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Hotel Industry Development in Kosovo

Honors Project

Kaltrina Zeka

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Acknowledgments

I am thankful to:

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List of Acronyms:

RevPar – Revenue per available room

ADR – Average Daily Rate

MTI – Ministry of Trade and Industry

KSA – Kosovo Statistical Agency

NGO – Non-governmental Organization

Abstract

The purpose of this paper is to first analyze the hotel industry in Kosovo in depth, through qualitative and quantitative research, and then to compare it with the hotel industry in Macedonia. In this paper, I look at: what are the capacities of hotels in Kosovo, do these capacities fulfill the hotel industry and tourism needs in Kosovo, how do star ranking criteria reflect the quality of hotels in Kosovo, where do Kosovo hotels lack the most, how does the hotel industry stand in general, how does it differ and compare to the hotel industry in Macedonia, both in capacities and quality, what are the biggest challenges in the hotel industry in Kosovo, what are the factors that have led to the current state of the hotel industry in Kosovo and so on. This research is conducted and includes: analysis of secondary source data and information, and qualitative and quantitative data obtained through a survey and in-depth interviews.

Chapter I: Statement of the problem

Hotel Industry is one of the most emerging industries in the world, and an important sector that contributes to the economic growth of a country in general and tourism in particular. According to Manohar Puri, and Chand Gian, “The success of tourism industry depends to a great extent on the availability and quality of accommodation facilities” (109). Meaning that, an improvement and sustainable growth of hotels as the main accommodation facilities can bring benefits in the future both in the social and economic area, due to the improvement and success of tourism. Some of the main direct and indirect social and economic impacts of such an industry are: the increase of employment, the boost of local industries, increase of foreign exchange earnings, increase of foreign direct investment, preservation of traditional industries, generation of income etc. (“Significance of Hospitality and Tourism in a Country's Economy”). Scholars, who have long been occupied with the economic impact of this sector, state that the effects on employment, output, and induced value-added caused by this sector could potentially generate a greater impact compared to that of the primary or the secondary industry (Kim and Byung-Gook, par.4). For example, in the State of South Carolina, this economic impact is attributable to seven sport tourism events” (Kim and Byung-Gook, par.8).

Kosovo - “The heart of the Balkans,” is located in the South Eastern Europe, in the so called Balkan region, which as a region is known to have one of the most developed tourisms in the world. (Vasileva, 6). The Balkan countries accommodate millions of foreign visitors each year in their hotels. In particular, they are especially and exceptionally known for their historical site-attractions. In 2015 only, all these countries had more than 96 million arrivals, which approximates to 8.2% of the 2015 total world share of arrivals (Vasileva, 7). Kosovo accounted for only 79 thousand foreign visitors during that year and only 120.669 nights spent (“Statistical Yearbook of the Republic of Kosovo: 2016,” 133). While, Kosovo’s neighbor countries: Albania, Macedonia, Montenegro, and Serbia, together accounted for 6.9 million foreign tourists (Vasileva, 7). Even though Kosovo has an excellent location in the region, by being in the center of it and reaching all its neighbor countries within a short radius, it seems that its hotel industry is lacking behind in attracting and keeping its tourists and visitors in the country. According to the State Statistical Office of the Republic of Macedonia, in 2015 around 14,000 Kosovars visited and spent at least one night in Macedonia (“Tourism in the Republic of Macedonia, 2011-2015,” 35). While in Kosovo, in the same year, there were only 3,000 visitors from Macedonia (“Statistical Yearbook of the Republic of Kosovo: 2016,” 133). This is quite a large difference, considering the close distance these two countries have. Against this background, this project will focus on providing an analysis on the hotel industry of Kosovo through qualitative and quantitative research. To have a more complete view of the development of Kosovo’s hotel industry and the pace of it, a comparative analysis with Macedonia’s hotel industry is done. It aims at showing how Kosovo’s hotel industry differs or lacks behind Macedonia’s hotel industry, and how it can be developed so it reinforces Kosovo’s metropolitan position in the region.

Chapter II: Literature Review

A. What is Hotel Industry?

The Hotel Industry is a subsidiary of the tourism industry; and possibly one of the world’s oldest industries (Sheela, 2; Le Na, 10). The term hotel was first used in France in 17th century, as a residence of rich, as well as a public place. This term emerged from the accommodation places that were used after industrial revolution to accommodate travelers,

which later on became meeting places to eat and get entertainment that were called “tavern;” and these then were transitioned into hotels. However, the first modern hotel was built and came to recognition in the 18th century, from when and where it was spread in many countries (Sheela, 3). As per the Cambridge dictionary, the term hotel refers to an establishment/building that provides lodging services with payments made to utilize them for a short period of time; while, according to Le Na, “Hotel is a part of the hospitality industry which is an umbrella term for a broad variety of service industries including, but not limited to, hotels, restaurants and casinos” (9). Hotels are categorized by two ways: (1) functions, or (2) star ratings. The following are hotel types that have been classified by function: Commercial, Airport, Conference, Economy, Suit or All-Suit, Residential, Casino, and Resort. Whereas, the classification by star ratings goes from no category hotels, which do not have any star rating, up to 5 stars that is the maximum as per literature (Le Na, 11-13). Five star hotels are characterized as luxury hotels; generally quite expensive, extra service provided such as private facilities and services, e.g. golf courses etc. Four star hotels are generally categorized in first class hotels; yet relatively expensive with certain luxury elements of service as well. Three star hotels are considered middle class hotel with more than basic services provided for a considerable price. Two star hotels known as budget hotels are considered to have basic services but also some additional services such as room service; a service which one star hotels – low budget hotels, may not have (Le Na, 13). In my study I focus on the second classification based on star rating, due to the fact that the aim of the paper is to evaluate the quality of hotels, for which star rating is one determining factor.

B. Importance of Hotel Industry

One major reason why the influence of hotel industry is considered to be large is because of the multiple effect that the industry has in the economy, by impacting the economy directly, increasing the level of tourism – indirect effect, which in turn also impacts other sectors and the economy further – induced effect (Kim & Kim, 8). Development of tourism in a country multiplies the effect of hotel industry in job generation, revenue increase and economic growth. Thus, countries that have touristic potentials, such as Kosovo, can easily ensure a great source of income and revenues by investing in the hotel industry. An input-output analysis done by Kim & Kim, in Texas showed this multiple effect by comparing the output multiplier of the hotel

industry to the average multiplier for output of Texas. The multiplier of the hotel industry was 2.006, while the average was 1.956 (8). Moreover, there was a significant impact on employment, both directly and indirectly. The level of employment in the hotel industry was double the average number of employment per industry sector; this average number was 32,206, while employment for hotel industry accounted roughly 77,000 – double the average (Kim & Kim, 10). Likewise, the indirect effect on employment due to the hotel sector employment appeared to be the maximum among 21 industrial sectors (Kim & Kim, 12). Further, several other studies have also looked into the impact of hotel industry and tourism at the national level through an input-output model and they all show to have positive multiple effects (Freeman and Sultan; Kim and Chon; Lee and Taylor; Liu, Reis and Rua). For many developing countries tourism and consequently hotel industry make an even greater source of income. Considering this and their nature blessings, there are countries that lie heavily in the tourism sector; such as Montenegro. The contribution of trade & tourism in Montenegro's overall GDP in 2016 was around 22% ("Travel & Tourism Economic Impact 2017 Montenegro," 7). If the development & growth of tourism industry takes place in a sustainable manner World Travel and Tourism Council predict that this contribution will be over 30% of Montenegro's GDP by 2027 ("Travel & Tourism Economic Impact 2017 Montenegro," 7). In addition, if this sustainable pace continues the total contribution of travel & tourism to employment in Montenegro is predicted to increase to 20% in 2027 as compared to 14% as it was in 2016 ("Travel & Tourism Economic Impact 2017 Montenegro," 8). All these examples and figures show how beneficial the hotel industry development could be for the economy of a country. Besides the impact that tourism and hotel industry have in the country's economy, this industry is quite beneficial for those operating in it as well, a relatively large fraction of tourists' spending goes to the hotel industry itself. For instance, in Canada, a substantial portion of 25% to 35% of the tourists' spending goes to accommodation; mainly hotel sector (Westcott, chapter 3). This makes it a highly profitable business to operate in.

Regarding Kosovo specifically, research literature confirmed that although there are some studies of the impact of tourism or of the tourism potential in Kosovo (Ceku; Kida; Posthumus), there is no particular study done specifically in the hotel sector. There are some

reports that touch upon the impact of this industry on employment (“Development of Tourism Through Effective Policies and Legislations), and the studies done by KSA to gather statistical data. However, none that shows the quality of our hotel services and how this quality service has impacted the development of tourism in Kosovo.

C. Difficulties of the Hotel Industry

Regardless of all the aforementioned benefits both in the macro and micro level, the hotel industry is not as easy to develop and operate as it may seem, and with clear benefits in the long run, there come quite some high initial costs. This industry is one of the few ones that require a relatively large initial investment. Moreover, the hotel industry often encounters several problems, some of which are: the lack of uniform standards; the large variation in services and facilities provided; inexperienced workforce; and unreliable and inadequate information for planning and marketing (Yang et al., 1). These factors not only can affect the performance and quality of the hotel sector, but they can make it quite difficult for hotels to reach the long term high profit and operate successfully for a long period of time. That is, these particular traits of services, i.e. intangibility, variability, overlapping of consumption and production and so on, make it highly difficult for branding in the service sector, which is one important factor to gain competitive advantage and to be profitable in the service industry, and specifically in the hotel one (Moraru, 1). According to Andreea-Daniela Moraru, “[I]t has been asserted that consumers may be more brand loyal with services than with products, since changing brands of services may prove more costly, awareness of substitutes is limited, higher risks may be associated with services, and last but not least, it may lead to maximization of customer satisfaction due to seller gaining knowledge of customer’s tastes and preferences” (1). Thus, building a brand is quite crucial for a hotel, which otherwise would operate day by day in the mercy of someone passing by and events. However, the brand is a reflection of quality, and to build a brand one needs to know how to measure service quality, and where to focus so as to increase the quality.

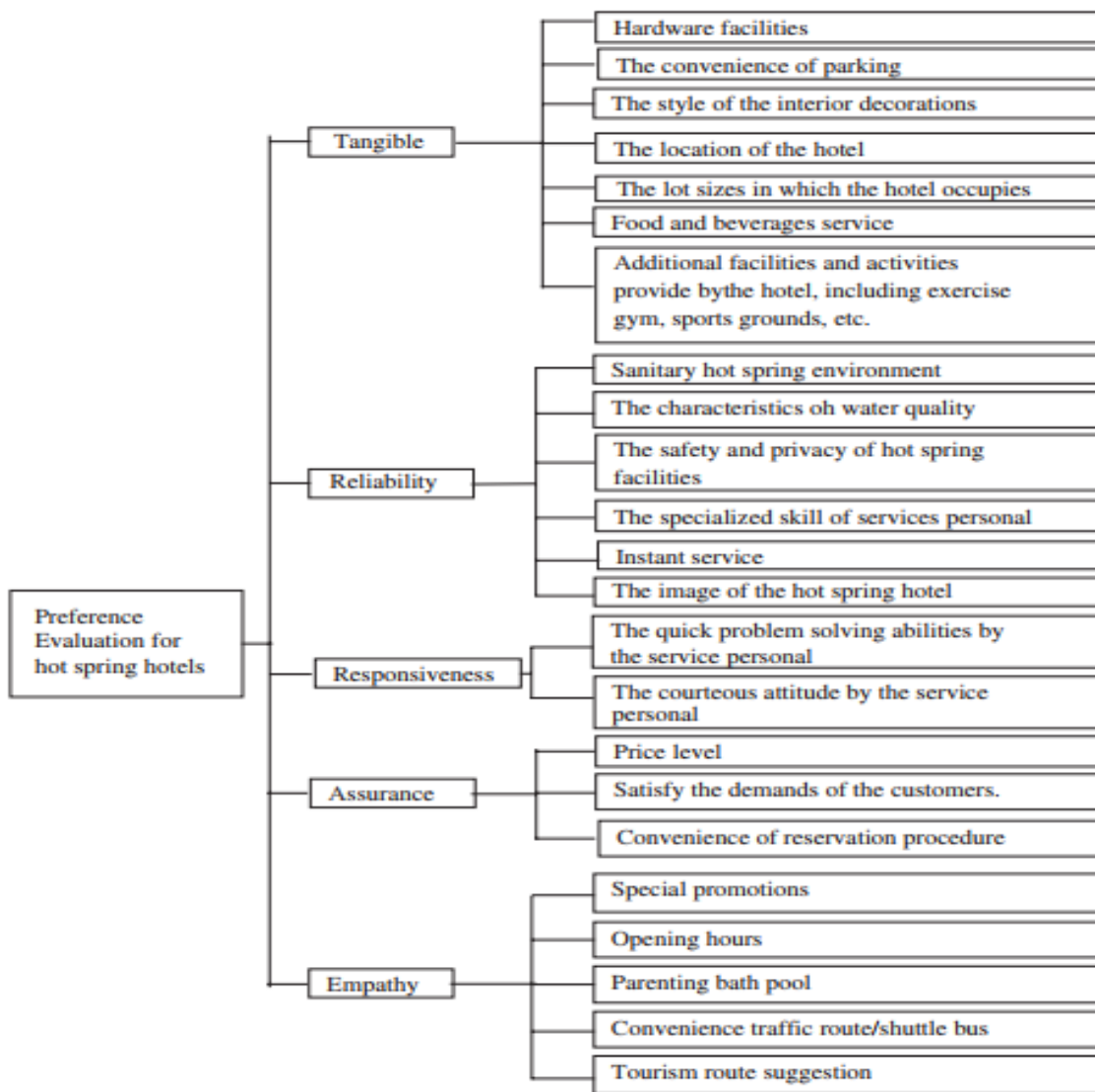
D. Measuring Service Quality for the Hotel Industry

