

COMPARATIVE ANALYSIS OF HOTEL BUSINESS IN ALMATY AND ASTANA CITIES

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Abstract

This article is devoted to study of hotel business in Almaty and Astana Cities, and their comparative analysis. The purpose of this article is to identify priority development areas of hotel business in Almaty and Astana, based on the analysis of this sector. Our research has shown that development of hotel sector differs in Astana and Almaty to significant extent. Moreover, they have different market structures, there are distinctive features in material and technical bases of hotels themselves and other accommodation-related facilities, number of rooms, occupancy rate, market coverage, availability of international hotel chains and their management, principles of running hotel business and developing quality control system, pricing policy and use of market tools meant for stimulation. The research results testify to the fact that, despite certain notable achievements in the area, the country regions differ in terms of hospitality industry development and, first of all, level and quality of services rendered, personnel, market strategies and management solutions. It is worth mentioning that capacities of hotel business in Almaty and Astana Cities are not used in full. In the course of the research we have found out that these markets have specific characteristics and, therefore, must keep to different development trajectories.

Keywords: Regions, competitiveness, analysis, research, hotels, hotel services, market.

IDENTIFICATION OF THE PROBLEM

Development of tourism in Kazakhstan, increase of business activity level in foreign companies and holding of global international landmark events (EXPO, OSCE summit, Universiada-2017) lead to the need to create a powerful hotel industry [1].

Different levels of hotel business development in the country regions allow us to conclude that the approaches to markets creation and use of management and marketing tools will also vary. In spite of quantitative increase in hotel business, issues of quality and competitiveness of hotel services in Kazakhstan remain the most acute. There is dissonance between hotel businesses development in different regions of Kazakhstan. Consequently, there is need to identify differences in the development of hotel markets in Almaty and Astana Cities in the light of historical peculiarities and identified trends. Development trajectories of hotel markets in different megacities have been identified in this article on the basis of the analysis made. In view of the fact that

hotel markets in Almaty and Astana are at different stages of their development, it is advisable to use diversified approaches, taking into account a market development period, needs of tourists and guests, and capacities of hotels.

ANALYSIS OF THE RECENT RESEARCH AND PUBLICATIONS

Development of Kazakhstan in the conditions of market economy is considered to be ambiguous. Socio-economic conditions of development vary significantly between urban and rural areas. Kazakhstan is characterized by large territory and small number of people. Population of Kazakhstan equals to 17,1 million people (2013 year evaluation), population density is 6.3 people per square kilometer. The population living in rural areas is 45.3 % of the total population [2, 3, 4].

Lop-sided development of the regions also affected hotel business in Kazakhstan. The market of hotel services develops mainly in cities, especially megacities. The main problems that adversely affect

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the development of hotel sector in Almaty and Astana are:

- lack of unified standards applied by various categories of hotels, bias assessment of the quality of services rendered, insufficient knowledge of hotel business specificity;
- management and marketing tools are not used to the full extent;
- development phases of the market and its characteristics are not taken into account in the context of hotel businesses in different regions;
- price levels are unreasonably high in hotels in Kazakhstan and they do not conform to the quality of services provided;
- the greater part of small- and medium-sized enterprises in hospitality sector do not have a clear position.

According to the research conducted by Radišia, Branka Berc; Perišia, Marina; Berešia, Jelena; Schultz, Don E.1 and Dev, Chekitan3, enhancement of services quality and improvement of hotels performance is possible through effective use of marketing, integrated approach, marketing tools, and special attention paid to tangible and intangible assets [5].

At present stage, issues of innovative products use in hotels are in focus, with their help one can not only improve hotel positioning, but also create a positive image [6].

Such authors as Sinan Verboz, Turgay Bucak and Lutfi Atay suggest that innovative solutions should be used through services differentiation. In order to make hospitality sector attractive for tourism it is appropriate to apply both marketing tools [7] and available opportunities for improving quality of services [8].

As a whole, solution of the identified problems will make it possible to improve performance of hotels in Almaty and Astana.

