

# CZECH HOSPITALITY

and

# TOURISM PAPERS

Volume X.

Issue 22/2014

---

*Czech Hospitality and Tourism Papers (hereinafter CHTP Journal), publishes mainly scientific and survey papers focusing on the development of theoretical and practical aspects of the hotel and spa industry, gastronomy and tourism. Papers are published in English language.*

*The CHTP Journal serves primarily as a platform for the presentation of an author's, or team of author's, original research results in the above-mentioned fields. A "Consultation and discussion" section contains survey papers and also specialized survey papers from the pedagogical and expert activities of academics, as well as reports on research project results.*

## **Reviewers of this issue of Czech Hospitality and Tourism Papers:**

Ing. Petr Janeček – University of West Bohemia in Pilsen

Ing. Halina Kotíková, Ph.D. – Palacký University Olomouc

Ing. Ivica Linderová, PhD. – College of Polytechnics Jihlava

doc. Ing. Vanda Maráková, PhD. – Matej Bel University in Banská Bystrica

Ing. Josef Pátek – Senate of the Parliament of the Czech Republic

Ing. Ludmila Šmardová, PhD. – Matej Bel University in Banská Bystrica

Ing. Šárka Tittelbachová, Ph.D. – University of Business in Prague

Ing. Naděžda Tuzová – ZARS Travel Agency

# CONTENT

## SCIENTIFIC PAPERS

- Tomáš Horák, Miroslav Karlíček, Kamil Kládívko** – The Importance of Managing eWOM in the Hotel Industry..... 3
- Lucie Plzáková, Petr Studnička, Josef Vlček** – The Supply of Composite Tourism Product in Relationship to Consumer Behavior..... 21
- Kristína Pompurová, Petra Strnádoá** – Slovak Residents’ Demand for Events: A Potential for Domestic Tourism Development?..... 33
- Veronika Tinková, Pavel Attl** – The Relationship between Tourism Industry and Local Fees in the Context of Municipal Budget-A Case Study of Lipno nad Vltavou and Loučovice..... 48

## CONSULTATION AND DISCUSSION

### INFORMATION PAPERS

- Jaroslava Ester Evangelu** – Generation Y and the Reality of her Motivation in their Personal and Professional Development..... 59
- Barbara Pavlíková** – Legal Acts Related to the Tourism in Slovakia..... 66

### REVIEW

- The Monograph: Innovation in the Service Supply in Hospitality – the Case of Hotel Stein  
..... 80

# SCIENTIFIC PAPERS

**Tomáš Horák, Miroslav Karlíček, Kamil Kladívko**

## THE IMPORTANCE OF MANAGING eWOM IN THE HOTEL INDUSTRY

***Abstract:** The goal of this study is to investigate the effects of different hotel response strategies to a negative user-generated electronic word of mouth on online travel guide sites. The experimental research proved that the hotels are able to change the reader's negative perception from a bad online review. Three basic response strategies were identified: no-response (rather negative effect), defensive response (the least favorable effect) and accommodating response (the most favorable effect).*

***Key words:** complaint handling, electronic word of mouth, online review management, word of mouth marketing.*

***JEL Classification:** M31*

### Introduction

With the ubiquitous advertising messages and other marketer-generated content, today's customers are looking for alternative ways of where to get relevant information about the products and services they want to purchase. Therefore, a concept of word-of-mouth (WOM) is definitely an interesting option for them. Even though traditional WOM, defined by Arndt (1967) as a form of oral interpersonal communication about a brand, product or service, is nothing new, its importance is still rising. (Kirby and Marsden, 2006)

Silverman (2011) says that WOM plays an important role in the consumer buying behavior since it basically makes customers' decisions much easier. This has been proven in many of the recent studies. Nielsen Study (2013), for example, reveals that the most trusted recommendations are those from people that the consumers know and among the top three most trusted sources are also consumer opinions posted online - the subject of this study.

Consumers tend to have preference for user-generated content (UGC) rather than marketer-generated content (MGC) because of the absence of commercial bias (Soderlund and Rosengren, 2007). This consumer trend is supported by the expansion of new technologies and platforms like web-logs (blogs), chatrooms, web-based opinion platforms, hate sites, social networks, virtual communities, consumer review sites and various discussion forums

(Lee, Park and Han, 2008; Hennig-Thurau, Gwinner, Walsh and Gremler, 2004; Litvin, Goldsmith and Pan, 2008), which make the diffusion of WOM much easier. This relatively new form of WOM is referred to as electronic word-of-mouth (eWOM). Electronic WOM spreads much quicker than the traditional WOM and it can also be stored on the Internet so that it is accessible for a longer time and can also be measured better than traditional WOM. (Lee, Park and Han, 2008; Park and Kim, 2008)

The authors concentrate mainly on a negative eWOM, which seems to be more urging and requires immediate attention of the hotel managers (Ahluwalia, Burnkrant and Unnava, 2000; Halstead, 2002; Bless, Hamilton and Mackie, 1992; Mittal, Ross and Baldasare, 1998; Baumeister, Bratslavsky, Finkenauer and Vohs, 2001). While majority of the prior research in this area tends to concentrate on general effects of eWOM on consumer's behavior (Lee, Park and Han, 2008; Park and Kim, 2008) and the motivation behind spreading theWOM (Hennig-Thurau et al., 2004; Sparks and Browning, 2010; Sundaram, Mitra and Webster, 1998), comparably less of the studies are devoted to the research of the effectiveness of response strategies to a negative eWOM.

The online hotel reviews on TripAdvisor, Expedia and other travel-guide sites became a very important source of information for the hotel guests (Kim, Mattila and Baloglu, 2011). Therefore, any negative comment posted online can become a serious barrier to attract new guests. Since removal of a negative review is in case of many of the review sites possible only after a major renovation or a change in management (Paris, 2013), responding to a bad online review is certainly one of the seldom and best possible solutions.

The goal of the study is to investigate the effects of different hotel responses to a negative eWOM through categorizing three basic response strategies, evaluating the changes in buyer's behavior based on the strategies selected and determining whether the hotel can influence the perception of the online review readers. Another goal is to identify a set of implications for an improved online review management.

## Literature Review

The literature proves that the consumer-created information such as eWOM has a significant impact on sales (Hennig-Thurau et al., 2004; Dellarocas, Zhang and Awad, 2007). Expedia's Vice President of Supply Strategy and Analysis, Brian Ferguson, says that a 1-point increase in a review score equals to a 9% increase in ADR<sup>1</sup> (ReviewPro, 2011).

WOM is commonly divided into a positive word of mouth (PWOM) and a negative word of mouth (NWOM). Positive comments from former customers (PWOM) result in customers

---

<sup>1</sup> ADR (average daily rate) is "a metric widely used in the hospitality industry to indicate the average realized room rental per day." (Investopedia, n.d.)

trying out certain service or product (Park and Lee, 2009). On the other hand negative comments (NWOM) result in a negative effect on revenue (Chevalier and Mayzlin, 2006, Dellarocas et al., 2007) and the final choice of a consumer (Laczniak, DeCarlo and Ramaswami, 2001), and therefore they require more attention in terms of the hotel online response management.

Based on the intangible nature of hotel services, customers often perceive a certain level of risk related to the purchase (Flipo, 1988). Furthermore, purchases of hotel services are often very emotional. These emotional decisions open up a space for an easy influence from other customers, to whom the customer refers to as “people like me”. Therefore, WOM and opinions of other former hotel guests play an important role in the decision-making process of a potential hotel customer. “Word of mouth’s function is simply division of labor in the decision process. That’s the root of its appeal and power” (Silverman, 2011, p. 29). Furthermore, Murray (1991) proved that consumers of services place a higher trust in personal sources of information than it is in case of consumers purchasing a product.

The authors selected TripAdvisor for the experimental research because it is currently the largest travel review site. In March 2013, the number of customer reviews on TripAdvisor exceeded hundred million despite the fact that it falls into the category of non-verified review sites (eMarketer, 2013). This means that basically anyone can review the hotels on TripAdvisor, while on Expedia, for example, reviews can be submitted only after a previous online purchase through the site. Mayzlin, Dover and Chevalier (2012) are dealing with this issue of deceitful and fraudulent reviews in their research.

As the usage of travel review sites increases, the importance of managing the online reviews by the hotels rises as well. According to the PhoCusWright study (2013), 57 % of travelers say that they would be more likely to book a hotel, whose management responds to the online reviews. Even though, it is important to respond to both positive (Mackenzie, 2013) and negative reviews, this study investigates the effects of various response strategies to a negative eWOM.

The authors decided to examine three response strategies in more depth – no-response, defensive response and accommodating response strategy. The similar selection of corporate response strategies was used already by Lee and Song (2010), who also suggested and incorporated the additional “no action” strategy into the existing basic framework of defensive-accommodating response strategies. Therefore, this study serves as a basic theoretical framework for the selection of the above-mentioned three response strategies.

Lee and Song (2010) stated that no-response strategy may lead to a worsen reputation and further questioning of who is actually at fault, so that at the end it should have a negative effect on the hotel’s operations. What leads the hotel not to respond to a negative review? Usually it is a fear from lengthy discussions about unpleasant topics, or some managers just

do not consider these reviews as a serious threat to their business, and therefore they show no interest in the customer review.

The defensive response strategy is often characterized by a hotel trying to protect its own interests through attempts to shift the blame to the others, making fun of the reviewer, using sarcastic and abusive language, counter attacking the customer and so on. (Lee and Song, 2010)

Lastly, the accommodating response strategy is very often used in an attempt to mitigate the problem and prevent further damages to the company’s reputation. Such strategy often includes an apology, redress, and proposes corrective actions. (Lee and Song, 2010) The study of Kunz, Munzel and Jahn (2012) shows that apologizing is in most of the instances the most effective eWOM response strategy. This is true regardless of whether the hotel or the company is responsible for the problem or not. Noort and Willemsen (2012) found that such mitigating response strategy could lead to positive brand evaluation and sympathy towards the brand.

The basic online review management guide has been already composed by Mackenzie (2011) and can be seen in Table 1. The online review management policy should ideally include the mechanism of how the hotel will get notified about the eWOM being posted somewhere in the cyberspace. For that, the hotel can either use its own sources – set up alerts on different review sites if possible, receive notifications from social media sites, set up RSS feeds for keyword searches, use Google Alerts to receive notifications when somebody mentions the particular hotel in some of the online media, or it can pay for a service like ReviewPro that will monitor eWOM for them. (ReviewPro, 2011)

**Table 1: Basic guide to responding to online reviews**

<i>DO...</i>	<i>DON'T...</i>
Thank the reviewer for the feedback;	Take it personally (avoid angry, abusive responses and personal attacks);
Respond to any positive comments;	Question the reviewer’s legitimacy;
Apologize for any legitimate negative experience;	Reply with a discount or coupon (this may indirectly encourage abuses);
Explain the steps you will take to prevent that from happening again;	Use corporate-speak that contains no meaningful information (avoid phrases);
Allow the guests to contact you offline if follow-up discussion is needed;	Use the computer-generated responses;

Source: Elaborated by the authors, data from Mackenzie, 2011.

Once the hotel has defined the way of how to find out about the reviews posted, it should set up a target response time (e.g. within 24 hours). Then also a person or a team who will be held responsible is put together. These online brand ambassadors are then trained in the corporate response policy and possible ways of how to resolve the issues. (Mackenzie,

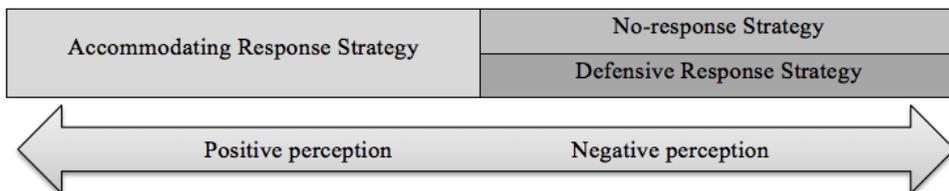
2011) The hotel responses should ideally come from a high-level person representing the hotel on the particular site.

## Methodology

Based on the goals and objectives, the following research questions have been set: *RQ1*: What are the possible response strategies of a hotel to a negative eWOM? *RQ2*: How does the potential buyer's perception of (a) professionalism, (b) trust, (c) overall evaluation and attitude, (d) purchase intention, and (e) risk of booking a room, change based on the response strategy of a hotel?

The following two hypotheses were defined and depicted in Figure 1. *H1*: Accommodating response has more favorable effect on potential buyer's behavior than defensive or no response. *H2*: No response can have as negative impact on the potential buyer as defensive response. These hypotheses are based on the conjecture and the prior research of Kimmel and Audrain-Pontevia (2008), who described and investigated the strategies used by managers to cope with NWOM.

**Figure 1: Hypotheses visualization**



Source: Elaborated by the authors, 2014.

The research method chosen for this study is an experiment. The authors change three different independent variables (response strategies) in an organized manner and evaluate whether the perception of dependent variables (perception of professionalism, trust, overall evaluation, purchase intention and risk of booking) change. The non-probability convenience sampling was used for a set of 240 respondents (80 respondents in the no-response group, 80 respondents in the defensive response group, and 80 respondents in the accommodating response group) from the population of university students. Even though the non-probability sampling was applied, the random assignment (i.e. respondents in the sample were randomly assigned to the above-mentioned three groups) was secured.

The hotel and the negative review in the study were completely imaginary. The hotel is imaginary because the authors wanted to prevent situations when the respondent would know the hotel, and therefore would have already certain preference or relationship towards the hotel and its management. The negative review is also imaginary but inspired by a real-life situation. Destination and the hotel have been designed according to the most probable

preferences of a university student traveler, who wants to travel to a popular destination to enjoy a nice vacation in a solid hotel with his or her partner or friend, and therefore checks the online reviews carefully. For the instructions given, please see Figure 2.

**Figure 2: Experiment instructions**

Thank you for participating in this study. Please, read carefully the following scenario and imagine that you find yourself in the described situation.



You want to go for a vacation to Malta Island. On the Internet you have found 4-Star Hotel Malta (up to now unknown to you), in which you started to be interested. You start looking for some information about this hotel and on a travel-guide site you have found the following relatively negative review from a former guest.

Source: Elaborated by the authors, illustrative images from Mercure Paddington, 2013.

After the brief instructions, comes the negative review (Figure 3). The aim of this negative eWOM was to create an impression that something was not right during the reviewer's stay in the hotel.

**Figure 3: Negative online review**

Date: October 22<sup>nd</sup>, 2013 ★ ★ ☆ ☆ ☆



**Customer Review**

I stayed in Hotel Malta this summer with my friends. I liked the hotel and the location but we were disappointed our room wasn't ready when we arrived at noon even though we were promised an early check-in.

The front desk didn't seem to care how inconvenienced we were. Then at checkout we had to wait for almost a half-hour or so. Not a good start or end to an otherwise enjoyable stay. Overall, the hotel is all right, but I just wasn't overly pleased.

Source: Elaborated by the authors, 2014.

As it was already described, there were three scenarios in total. The first scenario, which was distributed among 80 respondents, included no response from the hotel Malta to the negative review (Figure 4).

**Figure 4: No-response scenario**

all right, but I just wasn't overly pleased.	
<b>Hotel's Response</b>	
Hotel Malta did not respond to this review.	

Source: Elaborated by the authors, 2014.

The second group of respondents randomly selected from the total sample of 240 respondents was assigned a defensive response from the hotel Malta (Figure 5). This response was formed based on the theoretical background already described.

**Figure 5: Defensive response scenario**

all right, but I just wasn't overly pleased.	
<b>Hotel's Response</b>	
Sorry your room wasn't ready but check in time is always at 3:00 pm! I certainly doubt that you were promised to get the room any sooner. Next time if you wanted the room before 3 pm, you would need to pay +1 day and you should also consider buying the express checkout in order not to wait what you call "a half-hour or so".	
I am happy you liked the location I just regret that "overall good hotel", as you mention, does not guarantee more than a 2-star review these days!	
The Management	

Source: Elaborated by the authors, 2014.

The last third group of respondents was assigned the accommodating response scenario (Figure 6). In this case the complainant's negative review was treated with an accommodating hotel response that involved all the characteristics already described.

**Figure 6: Accommodating response scenario**

<p><b>Hotel's Response</b></p> <p>Dear Mr. Miller,</p> <p>Thank you for taking the time to write the review about Hotel Malta. On behalf of our hotel let me apologize to you and express how sorry we are to hear about your unfortunate experience.</p> <p>We have found out that your points about the check-in and checkout issues are valid. If the early check-in was promised to you, it is our fault that we could not deliver on that promise. Furthermore, the lack of interest of our personnel is unforgivable. I deeply apologize for that and ensure you this will be passed onto the staff. Also based on your comments we are now undergoing important changes in the IT checkout system in order to speed up the whole process. This will be completed by December 2013.</p> <p>I hope you do give us the chance to make it right for you. Please, feel free to reach out to me directly if you ever have any questions or comments or just in case you wanted to discuss the issues in more depth.</p> <p>Sincerely,</p> <p>Peter Johnson, GM Hotel Malta johnson@hotelmalta.com</p>
--

Source: Elaborated by the authors, 2014.

To ensure validity of the experiment all other factors except for the different responses of the hotel remained constant. After the respondents read the instructions and the review, they were given five basic questions researching dependent variables of professionalism, trust, overall evaluation, purchase intention and the level of perceived risk (Figure 7).

**Figure 7: Questions of the survey**

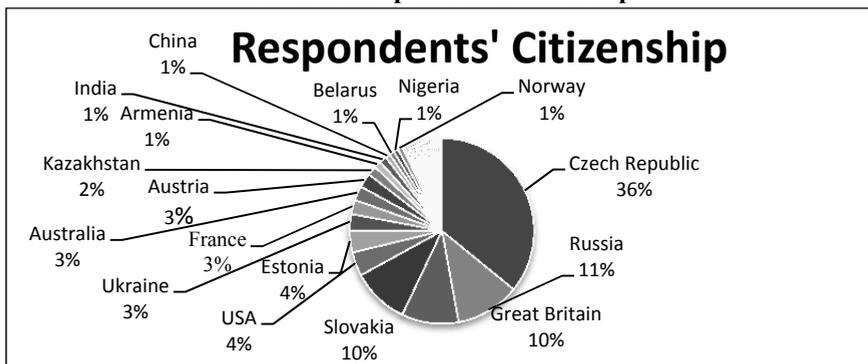
<p>1. The way in which the hotel handled the review was:</p> <p><i>Unprofessional</i>   ●   ●   ●   ●   ●   ●   ●   <i>Professional</i></p>
<p>2. Based on the reaction of the hotel, who do you trust more, the customer or the hotel?</p> <p><i>The customer</i>   ●   ●   ●   ●   ●   ●   ●   <i>The hotel</i></p>
<p>3. Based on the reaction of the hotel, how would you evaluate this hotel company?</p> <p><i>Negatively</i>   ●   ●   ●   ●   ●   ●   ●   <i>Positively</i></p>
<p>4. Based on the reaction of the hotel, would you consider booking a room in this hotel?</p> <p><i>No, not at all</i>   ●   ●   ●   ●   ●   ●   ●   <i>Yes, absolutely</i></p>
<p>5. How risky do you think it is for you to go to this hotel? (in terms of a possible disappointment)</p> <p><i>Risky</i>   ●   ●   ●   ●   ●   ●   ●   <i>Not risky</i></p>

Source: Elaborated by the authors, 2014.

## Results

During one month (from Dec 8<sup>th</sup>, 2013 to Jan 9<sup>th</sup>, 2014) the authors collected a total of 249 responses, from which 9 were incomplete. Therefore, 240 responses were used as a basis for the evaluation of the experiment. 183 experiments were collected online through the Google Forms and 66 offline in a form of printed forms. People from 34 different countries from Europe, North and South America, Asia, Africa and Australia participated in this experiment (Chart 1). Majority of forms (total of 222) were answered in English and only 18 were answered in Czech language. The distribution of experiments was conducted in three basic ways – directly online (294 people), directly in person (66 people) and indirectly online (N/A) through posting into different university student groups on social networks. Approximate participation rate was 69.2 %, but this takes into account the measurable direct exposures only.

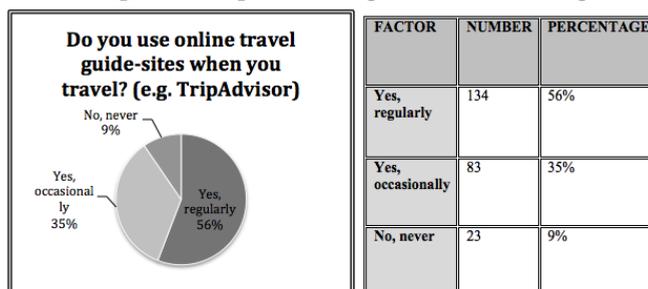
**Chart 1: Respondents' citizenship**



Source: Elaborated by the authors, data retrieved from the experiment.

54 % of the respondents were men and the remaining 46 % were women. 56 % of the total number of respondents use online travel guide-sites regularly when they travel, other 35 % use them occasionally and 9 % of the respondents never use them (Chart 2).