Service quality, as can be found in literature, is regarded as the comparison and difference between service expectations and actual performance perceptions (Ming-Lang, 2). That is, the level at which a service satisfies and meets costumers' expectations, which means the smaller the difference between these two the higher the service quality (Caruana et. al, 3). This has become one important tool to gain competitive advantage in the hotel industry. Research shows that it "leads to customer loyalty and attraction of new customers, positive word-of-mouth, employee satisfaction and commitment, enhanced corporate image, reduced costs, and increased business performance" (Akbaba, 2). Also, it contributes to higher customer retention, and according to a Harvard study retention has been found to be six to seven times less expensive than gaining new customers (Le Na, 22). However, in the era of globalization, with the increase in services and possibilities, also the quality expectations from costumers are increasing (Yang et al., 2). Moreover, bearing in mind that hotel industry is considered to be a global service industry, these preferences and expectations differ among costumers, considering that they come from different countries of residence/cultures, but also due to the fact that they are of different demographics (Le Na, 43). As such, taking this into account, and the fact that no flawless and highly effective model has yet been discovered, several perspectives along with different methods have been developed and used to measure service quality of hotel sector (Kuan-Yu, 2). These methods can be grouped as attribute and incidence based methods for measuring service quality, with the difference that: (1) Incidence-based methods measure quality based on the incidence that costumers encounter in service contact situations; and (2) Attribute-based methods measure quality based on the attributes that are offered to costumers (Akbaba, 3).

One of the most popular attribute-based methods that have been used in many research studies for measuring service quality is SERVQUAL (Caruana et al., 1). The SERVQUAL scale developed by Parasuraman et al. in 1985 is a survey instrument that measures the quality of service based on five parameters/dimensions: *tangibles*, *empathy*, *assurance*, *responsiveness* and *reliability* (Akbaba, 5). Although different hotel types and different scholars/research papers define these parameters slightly differently, in general: *Tangibles* account for any tangible object/item/facility; *Empathy* means putting yourself in costumers' shoes and give them services

that they would appreciate; *Assurance* stands for making sure that the costumer gets the promised/agreed/expected services; *Responsiveness* is related to the ability to respond quick towards customers’ needs/issues; and *Reliability* implies the lack of fear from the side of the costumer that something bad may happen to him/her. In Fig. 1 below you may find an example of evaluation criteria and framework as per SERVQUAL scale of hot spring hotels in Taiwan (Ling-Feng et al., 5).

Fig. 1 The evaluation framework and criteria for hot spring hotels



(Ling-Feng et al., 5)

Many studies have been done to see which of the following attributes is more important or how do they order based on their importance, so those operating the hotel could better improve service quality by simply focusing more on those particular dimensions. However, based on the different types of hotels (for different purposes of stay) for which the studies have been conducted, different results have come out. One of the very first research results done from the SERVQUAL's founders, Parasuraman et al in 1988, showed *Reliability* to be the best predictor of service quality (Akbaba, 4). Several studies that came after this one attributed: "reliability" (Knutson 1990), "conviviality" (Saleh and Ryan 1992), "courtesy and competence of hotel personnel" (Akan 1995), "employees" (Mei et al. 1999), "intangibles" (Ekinci et al. 2013) etc. as the main factors of evaluating service quality (Akbaba, 16). The majority of the above mentioned predictors do not fit exactly the five dimensions explained above, but they are different versions that fall under these five basic dimensions, which have been developed and/or modified by other critics/scholars with time. A more recent research study on a business hotel in Turkey by Akbaba, conducted in 2006, presented again total different findings. According to this study, the most important determinant in measuring service quality appeared to be "tangibles," followed by "understanding and caring," which in our five dimensions model falls under *Empathy* (Akbaba, 15). This study, which analyzed five dimensions too, although not with the same notations as the ones provided by Parasuraman et al., also showed that the five dimensions explained 70% of the variation in the evaluation of service quality, which was statistically significant as per the F-test; as was the impact of each dimension as well (15). This means that quite a large portion of service quality outcomes can be explained by these five factors, and all the factors have a significant impact on the service quality evaluation.

Thus, in this research paper I focus and explain the quality of Kosovo hotels in all five aspects, for two main reasons: (1) My analysis includes all types of hotels in Kosovo, since I am evaluating the level of hotel sector of the whole country; and (2) Customer expectations may vary very much from one region to the other and even within the same hotel, considering that foreign visitors come from different countries with different preferences.

Chapter III: Methodology

This research paper is a combination of both primary and secondary data research and analysis. I used the two types of data, due to a lack of available information and due to their unreliability. To better understand and analyze the quality aspect of the hotel industry I conducted in-depth interviews and a survey with hotels as a primary data research. Through secondary data research, I mainly aimed to find data on the number of hotels that operate in Kosovo, the names of the hotels operating (a list of all hotels operating in Kosovo), the capacities of the hotels specifically, legal framework and criteria for classification of hotels based on star rating, and the number of hotels for each category / ranking.

Thus, I first did research on the existing literature. The data I found on the number of hotels and the list of them were at best not complete and not specific. Although I did not find any list of the overall hotels in Kosovo, I did find a list of classified hotels based on star ranking from MTI, which involved only 27 registered and classified hotels, from more than 350, of what is estimated from MTI officials to be the total number of hotels in Kosovo. I also analyzed the legal framework and the criteria that are to be met to get a particular star rating. Regarding data for Macedonia's hotel sector, for the comparison part to the hotel sector in Kosovo, I relied entirely on secondary data and research.

After the secondary research, I conducted field research to collect primary data through surveys and interview. The survey was conducted with all registered and classified hotels listed on MTI's website, to see how much they actually fulfill the quality criteria set by the ministry for star obtaining. Thus, my population was the classified hotels in Kosovo, and I did not draw a sample from it, because there were only 27 hotels; so I used the entire population. The survey questionnaire that as shown in Appendix 3 contains . The questions of the survey were designed based on some of the criteria and requirements for a hotel from one of the most well-known hotel chains. However, they were selected and adapted as per Kosovo's Industry characteristics, and to fit the five dimensions explained in the literature review part. The survey was conducted through email and in person. For hotels that were near Prishtina, after contacting them through to leave a meeting or inform them of the study, I went to the hotels in person and asked from one of the

managers to fill the questionnaire. Whereas, for the hotels that were in other cities of Kosovo, I contacted and send the survey through email to fill it and send it back to me. I spent more than 2 months trying to reach and take answers from the hotels, and I managed to get 22 out of 27 answers.

Then, I conducted four in-depth interviews with: one official from MTI, the director of an NGO in tourism and hotelier, a former director of a well-known hotel in Kosovo/ tourism expert/ NGO director, and the CEO and owner of the first hotel chain in Kosovo. From these mainly qualitative purpose interviews I aimed at getting more insight on the hotel industry in Kosovo as to where it stands and what are the reasons on being the way it is. In addition, I was also interested in their opinion on the level of hotel industry here compared to that of Macedonia. Here tourism was a major indicator on the current state of the hotel sector, for which I talked more with the NGO representatives. The interviews were conducted in person, and lasted from half an hour to an hour.

Chapter IV: Results

A. Secondary Data Research - Kosovo

According to a statistical research done by KSA in 2017, there are 130 hotels in total in Kosovo, with 2,944 rooms in total, and 4,474 beds in total (“Seria 3: Statistikat Ekonomike - Statistikat e Hotelerisë TM1 – 2017”, 6). The Fig. 2 shows total capacities in terms of hotels – first column, rooms – second column, and beds – third column, for all 7 main cities in Kosovo. The biggest number of hotels is located in Prishtina, Gjakova, Gjilani and Ferizaj.

Fig. 2 Surveyed hotel capacities in Kosovo

ID Regjioni	Regjioni	Numri i hoteleve	Numri i dhomave	Numri i shtretërve
1	Gjakovë	20	329	548
2	Gjilan	20	293	378
3	Mitrovicë	6	119	161
4	Pejë	16	330	648
5	Prizren	12	363	754
6	Prishtinë	36	1.170	1.610
7	Ferizaj	20	340	375
	Gjithsej	130	2.944	4.474

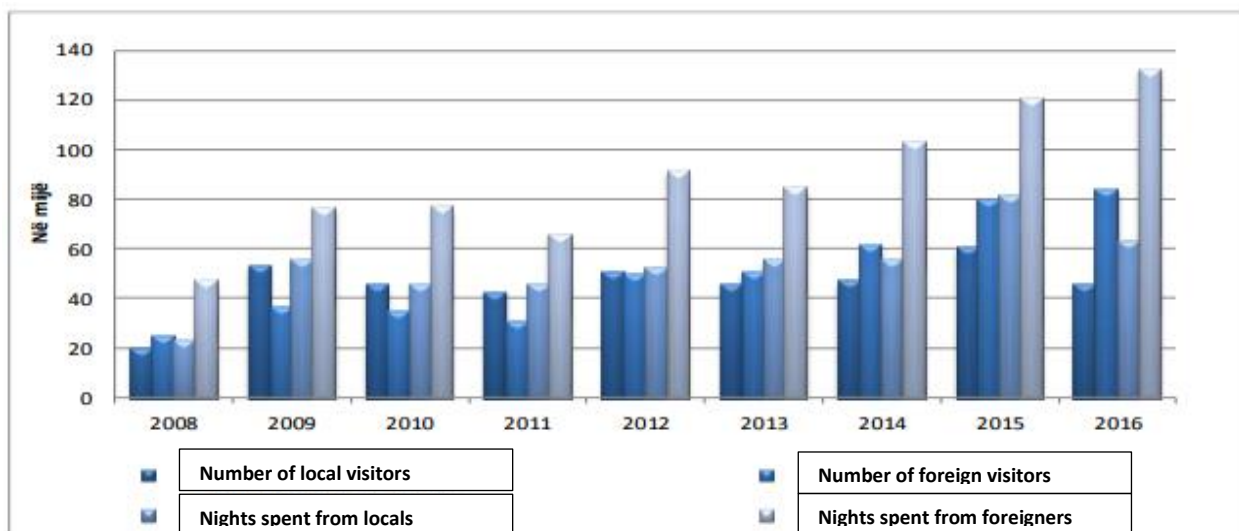
(“Seria 3: Statistikat Ekonomike - Statistikat e Hotelerisë TM1 – 2017”, 6)

From this table we may calculate the total capacity of Kosovo’s hotels in terms of their rooms, which is 1,059,840 maximum available rooms per year; and total beds available per year are 1,610,640. However, in 2016 in Kosovo, all visitors spent only 193,996 nights in Kosovo hotels, from which 62,211 nights were spent by domestic visitors, and 131,785 by foreign visitors (“Seria 3: Statistikat Ekonomike - Statistikat e Hotelerisë TM1 – 2017”, 8). That means that, based on these data, and generally speaking (considering that one night spent is equal to one room booked), Kosovo has used only 18.3% of its room capacity. From the overall capacity utilized, Prishtina had the major share and most nights spent by visitors with 120,305 nights spent, Peja came second with 32,927, and Prizreni third with 21,482 (11). Although, Prishtina accounts for 40% of total room capacity in Kosovo, in terms of nights spent it accounted for more than that, more precisely 62% of overall nights spent in Kosovo. This means that Prishtina has used its room capacity (28%) more than all other cities taken together, and specifically more than the cities that were not part of the three cities with the greatest share in nights spent. However, Peja as well is seen to have a great demand from visitors in relation to its room capacity, which has resulted in a percentage of used room capacity (27%) similar and comparable to that of Prishtina’s. To explain these numbers in nights spent, I looked at the numbers of domestic and foreign visitors for 2016, and they were 45,579 and 83,710 respectively. This means that the average night spent per visitor in 2016 was 1.5 nights/visitor.

