of these opportunities and have taken a first step towards the crystallization of a form of tourism that we could consider a niche.

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