SETTING OBJECTIVES FOR THE ARTICLE

The main objective of our research is to develop recommendations on identification of possible ways of developing hotel sectors in Astana and Almaty Cities, based on comparative development analysis. The following sources of information are used for conducting the research:

- official sources data;
- results of field studies;
- hotel guests poll.

The main criteria of the present research are only the results of the survey of qualitative characteristics of operational activities of hotels in Almaty and Astana.

We shall begin our comparative analysis of hotel business development in Astana and Almaty with historical aspects of the above-mentioned regions development.

Table 1. Historical aspects of Astana and Almaty Cities development

Performance indicators	Astana	Almaty	References
Status of the city	A small provincial town up to 1997, the capital of Kazakhstan since 1997	The capital of Kazakhstan up to 1997, the cultural and financial center of Kazakhstan since 1997	
Population of the cities as of 1 January 2014	814,4 thousand people	1507,5 thousand people	[4]
Share of urban population in the total population	4.7%	8.8%	[4]
Territory in thousand km ²	0,7	0,4	[4]

Population size per 1 km ²	1163,5	3768,8	[4]
Number of the city districts	3	7	
Center of Tourism of Kazakhstan	Not available	Available	
Number of hotels	160	122	[9]
The world brands hotels	“Rixos President Astana”, “Ramada Plaza”, “ПекинПаласSoluxe”, “Astana Marriott”, “Radisson Hotel Astan”, “Hilton Garden Inn Astana”, “Park Inn by Radisson Hotel”	“Ritz-Carlton”, “Royal Tulip Almaty”, “Rixos Almaty Hotel”, “InterContinentalAlmaty”, “Holiday Inn Almaty”, “Best Western Plus Atakent Park”, “Рамада”, “SoluxeHotel Алматы”	
Share of international operators at services market	38%	31%	[10]
Priority types of tourism	-business	-business; -ecological; -ski mountaineering	[11]
City branding – main associations	The new capital, modern buildings, complete reconstruction of the town aimed at creation of a new image and modernization, taking into account modern architectural requirements	Former USSR city with symbiotic relationship between old foundations and contemporary approaches in city planning, an oasis located in wildlife preservation area, next to the mountains of Zailiyskiy Alatau	
Construction of new hotels	74 hotels, 38 of them will be represented by the world brands	Novotel and Hyatt will be brought into exploitation in 2016	[12,13]
Positioning	Venue for General Assembly of the World Tourism Organization (UNWTO), October 2009	Regional hub for Islamic financing “The Great Silk Road Heart”	[14]
Regions with high economic potential	Yes	Yes	[15]
Share of the cities in gross regional product in 2013	9.5%	19.0%	[4, c.90]
Organization and holding of international events of global importance	“EXPO -2017”, Astana City will be visited by 2 mln tourists (forecast)	Asiada-2009, XXXVIII World Universiada-2017, Almaty City will be visited by 65,000 people (forecast)	[16,17]
Organization of tourist exhibitions	Annual International Tourist Fair KITF “Tourism and Travels”	Annual exhibition “Astana Leisure”	

Market of hotel services	Growth phase	Maturity phase
Market potential	The hotel market is not saturated	The hotel market is saturated

On the basis of the analysis of Almaty and Astana hotels performance, a conclusion can be made that, despite the fact that average occupancy rate in Astana hotels is higher than in Almaty, there happened a 16.8 % drop in occupancy rate in 2014, compared with 2013 [9]. Profitability per room is higher in Almaty hotels, but growth rate is higher in Astana hotels.

In Kazakhstan, as a whole, as well as in analyzed regions we observe increase in cost of rooms and, at

the same time, drop in average annual occupancy rate indicators. These indicators show that hotels are trying to compensate for their income mainly by raising the level of prices for hotel rooms.

Meanwhile, profitability increase of hotel business around Kazakhstan is two times lower, compared to Almaty and Astana, rate of income growth in Almaty hotels is 4 times higher and in Astana hotels is 8 times higher, compared to average figure in Kazakhstan (Table 2).