This is a very low number considering that the minimum that a visitor can spend, according to the definition of the term visitor presented in the study, is 1 night (5). This means that half or more than half of the visitors spent only 1 night, while the other half most probably did not spend more than a week. Consequently, it implies that Kosovo does not have *tourists* – people who come for pleasure (e.g. vacations, exploring the place etc.), meaning a longer stay, in Kosovo; we have only “*passers-by*” – people who come for a couple of days, usually for business purposes or to finish a whatsoever job and leave as long as they’re done.

However, despite the relatively low number of visitors in Kosovo, there has been an increasing trend in the number of visitors from 2008, from which year KSA has started gathering data, up to 2016, with an exception of domestic visitors in 2016 which decreased by 24.29% from 2015 (“Seria 3: Statistikat Ekonomike - Statistikat e Hotelerisë TM1 – 2017”, 8). This increasing trend is shown in the graph below (Fig. 3), from where it can be seen that the nights spent in hotels have also increased parallel to the number of visitors (and decreased in the case of domestic visitors) (8). Thus, the average number of nights spent/person has not changed much. Meaning that, the same trend of few nights spent in hotels by visitors is continuing since 2008.

Fig. 3 Number of visitors and nights spent for years 2008 – 2016



(“Seria 3: Statistikat Ekonomike - Statistikat e Hotelerisë TM1 – 2017”, 8)

Although, according to KSA there are 130 hotels in Kosovo, only 27 hotels out of 130 are registered and classified based on star ranking. Also, this is the only official and public list with the names and contacts of each hotel. From these 26 hotels that have been classified by MTI: 3 are 5***** hotels; 3 are 4***** hotels; 12 are 3*** hotels; 6 are 2** hotels; and 2 are 1* hotels. As per the MTI Administrative Instruction - No. 19 /2013 “*Entities that exercise hotel and tourist activities shall be subject to the voluntary system for classification and categorization of accommodations, based on standards, in accordance with an international rating system that is available to registrants*” (“Administrative Instruction (MTI) – No. 19/2013 for Regulation and Development of Accommodation Rating System”, 5). This means that classification based on star rating, or categorization as it is referred to in this Administrative Instruction, is not obligatory in Kosovo, and it can be done only if the owners or managers wish to rate the hotel. However, if the hotel is not officially categorized by this legal entity it has no right to place the stars (16). The categorization criteria, which contain several principles of quality measurement that need to be met in order for the hotel to get a particular number of stars, are listed in this Administrative Instruction (94-116). Each criterion has a certain number of points that are to be gained by the hotel depending on the level of principles that the hotel fulfills for that criteria. At the end the sum of all points gained by the hotel gives a number which defines the star ranking for that hotel. In Fig. 4 are provided the minimum points that are required for each star ranking.

Fig. 4 Table for classification ratings with points for Kosovo



TABLE FOR CLASSIFICATION RATINGS WITH POINTS		
Star ranking	Minimum rating (points)	Agreed rating (points)
HOTEL WITH 5 STARS	620	
HOTEL WITH 4 STARS	480	
HOTEL WITH 3 STARS	360	
HOTEL WITH 2 STARS	240	
HOTEL WITH 1 STAR	140	

(“Administrative Instruction (MTI) – No. 19/2013 for Regulation and Development of Accommodation Rating System”, 118)

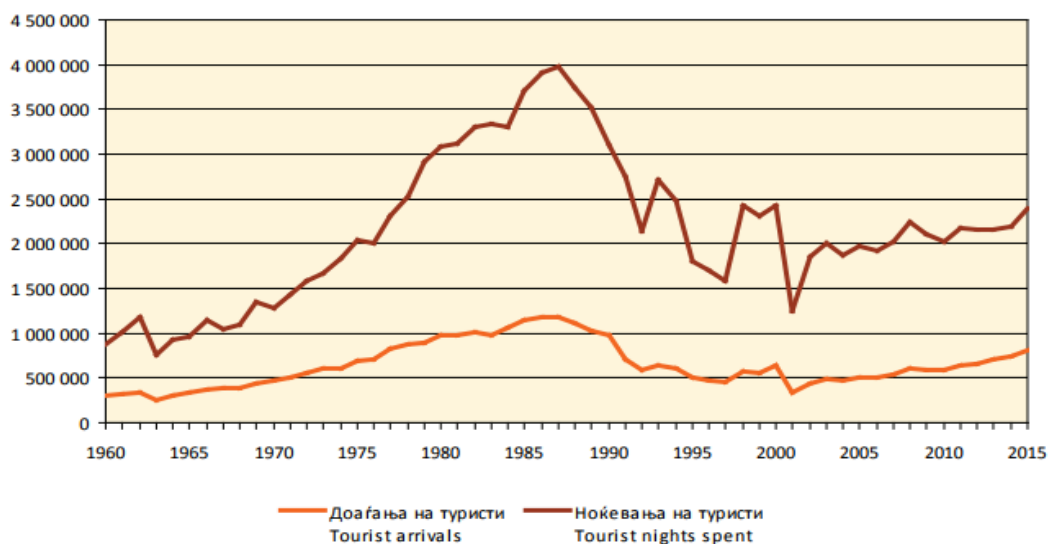
However still, although each hotel needs to have a required number of points, these points can be gained from different section. Meaning that the hotel does not necessarily need to have all criteria fulfilled, it may recuperate the points of that criterion (section) with another one. For instance, one hotel may not have a swimming pool and yet get 4 stars, if the points of other criteria can make up for those that it would get from the swimming pool. Regardless of this, there are certain minimal criteria that every hotel should have under a certain star rank, which are also shown in this Administrative Instruction, such as having a reception lobby, minimum 7 rooms, security 24 hours, and fire alarms and measures against fire incidents. For 5* hotels there are more minimum requirements that should be met, and they are more advanced.

B. Secondary Data Research – Macedonia

In 2016, there were 856,843 visitors in Macedonia, 346,359 domestic and 510,484 foreign, who spent in total 2,461,160 nights, from which 1,407,143 were nights spent by domestic visitors and 1,054,017 by foreign ones (“Tourism and Catering Trade: Tourists and nights spent by types of accommodation establishments, by years”). Here, different sectors of accommodation facilities are included starting from hotels to sleeping cars, houses and uncategorized accommodation facilities. However, for accuracy and topic relevance purposes I will use only hotel and motel figures and compare them to Kosovo, even though in terms of comparison this may or may not be more accurate, since the definition of hotel is not precisely defined from KSA. Thus, taking the number of nights spent and visitors only for hotels and motels; 1,269,576 nights spent, and 644,316 visitors, I found that the average nights spent per visitor (tourist) in Macedonia in 2016 was roughly 1.97 nights/ visitor. Although still not so high, it is higher than the rate of Kosovo by 0.5 nights/ person, and considering that the variation here may be higher due to the greater number of visitors, it may indicate that in Macedonia there are visitors who do come for pleasure and stay longer in hotel facilities. According to a survey done in 2016 by Macedonia’s State Statistical Office with 1617 respondents/visitors, around 49% of visitors in hotels stayed for vacation and recreation purposes, while only 33% for business and work purposes (“Survey on Foreign Tourists – Survey at Accommodation Establishments, 2016”, 34). Nevertheless, not only do visitors come for a longer stay in Macedonia, but there are

also more nights spent in Macedonian hotels compared to Kosovo. If we look at the numbers, Macedonia in 2016 has had more than 6 times the number of nights spent in Kosovo in 2016. Yet, similar to Kosovo, in Macedonia there has also been an increasing trend in the nights spent from 2001 and on, which you can see in Fig. 5 presented as a graph (the graph represents all accommodation facilities up to 2015, but this reflects the increasing trend for hotels specifically as well), and this trend can be attributed to a big extent to the large investments made in the tourism sector in the last decade (“Tourism in the Republic of Macedonia, 2011-2015”, 14).

Fig. 5 Tourist arrivals and nights spent, 1960 – 2015



(“Tourism in the Republic of Macedonia, 2011-2015”, 14)

However, regardless of the greater numbers, does Macedonia reach its hotelier capacities with these numbers of nights spent or how much do they use their capacities compared to Kosovo? In Macedonia, according to the list of categorized hotels from the Ministry of Economy, as of 2016 there were 279 registered hotels in total, from which: 17 were categorized as 5***** hotels; 70 as 4***** hotels; 85 as 3*** hotels; 64 as 2** hotels; and 43 as 1* hotels (“Overview on Categorized Hotels”). Out of these 279 hotels, there are three franchise hotels operating under well-known hotel chains: Best Western, Hotel Inn, and Marriott (“Macedonia Country Commercial Guide: Macedonia - Hotel & Restaurant Equipment/Tourism”, par.2). All

these hotels and motels have a room capacity of 8,685 rooms with 19,506 beds (“Tourism and Catering Trade: Number of rooms and bed places by types of accommodation establishments, by years”). This is almost three times the room capacities that Kosovo has, and 4 times the bed capacity; and they had around 6 times the number of nights spent. More precisely, again assuming that one night spent is equal to one room booked, Macedonia in 2016 used, at maximum, 40% of its overall room capacity. Meaning that, in general, hotels in Macedonia utilize their room capacities more than Kosovo.

Regarding star ranking, in Macedonia categorization is done in more scales than simply from 1 to 5 stars, among that you have also “normal” and “superior” for each star ranking. For instance you have a 5* hotel and a superior 5* hotel. This may be done due to the relatively big number of hotels that are categorized, which subsequently may differ in their quality quite a lot as well, even if we take hotels of the same star rank. Thus, they may increase the scale so they can differentiate more between the service qualities of different hotels and provide a more reliable star rank for customers. Macedonia’s criteria for categorization, which are shown in the Rulebook for categorization of hotels, were updated in 2013 (“Categorization of Hotels, Motors, and Pensions (From 1* - 5 *)”). In comparison to Kosovo, in general categorization criteria in Macedonia are more specific both in terms of the requirements and points. They specified the points for each requirement even within a certain criteria, such as bedroom. Under this criterion/section in case of Macedonia there are points for each room size, facilities that the room may contain and so on; while in the case of Kosovo, the specific requirements that a bedroom should have (room size, facilities and so on) are included in the bedroom criteria, which has in total 50 points. Meaning that all the requirements that fall under this criterion make up a total of 50 points, but the weight of each is not defined, so depending on how much of the requirements are met in this criterion overall, the hotel will gain points. Another thing that Kosovo lacked, compared to Macedonia’s criteria, is that in Macedonia they focused more on services, whereas the criteria in Kosovo are much more focused in “tangibles” and less in “intangibles,” such as: available material regarding regional information, daily newspaper sent to room, concierge, child care etc. On the other hand Kosovo’s criteria were more specific in terms of technicalities, for instance: acoustic insulation, electrical system and lightning, materials used for the floor of

restaurant and so on. In addition, although the number of points and the allocation of them are quite different in the two sets, Kosovo hotels should accumulate more points in order to obtain the stars for each category. This means that it is harder for Kosovo hotels in terms of points to get ranked with 5 stars or even fewer compared to the hotels in Macedonia (the minimum point requirements for Macedonia are shown in the table below, Fig. 6). Moreover, 5* hotels in Kosovo have more minimum requirements to be met than 5* hotels in Macedonia; more precisely Kosovo 5* hotels should meet at minimum 127 criteria, while those in Macedonia 120 criteria. Nevertheless, for 1* to 4* hotels there are fewer minimum requirements to be met in Kosovo than in Macedonia.