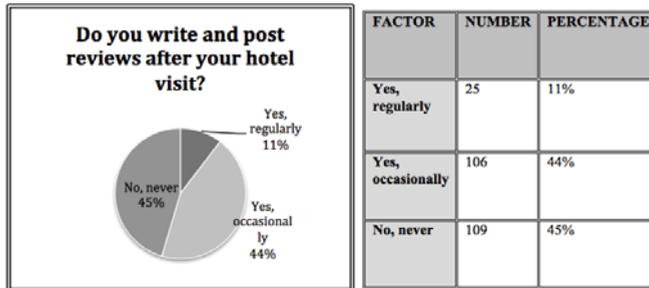
**Chart 2: Respondents' passive usage of online travel guide sites**



Source: Elaborated by the authors, data retrieved from the experiment.

While majority of respondents uses the online travel reviews regularly as a source of information, they actively post reviews only occasionally. 11 % of respondents write and post reviews after their hotel visit regularly, 44 % occasionally and 45 % never post reviews about their hotel experience (Chart 3).

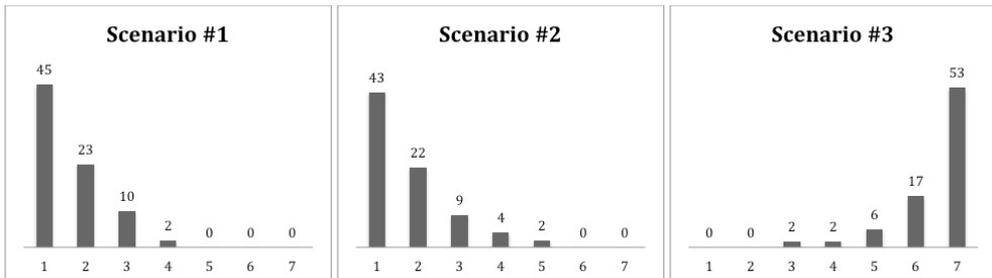
**Chart 3: Respondents' active usage of online travel guide sites**



Source: Elaborated by the authors, data retrieved from the experiment.

In the following graphs (1-5) we can see the data showing the answers to the research questions. Scenario 1 stands for no-response, Scenario 2 stands for defensive response and Scenario 3 is the accommodating response strategy. The answers are depicted on a 7-point Likert scale with “1” representing the worst score for the hotel and “7” representing the best score for the hotel.

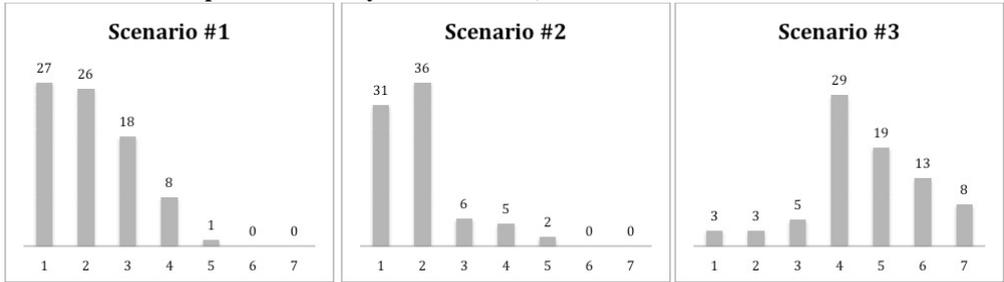
**Graph 1: Perception of professionalism of the hotel**



Source: Elaborated by the authors, data retrieved from the experiment.

Graph 1 depicts how the respondents perceive hotel’s professionalism. We can see that Scenarios 1 and 2 were perceived very negatively and Scenario 3 very positively.

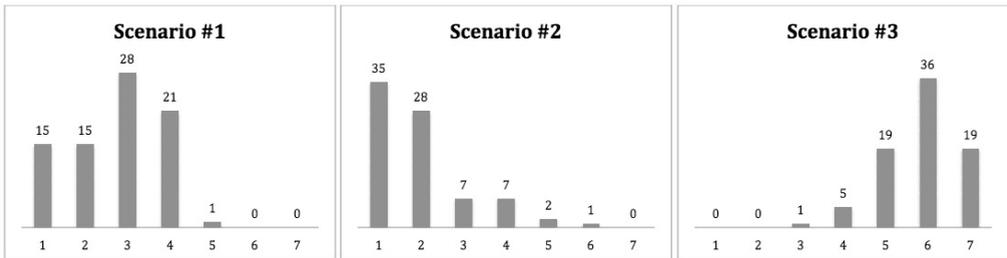
**Graph 2: Who do you trust more, the customer or the hotel?**



Source: Elaborated by the authors, data retrieved from the experiment.

Graph 2 shows how respondents perceived the question of trust. Respondents had a tendency to trust the hotel in Scenario 3 while relatively low values on a Likert scale show that the customer was trusted in Scenarios 1 and 2.

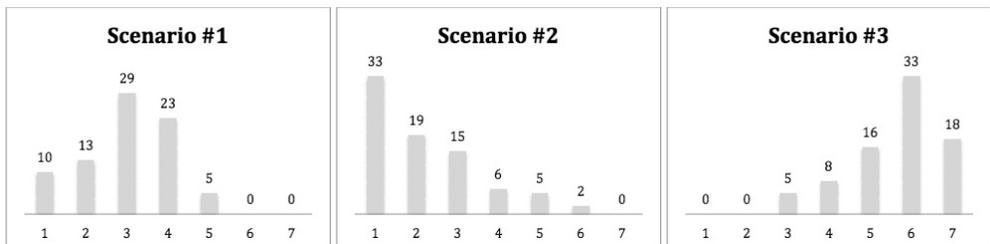
**Graph 3: The overall evaluation of the hotel company**



Source: Elaborated by the authors, data retrieved from the experiment.

Graph 3 depicts the overall evaluation of the hotel by the respondents. The perception tends to be the worst in case of Scenario 2, relatively bad in case of Scenario 1 and good in Scenario 3.

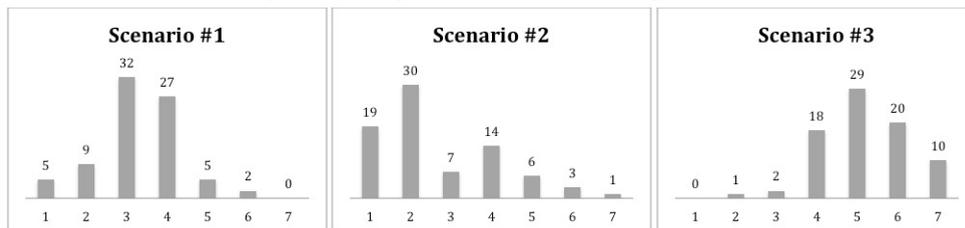
**Graph 4: Purchase intention of the respondents to book the hotel**



Source: Elaborated by the authors, data retrieved from the experiment.

Graph 4 signals that the respondents incline to book the room mainly in Scenario 3. The situation is relatively bad in Scenario 1 and the worst in Scenario 2.

**Graph 5: Perception of risk of booking the hotel**



Source: Elaborated by the authors, data retrieved from the experiment

Graph 5 shows the perception of risk of booking a room in the hotel. Respondents perceive Scenario 3 to be the least risky, then Scenario 1 is said to be somewhat risky and Scenario 2 shows the signs of the highest perception of risk by our respondents.

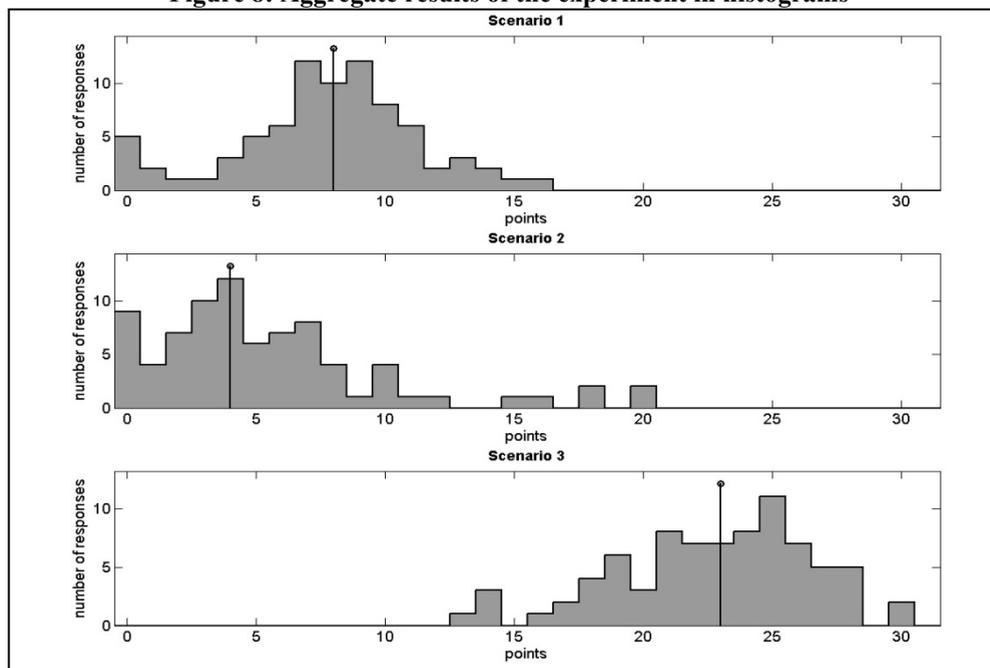
Before the actual experimental research was conducted, the authors tested the research design in two studies: (1) the pilot study testing the correct interpretation of the experiment instructions, scenarios and research questions, and (2) own study confirming the selection of the three hotel response strategies conducted on TripAdvisor.com. Both tests were successful and basically confirmed that the experimental research design is in accordance with the aim of the study.

The authors decided to use a nonparametric Mann-Whitney test (Mann and Whitney, 1947) because the normal distribution of the samples could not be assumed. This statistical test was performed in order to verify the validity of the following hypotheses: *H1*: A potential customer exposed to a negative eWOM is more likely to have positive perception about the hotel when the hotel's management chooses an accommodating response strategy over a defensive or no-response strategy. *H2*: No response to a negative eWOM can have as negative impact on reader's perception of the hotel as in case of a defensive response.

In order to interpret the overall perception of respondents about the hotel, the five answers about the five dependent variables were added up into a single score. This created a scale of scores between 0-30 points and enabled to assess the differences between the three scenarios. Basically the lower the total score, the worse the overall perception of the hotel in the five dependent variables combined.

As can be seen from the bellow-listed histograms in Figure 8, the no-response strategy is overall perceived rather negatively by the potential customers. Median is 8.00, mean is 7.75 and standard deviation is 3.55. The defensive response strategy resulted in the worst perception of the hotel with median equal to 4.00, mean 5.44 and standard deviation 4.60. And lastly the accommodating response strategy showed the most positive results in terms of the hotel perception with median of 23.00, mean 22.73 and standard deviation 3.80.

**Figure 8: Aggregate results of the experiment in histograms**



Source: Elaborated by the authors, data from the experimental research.

The Mann-Whitney method tested the medians of the three scenarios. The null hypothesis, which says that there is no significant difference between the individual scenarios, can be clearly rejected with confidence. This was proved by very high z-scores and low p-values that are basically on the rounding level of a computer (Table 2).

**Table 2: The Mann-Whitney Test**

Scenario	S3 vs. S2		S2 vs. S1		S3 vs. S1	
	z-score	p-value	z-score	p-value	z-score	p-value
Total	10,71	0.0000	4.65	0.0000	10.88	0.0000
Q1	11.14	0.0000	-0.54	0.5876	11.22	0.0000
Q2	9.41	0.0000	1.38	0.1664	9.22	0.0000
Q3	10.75	0.0000	4.65	0.0000	10.71	0.0000
Q4	10.08	0.0000	4.32	0.0000	9.76	0.0000
Q5	8.79	0.0000	3.69	0.0002	8.76	0.0000

Source: Elaborated by the authors, data from the experimental research.

The null hypothesis that there is no significant difference between the samples is rejected, which consequently confirms hypothesis H1 (i.e. in S3 the hotel is perceived more positively than in S1 and S2) and rejects hypothesis H2 (i.e. S1 does not equal S2, where no-response strategy is perceived less negatively than defensive response strategy, which

has been evaluated as the most unfavorable for the hotels). Furthermore, the situation is the same when we look at the individual dependent variables (questions) with the exception of the first and the second question, where the low z-scores and higher p-values in a test of S2 vs. S1 open up a space for the validity of H2.

## **Conclusion**

This study aimed to emphasize the importance of managing eWOM in the hotel industry. The main goal was to investigate how different response strategies to a negative user-generated eWOM on online travel review sites affect the potential customer in terms of his or her perception of the hotel.

The essential finding of this study is that the hotel's response to a negative online review can influence the potential consumer's buying behavior and perception of the hotel and that the accommodating response strategy leads to better results than in case of the no-response and defensive response strategies.

Based on the secondary research of this study, the authors propose the following set of implications for the hotel online review management. (1) Always do your best to please the guest and create a truly remarkable experience. (2) Make sure that you resolve complaints of the guest before he/she leaves the hotel. (3) Establish a listening system that keeps track of diffusion of eWOM about your hotel and that helps you to find out about current and future negative eWOM. (4) Make sure that you provide a timely response. (5) Have a high-level person representing your hotel on the online review sites.

Based on the primary research of this study, the authors designed another set of implications as follows: (6) Be aware that your response to a negative review can influence the potential consumers' buying behavior and perception of your hotel. (7) Even though many hotels in reality choose not to respond to negative reviews, in this research it was proved that providing a constructive accommodating response can lead to a significantly improved perception of a hotel by its potential future customers. (8) The accommodating response strategy is better than the no-response or defensive response strategy. (9) If you write an accommodating response, you should never underestimate the problem, consider an apology, show interest in the feedback, provide an explanation, propose a corrective action, and also consider inviting the guest to re-visit and provide the guest with your contact information for further communication outside the online review site. (10) Understand that defensive strategies, which are comprised of attempts to be in denial of accountability for the problem, attempts to shift the blame, excessive protectionism, counter-accusations and even sarcasm towards the complainant, can harm your business and negatively influence the perception of your potential customers.

The authors identified the following areas as being suitable for the future research in this field –the research with even more dependent variables such as the perceived level of services and hospitality and other variables. The future research might also include the investigation of more response strategies such as a blend of accommodating and protective response strategies, computer-generated responses, different offline solutions and a strategy consisting of filing a lawsuit or deleting the online reviews. The last proposal for the future research is the idea to better investigate the effects of responding also to a positive eWOM.

## Literature

- [1] Ahluwalia, R., Burnkrant, R. E., and Unnava, R. H., 2000. Consumer Response to Negative Publicity: The Moderating Role of Commitment. *Journal of Marketing Research*. 37 (5). pp. 203-214.
- [2] Arndt, J., 1967. *Word of Mouth Advertising: A Review of the Literature*. New York: Advertising Research Foundation.
- [3] Baumeister, R. F., Bratslavsky, E., Finkenauer, C. and Vohs, K. D., 2001. Bad is stronger than good. *Review of General Psychology*. 5 (4). pp. 323-370.
- [4] Bless, H., Hamilton, D. L. and Mackie, D. M., 1992. Mood Effects on the Organization of Person Information. *European Journal of Social Psychology*. 22 (5). pp. 497-509.
- [5] Chevalier, J., Mayzlin, D., 2006. The Effect of Word of Mouth on Sales: Online Book Reviews. *Journal of Marketing Research*. 43 (3). pp. 345-354.
- [6] Dellarocas, C., Zhang, X. and Awad, N. F., 2007. Exploring the Value of Online Product Reviews in Forecasting Sales: The Case of Motion Pictures. *Journal of Interactive Marketing*. 21 (4). pp. 23-45.
- [7] eMarketer, 2013. *With Online Reviews Critical to Travelers, Marketers Adjust Their Approach*. [Online] Available from: <http://www.emarketer.com/Article/With-Online-Reviews-Critical-Travelers-Marketers-Adjust-Their-Approach/1010013>. [Accessed: 2014-03-17].
- [8] Flipo, J. P., 1988. On the Intangibility of Services. *Service Industries Journal*. 8 (3). pp. 286-298.
- [9] Halstead, D., 2002. Negative word of mouth: Substitute for or Supplement to Consumer Complaints. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*. 15. pp. 1-12.
- [10] Hennig-Thurau, T., Gwinner, K. P., Walsh, G. and Gremler, D. D., 2004. Electronic Word-of-Mouth Via Consumer-Opinion Platforms: What Motivates Consumers to Articulate Themselves on the Internet? *Journal of Interactive Marketing*. 18 (1). pp. 38-52.
- [11] Investopedia. *Average Daily Rate (ADR) Definition*. [Online] Available from: <http://www.investopedia.com/terms/a/average-daily-rate.asp>. [Accessed: 2014-05-08].
- [12] Kim, E. E. K., Mattila, A. S. and Baloglu, S., 2011. Effects of Gender and Expertise on Consumers' Motivation to Read Online Hotel Reviews. *Cornell Hospitality Quarterly*. 52 (4). pp. 399-406.

- [13] Kimmel, A. J. and Audrain-Pontevia, A. F., 2008. Negative Word-Of-Mouth And Redress Strategies: An Exploratory Comparison Of French And American Managers. *Journal Of Consumer Satisfaction, Dissatisfaction & Complaining Behavior*. 21. pp. 124-136.
- [14] Kirby, J. and Marsden, P., 2006. *Connected Marketing: The Viral, Buzz and Word of Mouth Revolution*. 1<sup>st</sup> Ed. Oxford: Elsevier. ISBN 075066634X.
- [15] Kunz, W. H., Munzel, A. and Jahn, B., 2012. Serving in an Online World: How to React on Negative Electronic Word of Mouth. *AMA Summer Educators' Conference Proceedings*. 23. pp. 472-473.
- [16] Laczniak, R. N., De Carlo, T. E. and Ramaswami, S. N., 2001. Consumers Response to Negative Word-of-Mouth Communication: An Attribution Theory Perspective. *Journal of Consumer Psychology*. 11 (1). pp. 57-73.
- [17] Lee, J., Park, D. H. and Han, I., 2008. The effect of negative online consumer reviews on product attitude: An information processing view. *Electronic Commerce Research and Applications*. 7 (3). pp. 341-352.
- [18] Lee, Y. L. and Song, S., 2010. An Empirical Investigation of Electronic Word-of-Mouth: Informational Motive and Corporate Response Strategy. *Computers in Human Behavior*. 26 (5). pp. 1073-1080.
- [19] Litvin, S. W., Goldsmith, R. E. and Pan, B., 2008. Electronic Word-of-Mouth in Hospitality and Tourism Management. *Tourism management*. 29 (3). pp. 458-468.
- [20] Mackenzie, J., 2011. *ReviewPro Guide: How to Respond to Online Reviews*. [Online] Available from: <http://www.reviewpro.com/guides/en/ReviewPro-Guide-to-Responding-to-Reviews.pdf>. [Accessed: 2014-03-21].
- [21] Mann, H. P. and Whitney, D. R., 1947. On a Test Whether one of Two Random Variables Is Statistically Larger Than the Other. *The Annals of Mathematical Statistics*. 18 (1). pp. 50-60.
- [22] Mayzlin, D., Dover, Y. and Chevalier, J., 2012. Promotional Reviews: An Empirical Investigation of Online Review Manipulation. *USC FBE Applied Economics Workshop. USC Marshall School of Business. NBER Working Paper Series*. pp. 1-39.
- [23] Mercure Paddington, 2013. *Mercure Paddington Hotel Image* [Online] Available from: <http://www.mercurepaddington.com>. [Accessed: 2014-03-02].
- [24] Mittal, V., Ross, W. T. and Baldasare, P. M., 1998. The asymmetric impact of negative and positive attribute-level performance on overall satisfaction and repurchase intentions. *Journal of Marketing*. 62 (1). pp. 33-47.
- [25] Murray, K. B., 1991. A test of Services Marketing Theory: Consumer Information Acquisition Activities. *Journal of Marketing*. 55 (1). pp. 10-25.
- [26] Nielsen, 2013. *Global Trust in Advertising and Brand Messages*. [Online] Available from: <http://www.nielsen.com/us/en/reports/2013/global-trust-in-advertising-and-brand-messages.html>. [Accessed: 2014-03-06].
- [27] Noort, G. and Willemsen, L. M., 2012. Online Damage Control: The Effects of Proactive Versus Reactive Webcare Interventions in Consumer-generated and Brand-generated Platforms. *Journal of Interactive Marketing*. 26 (3). pp. 131-140.