Table 2. Performance indicators for hotels in Almaty and Astana for 2014

	Average annual occupancy rate		Average cost of a day in hotel		Profitability per room	
	In %	Changes, compared to 2013, in %	In thousand tenge	Changes, compared to 2013, in %	In thousand tenge	Changes, compared to 2013, in %
Almaty	26.9	-1.8	13,264	8.6	2,962	8.9
Astana	28.2	-16.8	19,193	17.8	2,891	19.5
Republic of Kazakhstan	21.4	- 2.7	15,096	8.1	1,478	2

According to Table 2, in 2014 a decline happened in average annual occupancy rate in Astana and Almaty, compared to 2013. At the same time, it should be noted that the largest increase in the cost of a day in hotel has been reached in Astana City. Increase in 2014, as against 2013, was nearly by 1/5. Despite the above dynamics, we observe increase in profitability per room in Kazakhstan as a whole and both Almaty and Astana.

The data show that increase in profitability in Astana has been reached by means of increase in cost of rooms, and not through increase in occupancy rate. The increase in the cost of rooms has been reached owing to two factors: putting into operation of five- and four-star hotels in Astana in 2014 and increase in the cost of rooms, since the majority of guests are businessmen and price elasticity of demand for such

visitors is not high. Even when prices rise, business tourists will come to Astana, because main international events are hold there and main managerial bodies of the country are located there.

If to compare economic performance of Astana and Almaty hotels and hotels in Kazakhstan as a whole, profitability of hotels in these two cities will be higher than in the country.

Let us separately review hotel services market in Astana and Almaty.

Hospitality market in Almaty is entering maturity phase, according to the research data and official statistics. Almaty, as the former capital of Kazakhstan, had 1.4 times more hotels in 2004, as against Astana. Dynamics of hotel business development presented in Figure 1 confirms that during the last years the market experienced lop-sided

development, and we come to the conclusion that it stagnated (Figure1).

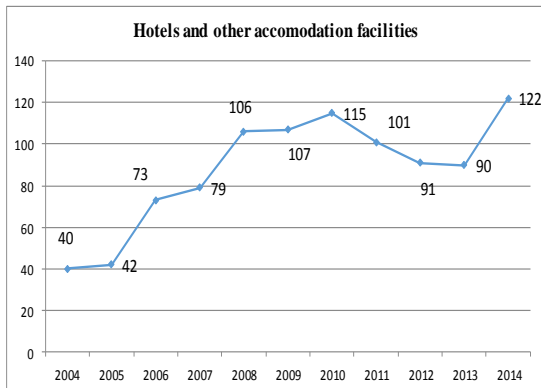


Figure 1. Dynamics of hotel business development in Almaty City during 2004-2014

Let us have a look at hotel market of Astana City. Astana is a young capital and it is characterized by its own peculiarities related to hospitality market. Firstly, the greater part of its hotels is represented by new ones built during the last 15 years. Secondly, in Astana they keep to more up-to-date approach to designing hotels. Thirdly, hospitality market is in growth phase, and the annual growth in the number of hotels testifies to this fact. Dynamics of growth in the number of hotels in Astana City is presented in Figure 2.

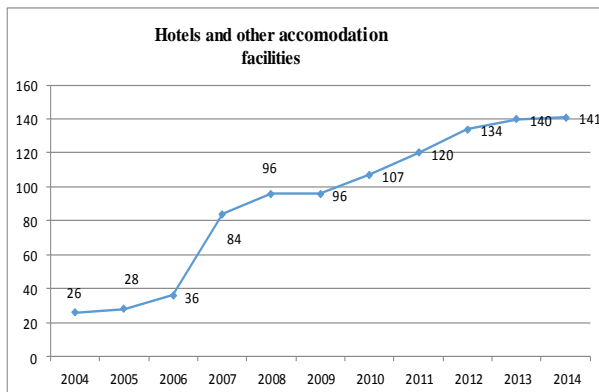


Figure 2. Dynamics of growth in the number of hotels in Astana City during 2004-2014

Average annual increase in the number of hotels during the last 11 years made up 56% and they forecast further active construction of hotels in connection with hosting EXPO-2017.

We conducted market research in order to define what distinctions are observed in the development of hotel markets in Astana and Almaty.

When carrying out our market research we used quantitative methods and opinion poll meant for hotel clients, in particular.