Fig. 6 Table for classification ratings with points for Macedonia

	★	★★	★★★	★★★★	★★★★★
Minimum set of points	90	170	250	380	570
Hotels	170	250	380	570	650
Addition "Superior"					

(“Categorization of Hotels, Motors, and Pensions (From 1* - 5 *)”)

C. Survey Results

The survey that I conducted with 22 hotels from the list of categorized hotels gave me more insight on the quality of Kosovo hotels. From all the hotels surveyed, the majority came from Prishtina (13), while Gjilan and Peja had the least number of hotels (only 1). There was no hotel registered from two of the main cities in Kosovo: Mitrovica, and Ferizaj (Appendix 1, Fig.1). In addition, 1 of the hotels surveyed had 1 star, 6 had 2 stars, 9 had 3 stars, 3 had 4 stars, and 3 had 5 stars (Appendix 1, Fig.2). The findings are analyzed and presented through the lenses of SERVQUAL framework.

1) Tangibles

Survey results indicate that in terms of tangibles Kosovo hotels in general are well equipped with necessary amenities/features. For instance more than 95% of the hotels have: a restaurant, air-conditioning in the hotel and rooms, cable TV in the hotel and rooms, business center, bar, conference room, and parking (Fig.7). These are also minimum requirements for different ranking categories in the Administrative Instruction of Kosovo, and the majority of hotels have them. For instance, air-conditioning is a minimum requirement only for 3* hotels and up. While as for the business center and conference room/hall, by regulation these are required only for 4* hotels and up, but they seem to be in the majority of hotels. Meaning that in terms of such required tangibles in general Kosovo hotels stand good, regardless of their star ranking.

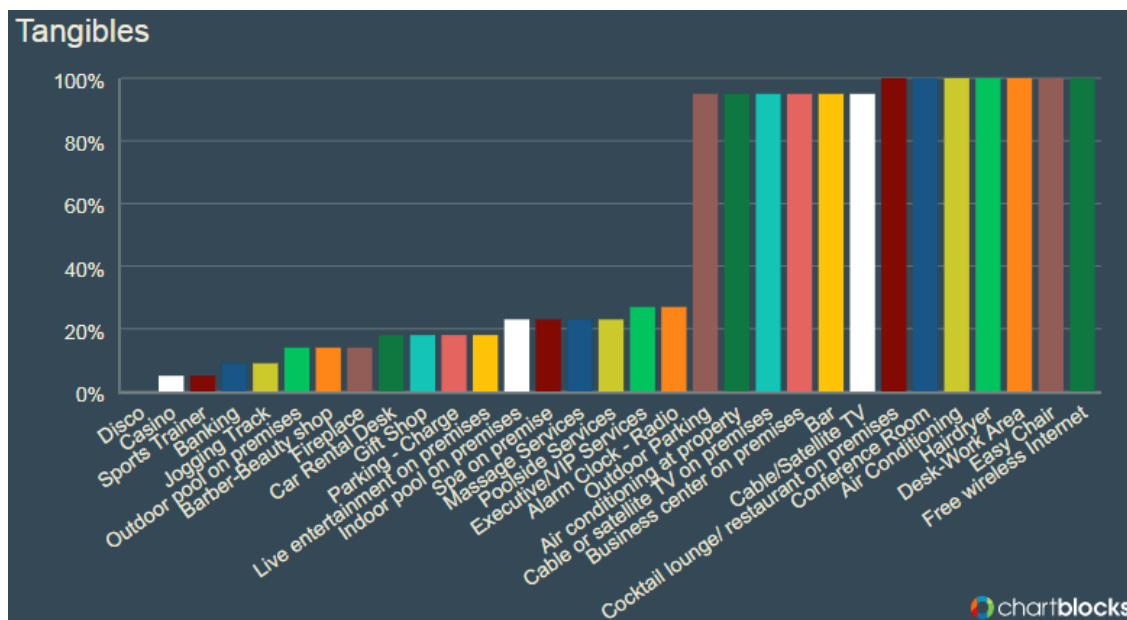
Nonetheless, when it comes to certain tangibles that are associated to a higher level of service and standard, Kosovo hotels seem to lack there. Some of these features are: Swimming pool for both outdoor and indoor, SPA, live entertainment in the hotel, banking services, barber – beauty shop, casino, car rental, disco, executive/VIP services, gift shop, jogging track, massage services, poolside services, sports trainer, alarm clock – radio, and fireplace. These are high standard features that are generally either required or expected only by higher ranked hotels, such as 5* or at most 4* hotels, especially in luxury hotels. In Kosovo less than 20% of hotels provide the above mentioned features and services. While, on the other hand more than 20% of hotels place themselves as luxury hotels; to be more precise 23% (Appendix 1, Fig. 3).

Swimming pool and SPA are tangibles that are directly associated to high quality and class. In a study done by Ching-chow et al., having a swimming pool showed to be regarded as a highly attractive attribute both in business and resort hotels (14). On the other hand the presence of casino, disco, live entertainment, jogging track, sports trainer, massage services, barber/beauty shop, and car rental are all attractive amenities for customers who wish to have a more diverse and complete experience in the hotel, which in turn leads to higher probability that the customer will come back. In addition, having these features is important for hotels that do not have such services in a close approximation to their hotel. For instance, according to the results only 23% of the hotels are located in an entertainment district, and yet only 18% of the hotels provide live entertainment in their premises (Appendix 1, Fig. 4). Meaning that, those customers who wish to

have live entertainment, will have to travel in a considerable distance from the hotel to get what they want.

The fireplace although is a “high-class” feature on the aesthetics of interior design aspect, it becomes more of a desirable and necessary amenity in hotels that are placed in a mountain district. Having in mind that Kosovo is more concentrated towards mountain tourism there should be more hotels that have this feature. However, this low percentage may be because none of the surveyed hotels were placed in such a district; which may imply that there are probably more hotels in general with this feature in Kosovo, which are not registered. Despite this, the low percentage of the above mentioned features shows that, regardless of the fact that most of the hotels fulfill the basic and some desirable requirements in terms of tangibles, in general Kosovo hotels lack the desired high standard tangibles. The graph in Fig. 7 shows some of the tangibles that are present in most hotels, and those that are present in a low percentage of hotels.

Fig. 7 Percent of Tangibles in Kosovo hotels



When looking at the location as an indicator of the level of quality of hotels in Kosovo, being that the more favorable location the higher the probability that the customer chooses that specific hotel, a small percentage of hotels are located in a district where customers can fulfill all their needs within a short radius (Appendix 1, Fig. 4).

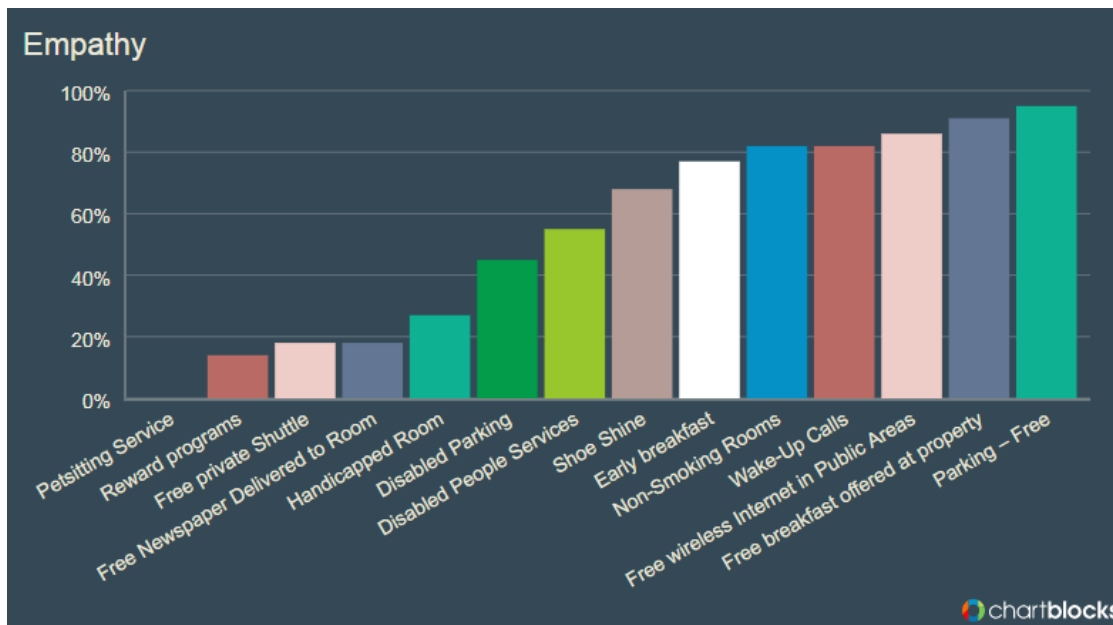
2) Empathy

Results show a lack of programs and services in the dimension of Empathy that could potentially increase customer satisfaction and consequently retention. These services & programs to which I am referring are: Reward programs for clients, free private shuttle, animal care services, rooms for handicaps, and free newspaper delivered to room. All of these services are again part of less than 20% of hotels (Fig. 8).

On the one hand, reward programs are a well-known concept in the world of hotel industry, especially for hotel chains, and a common practice to attract as many visitors as possible and make them loyal to the brand. This increases both the number of customers and customer retention. On the other hand, animal care services and rooms for handicaps increase customer retention too, but besides that they also increase the pool of customers by attracting animal owners and handicaps. Thus, they can be seen as a marketing strategy as well, especially in the case of animal care, considering the high number of foreign visitors who own animals. Nevertheless, in Kosovo, it seems that there are a very small percentage of hotels that offer such promotional programs and services. Moreover, the delivery of newspaper is also related to providing a personalized service. Having a personalized service can increase customer retention due to an intensification of the feeling that the customers are being valued and taken care of, which in part increases the level of *Responsiveness* as well.

Despite the limp in this dimension because of the lack of the above mentioned services, more than 75% of the hotels in Kosovo offer services that fall under the Empathy as follows: Free Wi-Fi in the hotel and rooms, free high-speed internet access, non-smoking rooms, free parking, shoe shine, wake-up calls, and early breakfast. The wake – up- calls can be viewed as a replacement of alarm clocks, which were part of tangibles. Considering that more than 80% of hotels give this service, it justifies the lack of alarm clocks. Moreover, while the animal care service and rooms for handicaps were not so present in Kosovo hotels, many hotels do have non-smoking room, which shows a level of care for non-smokers. This may be due to the fact that there is a higher percentage of non-smokers in terms of customer share compared to other groups mentioned above (Fig. 8).