- [28] Paris, N., 2013. TripAdvisor Queried Over Erasing of Hotel Reviews: Reservations Have Been Raised Regarding TripAdvisor's Policy of Erasing Old Reviews Following a Hotel's Renovation. [Online] Available from: <http://www.telegraph.co.uk/travel/travelnews/10291082/TripAdvisor-queried-over-erasing-of-hotel-reviews.html>. [Accessed: 2014-03-23].
- [29] Park, C. and Lee, T. M., 2009. Information Direction, Website Reputation and eWOM Effect: A Moderating Role of Product Type. *Journal of Business Research*. 62 (1). pp. 61-67.
- [30] Park, D. H. and Kim, S., 2008. The Effects of Consumer Knowledge on Message Processing of Electronic Word-of-Mouth via Online Consumer Reviews. *Electronic Commerce Research and Applications*. 7 (4). pp. 399-410.
- [31] PhoCusWright, 2013. U.S. Consumer Travel Report. Fifth Edition. [Online]. Available from: <http://www.phocuswright.com/products/4251>. [Accessed: 2014-03-18].
- [32] ReviewPro, 2011. *ReviewPro Guide: A Basic Guide to Managing Online Reviews for Hotels*. [Online] Available from: <http://www.reviewpro.com/basics-managing-online-reviews-hotels-4982>. [Accessed: 2014-03-21].
- [33] Silverman, G., 2011. *The Secrets of Word-of-Mouth Marketing: How to Trigger Exponential Sales Through Runaway Word of Mouth*. 2<sup>nd</sup> Ed. Amacom. ISBN 0814416683.
- [34] Sparks, B. and Browning, V., 2010. Complaining in Cyberspace: The Motives and Forms of Hotel Guests' Complaints Online. *Journal of Hospitality Marketing & Management*. 19(7). pp. 797-818.
- [35] Soderlund, M. and Rosengren, S., 2007. Receiving Word-of-Mouth from the Service Customer: An Emotion-based Effectiveness Assessment. *Journal of Retailing and Consumer Services*. 14 (2). pp. 123-136.
- [36] Sundaram, D. S., Mitra, K. and Webster, C., 1998. Word-of-Mouth Communications: A Motivational Analysis. *Advances in Consumer Research*. 25. pp. 527-531.

This article is a result of the research project "Effective methods for the increase of national and European competitiveness of small and medium enterprises in the field of culture" registered with the Ministry of Culture (program NAKI) under the number MK DF11P01OVV024.

### **Contact information**

Ing. Tomáš Horák, MBA

International Business – Central European Business Realities

University of Economics, Prague

W. Churchill Sq. 4

130 67 Prague 3

Czech Republic

T: (+420) 723 659 783

E: tom.horak01@gmail.com

**Description of the author**

Tomáš Horák focuses mainly on the field of hospitality management, marketing, customer service and CRM. He is a graduate of the University of Economics, Prague.

doc. Ing. Miroslav Karlíček, Ph.D.

Department of Marketing

University of Economics, Prague

W. Churchill Sq. 4

130 67 Prague 3

Czech Republic

T: (+420) 777 612 111

E: miroslav.karlicek@vse.cz

**Description of the author**

Miroslav Karlíček focuses mainly on the field of marketing communication and marketing management. He is the head of the Department of Marketing at the University of Economics, Prague and editor-in-chief of the Central European Business Review.

Ing. Kamil Kladívko, Ph.D.

Department of Statistics and Probability

University of Economics, Prague

W. Churchill Sq. 4

130 67 Prague 3

Czech Republic

T: (+420) 702 402 834

E: kladivk@vse.cz

**Description of the author**

Kamil Kladívko is an Assistant Professor in the Department of Statistics at the University of Economics, Prague. During the years 2004-2009 he worked as a quantitative analyst in the State Debt Management Office of the Czech Ministry of Finance. His research interests span statistics, econometrics and financial and insurance mathematics.

**Lucie Plzáková, Petr Studnička, Josef Vlček**

## **THE SUPPLY OF COMPOSITE TOURISM PRODUCT IN RELATIONSHIP TO CONSUMER BEHAVIOR**

***Abstract:** An analysis of the demand for tourism brings knowledge of the decisions of tourists. An analysis of the composite tourism product allows for an understanding of the process of meeting needs within tourism. This definition of the concept is based on the determination of the conditions and processes that make up tourism. Given that the production and consumption of a composite product takes place simultaneously, it is necessary to also examine the behavior of the agents on the supply side of tourism services.*

***Key words:** composite product, demand, destination, supply, tourism, tourist industry*

***JEL Classification:** M20, L83*

### **Introduction**

A systemic approach to tourism allows for the understanding of this phenomenon as a process of meeting needs and demands. The composite tourism product belongs to the realm of personal services, because it contains the element of intangibility and production takes place only with the participation of the customer. Tourism should be understood as a complex process that involves not only the participants (consumers), but also service providers and attractions in the area, which is primary and secondary supply of tourism destination. These are the activities in the tourism industry that create the supply for visitors to the destination, who spend their free time for recreation, sport and self-improvement. Standard microeconomic analysis of sub-markets assumes rational behavior of economic agents. Consumers seek to maximize utility and firms to maximize profits. Changes in the market are explained by price and non-price factors.

The authors approach tourism as a process of meeting needs. They point out that in tourism consumption people use simple heuristics. This observation allows the author to combine an analysis of the demand for tourism with the supply of the composite tourism product in destinations. Tourism is defined as the production of the destination and its consumption by tourists, with both processes taking place simultaneously.

## **Materials and Methods**

There are currently no theoretically defined variables on which to base an analysis of consumer behavior that is able to measure interest in the consumption and production of composite products. Conceptual models are the tools which facilitate an understanding of consumer behavior because they create a basic framework for analysis. Given that tourists' decision-making can be diagrammed on a flow chart, it is necessary to clarify the nature of those decisions when seeking a causal link between specific variables. The theory of planned behavior is the basis for this approach because it allows a causal explanation of the different types of behavior in the purchase and consumption of a composite product (Ajzen, 1991, pp. 179-211).

With empirical applications, it is necessary to put into operation the theory of planned behavior, with the help of, for example, a Likert scale or Osgood's semantic differential, etc. The model formulated in the theory of planned behavior successfully explains individual choices (decision-making instruments). When negotiating overall behavior however, the model does not produce such clear-cut results. When creating a model of consumer behavior to analyze decisions in the purchase and consumption of a complex product, it is necessary to apply other theories of behavior – the Rubicon model of behavior, etc.

The article is based on current trends in personal consumption in the European Union, where most people live lives of abundance. The subject of analysis is composite products, which are prominently represented in the travel industry. Up till now, consumer decision-making in domestic and incoming tourism in the Czech Republic has been analyzed only as a phenomenon. The essence of the behavior of tourists, most of whom profess to a consumer way of life, is not known.

## **Results**

According to the cardinal utility theory, a consumer purchases an optimal combination of goods, if within the budgetary constraints and given the prices, he cannot further increase overall utility. Consumer equilibrium is a balance of marginal utilities of all goods consumed in relation to their prices. This conclusion applies to the concept of purchasing a fixed consumer basket. Most consumers do not use the recommended approach, because it is not possible "...to check all prices and specifications of currently available products" (Eriksen, 2010, p. 101). The theory of rational choice does not allow a comprehensive description and explanation of the structure of consumer behavior when purchasing a so-called composite product. This is a product that is supplied and demanded in tourism destinations and in hospitality (Plzáková, Studnička, Vlček, 2014, pp. 8-10).

Tourism services used by customers are distinguished, according to their significance, as basic (transport, accommodation, catering) and supplementary (cultural and sports, recreational, exchange, insurance, guide etc.).

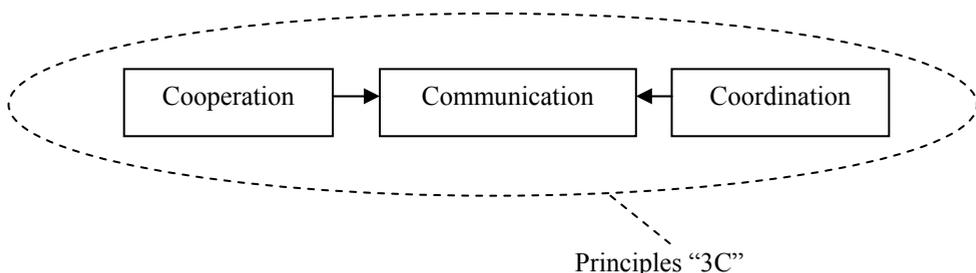
#### *Destination management and hospitality*

The essence of basic tourism services is ensuring the transfer of tourists to and from the tourist destination, and the provision of services related to the stay in the recreation area. These services are transport, accommodation and catering. Tourism is linked to a particular place, region or state, whose supply is dependent not only on business entities, but also on public administration bodies. At present, there is no ideal and integral management system in tourism destination in the Czech Republic. This is due to, among others, the elementary features of a destination. The destination is formed by demand, by visitors, tourists, and for this reason destinations differ, to a certain extent, one from another. That is why destination managements are different, as well, comprising different components and bonds with regard to their quantity, type, functioning, etc., while the essence of destination management is the same.

Tourist destinations on local level also include host communities, which are part of larger destinations. This definition is more complex and clearly includes the important attributes of destinations that have an impact on the approaches to management of the destination – the space, products, service providers, participants and local community. “Destination management is a specific form of administration, focusing on the process of managing supply and demand at the destination in order to succeed in the increasingly intensified competition and meet the increasing demands of visitors. In managing the destination, basic components of classical management are used. But it is primarily necessary to apply the principles of cooperation, coordination and communication” (Plzáková, Studnička, 2011, p. 30).

Cooperation between the different actors, coordination of individual activities in terms of space and time, and communication between all stakeholders in the development of tourism is necessary to fully satisfy visitors and tourists. In tourist destinations, it is necessary to apply the basic principles of destination management (Figure 1).

**Figure 1: Principles of destination management “3C”**



Source: Holešinská, 2012.

Nowadays, we often encounter the term “hospitality”, which has no Czech equivalent and is often defined as “taking good care of guests”. The role of the hospitality sector is the creation and provision of accommodation and food services. Accommodation services provide accommodation outside the usual environment, including additional requirements that are connected with an overnight stay or temporary stay. Catering services meet the nutritional needs of tourists.

### *European Union*

Hospitality involves the construction, management and organization of large hotels and hotel chains, ensuring their operation, and provision of hotel services. With the increasing demands of guests, it is necessary to innovate with regard to services. On the supply side, this includes the introduction of a variety of wellness programs and the creation of subsidized accommodation packages. In the context of the Europe 2020 document, the European Union strives to maintain Europe's position as one of the leading destinations in the world. The initiative is focused on innovation, while innovation vouchers are targeted at small and medium-sized enterprises, which hold a dominant position in the tourism and hotel industry.

The Country-specific Recommendations are documents prepared by the European Commission for each country, analyzing its economic situation and providing recommendations on measures. They are tailored to the particular issues the Member State is facing and cover a broad range of topics – the state of public finances, reforms of pension systems, measures to create jobs and to fight unemployment, education and innovation challenges, etc. “The Commission has issued seven country specific recommendations to the Czech Republic to help it improve its economic performance. These are in the areas of:

- sustainable public finances;
- taxation;
- pensions and employment of older workers;
- labor market;
- public administration;
- education and higher education;
- services.

The Czech Republic is amongst the Member States with the highest number of regulated professions. The Czech authorities have started a review of the regulatory framework for these professions. This initiative must be taken forward in order to reduce or eliminate barriers to those professions for which regulation is not proven necessary or is considered excessive. Easier access could unlock further employment creation and growth“ (Europe 2020 in the Czech Republic, 2013).

An analysis of purchasing decisions and consumption of composite products contributes to an understanding of human behavior in today's consumer society. Within the framework of a composite product there is a confrontation of demand and supply, which is framed by the

current state of the society. The inconsistency in contemporary human behavior is reflected in this microcosm. Consumer behavior exhibits a number of paradoxes, whose origin is highly dependent on the overall level of consumption. For example, common consumer goods are subject to hedonic adaptation, because the pleasure of a new product quickly fades. Thus we look to economic goods, which have little meaning for us.

The principle of diminishing marginal utility, however, does not apply to goods and services that people consider the most important in their lives. “People who love the Giant Mountains, never have the feeling that the 439<sup>th</sup> trip to the mountain top and back was more boring than the 438<sup>th</sup> trip, because it is always a slightly different experience” (Eriksen, 2010, p. 106). A significant trend, which currently affects the demand for composite products, is individualization of demand (Plzáková, Studnička, Vlček, 2014, pp. 3-7). For example, two-thirds of Czechs organize their holidays on their own, while one-third use the services of travel agents for their recreational holidays (Table 1), which is the second highest proportion after the Slovak Republic in the European Union.

**Table 1: Evolution of number of travel agents in the Czech Republic in the years 2003-2012**

<i>Year</i>	<i>Number</i>	<i>Basic index</i>	<i>Chain index</i>
2003	986	1.000000000	1.000000000
2004	980	0.993914807	0.993914807
2005	1,015	1.029411765	1.035714286
2006	1,117	1.132860041	1.100492611
2007	1,203	1.220081136	1.076991943
2008	1,291	1.309330629	1.073150457
2009	1,368	1.387423935	1.059643687
2010	1,394	1.413793103	1.019005848
2011	1,457	1.477687627	1.045193687
2012	1,501	1.522312373	1.030199039

Source: Yearbook of Tourism, Accommodation and Catering in the Czech Republic 2003-2012, own calculation.

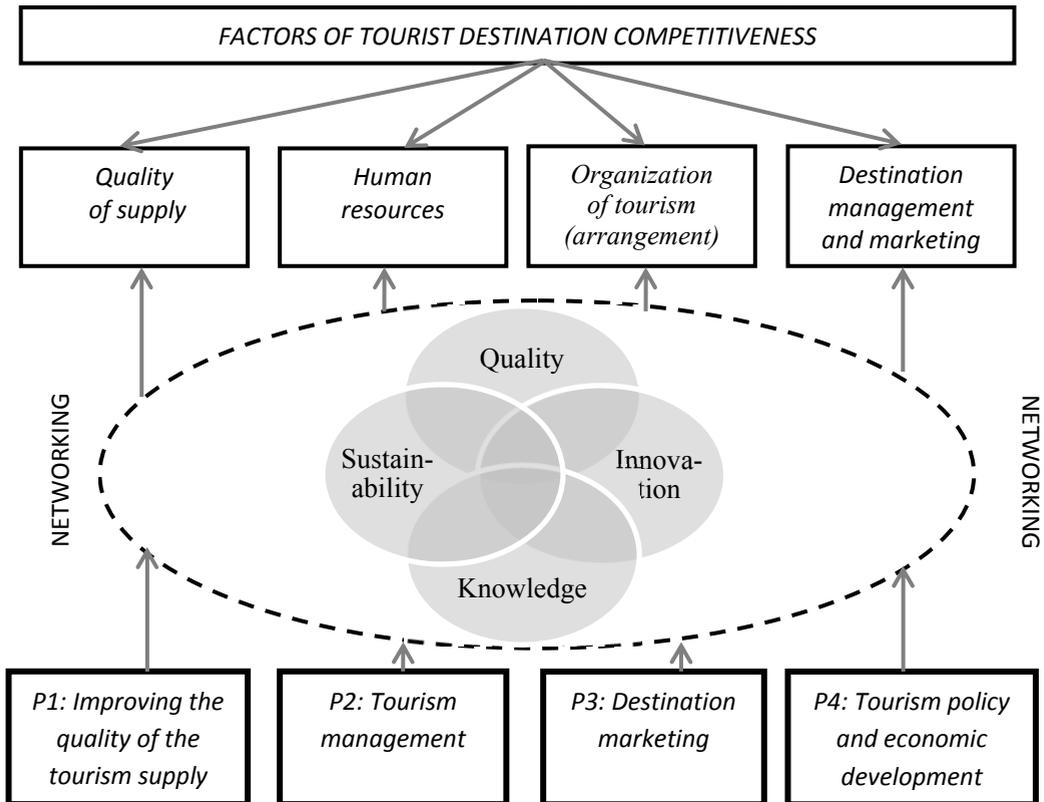
Satisfying individualized demand places increased demands not only on the decision-making of the individual consumer himself, but also on the providers (producers) of services, which together, constitute the tourism product.

## **Discussion**

In addition to coordinating the interests of the public and private sectors in tourism and stimulating the development of regions in which tourism contributes to job creation and increasing tax yields, it is also important to create legal conditions for coordination and

financing, which make for more efficient implementation of the priorities in the national tourism policy. In the Czech Republic, this is based on the National Tourism Policy for the Czech Republic, 2014-2020, which was approved by Government Resolution No. 220 of 27 March 2013. The main goal of this policy, which presents the fundamental medium-term strategy for tourism, is to increase the competitiveness of the tourism industry at both the national and regional levels (Figure 2).

**Figure 2: Priorities of National Tourism Policy for the Czech Republic 2014-2020**



Source: National Tourism Policy for the Czech Republic 2014-2020, 2013.

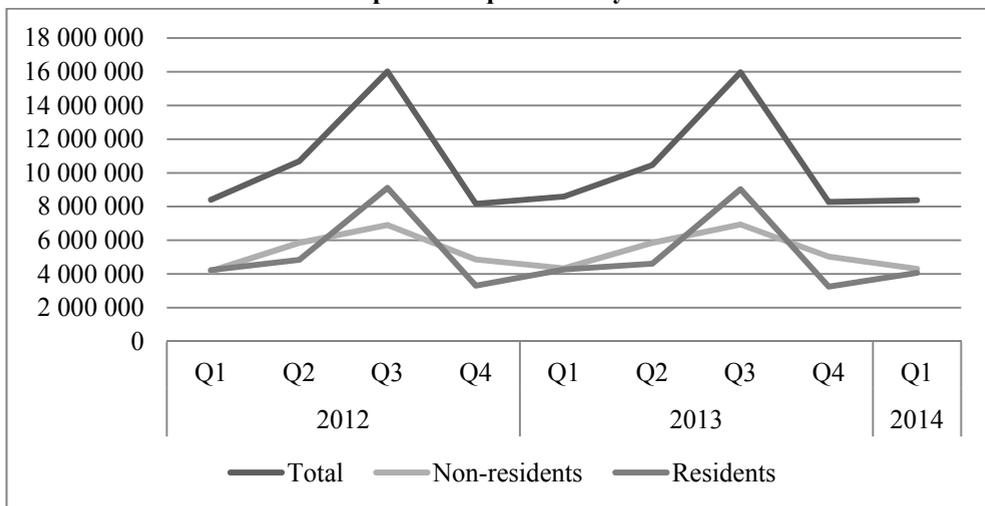
“In the period 2007-2013, the fundamental strategic direction for tourism policy was defined by the National Tourism Policy of the Czech Republic, which was further refined by its Implementation Document. The Tourism Policy for 2007-2013 had a total of 4 main priorities, 13 measures and 71 activities. In the period 2014-2020 the National Tourism Policy of the Czech Republic has 4 main priorities:

- Priority 1 – Improving the Quality of the Tourism Supply;
- Priority 2 – Tourism Management;
- Priority 3 – Destination Marketing;

- Priority 4 – Tourism Policy and Economic Development” (National Tourism Policy of the Czech Republic 2014-2020, 2013).

Given that the production and consumption of a composite product takes place simultaneously, it is necessary to also examine the behavior of the agents on the supply side of tourism services. The success of tourism service suppliers is evident not only in their struggle with the competition, but also in their ability to overcome the increasing saturation of the market. Time is a significant factor in the purchase and consumption of a composite tourism product (Graph 1).

**Graph 1: Occupancy in collective accommodation establishments in the Czech Republic in quarters of years 2012-2014**



Source: Czech Statistical Office, 2014.

Entrepreneurs must be able to use consumers’ increasing interest in themselves, their higher disposable incomes, and a growing pool of free time.

- The relationship between socio-economic and socio-demographic variables and the purchase of a composite product is statistically significant.
- If the marginal utility of additional units of a certain good in the composite product is lower than its price, consumers might prefer the purchase of other goods and the good will be limited.
- The optimal combination of elements of a composite product is one in which a consumer, within budgetary constraints and given the prices, cannot increase overall utility by reducing the consumption of one good and replacing it with a larger number of another.
- How people perceive (experience) their lives, influences their decisions about consumption and tourism in particular.
- Incoming and domestic tourism have the same aims.

- The tourism market is becoming less dominated by supply while the influence of demand is increasing.
- The degree of cooperation between agents of the tourism industry within a region can increase the active participation and activities of government bodies.

## Conclusion

The manifestation of the individualistic consumer is an impulse purchase, which brings immediate pleasure and joy here and now. "By building a sense of happiness on par with buying commodities, which should create this happiness we avert the possibility, that the pursuit of happiness will ever stop" (Bauman, 2010, p. 19). People yearn for self-actualization and tourism is a product which enables them to meet this need. Currently, most consumers arrange their tourism products independently.

Tourism service providers need to understand the consumer behavior of tourists, otherwise they will be unable to adequately provide innovation in the supply. The profile of a tourism consumer allows operators who offer composite products to look for new forms of communication with the customer. Individual hedonism is supported by self-service sales (direct contact between the supply and demand) and the growth of leisure time, which has led to a higher expenditure on entertainment and leisure time activities.

Tourism in the Czech Republic is currently determined by the supply, because the foundation of its development is the destination product offered. The consumer is "acquired" on the basis of a presentation of the attractions in a given destination. Tourism information centers, which are special-purpose facilities that provide objective and evidence-based information on destinations, tourism services, and the leisure and cultural supply in the area in which they operate, play a significant role in the presentation of destinations. In the Czech Republic, this is dominated by the promotion of attractions and partially the marketing of destinations. Many of them also, in carrying out their business activities, offer and sell paid services related to tourism, such as guided tours, ticket bookings, etc.