The purpose of the research is identification of distinctions and specific features typical of hotel business development in Astana and Almaty.

Proceeding from the objective set, we selected the following tasks for our market research:

- analysis of hospitality market development in Almaty and Astana;
- identification of main weaknesses in running hotels in Almaty and Astana Cities;
- determination of qualitative indicators characterizing performance of hotels in Almaty and Astana Cities.

The main result of the research is determination of trajectories of hotel business development in Astana and Almaty.

The following sources of information have been used for conducting the research:

- data of the Statistics Committee of the Ministry of National Economy;
- results of field studies;
- data obtained from scientific articles about hotel business.

Within the framework of this research it was necessary to carry out the following types of analysis:

- Analysis of hospitality market development in Astana and Almaty;
- Analysis of hospitality markets structures and complexities;
- Analysis of customer satisfaction level and demand for qualitative characteristics.

It was necessary to collect information for decision-making and data on prospective development of hotels in each city.

For implementation of these tasks, market research has been made in the form of anonymous opinion poll meant for consumers of hotel and restaurant services

in Astana and Almaty. For this purpose we developed a special questionnaire, based on random sampling.

The following stage is assessment of hotel performance in Astana City. Today we observe increase in the number of hotels in Astana and these are mostly high-class hotels.

The research conducted in the form of opinion poll meant for consumers of hotel services demonstrated that, in spite of quantitative increase in the number of received quests, there problems with qualitative characteristics and competitiveness of hotels. The results of the research were analyzed to identify core problems and weak points.

The process of planning hotels and setting priorities in their activity is aimed at rendering high-quality services. Therefore, for developing plans and choosing an optimal alternative to hotel business development it is necessary to assess qualitative characteristics of hotel services. For mitigating economic risks and selecting the best option of development, assessment of hotels was conducted on the basis of 11 qualitative indicators (Figure 3).

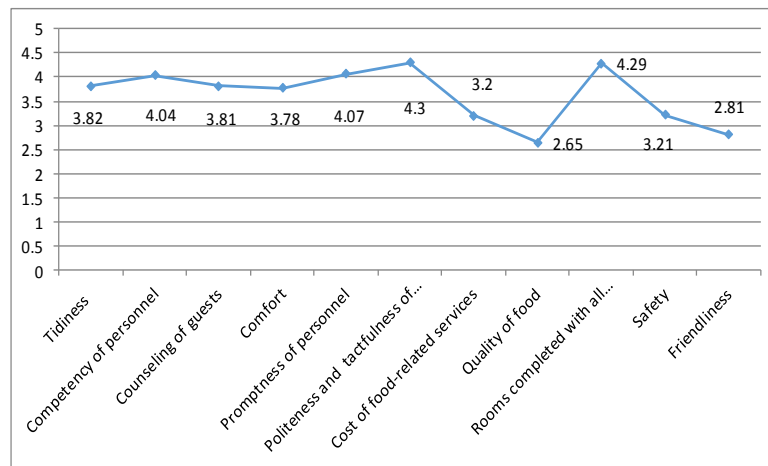


Figure 3. Assessment of qualitative indicators of hotel performance in Astana City. This figure reflects an essential gap with regard to a number of indicators. So, the lowest one is the indicator of food quality. In case of a client, especially a foreign tourist, it is important to be sure that his expectations for service quality will come up to reality. But the results of in-depth interviews testify to the fact that foreign consumers are not satisfied with both quality of food and range of dishes. The assortment policy of restaurants and kitchens in hotels does not meet foreign tourists preferences, in the greater part of hotels they offer classical dishes of Russian and national cuisine.

The only guarantee of kitchen quality conformance is belonging of the hotel to the international hotel network run by an international operator. In these hotels they employ foreign cooks and place emphasis on a choice of dishes according to accepted international standards.

The most of consumers gave low average rating to cost of meals at hotels. High price policy is typical of restaurants included into hotel structure. Low rating equaling to 2.81 points out of 5 was given to such parameter as friendliness, mainly, because staff members are not attentive, and they do not smile.