Fig. 8 Percent of Empathy services in Kosovo hotels



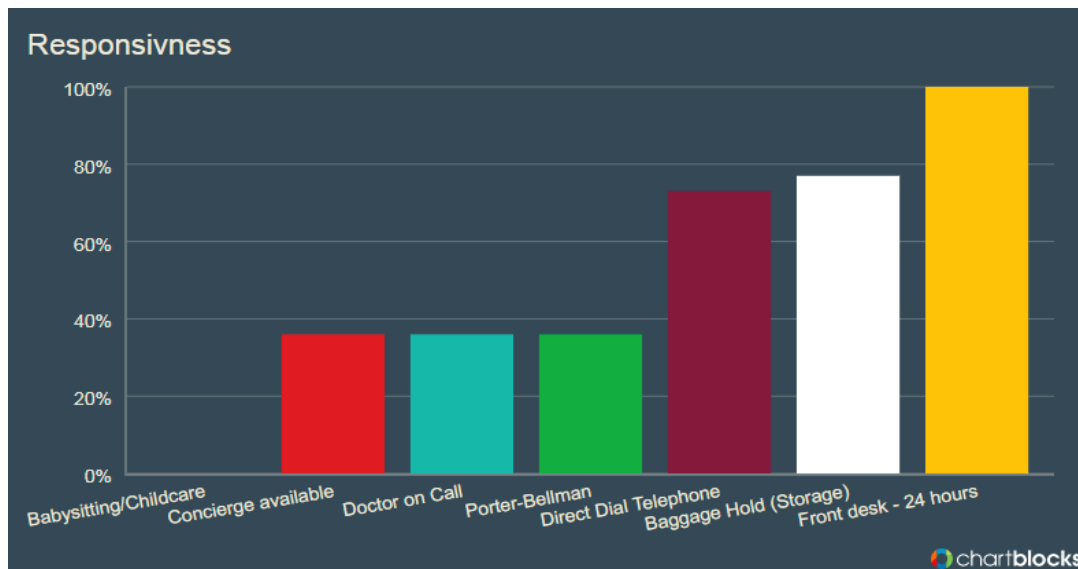
Regarding free high speed internet access, according to the study done by Ching-chow et al., internet access services are a “highly attractive” feature, especially in business hotels, where it falls under “excellent” category (14). Although free Wi-Fi is a pretty valuable service as well, it is quite common not only in Kosovo hotels, but in restaurants as well, and this is confirmed from the results too. However early breakfast, which is not so common, is a highly desirable service in this dimension, especially for foreign visitors, having in mind that many times they may have to leave early for their flights back home, in which case such a service is fairly appreciated from them. This comes into consideration more in the case of Kosovo, considering that according to the statistics and figures presented from the secondary sources above, Kosovo’s visitors are more prone to come for a shorter stay/ business purposes. In addition, almost all these services are highly desirable services for business type hotels, indicating that the majority of hotels in Kosovo may be business type oriented.

3) Responsiveness

Having a minimum requirement on the reception service to be 24/7 for 2* hotels and up, contributes a lot to the level of responsiveness and the perception of customers towards the hotel.

This is due to the fact that there is always at least one person that may help or respond to one’s requests and needs. This gives a level of comfort to the customer and at the same time makes him/her feel safer, which increases the level of Reliability as well. However, besides this service, which is present in all hotels, results show that a much lower percentage of hotels, less than 40%, are responsive towards other needs that customers may have (Fig. 9). Here I am referring to services, such as: concierge services, doctor on call, porter – bellman, direct phone call, and babysitting/childcare services. The last one is a service which is absent in all hotels, and which not only indicates the level of responsiveness towards family needs, but also empathy as well. Nevertheless, again considering that Kosovo hotels are not frequented much for vacation or pleasure purposes, this may not be such a needed or even desired service, which has resulted in none of the hotels offering it.

Fig. 9 Percent of Responsiveness services in Kosovo hotels



Concierge services and porter – bellmen are clear indicators of service quality and responsiveness towards customers’ needs. Usually foreign visitors, which make up the majority of visitors in Kosovo based on KSA and based on the survey results with an average of around 75% (Appendix 1, Fig. 10), ask for directions, attractions, events, occasions, theaters and cinemas, phone numbers for reservations and so on and so forth. To find all such things, they have to look up on books, maps, and google, often having limits and problems with the language.

Thus, to make it easier for them and better respond to their needs a concierge is highly recommended for hotels. In addition, a porter is a person that gives the first impression of the hotel to the customer, being the first one to be encountered, and the level of hotel's responsiveness towards the customers' needs, which starts from carrying out the bag to assisting in where he/she can find anything he/she needs. While, having a doctor on call is a necessary responsive measure, which may increase the reliability of the hotel as well, due to perceived safety. This is usually easily achievable if the hotel happens to be in a city center district. However, very few hotels in Kosovo provide this kind of service, more accurately 36%, while according to results 55% of hotels are located in a city center district (Appendix 1, Fig. 4).

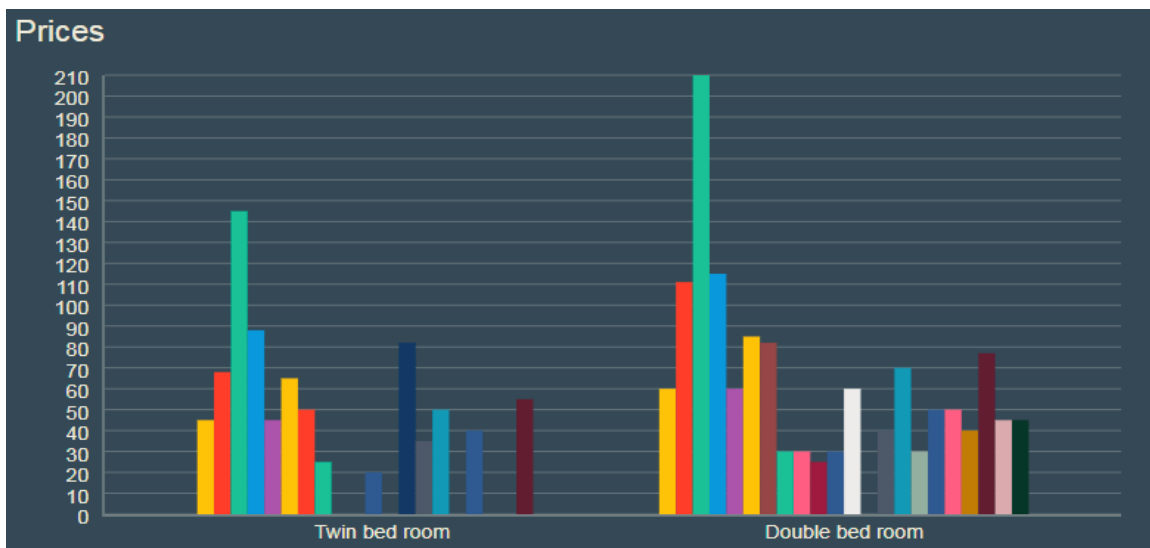
Regarding, direct phone dial, although it is present in more than 40% of hotels, more accurately in 73%, this percentage is still low considering that this is one of the main features for a hotel to be considered highly responsive and a customer oriented hotel; and besides this, it is also a minimum requirement for 3* hotels and up, in the Administrative Instruction 19/2013.

4) Assurance

Two of the variables that show the level of assurance in Kosovo hotels are price level and the convenience and ease of reservation procedure. Regarding price level, results and data gained from booking.com show that hotels in Kosovo are quite expensive compared to the services they offer, and compared to Macedonia. When taking one 5* hotel in Macedonia, and one 5* hotel in Kosovo with a rate of 0.2 less than the rate of the Kosovo hotel in booking.com, the difference in price varied from 51 Euros in the cheapest rooms of both hotels, to 1,721 Euros to the most expensive rooms in both hotels, being the hotel in Kosovo more expensive than the hotel in Macedonia. If compared to another 5* hotel in Kosovo, with a lower booking rate by 0.3 points, again the hotel in Kosovo was more expensive in the majority of rooms and the difference in price was from -2 Euros for the cheapest rooms to 202 Euros for the most expensive rooms. Do they offer more services for this higher price? The answer would be no, they offered pretty much the same services for the same type of room. However, in Macedonian hotels although the cheaper rooms may offer pretty much the same price or a little lower price for the same services, when it comes to more expensive rooms, for the similar or the same

services, they are much cheaper. Still, even when analyzing the prices only within Kosovo, one can see great differences, starting from 123 for the cheapest rooms, twin bed room, and going up to 840 Euros for one of the most expensive ones, suite with one queen bed (Appendix 1, Fig.8.1 and Fig 8.2). In Fig. 10 two types of rooms are presented to show the variation in prices among surveyed hotels for the same room category. Although, in this case services do differ quite a lot between some hotels, these price differences are quite high, and when it comes to assurance it effects in the perception of the safety that the customer will get for what he/she is paying for; one customer may wonder whether the much cheaper hotels are even reliable.

Fig. 10 Room prices of surveyed hotels for Twin Bed Room and Double Bed Room Categories



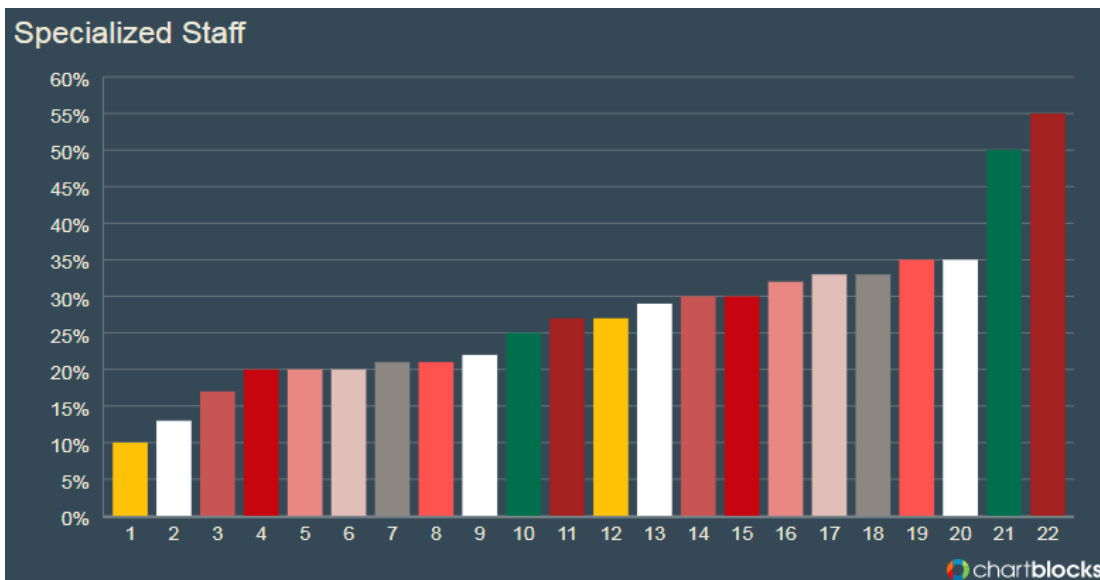
As to the convenience and ease of reservation system, results indicate that a low percentage of hotels use express check-in (24%) as a practice to assure a faster and easier check-in and reservation service. Usually the check-in process when done at the reception desk takes time, or when the visitor comes he might come in a time when someone else is checking-in as well. Thus, to satisfy the demands of the customer and assure room reservation to him/her, express check-in is a good remedy measure. Besides that, it is also a good measure for responsiveness improvement. In addition, after looking up for the hotels' websites, I found that 72% of the hotels had a website, and more than 95% of these websites were highly attractive and functional; and it was quite easy and convenient to check the availability and reserve a room in

that hotel. It is important to note that all hotels, including those that did not have their website functional, were part of booking sites, such as: Booking.com, TripAdvisor etc. through which customers can easily make a reservation.

5) Reliability

Reliability may be one of the biggest problems and obstacles to overcome in the following years in the hotel sector in Kosovo. That is mainly due to the unspecialized staff. According to survey results more than 90% of hotels have less than 35% of the staff that is specialized, have some training or education done, in the area where they are working (Fig. 11). This is a very low percentage due to the fact that 80% have less than 35 people in their staff. If you calculate 35% of 35 people, it means that roughly 12 people out of 35 are specialized in their field of work; and this is probably the highest number that they have, since the average percentage is even less, more accurately 22%. Consequently, there is a lack of professionalism in the hotel sector in Kosovo, which in turn, not only affects the reliability, but also the level of service in this sector.