For TICs, business is no longer just about the most typical activities, such as the provision of information and selling of souvenirs, but with growing competition on the supply side and the growing individualization of demand, they must also find and address prospective visitors, offer them services leading to the fulfillment of their primary, as well as additional, tourism needs at the site, and ensure their satisfaction so they return again. A study carried out for CzechTourism, "The Organization of Tourism in Administrative and Tourist Regions of the Czech Republic" (Petříčková, Studnička, Vrchotová, 2012), shows another status of tourist information centers in relation to destination management at the regional and local level. TICs at the local level are far more active and very often assume the role of destination management organizations (DMO). These primarily includes areas where there

is an absence of a strong regional DMO. Within the framework of regional destination management, tourist information centers supply typical services, meaning providing information to visitors and more or less cooperating with the regional destination management. TICs, which play the role of local DMO, are mostly private entities, such as Ltd. or non-profit public companies. Their market behavior, including increasing competitiveness, forms their main goal and their strategies correspond to this.

There are more than 600 tourist information centers registered in the Czech Republic, which on a voluntary basis, are grouped together in the Association of Tourist Information Centers (ATIC). The legal form of a TIC corresponds to the status of the founder. The most common founders are public bodies (municipality, city, administrative region, state) and organizations established by them, as well as enterprises of the administrative regions or state and voluntary associations of municipalities. All appropriate legal forms for information centers are listed in the Methodology of Information Centers on the A.T.I.C. website pages.

Currently, the process is underway for a single TIC certification system under the auspices of the Ministry of Regional Development of the Czech Republic as part of the framework for the Czech System of Quality Services in the Czech Republic. According to the new certification system, the basic tourist information center activities as set as follows:

- A TIC searches for, collects, updates and disseminates accurate tourist information from the area within its scope (municipality, city, region, country).
- A TIC provides the public with information from the database by all available means (orally, by telephone, in writing, through electronic media, etc.) while accepting the principles of sustainable tourism. Oral information is provided free of charge to visitors. Other services may be appropriately charged for. For this purpose, a list of services with a price list is located in the TIC in a conspicuous place for review.
- Providing free information is the predominant activity of the TIC. If a TIC offers and sells additional services and products related to tourism (e.g. if it also functions as a travel agency), it does so only on condition that it does not interfere with the comprehensiveness and objectivity of the information and while maintaining the quality of service of a TIC.
- TIC staff has access to the document "Quality Parameters of Services to Clients and Visitors to Tourist Information Centers" in the latest updated version.

The list of these basic activities implies continuance of the ingrained function of the TIC without any greater degree of innovation. And this is also proven by the categorization (Table 2).

**Table 2: Categorization of the TIC in the Czech Republic**

Category	Characteristic
A	State-wide information centers are marked with four stars.
B	Area-wide information centers are marked with three stars.
C	Local year-round information centers are marked with two stars.
D	Seasonal information centers are marked with one star.

Source: Own elaboration with data from the Ministry of Regional Development CZ, 2013.

One of the aims of regional policy is an attempt to mitigate regional disparities. In areas with the appropriate pre-requisites, the development of domestic and inbound tourism can also contribute to reducing regional disparities. In these destinations composite tourism product may become the only economically sustainable activity. From the management perspective, the ability of the destination to develop and adapt its resources, the existence of a destination management organization (DMO), and the coordination of links to neighboring destinations, with an emphasis on the exchange of experiences and the creation of joint tourism products are all of fundamental importance for the development of tourism.

## Literature

- [1] Ajzen, I. 1991. The Theory of Planned Behavior. In: *Organizational Behavior and Human Decision Processes*. New York: Elsevier, Vol. 50, Nr. 2, pp. 179-211. ISSN 0749-5978.
- [2] Bauman, Z. 2010. *Umění života*. Praha: Academia, 149 p. ISBN 978-80-200-1869-4.
- [3] Czech Statistical Office. 2014. *Occupancy in collective accommodation establishments in the Czech Republic*. [online] Available at: [http://www.czso.cz/csu/redakce.nsf/i/cru\\_cr](http://www.czso.cz/csu/redakce.nsf/i/cru_cr) [Accessed 10 May 2014].
- [4] Eriksen, T. H. 2010. *Syndrom velkého vlka – hledání štěstí ve společnosti nadbytku*. Brno: Nakladatelství Doplněk, 216 p. ISBN 978-807239-244-3.
- [5] *Europe 2020 in the Czech Republic*. 2013. [online] Available at: [http://ec.europa.eu/europe2020/europe-2020-in-your-country/ceska-republika/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-your-country/ceska-republika/country-specific-recommendations/index_en.htm) [Accessed 10 May 2014].
- [6] Holešinská, A. 2012. *Destinační management jako nástroj regionální politiky cestovního ruchu*. Brno: MUNI Press, 152 p. ISBN 978-80-210-5847-7.
- [7] *National Tourism Policy for the Czech Republic 2014-2020*. 2013. Praha: Ministerstvo pro místní rozvoj ČR, 135 p. ISBN 978-80-87147-41-2.
- [8] Petříčková, L., Studnička, P., Vrchotová, M. 2012. *Organizace cestovního ruchu v krajích a v turistických regionech České republiky*. Praha: Nakladatelství CzechTourism, 125 p. ISBN 978-80-87560-01-3.

- [9] Plzáková, L., Studnička, P. 2011. Modelové systémy destinačního managementu v turistických regionech České republiky. In: *Czech Hospitality and Tourism Papers*. Praha: Vysoká škola hotelová, Vol. VII, Nr. 14, pp. 28-37. ISSN 1801-1535.
- [10] Plzáková, L., Studnička, P., Vlček, J. 2014. Individualization of Demand of Tourism Industry and Activities of Destination Management Organizations. In: *Czech Hospitality and Tourism Papers*. Praha: Vysoká škola hotelová, Vol. X, Nr. 21, pp. 3-16. ISSN 1801-1535.
- [11] *Yearbook of Tourism, Accommodation and Catering in the Czech Republic 2013*. Praha: MagConsulting, 201 p. ISBN 978-80-86724-47-8.

## Acknowledgements

This article is one of the results of the research project WD-37-07-2 Research on Domestic and Incoming Foreign Tourism in Relation to Mitigating Socio-economic Disparities, financial supported by the Ministry of Regional Development of the Czech Republic.

### Contact information

Ing. Lucie Plzáková, Ph.D.  
Department of Travel and Tourism Studies  
Institute of Hospitality Management in Prague  
Svídnická 506  
181 00 Praha 8  
Czech Republic  
T: (+420) 283 101 138  
E: plzakova@vsh.cz  
F: (+420) 233 541 905

### Description of the author

Lucie Plzáková is a Member of Department of Travel and Tourism Studies at the Institute of Hospitality Management in Prague. In 2007-2011 she was a research team member of the WD-37-07-2 project Research on Domestic and Incoming Foreign Tourism in Relation to Mitigating Socio-economic disparities. In 2014 she is a research team member of the Municipality of Lipno nad Vltavou project Support of Formation Public-Private-Partnership in Relationship of Tourism Development by Founding of Local Destination Management Organization.

Ing. Petr Studnička  
Department of Hospitality Management  
Institute of Hospitality Management in Prague  
Svídnická 506  
181 00 Praha 8  
Czech Republic  
T: (+420) 283 101 176  
E: studnicka@vsh.cz  
F: (+420) 233 541 905

**Description of the author**

Petr Studnička is a Head of Department of Hospitality Management at the Institute of Hospitality Management in Prague. In 2007-2011 he was a research team member of the WD-37-07-2 project Research on Domestic and Incoming Foreign Tourism in Relation to Mitigating Socio-economic disparities. In 2014 he is a research team member of the Municipality of Lipno nad Vltavou project Support of Formation Public-Private-Partnership in Relationship of Tourism Development by Founding of Local Destination Management Organization.

doc. Ing. Josef Vlček, CSc.  
Department of Economy and Economics  
Institute of Hospitality Management in Prague  
Svídnická 506  
181 00 Praha 8  
Czech Republic  
T: (+420) 283 101 127  
E: vlcek@vsh.cz  
F: (+420) 233 541 905

**Description of the author**

Josef Vlček is a Head of Department of Economy and Economics at the Institute of Hospitality Management in Prague. In 2007-2011 he was a research team member of the WD-37-07-2 project Research on Domestic and Incoming Foreign Tourism in Relation to Mitigating Socio-economic disparities.

Kristína Pompurová, Petra Strnáďová

## **SLOVAK RESIDENTS' DEMAND FOR EVENTS: A POTENTIAL FOR DOMESTIC TOURISM DEVELOPMENT?**

***Abstract:** The study investigates how often Slovak residents attend organized events and which tourism services related to the events they typically use. Tourism events are, on annual average, attended by majority of the Slovak population. Catering services in the event venues are used by more than three quarters of the attendants. Slovak residents also use accommodation, transportation, or other tourism services. Therefore, events represent an important opportunity for domestic tourism development.*

***Key words:** demand, domestic tourism, events, Slovak residents*

***JEL Classification:** A10, L83*

### **Introduction**

Despite the fact that serious studies of organized events have just recently commenced appearing in scholarly and professional literature, their ancient history dates back to the time of the Olympic games, between 8<sup>th</sup> century B.C. and 4<sup>th</sup> century A.D. There were also the Dionisias, the ancient Greek religious festivities in honour of the god of wine and seasons, which were later transformed into dramatic poets' competitions in the 6<sup>th</sup> century B.C., or the gladiators fights between 3<sup>rd</sup> century B.C. and 5<sup>th</sup> century A.D. This is one of the reasons why originally they were the object of study in anthropology, sociology, geography and economics, while each of these scientific disciplines used its own methodology reflecting their different scientific paradigms.

At present scholarly and professional literature refers to the organized events especially in terms of their role, significance and impact on the society and culture, organized events management and tourism stimulated by the organized events attendance. In relation to tourism, the major concerns include planning, organizing and marketing of the events, as well as the evaluation of the economic impacts of festivals and other events (mainly cultural, sport and business ones) at the level of a tourist destination (country, region, resort). As for the attempts to attract visitors to a destination, the available literature provides studies and assessments of the motives to attend the events organized outside the individuals' usual places of residence, and of the selected event attendants segments, classified according to different segmentation criteria. Interest in the demand for

the organized events concentrates on particular ones, but there is no research of the aggregate demand for the organized events to be found in the available literature.

In this context, we decided to diverse from a traditional model of studying the demand for the organized events, and to concentrate not on the demand for a selected organized event, but the demand of a selected market for the organized events. Our intention is to assess the rate of the Slovak residents' interest in the organized events and thus demonstrate their potential for development of short-term domestic tourism.

In economics, demand for certain goods or services is defined as "the sum of relatively independent consumers' decisions about the demanded amount and quality, depending on the prices" (Muchová, 2003, p. 76). In other words, it is "the sum of all goods and services demanded by the consumers for the given price" (Horehájová, Marasová, 2007, p. 42). It expresses a relationship between the amount of demanded goods and services and their price. However, Paulička et al. (2002, p. 760) highlight the condition of purchasing power and understand demand as the manifested need for certain goods and services, "for satisfying of which there exists disposable money". The need that remains just a desire because of the lack of funds available is known as latent demand. Until the demand with purchasing power is specifically displayed, it remains a potential. After the purchase is made, the demand becomes effective.

According to Horehájová and Marasová (2007, p. 43), there are differences between the individual, partial and aggregate demands. While the individual demand represents demand of one buyer for a certain product or service, the partial demand is demand of all consumers for one sort of goods or services. They are the object of study in microeconomics. The aggregate demand is a sum of all goods and services demanded by all market subjects at a given price level. It shows total expenditure of the economic subjects in the national economy (Uramová, 2010, p. 40), i.e. their consumption. It is one of the key research topics in macroeconomics.

Our definition of the concept of demand for the organized events in tourism will comply with the character of the demand for tourism, which is its nearest "neighbour".

There are not too many explicit definitions of the demand for tourism in the available literature, and they are all predominantly based on the economic specifications of demand. For example, the respected authors Hunziker and Krapf (1942, In: Gúčik, 2010, p. 102) understand the demand for tourism as a complex system of relationships focused on goods and services that the visitors try to obtain at a certain price level. Kaspar (1995, p. 86) perceives it as a willingness of a visitor to exchange a certain amount of tourism goods for a certain amount of money. Botti, Peypoch and Solonandrasana (2008), and also Gúčik (2010), interpret this definition from the aspect of a visitor's subjective benefit. According to Song and Witt (2011), the demand for tourism can be described as a number of products

of a certain destination that the consumers want to buy under certain conditions in a particular time.

In general, we can also use the definitions above for specification of the demand for organized events in tourism. However, Getz (2012) objects that the event is sold or offered in the market as an experience, not as a particular service. Therefore, as for the event, the relationship between the amount of demanded goods and services and their prices cannot be expressed directly. This opinion is opposed by Gúčik (2001), who claims the event is a sum of heterogeneous services, which may not be perceived by the attendants. Organized events are attended because of their programme, which is an expected equivalent for the expended cost and time. That is why we do not agree with Getz (2012) claiming uselessness of the universal economic specification of the demand for events, and consider Frechtling's (2012) definition best. He defines the demand as a ratio of utilization of goods and services, or of the organized event product by the attendants.

In contrast to the economic theory, the authors of tourism publications do not only concentrate on the number of demanded tourism products, but also on the number of consumers, i. e. the visitors as the demand carriers. Swarbrooke and Horner (2001, p. 24) state that demand has several dimensions and according to their simplest definition, it is the number of visitors in a certain territory (in a destination or, in the case of the organized events, in the event venue). Medlik (2003, p. 51) alleges demand is usually defined by the number of visitors, while he discerns between an actual demand (number of visitors) and a potential demand (number of persons who can become visitors in the future). According to Botti, Peypoch and Solonandrasana (2008, p. 134), the first theorists who used the data showing the number of visitors for identification of demand were Toms and Laber (in 1970s).

Song and Witt (2000 In Otero-Giráldez, Álvarez-Díaz, Gonzáles-Gómez, 2012, p. 1301), as well as Goeldner and Ritchie (2009) admit three variants of expressing the demand in a tourist destination. In this regard, specification of the demand for tourism or for organized events in tourism is closest to the definition of the aggregate demand. According to Lim (1997, p. 839), several theorists have used other indicators to express demand, e.g. average length of stay in a destination. Frechtling (2012) states that demand can be expressed in heterogeneous units, starting with the national currency (visitors' income assessment), through the visitors' arrivals and overnight stays, days of stay, up to the distance travelled or capacity utilization. Lim (1997) concludes that in specification of aggregate demand for tourism in a certain territory, most frequently used factor is the number of visitors. The same counts for the demand for organized events in tourism.

Expressing the demand for organized events in tourism with the number of visitors is possible because of the relationship between product and destination. Consumption of most tourism services assumes that the visitor comes to the destination in order to consume them. The visitors demonstrate their demand for the organized event product by their presence in

the event venue. However, as Šebová and Džupka (2013, p. 44) claim, getting qualified estimation of the event attendance encounters several problems. For example, in the case of multi-day events (e.g. festivals, matches at sports championships) that require entrance fee payment, the organizers have an idea about the number of sold tickets. Those figures, however, never equal the number of unique attendants as most of them buy multi-day admission. It is even more difficult to estimate the number of attendants at events that do not require buying a ticket (e.g. a marathon), and the attendance estimates presented in the media are typically overrated. In addition, the number of attendants neither tells anything about the demanded amount and quality of product depending on the prices, nor “whether consumption of goods and services actually took place in the destination” (Huľo, 2007, p. 40). Therefore, it would be most appropriate to assess the number of the organized event attendants with a representative survey, to differentiate local residents from the attendants who left their place of residence in order to attend the event, and to study their expenditure in tourism in favour of the subjects localized in the given territory.

## **Materials and Methods**

Domestic literature pays only a little attention to the research of the demand for organized events. The absence of its complete summary is caused by the absence of relevant statistics. In this regard, Statistical Office of the Slovak Republic only registers e.g. the number of theatre performance viewers, the number of visitors in observatories, planetariums, cabinets of astronomy and botanic gardens, including the attendants of cultural and educational events organized by the respective organizations. Annually, a certain overview of selected events attendance can be found in a yearbook of the weekly magazine on economy and business “Trend Top v cestovaní” (Travel Top Trends). However, this chart of the most attended events includes neither business events (trade fairs, exhibitions, conferences), nor the important sport events (cup competitions, championships etc.). While in 2010, according to this yearbook, top ten events in Slovakia were attended by 342.7K people, in 2011 it was 297.5K and in 2012 just 281.5K attendants. Variations in the numbers of attendants are partially caused by different representations of the events among the first ten positions, where some of them are unrepeated or occasional. Stable positions in the top ten are only held by a folklore festival “Jánošíkové dni” (70K attendance in 2012), a music festival “Bažant Pohoda” (30K), a film festival “Art Film Fest” (25K) and a folklore festival “Východná” (20K).

While the satisfied demand for particular events can be observed and assessed in time, this is not possible for the aggregate demand because of the missing data. Therefore we have conducted a survey oriented, in compliance with Frechtling’s (2012) definition of demand, on identification of the individuals’ tourism events attendance rate. We distinguish between the attendance of the events organized in the individuals’ usual places of residence, and the attendance of the events in the tourist destinations. The objective of the treatise is to study

and assess the demand of the Slovak residents for organized events in tourism from the aspect of frequency of their event attendance and their utilization of services.

Data processing is based on the primary resources gained through the questionnaire conducted by trained interviewers. We conducted the survey of the Slovak residents' aggregate demand for organized events in tourism in the first quarter of 2013. The basic sample was the population of Slovakia. Selection of respondents was deliberate and it took the age and gender structure of the basic sample into account. The goal was to reach representativeness of the sample, which is more important than its extent. From 839 completed questionnaires, 23 invalid ones were excluded in the first sorting. Then the acquired data were transliterated, and a data matrix was compiled in the Excel spreadsheet processor. After checking the sample representativeness by the Chi-Square test for goodness of fit in the PASW SPSS programme, other 42 questionnaires were excluded from the research.

The final representative sample then consists of 774 respondents, who represent the Slovak population from the aspects of age ( $p$ -value = 0.994) and gender (0.732), according to the Chi-Square test for goodness of fit. More than one seventh of the respondents (15.1 %) are under 14 years of age, 14.3 % are 15 to 24, 17.1 % are 25 to 34, 15.2 % are 35 to 44, 14.2 % are 45 to 54, 12.4 % are 55 to 64, and 11.6 % are over 65. Men and women have almost equal representation in the sample (men 49.2 %, women 50.8 %).

Gathered data about the demand for the organized events in tourism were processed with selected mathematical and statistical methods. Statistical tests were evaluated with 95 % reliability, i.e. at  $\alpha = 0.05$  significance level.

## Results

In Slovakia, up to 97.7 % of the Slovak population, on annual average, attend the organized events. More than a half of them (55.8 %) attend them several times a year. Almost 7 % attend events on weekly basis (Table 1). We assume that this is related to their active participation in the events (i. e. engagement in the programme), or support of their relatives' performance.

**Table 1: Frequency of the respondents' participation in the organized events**

<i>Type of event</i>	<i>Respondents' attendance of events ratio, in %</i>				
	<i>Never</i>	<i>Rarely</i>	<i>Several times a year</i>	<i>Several times a month</i>	<i>Weekly</i>
<i>Cultural events</i>	6.46	33.07	52.07	6.59	1.81
<i>Religious events</i>	63.70	21.83	10.59	1.55	2.33
<i>Sport events</i>	30.75	31.52	24.68	9.56	3.49
<i>Business events</i>	42.38	36.69	17.31	2.84	0.78

<i>Socio-political events</i>	83.20	12.92	3.23	0.65	0.00
<i>Multi-theme events</i>	57.36	31.65	9.43	1.16	0.39
<i>Other events</i>	57.36	31.65	9.43	1.16	0.39
<i>On average, in %</i>	2.32	18.73	55.81	16.54	6.60
<i>Slovak residents ratio, in %</i>	1-3	16-21	52-59	14-19	5-8

Source: Own elaboration based on SPSS outcomes, 2013.

After generalization of the sample results to the population of Slovakia, statistic induction with 95% reliability was used to determine the fact that, on annual average, 97 to 99 % of the Slovak population attends the organized events. More than three quarters (76 to 82 %) of the Slovak residents attend events at least several times a year, out of it 52 to 59 % several times a year, 14 to 19 % several times a month, and 5 to 8 % weekly. They prefer mainly cultural events (92 to 95 % attendance of the population), the least attended events are socio-political ones (only 14 to 19 % attendance of the Slovak population). We presume it is related to their occasional occurrence and predominantly one-off periodicity.

Another investigated feature was the respondents' preference of the events organized in their place of residence, or elsewhere. The results highlight the fact that, with an exception of business events, Slovak respondents prefer attending the events in their place of residence (26.9 % rarely, 50.3 % several times a year, 14.1 % several times a month, and 6.1 % weekly), which complies with the theoretical resources of the organized events research.