Guests of hotels are not completely sure of their safety, such indicator as comfort does not in full come up to their expectations. At the same time and to the greater extent, they are satisfied with such parameters as rooms completed with all the necessary, politeness and tactfulness of personnel, and their promptness.

For the hotels functioning in the market of Almaty City, we determined ratings of the most important qualitative indicators, based also on the results of our research (Figure 4).

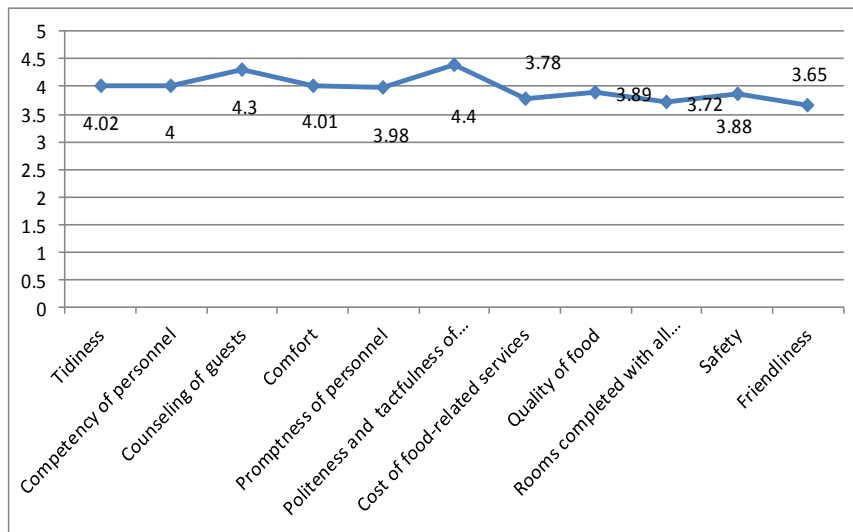


Figure 4. Assessment of qualitative indicators of hotel performance in Almaty City. The results of the research allow us to make a conclusion that hotels of Almaty have higher rates in comparison with hotels of Astana in terms of the following parameters: tidiness, counseling of guests, food quality, friendliness, politeness and tactfulness of personnel.

Though the hotel services market of Almaty has rather high indicators of service quality, there exist some other problems. As foreign tourists noted, all hotels are similar to each other and they offer services of practically identical level, but since this market is in saturation phase, where competition becomes more intensive, there is need for differentiation of offer.

Proceeding from the performed analysis, we may conclude that a strategic task for Astana hotels is further improvement of qualitative indicators, and for Almaty search for new offers and differentiation of hotel services.

CONCLUSIONS AND RECOMMENDATIONS

Taking into account the revealed weaknesses, for hotels of Astana the issue of quality remains the most actual. Success of hotel business, depending on organization of quality management system, is reached through performing system actions and considering all benchmarks on which emphasis is made in the course of rendering services with real commitment

The main benchmarks creating impression about hotels performance are given in Figure 5.

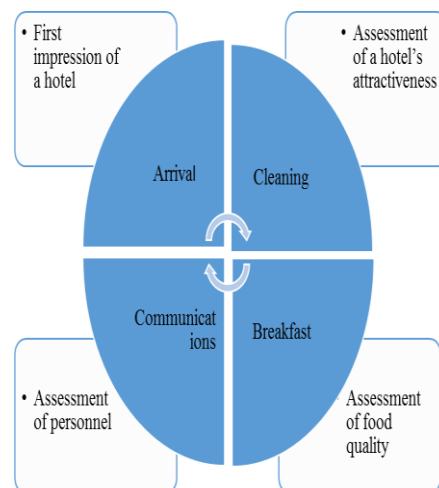


Figure 5. Main benchmarks in hotels

These benchmarks are set in order to make clear which types of hotel activity should be taken into account and which parameters should be looked upon as determinants.

Primarily it is expedient to determine standard business processes which are considered, analyzed and finally are optimized, taking into account the analysis made. These processes are operational and solve tactical problems, but in hotel business they play considerable role and are of high importance.

The first stage is arrival of a guest, often it is a crucial moment forming opinion of hotel guests. The main emphasis at this stage needs to be placed on the following processes: promptness of personnel, use of early booking system, and enhancement of customer service culture.