Fig. 11 Percent of specialized staff of surveyed hotels



However, when it comes to hygiene, the results show a decent, but again not a preferred condition of the sanitary services and state. According to the room/housekeeper ratio, although it varies quite a lot to being from 18 rooms per housekeeper to only 2 rooms per housekeeper, 20% of hotels have 1 housekeeper per 14 rooms and up, while 80% have allocated 12 rooms per housekeeper (Appendix 1, Fig. 11). Having more than 14 rooms per housekeeper affects the level of hygiene in the hotel, because it will be a lot harder for them to pay attention in cleaning rooms as best as possible; while also considering that a housekeeper's job is not only to clean rooms but also to respond to guests' needs in terms of sanitary requests. In addition, there is a lot less time for housekeepers to clean each room twice a day or at least every day. When asked on when they cleaned their rooms, this 20% responded by saying: after check out, as per request, at 11 AM, and in the morning. Meaning that, most probably they clean the rooms only when they are asked or required to. Moreover, from the other 80% another 20% responded with: after-check out and in the morning, while only 60% of hotels said every day in a particular time of the day, such as morning, from 12:00 to 13:00, from 7:00 to 14:00 and so on, and after check-out, some added when needed as well. However, taking all this into account, and the fact that these are star ranked hotels, we cannot infer that the hygiene level in general in Kosovo hotels is at the desired level.

D. In-depth Interview Results

Through in-depth interviews, I got a better picture of the hotel industry in Kosovo in general, and I understood much better the reasons on why the hotel industry in Kosovo is in the current state, why it has not developed so much, what are the main problems in it, how does it stand generally compared to Macedonia, and so on. My findings are as follows:

i. Hotel capacities in Kosovo

According to survey results and secondary research, Kosovo is considered to have enough hotel capacity to cover its current tourist demands. Indeed, these capacities are not utilized even at 90% in the majority of hotels, and at a much lower percentage overall (Appendix 1, Fig. 9). Moreover, as the MTI's official stated even the capacities and number of hotels

presented by KSA are not correct. Kosovo seems to have much more hotels than are registered by KSA. According to the official, from a project they are conducting now with KSA, they have found there could be around 500 accommodation facilities in total in Kosovo, from which hotels should be more than 350, and this is double the number presented by KSA. However, regardless of all this, all my interviewees claimed that hotel capacities that are currently in Kosovo are not enough both in the qualitative and quantitative aspect if faced with an increased future demand. As the MTI's official put it:

“I know that hotel owners in Kosovo complain that they do not have enough visitors, but if it happens that big events are organized, e.g. cultural, sports; a big world match happens here, there are no capacities to cover that, because we have +/- 10.000 beds in the whole Kosovo.”

In addition, the NGO director, also claimed that the occasion when we may have the need to mobilize much more visitors due to sports and cultural events is not simply an unrealistic wish, and it may be closer than we think. That is due to several reasons: (1) Kosovo's membership in different sports' international organization, such as those for: volleyball, karate, football, judo, swimming etc. (2) The many successes of Kosovars in different fields, such as judo with Majlinda Kelmendi and other Kosovar judists, and their dispersion in the world, where they are becoming known every day more and more. (3) The increased recognition of Kosovo by people and states of different regions of the world, and its fast development. Having these in mind, the biggest hotel in Kosovo has 300 rooms and it is the only one with this capacity, other than that, all other hotels have a much smaller capacity; in such events and large scale occasions this would not be enough.

However, even if we consider only the current state, for certain events that we already have in place there are still not enough capacities. The most well-known such event is Dokufesti; this event, has gained lots of popularity in the past years, and many foreign visitors come to attend it during summer. However, accommodation is a problem in this event. Due to the lack of hotels and accommodation facilities, many people have offered their houses for rent; and the scale that we are talking here does not come close to the one that international events would have. Moreover, the NGO director said that when they organized the Summer Festival of Grape

in Rahovec, in September, they had to accommodate Albanian guests in hotels of Gjakova as well, due to the lack of hotels in Rahovec.

Regardless of the lack of capacities, all the interviewees claimed that the overall occupancy rate of hotels in Kosovo could be 50% or slightly higher, with the occupancy rate in hotels in main cities of Kosovo being higher than 50%, and those in country regions with less than 40%. That is due to the location and the number of visitors that are focused more in these regions, especially in Prishtina, Peja, Rugova, Prizren and so on.

ii. The main challenges and problems in hotel sector in Kosovo

Despite that Kosovo's hotel sector doesn't look like a garden with flowers, the main challenges encountered by hotels seem to be the preparation of the hotel, and of the staff. According to the owner of the first hotel chain in Kosovo, there are not many examples on making a hotel and not specific rules that you can refer to for building the hotel. This makes the process of designing and projecting the hotel very difficult, while at the same time this difficulty increases due to the lack of good architects, who would be able to make a great, and unique hotel project and design. Consequently, someone who wants to open a hotel very much has to rely on his/her own experiences and combine with other hotels, by using and relating what s/he has seen and learned. In addition, the second challenge, which may be the biggest one as well, is the difficulty of finding specialized and professional staff. According to the NGO director:

“Kosovo has serious needs for professional staff, knowing that only a few of all hotels in Kosovo have professional staff.”

Moreover, even the people that are educated and trained in this field in foreign schools, do not really come back, because such schools are highly expensive, and most importantly hotels in Kosovo do not pay well, for reasons that I will explain further below. Thus, they choose to work in the hotel industry abroad, in a better-paid job.

In addition the hotel owner says that a large percentage of hotels in Kosovo are managed by the owners, which can damage the hotel due to the fact that the owner thinks more in terms of

profit (in the perspective of decreasing hotel costs and increasing the price for costumers), while the manager is trained to think more in terms of the hotel growth strategy, which is a long-term profit strategy. That is, while the hotel owner may not see certain details such as different soaps in the bathroom as a necessary measure, the manager knows these details that can contribute more to customer retention.

iii. The level of hotel sector in Kosovo compared to that of Macedonia

When comparing the level of hotel sector in Kosovo to that of Macedonia, all my interviewees shared the thought that the quality of the same star hotels is pretty much the same, and the MTI's official believed that it is even better. However, the reason that Macedonia has expanded and developed its hotel industry much more is because of the prioritization that tourism has had in many years in Macedonia. Being that Macedonia has prioritized tourism over other industries, it has allocated a larger budget for this industry, to provide subsidies, grants, other incentives and so on and so forth. To get an idea, in Macedonia, the state, among subsidies and other grants that I mentioned, gives financial incentives to tourist agents in the amount of 15 Euros per domestic visitor and up to 80 Euros for foreign visitors who sleep in Macedonian hotels. While on the other hand, Kosovo not only has not prioritized this industry, but it has changed its status from industry to simply a sector of the Ministry of Trade and Industry. As the tourism expert said:

“You can get an idea how serious and interested they are when the tourism sector that has been degraded under MTI, has a budget of 17,000 Euros, which is less than the budget that a shop has.”

Thus, business in the hotel sector in Kosovo has been neglected and left alone to the private sector entirely. As the tourism expert said in this industry the private sector has far passed the public one; and everything that has been achieved in the hotel industry is exclusively from the will and work of individual persons, who often took sky-high credits to build their hotel. Moreover, according to the MTI's official and NGO director, while the VAT in Macedonia for the hotel sector is 5%, Kosovo has an 18% VAT. The low tax rate in Macedonia has contributed

to a decrease in hotel expenses and has incentivized hotels to keep a lower price that can attract customers. According to MTI's official and as per my research, Kosovo has some of the highest prices in the region in the hotel sector. This may have largely contributed to a larger number of tourists and a larger number of hotel guests in Macedonian hotels compared to those in Kosovo. Thus, this indicates that price can be a greater factor on why there's a larger occupancy rate of hotels in Macedonia. Moreover, due to the fact that this industry has a priority and it is so expanded, also many schools have included concentrations in hotel and tourism, which has contributed to a greater professional and specialized pool of people. In contrast, in Kosovo, there are only three universities that have tourism as their major, and none of them have shown to give desirable results. Taking all this into consideration, I can easily say that the quality of hotel sector in Kosovo and the lack of its development is a result of the lack of interest and help from the state, who in addition of not helping have made it more difficult for the private sector to develop it.

According to the hotel owner of the first hotel chain:

“Although it is very big to bring a hotel chain in Kosovo for the first time, because it opens the doors for other hotel chains – while initially there is no trust, if I operate well and the work goes well, after 1 year 2, other hotels come – I haven't had any kind of help from the state, and I do not expect anything from the state, because they do not provide anything and they do not consider this to be an industry as it is.”

During the interview, the hotel owner explained how difficult and time consuming it was to get the first international brand in the hotel industry in Kosovo. He said that it took him more than a year and a lot of effort to convince the representatives of the well-known hotel chain, of his hotel's capacities in Kosovo, but most importantly to assure them that their rules will be applied, in a country, where there was no proof and expectation of it. As he explains, the idea of the hotel chain is not to start and see whether it works or not, but they are interested in giving the license and keeping the hotel as long as possible, to keep the brand name up and get a share of the profits from the hotel. In addition, also the tourism expert shared with me one of his experiences with some Canadian investors, who were interested in investing in the industry.

However, after some months they returned back to Canada, disappointed by the undefined regulations and challenges that the hotel industry has in Kosovo.

However, regardless of the lack of help from the state, NGOs for tourism try to help this sector through different small projects. Nevertheless, due to the lack of funds and incentives from the state, again, both NGO representatives claim that the four national NGOs that exist in Kosovo have been quite deactivated and only one among these operates in Kosovo for tourism and hotel sector, by taking donations and helping hotels mainly in the promotional aspect.

iv. Overall quality of hotel sector in Kosovo

As mentioned above, according to my interviewees and their experiences in the hotels of the region, the star ranked hotels in Kosovo are comparable to those in the region. The criteria that the ministry has developed, according to MTI's official, are of EU standards, and the required points to get a particular star are quite high. However, only 27 hotels are ranked in Kosovo, which according to the tourism expert comes due to the fact that the ranking is a voluntary promotional measure; which in many cases has dis-incentivized hotel managers and owners to apply for it, partially because they may have been told that they had a lower rank than they had expected, and partially because they were lazy to do so. According to the MTI's official and as per the Administrative Instruction, they cannot put the stars if they are not registered and given those stars by MTI; but even that penalties for such cases exist, more often than not there are no practical measures undertaken for unofficial stars.

Nevertheless, regardless of the quality of the specific star ranked hotels, especially 4* and 5* hotels, the level of hotel quality service in Kosovo is not so good. As the tourism expert put it:

“The mere fact that there are only 3 hotels with 5 stars, 7-8 hotels with 4 stars, others with 3 and 2..., tells more or less of the quality of hotels in Kosovo.”

Although, as the tourism expert continued, there are some premises that have been developed quite good and that can soon obtain 4 stars, these are just a few among more than 350 hotels. We have hundreds of motels along the road that do not have any clue of tourism.

Consequently, even though 4 star and 5 star ranked hotels may be quite comparable to the 4 star and 5 star hotels not only in Macedonia, but also in the region, they do not fulfill quality capacities that Kosovo should have, and needs to have to claim that its hotel industry has high quality service. To have high quality service, all 5 explained components should be integrated together and elegantly presented to the guests.

As the hotel owner put it: *“Hotel is a service that you should sell every day.”* That is, if you have a room booked by a customer, that doesn’t mean that you were successful and your job was done. Actually, that is when your job begins, because the success of a hotel is measured by how much the hotel can satisfy and retain a customer, so that customer comes again bringing others with him/her; and details are very important to retain a customer and to show service quality in this industry. That is why this is one of the hardest industries.

Chapter V: Conclusion and Recommendation

The findings of this research suggest that the hotel industry in Kosovo needs major improvements in order for it to be at the desired and merited level. There are a few very qualitative and high standard hotels as much as there are hotels that are known to be so only by their generic term; the latter ones exist in a larger portion. The criteria and regulations set by MTI can guide these hotels in improving their service quality. My recommendations for a better developed tourist industry in Kosova are:

First, hotels should focus in the dimension which seems to lack the most in Kosovo, which is Reliability, more precisely on staff. Although, I understand that there are not enough schools available and training institutions that could help on this, hotels can focus in training their own staff, by giving them training hours, sending them to seminars when possible, and try keeping them as much as possible through different schemes that they can develop themselves. In addition, hiring interns would be highly beneficial in this sector. The interns can finish their training period during the internship, and get hired by the hotel full time if they “pass the test”. This is currently not such a common practice in the hotel sector in Kosovo. On the other hand, it is also very important and highly necessary to give more attention to hygiene.