Despite the prevailing attendance of the local events, we can conclude that organized tourism events are not attended, on annual average, only by 10 % of the Slovak respondents. The reason for the absence of the Slovak residents in the organized events outside their place of residence is mainly their bad financial situation related to a high average unemployment rate and low disposable income. To a lesser extent, there is also lack of time, health problems, different preferences in free time activities and other reasons (unattractive offer of the events, missing information about the attractive events, missing company, higher age). Most of the Slovak respondents (41.9 %) attend tourism events several times a year.

With 95% probability, we have specified that tourism events are attended by 88 to 92 % of the Slovak residents (87 to 91 % go for trips and 65 to 72 % prefer overnight stays). Here we can see a gap in the domestic tourism market to be filled with more intensive use of the organized events.

Higher attendance of the individuals can be observed at the events without overnight stay in the venue (Table 2), which is the consequence of the small area of Slovakia and relative closeness of the attendants' places of residence. While tourism events without overnight stay are attended at least several times a year by 46 to 54 % of the Slovak residents, events

with overnight stay take only 23 to 29 %. Almost a half of the Slovak population (40 to 47 %) only attend the organized events with overnight stay rarely.

Following the Friedman's test ( $p$ -value = 0.000), we can say that there is a statistically significant difference between the attendance of different types of both trip and stay events. Wilcoxon's test confirmed that in one-day (trip) tourism Slovak residents attend (1) cultural events most. To a lesser extent, they go to (2) sport, (3) business, (4) multi-theme, (5) other, (6) religious and (7) social and political events. In overnight-stay tourism, the order of types of events, as for the frequency of their attendance, is almost identical; however, business and sport events share the second position. We conclude that Slovak residents attend business events including an overnight stay more often than (one-day) trips of the same kind. It can be related to the average length of such events (more than one day). In the case of the other types of events, Wilcoxon's test confirmed more frequent attendance of (one-day) trips.

After comparison of frequency of the different types of tourist events attendance, we can conclude that the least attended events are the religious, social and political ones. We assume they are attended by specific target groups.

We have examined the existence of correlation between the attendance of tourism events and demographic, economic and geographic characteristics of the respondents. Spearman's correlation coefficient confirmed slight indirect dependency on the age of respondents ( $p$ -value = 0.000, correlation coefficient = -0.148). The older they are, the less they attend the organized events. We presume this is related to their health and disposable income. The lowest attendance of tourism events is shown by the persons over 65 years of age (35.6 % never attend them, 28.9 % go only seldom). According to Pauhofová and Páleník (2013), in the region of Visegrad, where Slovakia belongs, the income of persons over 65 is lower by almost 40 % than the income of the 25 to 49 age group, which causes "ejection" of certain consumer goods and services connected to culture or education.

Spearman's correlation coefficient confirmed slight direct dependency between frequency of tourism events attendance, and the highest completed education level of the individuals ( $p$ -value = 0.000, correlation coefficient = 0.144). With growing education levels of the respondents, there is also a slight growth in frequency of their event attendance. On the contrary, dependency between the frequency of attendance of the organized events in tourism and the size of the settlement where the respondents reside was not confirmed by the Spearman's correlation coefficient ( $p$ -value = 0.357).

With the single-factor dispersion analysis, we have also examined the existence of the relationship between the frequency of attendance of the organized events in tourism, and other features of the respondents. Detected differences between mean values of the individual groups were statistically significant in the case of marital status ( $p$ -value = 0.000,  $F$  = 6.210), economic activity ( $p$ -value = 0.000,  $F$  = 11.754), and the

region where the respondents reside (p-value = 0.014, F = 2.525). As for the respondents' gender, the differences were not statistically confirmed (p-value >  $\alpha$ ).

The widowed individuals attend events in tourism least frequently. The reasons can be their higher age and a missing partner to accompany them to the event.

With regard to the economic activity, the least frequent tourism event attendance was shown by the persons who are both employed and self-employed (presumably because of the lack of time), and pensioners (for health and financial reasons).

As for the region where the respondents reside, tourism events are attended most frequently by the individuals from Bratislava and Trnava regions, which are characteristic with the lowest unemployment rates and the highest living standards.

We wondered whether the attendance of the organized events outside their usual place of residence tends to be the major motive of the individuals' travel to the selected destination. We found out that in the case of (one-day) trips, for one quarter of the respondents it was always the main motive, for 31 % a frequent one, and for 23 % an occasional primary motive of travel. Only 14.8 % of the respondents who attend tourism events chose the option "rarely", and the remaining 6.3 % picked the option "never" (Table 2).

**Table 2: Attendance of the organized events as the main motive for travel**

<i>Type of tourism</i>	<i>Ratio of respondents for which the attendance of events was the main motive for travel (in %)</i>				
	<i>Never</i>	<i>Rarely</i>	<i>Sometimes</i>	<i>Often</i>	<i>Always</i>
<i>Trips</i>	6.32	14.78	22.96	30.99	24.96
<i>Overnight stays</i>	15.78	21.09	21.52	24.25	17.36

Source: Own elaboration based on SPSS outcomes, 2013.

As for the trips, the attendance of the events is an additional motive for visiting the destination only rarely. On the contrary, in the case of overnight stays, it is exclusively an additional motive for travel for 15.8 % of the respondents. More than a fifth stated that as for the overnight stays, event attendance is a dominant motive for visiting the destination only rarely, 21.5 % chose the option "sometimes", 24.3 % "often", and 17.4 "always".

After generalization of the data to the basic sample, we can claim with 95% probability that while in the case of the trips the organized event attendance is the main motive for visiting the destination at least sometimes for 78 to 84 % Slovak residents, in the case of overnight stays it is the main motive for stay in the destination at least sometimes for 60 to 67 %. We conclude that event attendance is more frequently a dominant motive for travel in the case of trips.

If the event attendance was the main motive for visiting the destination, respondents travelled most frequently, because of that event, 201 to 500 km maximum (27.9 %). For 26.3% it was 101 to 200 km maximum, for 18.1 % the distance over 501 km, for 17.5 % 51 to 101 km, for 6.5 % 21 to 50 km, and for just 3.7 % the distance under 20 km.

With help of the confidence interval, we have determined with 95% probability that 67 to 74 % of the Slovak residents travelled the distance over 100 km because of the event attendance at least once. We conclude that the attractive events of major significance are able to stimulate travel of the visitors coming from the regions of Slovakia which are different from the one where the event takes place.

We also wondered how long the respondents stay in the destination if they travel there primarily because of the event attendance. Less than a half (48.8 %) spend, on average, one or two nights in the destination. One fifth of the respondents (20.1 %) spend three to four nights in the event venue, 16.2 % do not stay the night at all. Only 7.5 % of the respondents stay for five to six nights, 4.3 % seven to nine, 3.2 % ten and more nights. It was confirmed that the organized events stimulate development of long-term tourism, or they have an impact on prolonged stay in the visited destination.

With probability of 95%, we can state that 60 to 67 % of the Slovak residents, whose event attendance was the main motive for travel at least once, spend the maximum of two nights in the visited destination. We confirmed the fact that Slovak residents attend the events mainly during trips or within the framework of short-term tourism (presumably, especially during the weekends).

We investigated the services, which the respondents usually utilize during their stay in the organized event venue that is different from their place of permanent residence. With probability of 95%, we can claim that more than three quarters of the Slovak residents (77 to 83 % of the population) use catering services in the event venue. They use accommodation, transportation, cultural and social, sport and recreation, and information services to a lesser extent (Table 3).

**Table 3: Services used in the organized events venues**

<i>Services</i>	<i>Respondents ratio, in %</i>	<i>Slovak residents ratio, in %</i>
<i>Catering</i>	79.61	77-83
<i>Accommodation</i>	59.07	55-63
<i>Transportation</i>	43.10	39-47
<i>Cultural and social</i>	29.96	27-33
<i>Sport and recreation</i>	29.11	26-32
<i>Information</i>	26.86	24-30
<i>Spa</i>	20.68	18-24
<i>Guiding</i>	8.86	7-11
<i>Congress</i>	5.91	4-8

<i>Animating</i>	5.77	4-7
<i>Organizing</i>	5.63	4-7
<i>Intermediary</i>	3.52	2-5
<i>Assistance</i>	1.83	1-3

Source: Own elaboration based on SPSS outcomes, 2013.

Since catering and accommodation services, which are used by more than a half of the Slovak population when attending tourism events, are paid ones, we can conclude that attending events evokes extra tourism expenditures which stabilizes and expands local tourism services market.

We wondered whether the respondents prefer purchasing just a basic event product that provides them with admission only, or a complex product providing, apart from admission, a chance to use selected services (e.g. catering, transportation), or to get selected goods (e.g. a CD, souvenir etc.). The complex product is preferred by 32.7 % respondents, the individual one by 67.3 %.

During their stay in the organized event venue, the respondents spend the largest amount of their resources on the admission ticket. In the expenditure structure, it is the biggest item for 38.7 % of them. A quarter of the respondents spend the largest amount on the accommodation services, which are usually the biggest item in the tourism consumption structure. Less than a fifth expends most resources on buying the catering services (Table 4).

**Table 4: Major expenditures on goods or services during the stay in the organized event venue**

<i>Goods/ Services</i>	<i>Respondents ratio, in %</i>	<i>Slovak residents ratio, in %</i>
<i>Admission ticket</i>	38.70	35-42
<i>Accommodation</i>	25.80	23-29
<i>Catering</i>	19.10	16-22
<i>Souvenir</i>	4.90	3-6
<i>Transportation</i>	10.80	8-13
<i>Other</i>	0.60	0-1
<i>CD</i>	0.10	0

Source: Own elaboration based on SPSS outcomes, 2013.

Dominant position of certain goods or services in the expenditure structure of the respondents depends, according to the single-factor dispersion analysis, on their education (p-value = 0.044, F = 2.174) and the size of the settlement where they reside (p-value = 0.003, F = 3.292).

With regard to their highest completed education level, all age categories spend most money on the admission ticket, or advanced fee payment. The only exceptions are

the individuals with a master's degree: most of those (39.9 %) expend most resources on accommodation; from this category, only 32 % respondents spend the largest amount of money on admission. Relatively highest expenditure on souvenirs is shown by primary school pupils (for 18.6 % a souvenir is an item on which they spend most money), catering services make the top expenditure item for the individuals with secondary education without leaving exams (22.4 %), and transportation services for the respondents with an engineer's, master's, or doctoral degree (7.8 %).

The admission ticket makes the biggest item predominantly in the expenditure structure of the individuals from large cities with population of 100 to 250 thousand (52.5 %). The largest part (30.6 %) of the respondents from the towns with 25 to 50 thousand inhabitants spend most money on the accommodation services.

## **Discussion**

According to Petřík (2008), organized events are the important activities of the Slovak residents in domestic tourism. They are a dynamic part of the destination's primary offer, and stimulate participation in both short-term and long-term tourism. They represent an opportunity to increase revenues from tourism, to improve the infrastructure, to create new tourist attractions, as well as to increase the destination awareness. Considerable heterogeneity is symptomatic for them, so it is possible to classify them from different aspects. In the treatise, we have concentrated on their differentiation with regard to their content, or theme.

According to the research results, events in tourism are not attended, on annual average, by only 8 to 12 % of the Slovak population. More frequently, Slovak residents attend events during one-day trips, i.e. without an overnight stay in the visited destination. We found out that in the trip tourism, event attendance is the additional motive for visiting the destination only rarely. The most attended events are cultural ones, which complies with Petřík's survey (2008) of the most frequently performed activities in domestic tourism. The attractive events motivate even visitors from more distant regions to come over.

As for the services that are typically used by the Slovak residents in the event venues, we can state that more than three quarters (77 to 83 %) of the population use the catering services in the event venues. Moreover, Slovak residents use the services of accommodation, transportation, cultural, social and other enterprises, and thus contribute to creation of income in the visited territory. For a better idea of the extent of incomes generated by the enterprises, we present the results of the survey done by the Association of the Music Festivals in the Czech Republic (Raabová et al, 2012). Their results imply that while the attendants of the ten examined festivals spent EUR 2.2m on the admission tickets, they spent EUR 2.1m on the catering, accommodation, transportation and other services

utilized in connection with their event attendance. As even 60.1 % of the examined festivals attendants were locals, and the surveys (e.g. Coopers, Lybrand, 1989 In Getz, 2012; McHone, Rungeling, 1999; Raabová et al., 2012, p. 26) prove that tourists are willing to pay more for the events than the locals, we estimate that tourists spend more on the services related to the event attendance than on admission.

## **Conclusion**

Following our finding, we can conclude that current demand for the organized events creates sufficient conditions for dynamization of the Slovak tourism offer. This means the organized events in Slovakia are able to stimulate visitation of the territory and boost its further development. Increased demand for the organized events in domestic tourism (Malachovský, 2005) has a positive impact not only on the tourist destinations, but also on the country's economy.

Interest of the Slovak residents in the organized events can be mainly increased by the conceptual approach to the events coordination, and consistent management of the organized events products and their commercialization.

With an aim to stimulate the demand for organized tourism events and reinforce their function as a tool for domestic tourism dynamization, we believe it is important to shape a conceptual document of support for the significant organized events in Slovakia, to create a comprehensive organized events database, to define a financing model of support for the significant organized events, to propose the methodology for statistic detection of the organized events visitors numbers and measuring of their positive economic impacts. The conceptual document of support for the significant organized events should predominantly address connection of the significant events with strategic priorities of Slovakia in tourism, culture, sports, commerce and regional development, improvement of cooperation and coordination of the events organizers' activities, the effective utilization of the cultural, sport and commercial infrastructure by both the existing and new organized events, better awareness of the potential event organizers about the options of organizing the significant touring events and their financing, but also the more intensive cooperation between the private and public sectors.

The conceptual document should be developed by the interagency work group based at the Slovak Ministry of Transport, Construction and Regional Development, consisting not only of the representatives of the ministries involved in either direct or indirect support of the organized events (Ministry of Transport, Construction and Regional Development, Ministry of Economy, Ministry of Education, Science, Research and Sport, Ministry of Culture), but also the representatives of the Association of Towns and Villages of Slovakia, Slovak Tourist Board, Slovak Association of Professional Organizers of Conferences and Congresses, Sport Clubs Confederation, or other new associations of event organizers.

Implementation of the measures of the interagency work group at the national level should be provided by the selected existing institution – Slovak Tourist Board. At the regional level, coordination of the organized events should be secured by the regional self-government, or a regional tourism organization that can be established by the regional self-government, in compliance with the Act No. 91/2010 Coll. on Tourism Support. At the local level, the role of the organized events coordinator should be taken over by the municipality or a local tourism organization that can be established by at least five municipalities/villages, in compliance with the Act No. 91/2010 Coll.

The conceptual approach to coordination of the organized events is to be followed by the activities of the organizers of individual events who should pay more attention to planning, creation and commercialization of the event product. What we consider essential is that the event organizers should do market research, determine real objectives of the organized event and resources for their reaching, offer and adjust the event product to the selected target groups, provide its distribution and choose the right way of continuous communication with the target market.

## Literature

- [1] Botti, L., Peypoch, N., Solonandrasana, B., 2008. *Ingénierie du tourisme. Concepts, méthodes, applications*. Bruxelles: De Boeck.
- [2] Frechtling, D. C., 2012. *Forecasting Tourism Demand: Methods and strategies*. Oxford: Butterworth-Heinemann.
- [3] Getz, D., 2012. *Event Studies. Theory, Research and Policy for Planned Events*. 2nd edition. Oxon; New York: Routledge.
- [4] Goeldner, Ch. R., Ritchie, R. B., 2009. *Tourism: Principles, Practices, Philosophies*. 11th edition. New Jersey: John Wiley and Sons.
- [5] Gúčik, M., 2001. Podujatia ako faktor dynamiky mestského cestovného ruchu. In: *Kultúra a cestovný ruch. Zborník z vedeckej konferencie*. Banská Bystrica: Ekonomická fakulta Univerzity Mateja Bela.
- [6] Gúčik, M., 2010. *Cestovný ruch. Úvod do štúdiá*. Knižnica cestovného ruchu 15. Banská Bystrica: Slovak-Swiss Tourism.
- [7] Horehájová M., Marasová, J., 2007. *Základy mikroekonómie*. Banská Bystrica: Ekonomická fakulta Univerzity Mateja Bela.
- [8] Huľo, P., 2007. Satelitný účet cestovného ruchu. In: *Acta oeconomica No 22. Stratégia rozvoja cestovného ruchu na Slovensku v podmienkach jednotného európskeho trhu II*. Banská Bystrica: UMB – Ekonomická fakulta.
- [9] Kaspar, C., 1995. *Základy cestovného ruchu*. Knižnica cestovného ruchu 1. Banská Bystrica: Ekonomická fakulta Univerzity Mateja Bela.
- [10] Lim, Ch., 1997. Review of International Tourism Demand Models. *Annals of Tourism Research*, 24 (4).

- [11] Malachovský, A., 2005. Určujúca úloha domáceho cestovného ruchu v rozvoji cestovného ruchu na Slovensku. *Ekonomická revue cestovného ruchu*, 38 (2).
- [12] MChone, W. W., Rungeling, B., 1999. Special Cultural Events: Do they Attract Leisure Tourists? *Hospitality Management*, 18 (2).
- [13] Medlik, S., 2003. *Dictionary of Travel, Tourism & Hospitality*. 3th edition. Oxford: Butterworth Heinemann.
- [14] Muchová, E., 2003. Dopyt, ponuka a rovnovážna cena. In: Lisý, J. et al. *Ekonomía. Všeobecná ekonomická teória*. 5th revised and extended edition. Bratislava: Iura edition.
- [15] Otero-Giráldez, M., Álvarez-Díaz, M., Gonzáles-Gómez, M., 2012. Estimating the Long-run Effects of Socioeconomic and Meteorological Factors on the Domestic Tourism Demand for Galicia (Spain). *Tourism Management*, 33 (6).
- [16] Pauhoffová, I., Páleník, M., 2013. Súvislosti realizácie koncepcie striebornej ekonomiky v krajinách Európskej únie. *Ekonomický časopis*, 61 (8).
- [17] Paulička, I. et al., 2002. *Všeobecný encyklopedický slovník A-F*. Praha: Ottovo nakladatelství.
- [18] Petřík, I., 2008. Národný cestovný ruch v Slovenskej republike. In: *Acta oeconomica No 24*. Banská Bystrica: UMB – Ekonomická fakulta.
- [19] Raabová, T. et al., 2012. *Analýza ekonomického dopadu. Asociace hudebních festivalů České republiky*. Praha: Economic impact.
- [20] Šebová, M., Džuka, P., 2013. Meranie ekonomického a finančného vplyvu majstrovstiev sveta v hokeji 2011 na mesto Košice. *E+M Ekonomie a management*, 16 (2).
- [21] Song, H., Witt, S. F., 2011. *Tourism Demand Modelling and Forecasting. Modern econometric approaches*. Oxon: Routledge.
- [22] Swarbrooke, J., Horner, S., 2001. *Business Travel and Tourism*. Oxford: Butterworth Heinemann.
- [23] Uramová, M., 2010. Agregátna ponuka a agregátny dopyt. Makroekonomická rovnováha. In: Uramová, M., Lacová, Ž., Hronec, M. *Makroekonómia I*. Banská Bystrica: Ekonomická fakulta Univerzity Mateja Bela.

**Contact information**

doc. Ing. Kristína Pompurová, PhD.

Faculty of Economics

Matej Bel University

Tajovského 10

975 90 Banská Bystrica

Slovak Republic

T: (+421) 48 446 22 16

E: kristina.pompurova@umb.sk

**Description of the author**

Kristína Pompurová works at the Faculty of Economics, Matej Bel University in Banská Bystrica. Kristína Pompurová researches into tourism destination attractiveness, travel agencies and organized events in tourism.

Mgr. Petra Strnáďová

Faculty of Economics

Matej Bel University

Tajovského 10

975 90 Banská Bystrica

Slovak Republic

T: (+421) 48 446 25 32

E: petra.strnadova@umb.sk

**Description of the author**

Petra Strnáďová works at the Faculty of Economics, Matej Bel University in Banská Bystrica. Petra Strnáďová teaches ESP/vocational English, focusing on economic terminology.

**Veronika Tinková, Pavel Attl**

## **THE RELATIONSHIP BETWEEN TOURISM INDUSTRY AND LOCAL FEES IN THE CONTEXT OF MUNICIPAL BUDGET – A CASE STUDY OF LIPNO NAD VLTAVOU AND LOUČOVICE**

***Abstract:** The catalogue of local taxes in the Czech Republic includes only local fees and real estate tax. The economic impact of tourism in the local economy should be evaluated in terms of the direct, indirect and induced effects. This paper discusses the importance of local fee for a spa or leisure stay and local fee for accommodation for the budget of two municipalities – Lipno nad Vltavou and Loučovice. Both municipalities in the South Bohemia are mountain destinations near water, in which tourism has a dominant position in terms of economic activity.*

***Key words:** act, Czech Republic, hospitality, local fees, spa, tourism*

***JEL Classification:** H71, L83, R23*

### **Introduction**

Local fees are a significant fiscal income of municipalities in the Czech Republic. “The economic autonomy of local self-government units (especially municipalities) as one of the essential characteristics of local self-government is not fulfilled in the Czech Republic in terms of legal regulation, the municipalities do not have sufficient authority to impose local taxes.” (Radvan, 2012, p. 237) Authors define local tax as a pecuniary levy specified by law directed to the municipal (regional) budget, that can be established or abolished by the local self-government unit, and this unit may also affect local tax in any way in terms of the tax base, the tax rates or any of the correction elements, regardless of whether the taxpayer receives any consideration from the beneficiary, whether this levy is regular or single and who administers the tax. The catalogue of local taxes in the Czech Republic includes only local fees and real estate tax.