For rendering prompt services, free personnel can be attracted from other departments to accelerate the process of hotel guests' registration.

System of early booking must be obligatory in hotels, and of importance is availability of information both on hotel site and booking.com, and in other global networks where the hotel is advertized.

Culture of service will not change without thought-over system of training of personnel and control over the results of training exercised by managers and supervisors.

The second important process influencing qualitative indicators of hotel is cleaning of rooms.

In general it can be noted that spelled out step-by-step process of cleaning rooms simplifies process of control and gives the chance to selectively conduct audit in order to understand own weak points.

Quality of a hotel room preparation depends on whether it is completed with all the necessary. It is necessary to decide what attributes are necessary and more important for hotel guests. Therefore, there has to be continuous monitoring of their attitude to the subjects which are free of charge and are included in a room rate.

Chambermaids and hotel personnel have to be motivated to high-quality preparation of rooms for reception of guests.

The suggested system not only allows to stimulate work of maids, but also gives opportunities for identifying hotel's weak zones or bottlenecks.

The third benchmark is hotel breakfast. Breakfast in hotels of Astana, according to our research, appears to be one of their weaknesses.

In different classes and types of hotels consumer segments differ, therefore, you can understand needs

of the guests by means of questioning. Opportunities to deliver high level food services appear with solution of main questions that interest hotel guests and relate to quality of dishes, their range and services.

For further improvement of food service, repeated questioning is needed after all implemented changes.

The important instrument of increase in hotel's competitiveness is professional communication of hotel personnel with its guests. Each hotel department contacting with guests has to constantly trace the questions frequently asked by visitors and problems that seem more actual to them.

Besides, hotel personnel need to be trained in communication skills area and be stimulated to further development.

For hotels of Almaty, considering that indicators of service quality are rather high, it is necessary to address issues of hotels differentiation, especially it concerns three-star and four-star hotels and hotels without any category.

When creating a hotel product it is advisable to keep in mind the following three main features:

- when planning hotel services it is necessary to trace regularly changing consumer preferences and requirements of the market;
- it is expedient to use innovative approaches which improve quality of hotel accommodation and make hotel products attractive;
- hotels have to create services that differ from those of competitors [18].

Innovative solutions meant for hotel products have to be aimed at increase of hotels competitiveness, and making an effective contribution in terms of creation of service value.

Now, taking into account rapidly changing consumer preferences, of importance are operational innovations. Operational innovations give the chance to quickly react to the changes happening, and also to create unique products.

For creation of a competitive product, you have to study how way of life is changing, what benefits are expected by consumers, what the structure of services consumption is like, educational level of consumers, family structure, technological developments. All these factors form a basis for creation of an innovative product.

When developing hotel products it is necessary to consider tendencies in life of consumers, namely, their aspirations to improvement and comfort, based on which attractive additional products are created.

According to the research, development of hotel business in Almaty, as against Astana, has a number of advantages, in particular, higher level of services and quality of food in hotels, more professional and competent work of personnel. In the meantime, it should be noted that in conditions of a saturated market, when there is balance between supply and demand, strategy of development of hotel business needs to be changed. Managers in hospitality industry focus their attention on the existing market demand and, generally, pay more attention to standard offers of the hotels with high quality of service and food where tidiness and comfort are observed. At the

market of Almaty City in the segment of three star and four star hotels, offers are so indistinct that they, generally, differ only in terms of registration, corporate style, color range, when all other indicators are identical. Hotels offer similar rooms and range of additional services.

In hotel business there came the period when it is necessary to pay attention to potential clients. In Almaty we observe the process of stagnation in the market of hotel services. Consequently, it is necessary to study needs and demands of potential clients, and this will give the chance to determine the level of future market demand. Almaty market approached saturation level and, therefore, it is time to consider which hotel business offers are available in elevation and azimuth. Hotels with narrow market focuses see only obviously expressed needs of clients.

All this leads to the situation when they do not see capacities of undeveloped or emerging markets [19].