Second, all hotels get a ranking. Although, due to policy and request reasons, making star ranking obligatory for hotels may not be possible, MTI should give more incentives in terms of prioritizing and giving more advantage to star ranked hotels, so more hotels can become categorized. Either way, hotels that are not categorized should do so, because of promotional reasons & benefits that they will gain.

Third, MTI should specify even more their criteria, so it is clearer for hotels what they should have exactly to improve their quality and to get a particular number of stars/ rank.

Finally and most importantly, the main recommendation goes to the government:

The government needs to understand the importance of hotel industry as quick as possible and give it the priority that it naturally has in Kosovo. Only then, we will see how much Kosovo's economy will develop and grow, because as explained in the beginning, the development of this industry will wake up and develop other industries as well, and make the country a metropole in the Balkans. In order to do this and to have a more effective strategic plan for this industry in the coming years, the government needs to gather the main stakeholders of this industry in their table to discuss and make a strategic plan. These stakeholders would be: hotel owners of a few hotels that can represent the common beliefs and interests, people with expertise in tourism, people with expertise in hotel sector, NGO representatives, and foreign stakeholders which may include: organizations that are willing to fund such projects, give subsidies etc.; potential investors; and so on. There is a huge potential in the tourism and hotel industry of Kosovo, and this is confirmed by almost every foreign visitor that comes here. In addition, it should be suggested to lower the VAT as those in the region, so to make it easier for hotels to improve their services and operate, which in turn may have a positive effect in receiving more taxes and income, due to the development of hotel industry.

Chapter VI: Limitations and future steps

During this study I encountered several limitations, which were mostly related to time, lack of data, financial limitations, and reservation from the side of some hotels. I consider lack of data and time to have been my main limitations in this research study. Even after literature

review and going through the statistical agency publications, the data I found for the hotel sector were quite vague that I had to limit myself to a smaller range of hotels to study. The other thing was time, as I had difficulty of obtaining data through surveys from hotels, which I often had to call many times and way in advance to ask for this data. Other than these two main limitations, another important one was the lack of data that I had in particular for one survey question that asked about hotel's ADR. That was because many hotels considered it to be confidential information, regardless the fact that this rate is quite often made public to clients in the world, and it is a factor to find a hotel's RevPAR, which is an important hotel performance metric. Other hotels gave me a number which was not ADR. However, regardless of these limitations I think that this study is very beneficial to the hotel sector, and I believe that it will add value to it. Also, I strongly believe that this is only the first of the many studies to come, since further in-depth studies need to be done for this sector in order to have an even better view of how to develop it. That is, mainly due to the second problem that I have elaborated in this research paper on the misspecification and unclear quality metrics that the sector has, but also because of the lack of knowledge on overall customer preferences.

Two things that I did not include, which I would suggest for future studies are: First, to include a greater pool of hotels to survey to get a greater insight of the overall services provided. Second, I would suggest analyzing also the presence of Kosovar hotels in the world and booking sites and agencies.

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Appendix 1: Survey Results' Graphs

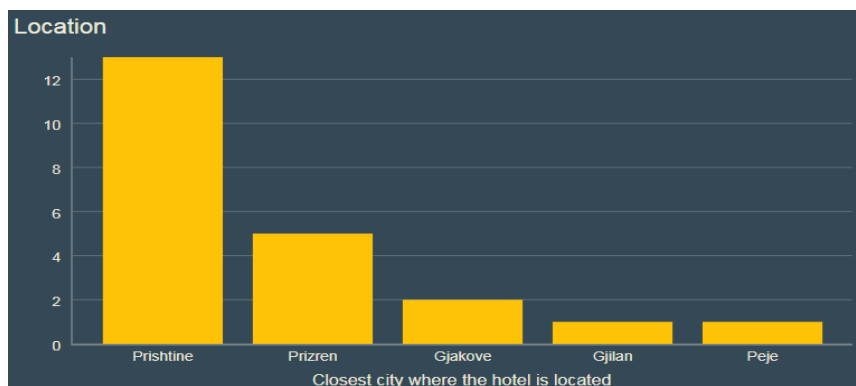


Fig. 1: Closest city where the hotel is located, presented in nominal terms depending on how many hotels are located in that specific city.

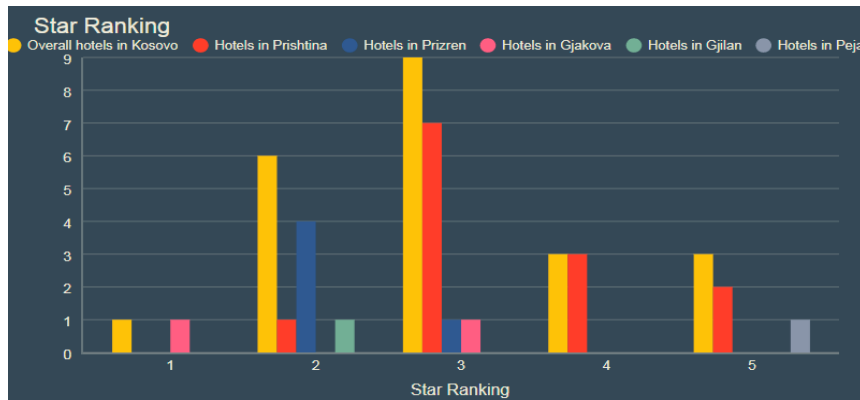


Fig. 2: Star ranking of hotels, presented in nominal terms both for whole Kosovo, and for each city where there is at least one hotel located.

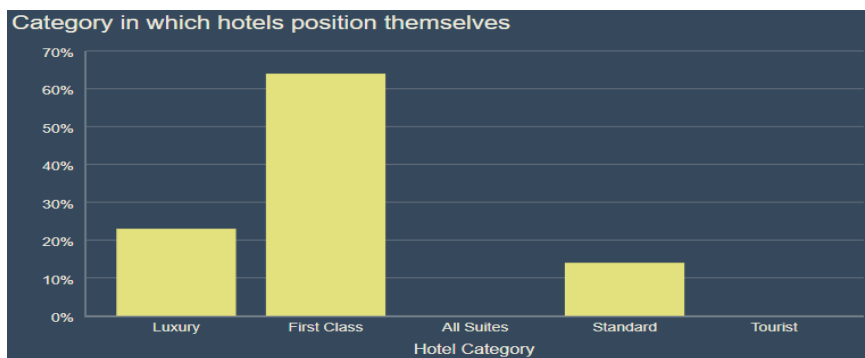


Fig. 3: Categories in which hotels position themselves, presented in percentages.

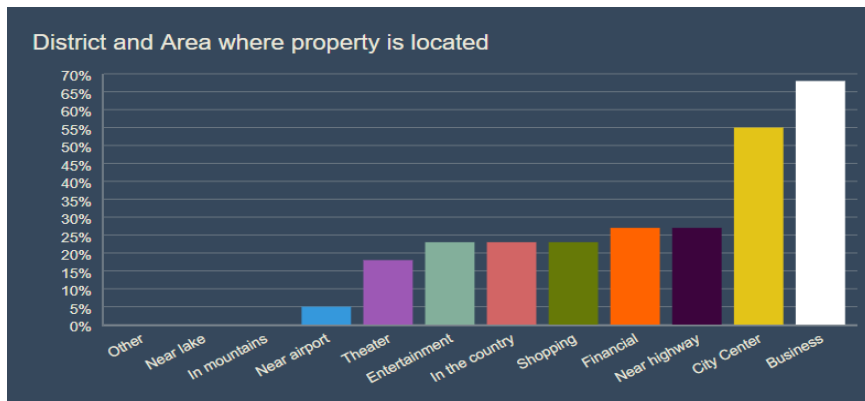


Fig. 4: District and area where the hotel is located, presented in percentages depending on how many hotels are located in a specific district; one hotel may be located in more than one district.

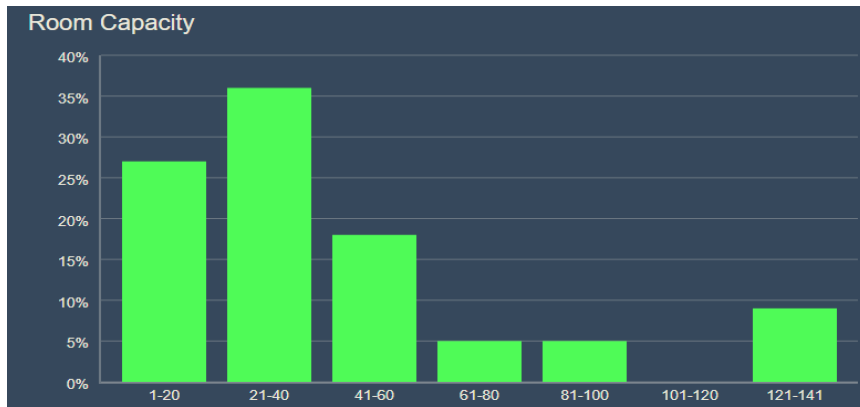


Fig. 5: Overall Room Capacity of Hotels in Kosovo presented in percentages

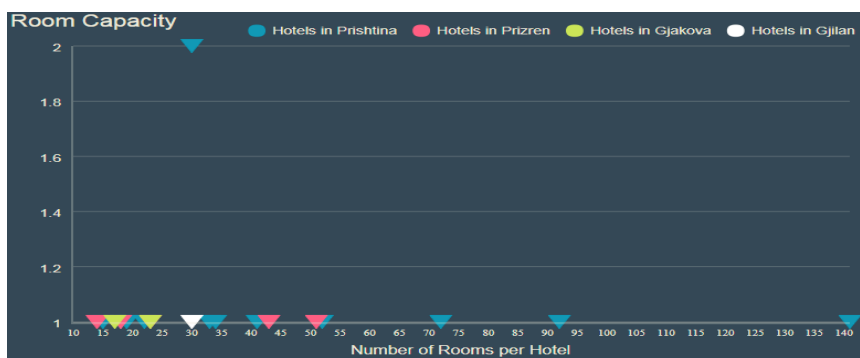


Fig. 6: Overall Room Capacity of Hotels in Kosovo presented in nominal terms separated with colors for each city where at least one hotel is located

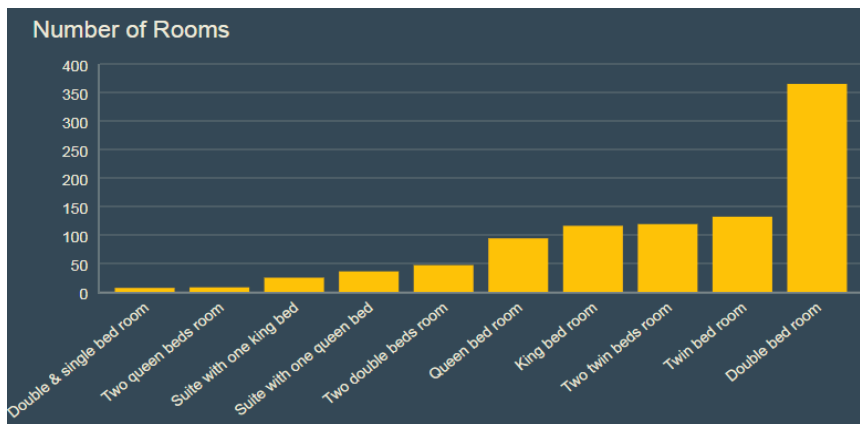


Fig. 7: Overall number of rooms, presented in nominal terms (the sum of all the rooms from all hotels) for each type of room

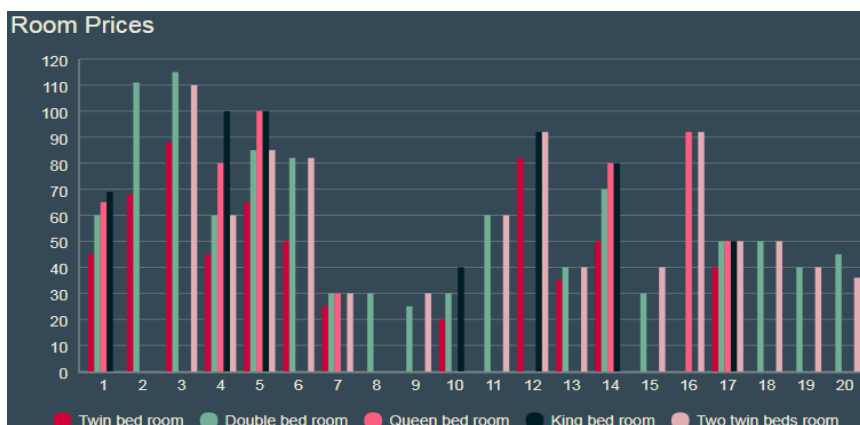


Fig. 8.1: Room prices, presented in nominal terms for each type of room and the difference between prices of different hotels