“The law distinguishes between eight different types of local fees, which two of them have the essential importance in relation to performances of tourism, hospitality and spas. It concerns a local fee for accommodation and a local fee for a spa or leisure stay.” (Studnička, Tinková, 2014) The rate of the first-mentioned fee was increased in 2010 from CZK 4 to max CZK 6 per person and used bed, by 1990 the rate of the second-mentioned fee in the maximum charge of CZK 15 per person and day remains unchanged.

Authors analyze both local fees according to the valid legislation in the Czech Republic, focusing on selected structural components (subject, object fee base and rate, correction components, fee administration). Municipalities are still much limited in the construction of generally binding ordinances on local fees by the Act on Local Fees in particular as regards the number of fees and some structural components defined directly by the law, if they want to take full advantage of the fiscal and control (or stimulus) function of local fees in practice.

## **Materials and Methods**

This paper discusses the importance of local fees for the budget of two municipalities in the South Bohemia – Lipno nad Vltavou and Loučovice. Both municipalities are destinations in the Šumava mountains near water (the Lipno dam, the Vltava river), in which tourism has a dominant position in terms of economic activity.

For processing the paper was used secondary data information from the public database “Rozpočet Veřejně“, into the Ministry of Finance adds data. This database is available on the website [www.rozpocetobce.cz](http://www.rozpocetobce.cz). Consequently were also analyzed budgets and closing accounts of municipalities Lipno nad Vltavou and Loučovice. The paper is processed according to the valid Act No. 565/1990 Coll., on Local Fees.

## **Results**

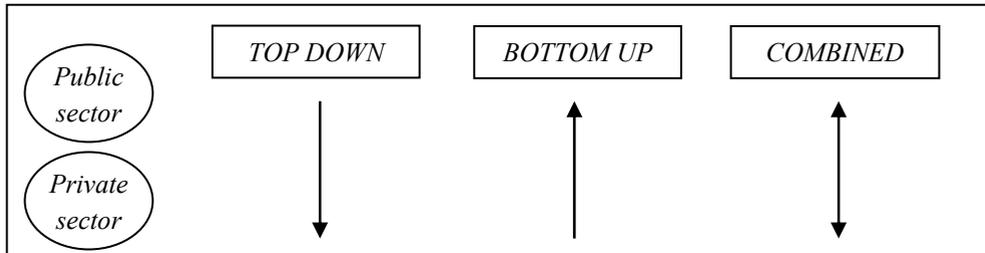
Nejdl (2010, p. 39) redefines the term destination, published by the World Tourism Organisation in 2002, on a local level: “The local tourist destination is a physical space where tourists spend at least one overnight stay. It includes tourism products created by tourism attractions and support services, and a set of entertainment options for one-day visitors. It has natural and administrative boundaries that define its management, image and perception, which in turn define its market competitiveness. Local destinations also include host communities, which are part of larger destinations.”

The institutional arrangement for the management of tourism contributes to tourism becoming an increasingly important factor for regional and local development. There is currently no ideal system of management in tourism destinations in the Czech Republic as there are three basic, though very distinct, models. The fundamental difference between the models is represented by the role and level of involvement of public authorities, municipalities and the private sector, along with the related financial participation in the development of tourism.

The origin of destinations and systems for their management can be based on natural development or may arise from a unilateral decision by the public sector, grounded in a

legal norm. Depending on which approach prevails, we can refer to a destination management system with a “top-down” approach or a “bottom-up” approach, as well as a “combined” system. (Palatková, 2011; Petříčková, Studnička, 2011, pp. 30-31) (Diagram 1)

**Diagram 1: Three systems of tourism management**



Source: Own elaboration, 2014.

The bottom-up approach is highly characteristic of the business and non-profit sectors in the establishment of destination management organizations. “In the Czech Republic there is no example of a destination at the tourism-regional level, which has strictly applied this approach. The bottom-up approach occurs at the level of management of tourist areas and local destinations. An example in the Czech Republic may be the destination management organization Lipensko Ltd., which was founded on 4 April 2011 to promote the development of tourism in the Lipensko area.” (Plzáková, Studnička, Vlček, 2013, p. 451)

The advantages of this approach lie in establishing cooperation from entrepreneurs and service providers, and then inviting representatives of the public sphere. The private sector itself voluntarily participates in the development of tourism in the area and follows motives other than only short-term profit. The disadvantage may be low support from the public sphere if there is no agreement on common objectives in terms of territorial development. On 15 November 2013 originated another organization coordinating tourism development – Destination Management Lipensko. Both destination management organizations operating in the area of the Lipensko Municipalities Union (Table 1).

**Table 1: Members of the Lipensko Municipalities Union – basic indicators in 2012**

<i>Municipality</i>	<i>Population</i>	<i>Total revenue of municipality in CZK</i>	<i>Revenue of municipality per resident in CZK</i>	<i>Deficit/surplus in CZK</i>
Černá v Pošumaví	824	26,205,880	32,473	-13,207,450
Frymburk	1,295	38,753,830	29,926	7,576,370
Horní Planá	2,176	46,199,230	21,057	2,857,170
Hořice na Šumavě	810	17,947,190	22,157	1,350,440
Ktiš	514	13,620,020	26,498	4,093,230

<i>Lipno nad Vltavou</i>	658	43,350,760	66,591	10,836,820
<i>Loučovice</i>	1,690	62,077,320	36,710	2,164,870
Nová Pec	480	13,736,050	28,263	1,755,200
Přední Výtoň	214	11,252,830	52,583	3,771,000
Stožec	200	21,552,420	107,226	4,919,010
Vyšší Brod	2,546	64,091,810	25,124	12,778,130

Source: Own elaboration, using data from Czech Statistical Office and [www.rozpocetobce.cz](http://www.rozpocetobce.cz), 2014.

The involvement of those operating businesses in a tourist destination (country, region, municipality) should be covered under the activities of a destination management organization (DMO), whose presence in the territory should be accepted by both public authorities (the ministry, provincial government, regional authorities, etc.) and business entities and non-profit organizations. In addition to coordinating the interests of the public and private sectors in tourism and stimulating the development of regions in which tourism contributes to job creation and increasing tax yields and local fees, it is also important to create legal conditions for coordination and financing of tourism.

Tourism is linked to a particular tourism destination, whose supply is dependent not only on business entities, but also on public administration bodies. The unifying principle of the process is a public-private partnership (PPP), which emphasizes mutual cooperation over the interests of individual entities. In tourist destinations, it is necessary to apply the basic principles of destination management – communication, coordination and cooperation. Cooperation between the different actors, coordination of individual activities in terms of space and time, and communication between all stakeholders in the development of tourism is necessary to fully satisfy visitors and tourists.

An effective system of tourism management can overcome the economic underdevelopment of regions and municipalities and contribute to the reduction of regional disparities in an investment-effective manner, while the use of tourism is largely dependent on the tourism potential in a particular area and on appropriately defined economic and institutional incentives. In the Czech Republic, roughly 230,000 people are employed in tourism, and according to the Tourism Satellite Account Employment module, tourism's share of total employment is 4.55% (Table 2).

**Table 2: Aggregate indicators of the employment in tourism in the Czech Republic between 2003 and 2012**

<i>Year</i>	<i>Number of people employed in tourism</i>	<i>Tourism ratio on total employment People employed (%)</i>
2003	237,753	4.79
2004	236,648	4.79

2005	236,681	4.74
2006	235,935	4.64
2007	236,024	4.52
2008	241,235	4.56
2009	239,499	4.58
2010	235,569	4.66
2011	232,463	4.60
2012	231,069	4.55

Source: Own elaboration, using data from Czech Statistical Office, 2014.

Economic instruments on a local level may include, inter alia, local fees. In the Czech Republic, under Act No. 565/1990 Coll., on Local Fees, there are eight different types of local fees, which are of a non-tax nature. Two local fees have the greatest significance in relation to tourism. These are the local fee for a spa or leisure stay and the local fee for accommodation. "From total number of 6,242 municipalities in the Czech Republic selected in the 2012 local fee for a spa or leisure stay in all 894 municipalities (14.3 %) in the total volume CZK 304,117,770. Local fee for accommodation selected in the same year 1,451 municipalities (23.2 %) in the aggregate volume CZK 187,943,430." (Tinková, 2014, p. 52) (Table 3)

**Table 3: Comparison of local fees for a spa or leisure stay and for accommodation in the Czech Republic in 2000 and 2012**

<i>Category</i>	<i>Local fee for a spa or leisure stay</i>		<i>Local fee for accommodation</i>	
	<i>2000</i>	<i>2012</i>	<i>2000</i>	<i>2012</i>
Number of municipalities	809	894	1,231	1,451
Total volume in CZK	213,990,740	304,117,770	64,762,020	187,943,430

Source: Own elaboration, using data from [www.rozpočetobce.cz](http://www.rozpočetobce.cz), 2014.

The highest financial volumes of local fees are selected in spa destinations, mountain destinations, body water destinations and in cultural type destinations. Table 4 indicates the list of ten municipalities in the Czech Republic with the highest volume selection of local fees. It is generated from the development of tourism and spa and influenced by the number of beds and overnights in individual and collective accommodation establishments.

**Table 4: Ten municipalities with the highest volume of local fees for a spa or leisure stay and for accommodation in the Czech Republic in 2012**

<i>Sequence</i>	<i>Municipality</i>	<i>Local fee for a spa or leisure stay in CZK</i>	<i>Municipality</i>	<i>Local fee for accommodation in CZK</i>
1.	Praha	139,280,120	Praha	85,859,270

2.	Karlovy Vary	23,191,440	Karlovy Vary	6,245,530
3.	Mariánské Lázně	12,060,300	Brno	6,187,760
4.	Špindlerův Mlýn	7,725,760	Plzeň	5,572,620
5.	Františkovy Lázně	4,882,690	Špindlerův Mlýn	4,650,800
6.	Luhačovice	4,523,550	Mariánské Lázně	4,625,360
7.	Třeboň	4,369,840	Pec pod Sněžkou	1,705,930
8.	<i>Lipno nad Vltavou</i>	<i>3,855,310</i>	<i>Lipno nad Vltavou</i>	<i>1,489,780</i>
9.	Harrachov	3,582,380	Mladá Boleslav	1,466,350
10.	Český Krumlov	3,460,880	Český Krumlov	1,443,230

Source: Own elaboration, using data from [www.rozpocetobce.cz](http://www.rozpocetobce.cz), 2014.

The municipality Lipno nad Vltavou in nationwide comparison takes 8th place in terms of volume selection of both local fees. This is due to the economic importance of tourism not only for municipality development, but also for job creation. “It is estimated that about 30 % of guests who realized overnight in the municipality, are from the payment of local fees exempted (primarily children under 18 and seniors over 70 years and business trip participants.” (Studnička et al., 2013, p. 66) In the last twenty years the absolute volume selection of local fees reached CZK 50 million (Table 5).

**Table 5: Value of local fees selection in the municipality Lipno nad Vltavou between 2003 and 2012**

<i>Year</i>	<i>Local fee for a spa or leisure stay in CZK (total)</i>	<i>Local fee for a spa or leisure stay in CZK (per resident)</i>	<i>Local fee for accommodation in CZK (total)</i>	<i>Local fee for accommodation in CZK (per resident)</i>
2003	1,853,160	3,530	320,578	611
2004	2,456,430	4,751	705,844	1,365
2005	2,553,840	4,756	819,560	1,526
2006	2,717,823	4,793	921,655	1,626
2007	2,684,681	4,661	910,864	1,581
2008	3,275,494	5,609	1,123,852	1,924
2009	3,458,176	5,632	1,231,856	2,006
2010	3,997,739	6,564	1,449,018	2,379
2011	3,736,350	5,731	1,447,832	2,221
2012	3,855,314	5,922	1,489,782	2,288

Source: Own elaboration, using data from [www.rozpocetobce.cz](http://www.rozpocetobce.cz), 2014.

While the municipality Lipno nad Vltavou has an important position in tourism, neighboring South Bohemian municipality Loučovice faces with progressive social situation. In consideration of almost zero importance of tourism for development of municipality Loučovice is the volume of selection local fees in comparison with neighboring municipality Lipno nad Vltavou insignificant (Table 6). “In the municipality

Lipno nad Vltavou are the rates of local fees CZK 15, respectively CZK 4/person/day and in the municipality Loučovice are the rates of local fees 15 CZK, respectively CZK 2/person/day.” (Plzáková, Studnička, Tinková, 2013, p. 15)

**Table 6: Value of local fees selection in the municipality Loučovice between 2003 and 2012**

<i>Year</i>	<i>Local fee for a spa or leisure stay in CZK (total)</i>	<i>Local fee for a spa or leisure stay in CZK (per resident)</i>	<i>Local fee for accommodation in CZK (total)</i>	<i>Local fee for accommodation in CZK (per resident)</i>
2003	18,650	9	2,720	1
2004	26,650	13	6,200	3
2005	48,970	25	12,240	6
2006	57,220	29	11,170	6
2007	33,740	18	8,300	4
2008	65,660	34	12,350	6
2009	73,970	40	25,430	14
2010	75,530	41	16,400	9
2011	75,460	44	14,680	9
2012	41,570	25	24,420	14

Source: Own elaboration, using data from [www.rozpočetobce.cz](http://www.rozpočetobce.cz), 2014.

Over the past twenty years, the municipalities Lipno nad Vltavou and Loučovice saw most agricultural cooperatives cease business and saw the closure of mills and other industrial operations. While Lipno nad Vltavou managed to solve the issue of job creation through the development of tourism, the village of Loučovice has an unemployment rate of more than 14 % (Table 7).

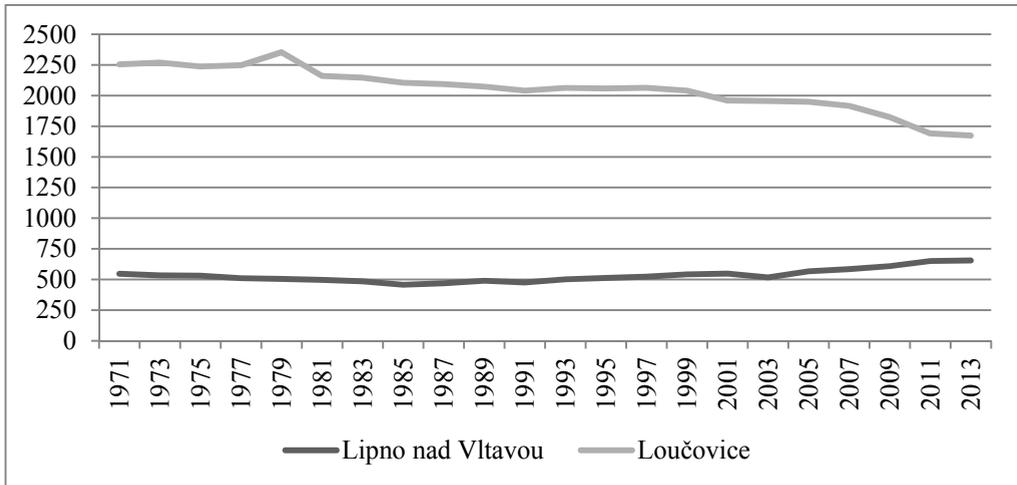
**Table 7: Unemployment rate in municipalities of Lipensko Municipalities Union between 2008 and 2011**

<i>Year</i>	<i>Unemployment rate (%)</i>										
	<i>Černá v Pošumaví</i>	<i>Frymburk</i>	<i>Horní Planá</i>	<i>Hořice na Šumavě</i>	<i>Ktíš</i>	<i>Lipno nad Vltavou</i>	<i>Loučovice</i>	<i>Nová Pec</i>	<i>Přední Výtoň</i>	<i>Stožec</i>	<i>Vyšší Brod</i>
2008	11.4	10.2	9.8	8.5	7.2	8.5	9.7	7.1	5.6	5.6	8.3
2009	15.4	13.5	15.4	12.8	9.2	12.3	12.8	10.5	10.7	6.5	11.7
2010	14.2	14.3	14.0	14.7	11.6	13.4	20.5	15.8	10.0	9.7	12.5
2011	15.6	9.9	11.4	14.7	15.5	13.4	14.6	15.2	10.7	10.5	11.2

Source: Own elaboration, using data from Czech Statistical Office, 2014.

Job opportunities significantly affect both the social situation in the municipalities and the development of selected demographic indicators (Graph 1).

**Graph 1: Population development in municipalities Lipno nad Vltavou and Loučovice between 1971 and 2013**



Source: Own elaboration, using data from Czech Statistical Office, 2014.

“Members of municipal council of Loučovice decided that they will gradually implement the new municipality development program. The essence of this program is based on a change orientation of Loučovice from existing industrial site to the municipality with modern tourism infrastructure. The neighboring municipality Lipno nad Vltavou has been asserted this approach already twenty years.” (Plzáková, Studnička, 2014, p. 434)

## Discussion

Development of tourism in destinations can generate municipal budget revenues among others by local fees. Selection of local fees is the exclusive jurisdiction of local self-government units, which are in the Czech Republic municipalities. Efficiency assessment of tourism to the external environment and its impact on mitigating the socio-economic disparities significantly devalues on the one hand difficulty of quantifying the benefits on the local level and on the other hand the existing dual economic structure, which consists of official and unofficial sector (shadow economy). From payment of local fees are namely exempted different groups of people (e. g. children under 18, seniors over 70 years, organized groups within the business trips, blind and disabled people).

Currently experts are discussing about whether both local fees should be integrate into one, and whether there should be an increase in the maximum rates, which are currently

prohibited by law. The decision of the rates amount is namely the exclusive jurisdiction of municipal councils, which emit generally binding regulations. If today municipalities select both local fees at the maximum level, their sum is CZK 21/person/day. This amount is in comparison with other countries relatively low, especially in attractive tourist destination.

## Conclusion

From a management perspective, the development of tourism in tourist destinations depends significantly on the destination's ability to develop and adapt its resources, destination management organizations, and coordination of links to neighboring areas or other tourist destinations with an emphasis on exchange of experience and the creation of joint tourism products.

In 2013 the Ministry of Finance of the Czech Republic elaborated amendment of Act No. 565/1990 Coll., on Local Fees, which was approved by the Chamber of Deputies Parliament of the Czech Republic and includes the assumption of increase the local fee for a spa or leisure stay of 100 % to CZK 30. On September 21, 2013 after discussion in the Economic Committee of the Senate of the Czech Republic amendment was rejected, and because at that time it was already dissolved the Chamber of Deputies, this amendment was not in the present text adopted and the amount of local fee remains at a maximum rate of CZK15/person/day. Local fees are in the destinations with intensive tourism one of the major revenue to the municipal budget.

## Literature

- [1] Český statistický úřad. 2011. *Sčítání lidu, domů a bytů 2011* [online], [Accessed: 2014-05-20]. Available at: <<http://vdb.czso.cz/sldbvo/#!stranka=podletematu&tu=0&th=&v=&vo=null&vseuzemi=null&void=>>>.
- [2] Ministerstvo financí České republiky. 2014. *Zákon 565/1990 Sb., o místních poplatcích, ve znění pozdějších předpisů* [online], [Accessed: 2014-05-20]. Available at: <[http://www.mfcr.cz/cps/rde/xbcr/mfcr/ZAKON\\_1990-565\\_Z\\_O\\_MISTNICH\\_POPLATCICH\\_-\\_Aktualni\\_zneni.pdf](http://www.mfcr.cz/cps/rde/xbcr/mfcr/ZAKON_1990-565_Z_O_MISTNICH_POPLATCICH_-_Aktualni_zneni.pdf)>.
- [3] Nejdř, K. 2010. *Management destinace cestovního ruchu*. Praha: Vysoká škola hotelová. 204 p. ISBN 978-80-87411-08-7.
- [4] Palatková, M. 2011. *Marketingový management destinací*. Praha: Grada Publishing. 208 p. ISBN 978-80-247-3749-2.
- [5] Petříčková, L., Studnička, P. 2011. Modelové systémy destinačního managementu v turistických regionech České republiky. In *Czech Hospitality and Tourism Papers*. Vol. VII, Nr. 14. Praha: Vysoká škola hotelová. ISSN 1801-1535, pp. 28-37.