Therefore, hotels of Almaty need to define what new directions of hotel business are attractive and can be demanded, taking into consideration potential clients demands (Figure 6)

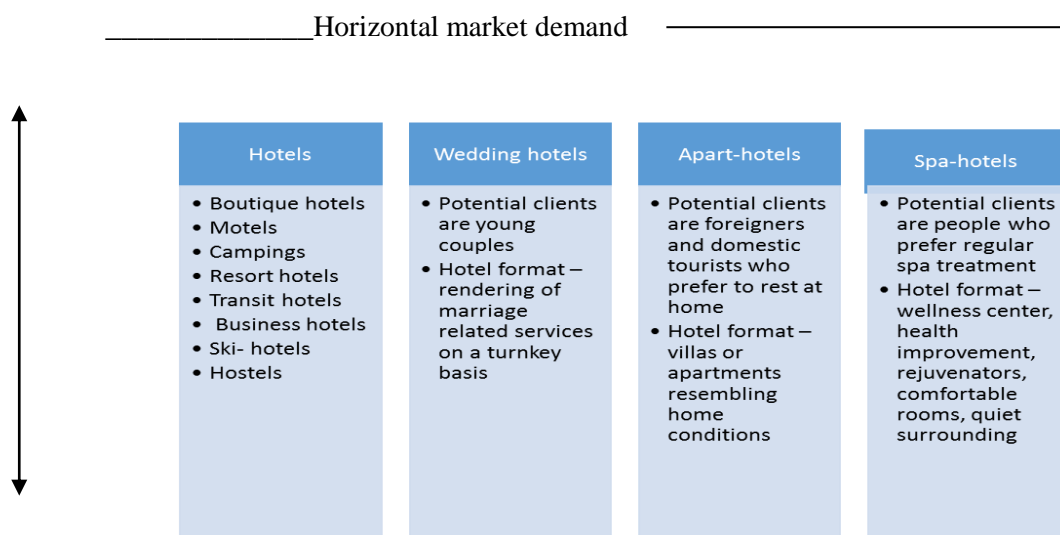


Figure 6. Vertical and horizontal market demands of hotel business in Almaty. The new opportunities for Almaty hotels development are possibilities for opening of wedding hotels for internal target audience, apart-hotels for foreign guests, and spa-hotels for all categories of clients with high income. The mentioned directions are initial, further in the process of the markets development there can be new types of hotels.

Development of a new hotel format assumes stage-by-stage work on the main four directions (Figure 7).

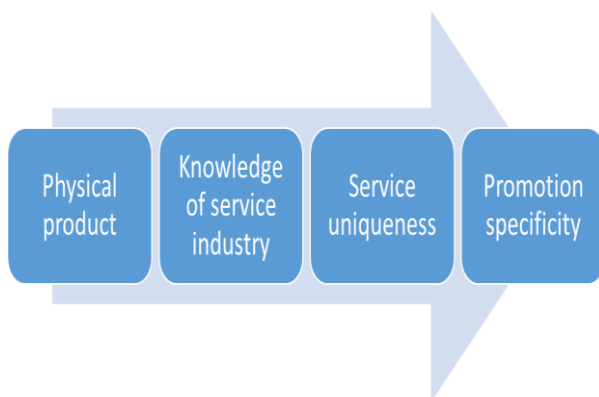


Figure 7. Sequence of stages of creation of a new type of hotel

At the first stage, a physical product is created and visualized to demonstrate hotel's specialization. Design, interior items may correspond to the new concept of a hotel. Creation of a myth or story, and, whenever possible, its visualization in all attributes of a hotel. The second factor is competence of personnel and knowledge of customer care or service. Plus consideration of hotel's specialization, employment of staff able to work at a new submarket, for example, a wedding hotel, and creation of additional services needed for a new format.

The third factor is uniqueness of a service, it has to be unique and special, not available at the market, and considering all nuances. Taking into account change of a format of hotel, Business changes when certain changes with hotel format occur.

The fourth factor is specifics of promotion, given location of target audience and ways of obtaining information.

In general, it is possible to note that, despite the fact that hospitality markets of Almaty and Astana differ from each other, each of them has prospects for development.

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