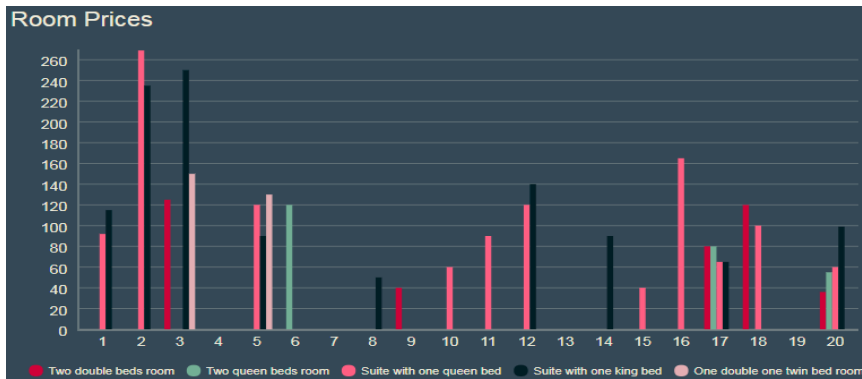


Fig. 8.2: Room prices, presented in nominal terms for each type of room and the difference between prices of different hotels

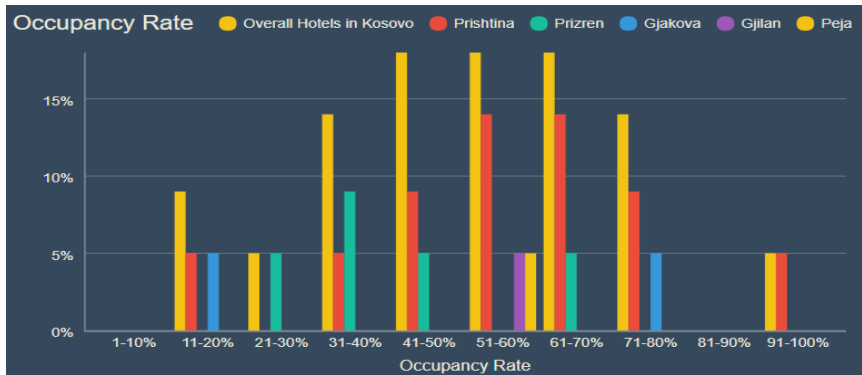


Fig. 9: Occupancy rate, expressed in percentage terms for all hotels, and for hotels based on cities where they are located

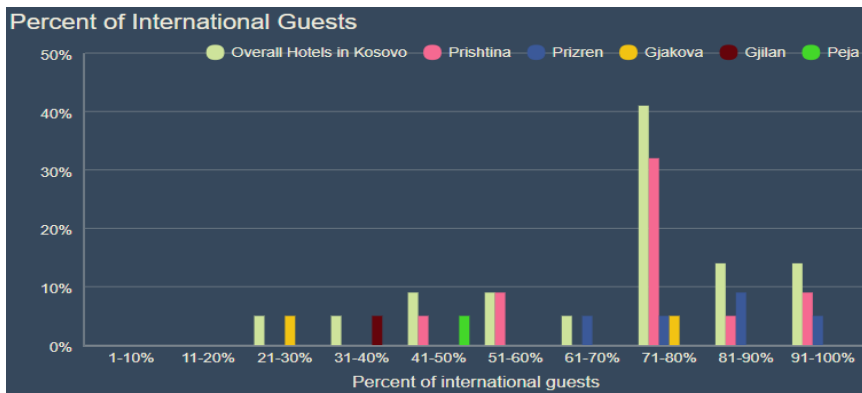


Fig. 10: Percent of international guests, expressed in percentage terms for all hotels, and for hotels based on cities where they are located

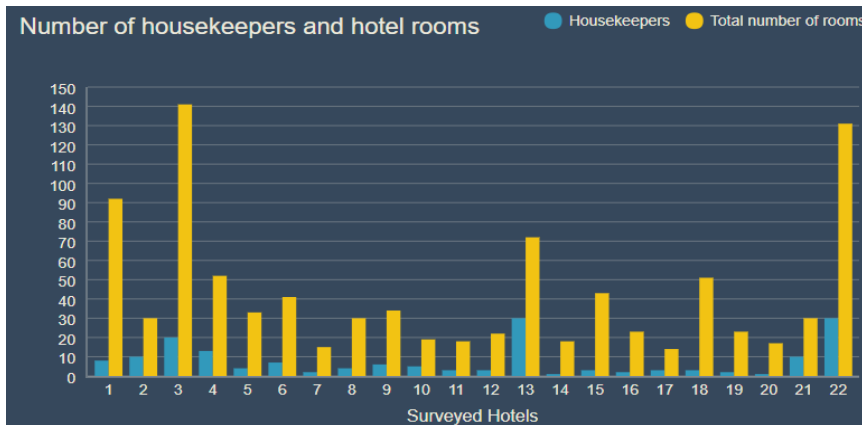


Fig. 11: Number of housekeepers and number of total hotel rooms, expressed in nominal terms for all hotels

Appendix 3: Questionnaire

Questionnaire:

1. Where is your hotel located (city or nearest city)?

- a) Prishtinë
- b) Pejë
- c) Prizren
- d) Gjakovë
- e) Mitrovicë
- f) Ferizaj
- g) Gjilan

2. District and Area where your property is located (Select all that apply):

- a) Business
- b) Downtown
- c) Entertainment
- d) Financial
- e) Shopping
- f) Theater
- g) By Highway
- h) By Airport
- i) By lake
- j) In Country
- k) In Mountains

3. How many available rooms for clients do you have in total?

4. How many of each room do you have and what are the prices:

Room Type	Number of rooms	Price
Twin bed room		
Double bed room		
Queen bed room		
King bed room		
Two twin beds room		

Two double beds room		
Two queen beds room		
Suite with one queen bed		
Suite with one king bed		
One double one twin bed room		

5. In which category do you position your hotel (Please circle):

- a) **Luxury** - Exclusive, luxurious, fully-equipped, prestigious address, highest standard of service, elegant public areas, concierge service
- b) **First Class** - Modern, comfortable, fully-equipped, well located, amenities may include: private bath, pool, restaurant, parking, meeting facilities
- c) **All Suites** - suite-only facilities with separate living room or work area. Often equipped with kitchen or refrigerator. Daily maid service
- d) **Standard** (Please describe standard:

- e) **Tourist** (Please describe tourist:

6. What is your hotel's star ranking?

7. Based on what did you receive this ranking?

8. What is your ADR the "Average Daily Rate" (room revenue divided by rooms sold over a single year)?

9. What is your occupancy rate per year (the ratio of rented or used rooms and suits compared to the total amount of available rooms and suits)?

10. What is the average percentage of international clients per year?

11. Do you measure customer satisfaction?

- a) Yes
- b) No

12. How do you measure customer satisfaction?

- a) Provide them a survey to fill
- b) Ask them after check-out how was their stay
- c) Evaluate by tracking whether they come back or not
- d) Other: _____

13. Do you keep contact with your clients?

- a) Yes
- b) No

14. If yes, how:

- a) Invite them back
- b) Offer them discounts
- c) Send them offers
- d) Other: _____

15. How many staff members do you have?

16. What percent of your staff have any kind of specialization in the area that they are working in your hotel?

17. How many housekeepers do you have?

18. When do you clean the rooms?

19. Please check below which amenities/ features you offer?

Amenities/ Features	
	Air conditioning at property
	Cable TV - Cable or satellite TV on premises
	Cocktail lounge/ restaurant on premises
	Entertainment - Live entertainment on premises
	Exercise facilities available on premises
	Free wireless Internet in Public Areas
	Free breakfast - Free breakfast offered at property

	Reward programs
	Indoor pool - Indoor pool on premises
	Outdoor pool - Outdoor pool on premises
	Spa - spa on premise
	Business center on premises (fax/copier/computer etc.)

20. Please check below which hotel services you offer?

Services	
	Babysitting/Childcare
	Baggage Hold (Storage)
	Ballroom
	Banking
	Bar
	Barber-Beauty shop
	Casino
	Car Rental Desk
	Conference Room – <i>if yes how many & what is the capacity of one conference room:</i> _____
	Concierge available
	Disabled Parking
	Disco
	Doctor on Call
	Dry Cleaning
	Executive/VIP Services
	Front desk - 24 hours
	Elevator
	Express Check-In
	Garage Parking
	Gift Shop
	Jogging Track
	Free private Shuttle
	Massage Services
	Meeting Room
	Non-Smoking Rooms
	Outdoor Parking
	Parking – Free
	Parking – Charge
	Petsitting Service
	Disabled People Services

	Poolside Services
	Porter-Bellman
	Shoe Shine
	Sports Trainer
	Wake-Up Calls
	Early breakfast

21. Please check below which In-room features you offer?

In-Room Features	
	Air Conditioning
	Alarm Clock – Radio
	Balconies/Patios - rooms with balconies or patios available
	Bathrobes
	Cable/Satellite TV
	Coffee-Tea makers
	Hairdryer
	Iron-Board
	Desk-Work Area
	Direct Dial Telephone
	Easy Chair
	Fireplace
	Free Newspaper Delivered to Room
	Handicapped Room
	Jacuzzi, whirlpool bath tub
	Safe Deposit Box
	Mini-bar
	Free High-speed Internet access
	Free wireless Internet

Appendix 4: Consent Form

Consent Form

Informed Consent Form for Social Science Research

RIT Kosovo

Title of Project: Comparative Study on the Hotel Industry of Kosovo & Its Neighbor Countries

Principal Investigator: Kaltrina Zeka, RIT Kosovo student

St. Rexhep Luci 2/2, Prishtine

+386 49 382 300; kaltrinaz@auk.org

1. **Purpose of the Study:** The purpose of this research study is to evaluate the hotel sector in Kosovo and compare it with Macedonia.
2. **Procedures to be followed:** You will be asked to answer 12 questions during this interview.
3. **Duration:** It will take about half to an hour to complete the interview.
4. **Statement of Confidentiality:** Your participation in this research is confidential. The data will be used only for qualitative and quantitative insights into the hotel sector in Kosovo.
5. **Voluntary Participation:** Your decision to be in this research is voluntary. You can stop at any time. You do not have to answer any questions you do not want to answer.
6. You must be 18 years of age or older to take part in this research study. If you agree to take part in this research study and the information outlined above, please sign your name and indicate the date below.

You will be given a copy of this form for your records.

Participant Signature

Date

Person Obtaining Consent

Date

Appendix 5: Interview Questions

Interview Questions:

1. What benefits do hotels get if they get categorized, or otherwise do they get any penalties, if yes what kind of?
2. How much do you think Kosovo fulfills its hotel capacities, and are these capacities enough?
3. Are you informed are there any hotels with stars that are not categorized by MTI?
4. What is the overall occupancy rate in Kosovo's hotel sector?
5. What has the ministry or government done to incentivize hotels to work on improving their quality and increasing capacities, and does Kosovo's government consider this industry a priority?
6. Where do you think we stand with our hotel industry compared to that of Macedonia, mainly in terms of quality, but also in terms of capacities (quantity)?
7. How many NGO's are in Kosovo operating?
8. How does your NGO operate and how is your relationship with hotels?
9. What is the aim of your NGO and how has it contributed to the hotel sector in Kosovo?
10. How does Kosovo stand in terms of specialized and professional staff in this sector?
11. How would you value the hotel industry in Kosovo, and how does it vary from one hotel to the other?
12. What do you think are the main challenges in the hotel industry in Kosovo?
13. Have you received any kind of help from Kosovo's government in your hotel?