- [6] Plzáková, L., Studnička, P. 2014. Snižování regionálních disparit v oblasti nezaměstnanosti rozvojem cestovního ruchu na lokální úrovni. In *Hradecké ekonomické dny 2014 – Sborník recenzovaných příspěvků, díl II*. Hradec Králové: Gaudeamus. ISBN 978-80-7435-367-3, pp. 432-444.
- [7] Plzáková, L., Studnička, P., Tinková, V. 2013. *Možnosti vodáckého využití řeky Vltavy v obci Loučovice a jejím okolí ve vztahu k projektu „Čertovy proudy Loučovice“*. [Final report.]. Praha: Vysoká škola hotelová. 58 p. Without ISBN.
- [8] Plzáková, L., Studnička, P., Vlček, J. 2013. Innovation Activities at Tourist Information Centers and an Increase in Competitiveness for Tourism Destinations. In *Proceedings of the 11<sup>th</sup> International Conference Liberec Economic Forum 2013*. Liberec: Vysokoškolský podnik. ISBN 978-80-7372-953-0, pp. 446-455.
- [9] Radvan, M. 2012. *Místní daně*. Praha: Wolters Kluwer ČR. 243 p. ISBN 978-80-7357-932-6.
- [10] Rozpočet obce, 2014. *Rozpočet Veřejně o. s.* [online], [Accessed: 2014-05-20]. Available at:  
[http://www.rozpocetobce.cz/zebrický?filtr\\_obci%5Bbudget\\_item%5D=1&filtr\\_obci%5Bbudget\\_item\\_income%5D=50&filtr\\_obci%5Bbudget\\_item\\_expense%5D=&filtr\\_obci%5Bbudget\\_item\\_purpose%5D=&filtr\\_obci%5Bper\\_inhabitant%5D=0&filtr\\_obci%5Bkraj%5D=&filtr\\_obci%5Bokres%5D=&filtr\\_obci%5Bpopulation\\_range%5D=&filtr\\_obci%5Byear%5D=2012&filtr\\_obci%5Bsort%5D=desc&filtr\\_obci%5Bmunicipality%5D=>](http://www.rozpocetobce.cz/zebrický?filtr_obci%5Bbudget_item%5D=1&filtr_obci%5Bbudget_item_income%5D=50&filtr_obci%5Bbudget_item_expense%5D=&filtr_obci%5Bbudget_item_purpose%5D=&filtr_obci%5Bper_inhabitant%5D=0&filtr_obci%5Bkraj%5D=&filtr_obci%5Bokres%5D=&filtr_obci%5Bpopulation_range%5D=&filtr_obci%5Byear%5D=2012&filtr_obci%5Bsort%5D=desc&filtr_obci%5Bmunicipality%5D=>).
- [11] Studnička, P., Kalabisová, J., Plzáková, L., Tinková, V. 2013. *Efekty cestovního ruchu na lokální úrovni – případová studie Lipno nad Vltavou*. Praha: Press21. 125 p. ISBN 978-80-905181-4-8.
- [12] Studnička, P., Tinková, V. 2014. Problematika místních poplatků ve vztahu k cestovnímu ruchu. In *Sborník z mezinárodní konference Aktuální problémy cestovního ruchu*. Jihlava: Vysoká škola polytechnická. ISBN 978-80-87035-87-0, pp. 227-232.
- [13] Tinková, V. 2014. *Vliv orgánů veřejné správy na rozvoj cestovního ruchu v obci Lipno nad Vltavou*. [Master's Dissertation.]. Praha: Vysoká škola hotelová. 79 p.

## Acknowledgements

This article is one of the result of the research projects CzT-14/o/510/1236 Analysis of Selection of Local Fees in Relation to the Capacity and Efficiency of Accommodation and Spa Facilities in the Czech Republic, OLN-VECR1VŠH-2012 Measuring the Effects of Tourism in the Municipality Lipno nad Vltavou, OLOU-DIVOLO1VŠH-2013 Possibilities for Recreation on the Vltava River in Municipality of Loučovice and its Surroundings in Relation to the “Devil’s Streams Loučovice” and WD-37-07-2 Research on Domestic and Incoming Foreign Tourism in Relation to Mitigating Socio-economic Disparities.

### **Contact information**

Ing. Veronika Tinková  
The IHM Research Department  
The Institute of Hospitality Management in Prague 8, Ltd.  
Svídnická 506  
181 00 Prague 8  
Czech Republic  
T: (+420) 283 101 138  
E: tinkova@vsh.cz  
F: (+420) 233 541 905

### **Description of the author**

Veronika Tinková is a graduate of the Master's degree in the field of **Destination Management in the Travel and Tourism Industry** and Supplementary pedagogical study in the field of Gastronomy, Hotel Industry and Tourism at the Institute of Hospitality Management in Prague (IHM). She works as an Associate Research Assistant at the IHM. Between 2012 and 2013 she was a research team member of The Effects of Tourism on a Local Level – a Case Study of the Municipality Lipno nad Vltavou project and in 2013 Possibilities for Recreation on the Vltava River in Municipality of Loučovice and its Surroundings in Relation to the “Devil's Streams Loučovice” project.

Ing. Pavel Attl, Ph.D.  
Department of Travel and Tourism Studies  
The Institute of Hospitality Management in Prague 8, Ltd.  
Svídnická 506  
181 00 Prague 8  
Czech Republic  
T: (+420) 283 101 190  
E: attl@vsh.cz  
F: (+420) 233 541 905

### **Description of the author**

Pavel Attl graduated Faculty of Economics, University of Economics in Prague. The doctorate earned in 2006 at the Faculty of International Relations, University of Economics in Prague in the field of International Relations. He is the Head of Department of Travel and Tourism Studies at the Institute of Hospitality Management in Prague. In his practice he deals with the issue of spas and zoning planning. He is a research team member of the project Analysis of Selection of Local Fees in Relation to the Capacity and Efficiency of Accommodation and Spa Facilities in the Czech Republic.

# INFORMATION PAPERS

Jaroslava Ester Evangelu

## GENERATION Y AND THE REALITY OF HER MOTIVATION IN THEIR PERSONAL AND PROFESSIONAL DEVELOPMENT

*Abstract: "The new generation and the old motivational methods," is the first thought that comes to mind when studying research about generation Y. "This cannot function well, it just won't work," is the conclusion which we come to.*

*The rapid development of technologies and their uncontrolled use not only lead to changes in thinking and learning, but also to overall lifestyle changes. A generation of young people, who were born in a period when the use or even abuse of information technology is common, gets - thanks to this set up - into a non balanced life in the area of rights, duties, motivation, values and overall life-balance. Similarly, they have to cope with the huge pressure on performance and speed. "Do as much as possible – and do it fast - these are the two most important requirements on people during these modern times." (Melgosa, 1997, 11). It reduces their self-esteem, self-image, self-assertion and effectiveness of their view on reality of life. The article is a reflection on this issue and a reminder of how necessary it is to quickly adapt the influence on young people, including their moral development and social development, according to the above facts. Scientific methods of analysis, comparison, classification and induction were used during this research.*

**Key words:** development, generation Y, motivation, skills

**JEL Classification:** J24

### Introduction

The term Generation Y first appeared more than a decade ago in the magazine Advertising Age. Since then, it has naturalized in the professional community, especially among recruiters, and it is commonly used as the term for the young generation. It is used in marketing, management, sociology, pedagogy, human resources, demography and culture.

## *Generation Y*

To accurately determine the age range of this generation, we encounter significant inaccuracies. While the first use was referring to people born between the years 1985 to 1995, later literature differs from these boundaries. If we look for the definition of Generation Y in American literature, we find out it is often known as the Millennial Generation or Generation Next and is attributed to the period 1982 to 2001. In Czech literature for example, J. Bohutínská divides them into several categories, Generation X, which belongs to period 1961-1975, then it is followed by Generation Y, belonging to the period 1976-1990, and then followed by Generation Z from years 1991-2005 (Bohutínská, 2014). O. Surý puts Generation Y into the period from the beginning of the 80s of last century to the present (Surý, 2014). So we could continue in naming temporal variations and we would find several dozen combinations.

Current articles are very cautious in the exact subdivision and prefer to talk about Generation Y as the "young generation". If we accept the division of life stages of developmental psychology, this denouement is very wise, since young age is here extended to the so-called young adulthood, which goes to 35 years of age. With this approach we could include all people born from the early seventies until 2000 into the category of Generation Y.

Why is the theme of Generation Y interesting? Conducted surveys (e.g. Gender Studies 2008 research entitled Attitudes of young people on the issue of equality between men and women, Hays Czech Republic - <http://www.managerka.cz/generace-y-hays-pruzkum/>, a study in the Journal of Management in Kyjónková, P. Vision of the young generation about life: Lots of money and little work. [online]. LN, 03/11/2010.) point to different values in life that bring a different way of thinking, decision making, solving major life decisions, approach to the lifestyle, etc. Due to the fact that these studies are generally carried out by people a generation older or at the bordering line between generation X and Y, during the data analysis, a critical confrontation with the professional and personal live practices of the previous generation occur.

How does the Generation Y come out from of this confrontation? All resources clearly notice different approach to work and a low tendency to sacrifice some of their own convenience to meet their wishes and ideas about life. J. Rantl (Rantl, 2014, 6) interviewed several representatives of the Generation Y. Two questions that he asked respondents seemed to be the most interesting, namely: "What do you expect from your work?" And "What is the major difference in work between you and the older generation?" The first question had the same responses and it echoes the belief that respondents are entitled to a good salary, interesting and inspiring work in an attractive and stimulating environment. There were, however, no indications of personal contribution for the development of this ideal situation. At the second question, the core believe was that the strength of the young generation is in their great proficiency with IT technologies and the ability to react with a

great flexibility - and both of these aspects are seen as a major personal priority that surpasses all other competencies. And how do these surveys see it?

Representatives of Generation Y are already largely economically active or studying and their life approach is reflected in their studies, at work and in their personal lives. Their personal values, which originated in their upbringing during their social development due to different conditions, are later really an unpleasant reality for most teachers and managers which they must deal with.

What are all the factors that influence different development of the value system of Generation Y?

According to Sabina Dembkowski et al. the main factors are the following:

- increasing wealth in the first world countries, which enables broad access to new technologies;
- changes in family structure, such as divorce, leading to search for contacts and relationships outside of the family;
- the decline of traditional religion, which served as the basis for an individual's personal values for centuries;
- increasing complexity of working life, which leads to the reduction of the personal integrity of the individual, the disruption of family and professional ties, etc.;
- globalization of the career, which puts pressure on the frequent transfers and migration – and again impairs building of important long-term personal relationships, which in turn affect motivation and value system and the lifestyle of the individual as well;
- collapse of a lifelong career and a pressure on several new "beginnings" in the professional life, which again brings the need to look for new possibilities and contacts and not to cultivate the old ones;
- the need to find solutions and information "here and now", under the stress and with little emphasis on validation. (Dembkowski, 2009, 14-17, 224)

The strongest information that stands out is that a typical representative of the Generation Y does not feel obligated to be stable, loyal and long-term perspective, as a student or employee. In reality, it regularly happens that a young person enters into his first job, gets the training, gets all possible valuable certificates and at the moment he should begin to return the invested funds back to the company is actually leaving, to another workplace where, thanks to new certificates, he earns a higher salary or gets a better job position. The work is often seen as a means to raise funds for person's hobbies and desired lifestyle, not the meaning of life nor the priority on the personal core value list.

We will not find as many burned-out workaholics in the Generation Y, as in their parent's generation, who often sacrificed family relationships for work. Respectively Generation Y does not want to sacrifice their personal lives, but they assume that they can get everything

that society offers, as much as possible. V. Boušková, Education Specialist by profession, and one of the representatives of Generation Y, admits that for her peers, real life begins after school or after work. "We want to have a lot of freedom in decision-making and be independent, have flexible jobs, balance work and personal life, enjoy free time, not to work overtime, even work only part-time job." (Červenková, 2014, 8). Her opinion is exactly what many comprehensive studies show. Motivation of students with this attitude is difficult and sometimes plainly impossible. Representatives of Generation Y become difficult to manage and motivate by their employers. It seems that the solution is to regulate social and working environment to be stimulating, interesting and enjoyable and patiently wait for the possible adaptation of Generation Y. The question is, who is going to do these uninteresting, systematic, routine and often repetitive activities, such as the work of the accountant, purchasing buyer, production operator or receptionist. Teachers in secondary schools and universities face similar problems – the life attitude "life begins after school" is reflected there as well. Pressure on the accomplishment, the knowledge and the curriculum is not really popular because it interferes with personal freedom and a sense of personal flexibility.

Generation Y is skilled in the use of IT technologies that they have known since their childhood and its use is as natural for them as playing with the building blocks for their parents. Their online lives, tendency to immediately share their thoughts and ideas through social networks, oddly also accelerate their pace of life that they would rather want to have more comfortable, quieter and more balanced than their parents.

The use of technology for communication with others creates another contradiction, and it is less emphasis on the actual face to face communication, personal presentation, the art of diplomacy to solve interpersonal relations, etc. Expressions used on social networks or in text messages force to shorten words and phrases to eliminate more difficult words and to use pictograms. "We are creative, we know how to deal with it," representatives of Generation Y explain. The reality is that they only differ from the previous generation by their usage of signs and means that somebody else has invented and presented to them. It is generally not creativity, it's just a differentiation.

With worse vocabulary often comes simpler way of thinking, lower general knowledge, poorer ability to express themselves and to understand the information presented, less effective discussions and therefore worse insight into life's problems. The situation is enhanced by the fact that the representatives of Generation Y are less and less compelled to learn information by heart at school, because they know "where to find it". What does this mean in practice? Underdeveloped volitional qualities, low resistance to stress, self-discipline, general knowledge, sense of duty.

In school, this phenomenon causes that teachers reduce the level of required knowledge of the curriculum to adapt to average pupils, who are now subjects of much lower requirements compared with their parents. At work, the executives face graduate's high

unmerited confidence usually based on nothing, based solely on an ownership of the diploma and the academic degree and on the usage of IT technologies. When comparing the output profile of a college student twenty years ago and the current undergraduate we find out that the university demands on students were previously much higher. Good knowledge of IT technologies is caused not as much because of higher intelligence of a current generation, but thanks to different opportunities and options. Generation Y is growing up at a time when IT technologies are commonplace. It's just less respect for IT technologies, which their parents had to overcome as they encountered and had to learn them only at their adulthood. Therefore it is not surprising that representatives of the older generation recognize the high self-esteem of members of the Generation Y, stemming solely from the fact that they exist, as ill-founded.

Because Generation Y is not subject to tougher requirements in the course of their training, its members are not trained to search for the sense of what they do, nor use their volitional qualities in stressful situations, are clueless when they have to work in teams or without the use of the Internet and technology. "I'm not used to writing by hand," is an answer of students to the question, why they do not write information into a scrapbook, and why they have to wait until they "boot" their notebooks. "We will send you information over the network", students, sitting at that moment next to each other, say to the teacher. Yet, it is only one declarative sentence.

As a key issue for their welfare, Generation Y perceives achievement of the necessary social status. It is aimed at achieving necessary social and financial status, which is supposed to come as soon as possible. This generation has typical unrealistic expectations of their professional career and strong aggravation when confronted with criticism of their own work or behavior. At school and at work, they expect immediate respect, but cannot offer specific competencies that would show what they have deserved. You are fully here, the deficiencies that accompany their upbringing and education, come up in full picture.

Critical responses to the theory of Generation Y refute it and point to the fact that the young generation in the past always irritated the older with their behavior, was determined to do things differently and in newer ways, and especially go beyond the grey main stream. We can see this phenomenon in Generation Y as well, but there is another, specific aspect.

## **Conclusion**

Generation Y does not need to prove their distinction, from their early age they are offered possibilities and opportunities. Their exterior conditions - the social, economic and political - have changed. Their standard of living has disproportionately changed compared to the living standards of their parents and for the better. Access to information has become unlimited in such an extent that it does not allow the amount of information to be processed

and used. Promoting self-esteem is disproportionate to reality thanks to the cult of the child, which started in our regions in the nineties of the last century.

What has not changed though is the attitude of teachers and later the managers who should motivate, mastermind and cultivate Generation Y. The situation can lead to an interesting problem because now the companies are experiencing a shortage of young talents that they cannot get or keep - in case they already have invested in them. In ten years, however, Generation Y will make up more than half of all employees in Czech firms, while managers or recruiters have not found yet a way how to work with their motivation and value chain.

In this situation, the main role should be played by the school - both at the level of primary and secondary education, which should respond to new educational approaches, as well as at the level of higher education, where the young people should focus more on personality development, not just gathering information needed for their professional carrier. In lifelong learning, it is then necessary to focus on the targeted group of managers and HR professionals and help them to abandon proved methods of leadership and motivation, and together seek other options. The starting point may be to do a research in real companies, which, despite described difficulties, managed to cooperate well with young talents and keep them even for several years, although being representatives of the Generation Y. Their valuable experience can help those managers and HR professionals, who did not respond flexibly enough to changing conditions.

Currently, popular and popular science literature tend to find solutions that are looking for ways how to get as close as possible to Generation Y, engage them and motivate in order to participate in the economic objectives of the company. However, we are convinced that compromises are necessary on both sides. If they are not done by the representatives of Generation Y, they will not be introduced to the company management or other interesting positions for a very long time in their career, because they will be run over by people from the transitional period of Generations X and Y who have similar skills as them, but are still able to adapt to the older generation which still has control and power in their hands. If Generation X does not compromise, it will not be able to use the working potential of the young generation because it stiffens in its cautious attitude when looking at negatives, which currently appear to be somewhat pessimistic. The role of educational institutions as the main carriers of these changes appears to be crucial.

While Generation Y "extinguishes the fire" in the search for possible solutions, Generation Z is capable to carry out systematic solutions. For the harmonious development of a man, it is essential; experts on the brain functioning list consequences, such as memory impairment, impaired concentration, emotional flattening, poor reading comprehension, worse experience of fellowship with others – all this due to the intensive use of information technologies. The brain, according to experts, can be however trained and strengthened as a muscle. The remedy therefore lies in a simple and accessible way: during the teaching and education children should be exposed to situations that enhance memory, attention,

concentration, situations which strengthen the social feeling and enhance empathic behavior. Finally, it is essential not to put the information technology and its use into the contrast with the social development, but to use them as a help for emotional and social aspects of education. It cannot be expected that in the future we will be able to manage without the information technology, but the point is that these technologies have to become our helpers, and not that we become their slaves.

## Literature

- [1] Bohutínská, J. 2014. *Generation Y - a new concept among businessmen*. [online]. [Accessed: 20 March 2014]. Available at: <<http://www.podnikatel.cz/clanky/Generation-Y-novy-pojem-take-u-podnikatelu>>.
- [2] Červenková, A. 2014. *Companies still looking in vain for instructions for use of Generation Y*. HR forum, No. 1, 2014. pp. 8-9. ISSN 1212-690X.
- [3] Dembkowski, S. 2009. *Seven Steps of Effective Coaching*. Computer Press, Brno: 2009. pp. 14-17, 224. ISBN 978-80-251-1897-9.
- [4] Kyjonková, P. 2014. *Vision of the young generation about life: Lots of money and little work*. [online]. Available at: <[http://byznys.lidovky.cz/predstava-mlade-generace-o-zivote-hodne-penez-a-malo-prace-pmk-/moje-penize.aspx?c=A100311\\_151100\\_moje-penize\\_abc](http://byznys.lidovky.cz/predstava-mlade-generace-o-zivote-hodne-penez-a-malo-prace-pmk-/moje-penize.aspx?c=A100311_151100_moje-penize_abc)>.
- [5] Melgosa, J. 1997. *Less stress!* Advent-Orion, Praha: 1997. p. 11, 190. ISBN 80-7172-240-5.
- [6] Rantl, J. 2014. *How Generation Y see it*. HR forum, No. 1, 2014. pp. 6-7, ISSN 1212-690X.
- [7] Surý, O. *Generation Y*. [online]. [Accessed: 21 March 2014]. Available at: <<http://blog.nic.cz/2013/11/26/generace-y-je-generace-dns/>>

### Contact information

Mgr. et Mgr. Jaroslava Ester Evangelu, Ph.D.  
Faculty of Economics and Management  
University of Defence  
Kounicova 156/65  
662 10, Brno  
Czech Republic  
T: (+420) 973 442 115  
E: [jaroslavaester.evangelu@unob.cz](mailto:jaroslavaester.evangelu@unob.cz)

### Description of the author

Author is professional researcher in the field of psychology. Focuses especially on diagnostic methods in university and military environment. She is initiator of Military Coaching Center foundation and special coaching methods for military professionals.

**Barbara Pavlíková**

## **LEGAL ACTS RELATED TO THE TOURISM IN SLOVAKIA**

***Abstract:** The paper deals with the legal regulation of the fields related to the tourism in the conditions of the Slovak Republic. It emphasizes the importance of decision-making procedure which ensures that adopted legislation to the greatest possible extent reflects requirements of the practice and enables persons interested in provision of tourism services and other related services to fully exploit offered opportunities. The contribution is devoted to the selected legal acts in the mentioned field.*

***Key words:** protection of nature, regional development, trade business, travel agencies, viticulture*

***JEL Classification:** K19, Y80*

### **Introduction**

Conditions for the functioning of tourism, the influence of business entities and public authorities in this field, as well as regional development and related issues are governed by the provisions, representing the standard that should be respected by all stakeholders active in tourism.

Due to the scale of the problems and fragmentation of the issues, legal regulation is contained in a relatively large number of interrelated laws of different legal force. The most commonly used are laws and regulations, which we will deal with in the next section, however, the legislation of the European Union, which is increasingly important also cannot be forgotten.

### **Materials and Methods**

With respect to the nature of the contribution, it is based almost exclusively on the laws and subordinate legislation in valid and effective wording. To complement the information several scientific articles published on the Internet have been used. The most commonly used methods for creating the text have been synthesis, analysis and compilation, arising from the theoretical character the contribution.

## Results

### *Tourism, travel agencies and tour operators*

The issues of support for tourism, providing tours and activity of travel agencies and tour operators in the market are dealt in two separate laws, which have gone through the amending process, as experience has highlighted the need to remove certain deficiencies as well as the need of amendments of other provisions to the current legislation.

#### *Act no. 91/2010 Coll. on the promotion of tourism as amended*

Encouragement of tourism, its effectiveness and the possibility of its extension in Slovakia are long-term discussed issues. Initial resemblance of Act on promotion of tourism was based primarily on the current economic and social situation in the regions, and its primary objective was effective regulation of the operation of destination management organizations, but also the regulation of rights and obligations of natural and legal persons in the field of tourism. The Act was promulgated in the Collection of Laws on 24<sup>th</sup> March 2010 and entered into force after 1<sup>st</sup> January 2011. Practical experience showed the need to create the system of support of tourism development, because this area was not regulated until the adoption of this legislation (*Zákon o podpore cestovného ruchu*. 2013. <<http://www.ulclegal.com/media/a542/file/item/sk/0000/C2yBMWpb.pdf>>).

Act except definitions of fundamental terms (§ 2; tourism promotion, integrated information system for tourism, tourism product, overnight stay) mainly defines the status of legal persons executing tasks in tourism. According to this Act it is the Ministry of Transport, Construction and the Development of Slovak Republic, which has a critical management competencies, higher territorial units and municipalities. The Act has also introduced the concept of "Agency". The Agency has the character of a contributory organization, funded from the budgetary chapter of the Ministry aimed at domestic and international promotion and presentation of Slovakia. One of the most significant changes, however, presents a creation of opportunities to establish regional and provincial tourism organizations. Their task is to create a space which enables the participation of not only self-governing regions and municipalities, but also public and private entities that are interested in development of tourism (*Zákon č. 91/2010 Z.z. o podpore cestovného ruchu v znení neskorších právnych predpisov*. 2012. <[www.telecom.gov.sk/index/open\\_file.php?file=cestovnyruch/.../zakon...pdf](http://www.telecom.gov.sk/index/open_file.php?file=cestovnyruch/.../zakon...pdf)>).

These entities, together with the State, should be within their competence also involved in financing the development of tourism. Financing consists mainly of grant funds (subsidies), non-grant resources and membership contributions of the business entities.

Shortly after its promulgation, the text of this Act has been revised. Act no. 386/2011 Coll. has brought changes mainly in the field of providing subsidies and of possibility of

municipalities to associate also without the fulfillment of condition of common cadastral area. The amendment has further modified the abolition and extinction of tourism organizations and partially also their structure. According to the new wording of § 28 a non-repayable financial contributions from domestic and foreign sources, including contributions from EU funds and other incomes shall be also considered as a source of funding in addition to previous sources. Between other incomes we include among others new tool of the European Investment Fund - JEREMIE (Joint European Resources for Micro to Medium Enterprises), Swiss Financial Mechanism and Financial Mechanism of the European Economic Area. The amendment has also limited the amount of provided subsidies<sup>1</sup>, while there is no legal claim for provision of them (*Novela zákona o podpore cestovného ruchu*. 2011. <<http://www.ulclegal.com/sk/bulletin-pro-bono/2011/11/3135-novela-zakona-o-podpore-cestovneho-ruchu>>).

The main benefit of the Act on the promotion of tourism is the promotion of prospective partnership which will be able to act in the region without the direct financial support and to create conditions for the development and operation of functional destination management organizations, which will be support the regional tourism development.

The fundamental assumption is the existence of conscious need for cooperation in the territory, and thus subjects have other motives for creation of the partnership as only offered public resource. It is also the assumption of a certain stability of the network and its long-term functioning. However, the meaningful use of provided sources and funds released from the local budgets and associated sources is crucial for the future tourism development and for not continuing in non-conceptual development of the regional tourism. Risk of the planned promotion is that investment into the part of partnership will be lost and part of the support means will be exhausted inefficiently. This refers in particular to the part of new partnerships, by the creation of which the entities react on the possibility to get supportive means and other motives are only secondary. The focus of support without territorial differentiation is also questionable. Not every region has on the national scale the same priority in the field of tourism and regions also differ in terms of the level of tourism development – not in each region considering its sectoral structure, the tourism has the same importance for its socio-economic development. It is therefore advisable to suggest the option of strategy of supportive public resources concentration according to the intentions of national and regional policy. (Micháľková, 2011)

*Act no. 281/2001 Coll. on tours, business conditions of tour operators and travel agencies and on amendment of the Civil Code*

Tourism services can be characterized as multidisciplinary on the supply side and bound to the target site. Demand for tourism, however, occurs at the place of residence which is distant from the place of supply - it is therefore essential to combine supply and demand.

---

<sup>1</sup>See § 29 par. 4 letters a) and b) of the Act on promotion of tourism.

Their brokering is provided by tour operators, travel agencies, tourist information offices, information systems and reservation systems. Tour operators deal with organization, supply and sale of tours to final consumer. Activity of the tour operators, as well as travel agencies is governed by the Act no. 281 of 2001 and by its later Amendment no. 186 of 2006 Coll. Travel agency differs from the tour operator in the terms of the object of its activities, as it is the intermediary of tour sale. (Gúčík, 2010)

The present legal act presents the implementation of Council Directive 90/314/EEC of 13 June 1990 on package of travel, holiday and excursion services<sup>2</sup>. Act as amended by Act no. 136/2010 Coll.<sup>3</sup>, in addition to the mentioned regulation also contains a definition of tour (§ 2), customer (§ 5) and introduces the concept of travel guide.

This concept has been implemented into legislation by the amendment of 2006. Guide services are provided by the different categories of guides who are either employees of the organizer (tour operator, cultural and educational center) or work on the trade license. We can talk about technical, professional guides, delegate, or other guides, specialized according to the object.

The legal regulation was inspired by the definition of travel guide function in the context of other professions of so called care in tourism. An incentive for adopting such legislative adjustments the Slovak Technical Standard EN 09 138 (Tourism services. Terminology) was, together with the insistence of the Slovak Society of Tourist Guides on the necessity to adapt terminologically and substantively to the European area, not only de facto but also de jure. (Michalík b, 2010)

From the provisions of § 9 of Act on tours further results the obligation of the tour operators to be insured against insolvency, on the basis of which the customer will be entitled to reasonable compensation for the loss suffered as the consequence of tour operator insolvency (*Zákon č. 281/2001 Z.z. o zájazdoch, podmienkach podnikania cestovných kancelárií a cestovných agentúr a o zmene a doplnení Občianskeho zákonníka v znení neskorších právnych predpisov*. 2001. <[www.zbierka.sk/sk/predpisy/281-2001-z-z.p-5824.pdf](http://www.zbierka.sk/sk/predpisy/281-2001-z-z.p-5824.pdf)>). In practice, there have been several cases where after the bankruptcy of the tour operator the competent insurance company was obliged to compensate clients who were not allowed to participate in the paid tour, resp. to provide them with assistance in returning home.

### *Regional development and the nature protection*

Regional development and the protection of nature in current socio-economic situation and the increasing demands for environmental protection are closely related to the provision of tourism services.

---

<sup>2</sup>See Official Journal of the EC L 158, 23.6.1990.

<sup>3</sup>Entered into force on 1<sup>st</sup> June 2010.

Support for regional development in the Slovak Republic shall take place on the basis of:

- National Development Plan of the Slovak Republic;
- Regional Operational Program;
- Sectoral Operational Program;
- Program of Economic Development and Social Development of the Self-governing region;
- Program of Economic Development and Social Development of the Commune.

Tourism Development Strategy of the Slovak Republic sets out strategic objectives for tourism development in the public interest. The Constitutional Act no. 357/2004 Coll. on the protection of the public interest defines the public interest as the promotion of regional development as well as improvement of living standards in rural areas. Tourism can contribute to both these objectives, because its services are services supporting regional development and employment.

Within any reflection on tourism in the context of regional development, it is necessary to take into account the current state of the environment and to consider the benefits and threats that may arise during the implementation of development plans. It is necessary to establish at an early stage of planning, whether it is permissible to realize intended activities at a given territory. (Michalík a, 2010)

Legislative regulation of these issues is contained primarily in two key legal acts - the Act on regional development and the Act on the Protection of Nature and Landscape in their current version.

*Act no. 539/2008 Coll. on the Promotion of Regional Development*

Regional development has been into Slovak legislation included as a consequence of reform of public administration, gradual decentralization and establishment of self-governing regions after 2001. The first legal act was adopted – Act no. 503/2001 Coll. on the promotion of regional development which came into force on 1<sup>st</sup> January 2002. In 2004 it was amended in relation to European structural funds by the Act no. 351/2004 Coll. At district offices and offices of self-governing regions new departments of regional development were established, either individually or in smaller counties merged with other sectors. Those ceased after 2001 during the gradual revocation of district State administration and regional development has become a part of the original powers of the self-governing regions.

Already in 2006 Ministry of Construction and Regional Development of the Slovak Republic prepared additional amendment, but it really got into the legislative process at the end of May 2007. Newly adopted legal regulation revoked both mentioned legal acts (*Regionálny rozvoj: kontroverzná novela zákona. 2007*). <<http://www.euractiv.sk/regionalny-rozvoj/clanok/regionalny-rozvoj-kontroverzna-novela-zakona>>.

Act no. 539/2008 Coll., which entered into force on 1<sup>st</sup> January 2009 pursuant to the provisions of § 1 defines the objectives and conditions of regional development and further regulates the scope of bodies of higher territorial units, communes and other entities of territorial cooperation, as well as the conditions for coordination and implementation of regional development.

Except definition of fundamental terminology which the legal regulation works with (e.g. concepts as region, regional policy and regional development), the Act sets out also objectives of regional development promotion in which it includes – among others – abolishment, resp. mitigation of undesirable disparities in economic, social development and territorial development of regions, increasing their competitiveness and ensuring sustainable development (*Zákon č. 539/2008 Z.z. o podpore regionálneho rozvoja*. 2008. <[www.zbierka.sk/sk/predpisy/539-2008-z-z.p-32651.pdf](http://www.zbierka.sk/sk/predpisy/539-2008-z-z.p-32651.pdf)>).

Based on the provision of § 4 of the Act, the financing of regional development should be primarily ensured from the State budget, the government purpose-built funds, from the budgets of self-governing regions and communes, from the resources of natural and legal persons and loans and contributions from international organizations.

Main control functions the Ministry of Transport, Construction and Regional Development of the Slovak Republic ensures, in cooperation with other central State administration bodies. Powers of higher territorial units and communes are explicitly stated in the Act.

Between other entities of territorial cooperation Act classifies euroregions, ensuring cross-border cooperation and an integrated network of regional development agencies, consisting of regional development agencies, to which financial contribution for the financial year from the budget of Ministry is provided, according to the contract on providing financial contribution between the Ministry and regional development agency (*Zákon č. 539/2008 Z.z. o podpore regionálneho rozvoja*. 2008. <[www.zbierka.sk/sk/predpisy/539-2008-z-z.p-32651.pdf](http://www.zbierka.sk/sk/predpisy/539-2008-z-z.p-32651.pdf)>).

*Act no. 543/2002 Coll. on Nature and Landscape Protection as amended*

Nature and landscape protection is included on the national level in 78 actual legal acts on the protection of nature and landscape with the incorporation of direct and indirect amendments. The bulk of legislation is devoted to territorial protection. New legislation on conservation is aimed at transposing the obligations arising in particular from the European Union directives, for example from the Council Directive no. 92/43/EC on the protection of natural habitats of wild animals and plants, as amended by Directive no. 97/62/EC (Directive on biotopes), which has become an essential means for the protection of fauna and flora species and their habitats, further from the Council Directive no. 79/409/EEC on the conservation of wild birds and Council Directive no. 99/22/EC relating to the keeping of wild animals in zoos (Zoo Directive), which aim is to protect wildlife *ex situ* nad from Commission Decision no. 97/266/EC, concerning the format of information for proposed

localities of NATURA 2000, which must be completed by each Member State, for localities proposed by it to the NATURA 2000.

Act on nature protection also reflects obligations arising from international agreements by which the Slovak Republic is bound, in particular from the Convention on Wetlands of International Importance especially as waterfowl biotopes and the Protocol of its amendment (registered in no. 67/1990 Coll.), Convention on the Conservation of European Wildlife and Natural Habitats (Notification no. 93/1998 Coll.), the Convention on the Conservation of Migratory species of Wild Animals (Notification no. 91/1998 Coll.), and from the Convention on the Protection of the World Cultural and Natural Heritage (Notification no. 159/1991 Coll.) (*Ochrana prírody a krajiny*. 2014. <<http://www.environet.sk/?M=20&lang=sk>>).

Act no. 543/2002 Coll. as amended by Act 408/2011 Coll., with effect from 1<sup>st</sup> December 2011 except for a positive definition (§ 1 par. 1) contains also a negative definition of the object of its scope – it is not related to protection of agricultural crops and cultures, economically important species and genus of plants and animals, plant and animal pests of external and internal quarantine, nor to plant and animal agents of infection and diseases of humans and animals. The legal act is comprehensive in content, consists of nine parts, and in considerable detail governs not only the general and specific nature and landscape protection (this includes determining the degree of territorial protection of nature and landscape), species protection of protected plants, animals, minerals and fossils, as well as announcement, modification and revocation of the protection of specially protected parts of nature and landscape and their indication.

In fifth part the Act defines the bodies of nature protection, between which it includes the Ministry of Environment of the Slovak Republic, Slovak Inspection of the Environment, communes and Girt Environmental Offices<sup>4</sup>.

Existing legislation also states the conditions of the proceedings in the field of environment –there are generally applied rules of administrative law, but the Act exhaustively identifies a number of exceptions. By breaching the provisions of the Act on nature and landscape protection administrative offense or misdemeanor can be committed. Subject matters of the criminal offenses in the field of environmental protection are defined in the special part of Criminal Code (*Zákon č. 543/2002 Z.z. o ochrane prírody a krajiny v znení neskorších právnych predpisov*. 2002. <[www.zbierka.sk/sk/predpisy/543-2002-z-z.p-6708.pdf](http://www.zbierka.sk/sk/predpisy/543-2002-z-z.p-6708.pdf)>).

New proposal of the Ministry is based on the practical experience and suggests changes in the way of dealing with compensation for limitations in routine maintenance. Such compensation nowadays does not address the spectrum of emerging constraints and difficult is also the planning of the State financial resources in this area. The purpose of the

---

<sup>4</sup>Regional Environmental Offices were abolished during the public administration reform – their competences were delegated to the Girt Environmental Offices at the residence of county.

amendment is to make nature and landscape protection more effective by strengthening the possibility of involvement of owners of non-state land into the care of protected areas on the basis of contractual relations and financial instruments, while ensuring the fulfillment of the government program of the Slovak Republic, according to which "the government will prepare a set of tools to address compensation for restrictions incurred to landowners in protected areas because of the respect of the conditions of nature protection" (*Návrh zákona, ktorým sa mení a dopĺňa zákon č. 543/2002 Z. z. o ochrane prírody a krajiny*. 2013. <<http://www.danovecentrum.sk/clanok-z-titulky/Navrh-zakona-ktorym-sa-meni-a-doplna-zakon-c-543-2002-Z-z-o-ochrane-prirody-a-krajiny.htm>>

In current legislative system of nature protection imperative and repressive function of the State dominates in determining of what should be protected, in which localities and in what way and how to compensate affected owners. Especially in the last case the Ministry wants to greatly enhance the possibility of an agreement with the owner and to change the directional approach of the State to the owner to consensual. Benefits arising from this amendment should lead to the strengthening of trust to nature protection interests from the side of owner, to strengthen its position in terms of effectiveness and efficiency of its operation in society, to strengthen legal enforcement of its institutes and finally to greater flexibility of its application to specific cases.

### *Act no. 313/2009 Coll. on viticulture and viniculture*

Slovakia has more than three thousand years long tradition of vine cultivation and wine production. Despite being located on the northern border of vine cultivation in Europe, Slovak wines are known almost worldwide. Vineyards are grown in six wine-growing areas, each of which is in some way exceptional. In recent years, so called wine tourism is a very dynamically developing, within which people discover wineries and have the opportunity to taste the wine samples provided directly by the manufacturer.

In 2009, the new vinicultural Act entered into force. The draft of this Act was based on Act no. 182/2005 Coll., as amended by Act no. 283/2007 Coll. Changes, needed to be incorporated had essential character what also was the reason of adoption of new legislation. Council Regulation (EC) no. 479/2008 on the common organization of the wine market has established a new classification of wines, adapted to horizontal rules of EU legislation. Retreated from the traditional division on the table and quality wines, the new categorization is based on emphasizing geographical indication. From 1<sup>st</sup> August 2009, the wines are labeled by the new system.

Following categories of wine have been established:

- Wine (without any detailed geographical indication as a country);
- Wine with a protected geographical indication;

- Wine with a protected designation of origin (quality wine and the adjective are only just the traditional additional designations) (*Slovenské vinohradníctvo a vinárstvo*. <<http://www.zvhv.sk/main.php?modul=svv&task=0>>).

This is related also to the transposition of the new procedures for the recognition of designations of origin and geographical indications that should be implemented into national legislation, since recognition procedures require preliminary national procedure. Despite the change in the division of wines, the possibility to label wines with traditional names such as quality wine remains, but this term could be used only in addition to the protected designation of origin or geographical indication of wine. Traditional expressions listed in the Act are also protected at EU level. Another change concerned the system of control in the wine sector – this control should be more focused on compliance with the specific conditions of production of wines with a protected designation of origin and geographical indication. Wines with a protected designation of origin and Tokay wines are subject to the certification process, which includes control of the data in the vineyard register, chemical analysis of wines and sensory evaluation by special committee. A new way of labeling of wine products has been also introduced. Introducing the possibility to indicate the variety and vintage at the wines of lower category has requested the increasing control of these wines, as these obligation of the Member States derives directly from the regulation (*Zákon č. 313/2009 o vinohradníctve a vinárstve*. 2009. <[www.zbierka.sk/sk/predpisy/313-2009-z-z.p-33097.pdf](http://www.zbierka.sk/sk/predpisy/313-2009-z-z.p-33097.pdf)>).

The Act further in § 7 defines the division of wine regions (in Slovakia there are six), obligations of wine producers, merchants and retailers, as well as the detailed conditions for the use of the traditional expressions. Tokay wine region and the State administration in this area are adjusted separately.

The legal regulation of viticulture and viniculture results from a number of other regulations and directives of the EU institutions, e.g. from Commission Regulation (EC) no. 606/2009 on the allowed oenological practices, Commission Regulation (EC) no. 607/2009 on labeling, Commission Regulation (EC) no. 436/2009 laying down detailed rules for applying Council Regulation (EC) no. 479/2008 with regard to the vineyard register, compulsory declarations and the gathering of information to monitor the wine market, the accompanying documents for transport of products and the records which should be kept in the wine sector and others.

## Discussion

Basic legislation is supported and supplement by the provisions of the whole spectrum of other legal acts that further define the conditions for the provision of tourism services, the status of entities, categories and classes of accommodation facilities and contractual relationships, most often applied in this sector. It is questionable if this legislation is

sufficient enough for the real promotion of tourism development and if in some cases does not present the obstacle for the people interested in providing tourism services.

From subsidiary legal acts the Act on trade business, regulation of the Ministry on accommodation facilities, civil and commercial regulation can be mentioned.

*Act on Trade Business no. 455/1991 Coll.* as amended finds its application especially in relation to provision of tourism services. Selected activities in the field of tourism (accommodation services, catering, activities of the travel agencies and tour operators) are classified as bound trades and the extent of them, as well as the conditions for trade license are also set out. For the issuance of the trade license for each bound trade there is currently paid an administrative fee of 15 EUR. For the operation of a tour operator, hotels and other accommodation services and catering the Act requires a secondary or university degree in tourism or related field and appropriate professional experience (*Zákon č. 455/1991 Zb. o živnostenskom podnikaní v znení neskorších právnych predpisov.* 2013. <[www.minv.sk/swift\\_data/source/verejna\\_sprava/zivnostenske\\_podnikanie\\_zuborova/Uplne\\_znenie\\_zivnostenskeho\\_zakona.pdf+&cd=1&hl=sk&ct=clnk&gl=sk](http://www.minv.sk/swift_data/source/verejna_sprava/zivnostenske_podnikanie_zuborova/Uplne_znenie_zivnostenskeho_zakona.pdf+&cd=1&hl=sk&ct=clnk&gl=sk)>). The activity of a guide is classified as a bound trade, for the permission and operation of which it is necessary to prove before the Trade Licensing Office the special professional competence as defined in Annex no. 2 to the Act. Also general requirements – 18 years of age, capacity for legal actions and the integrity proven by the abstract of criminal record have to be observed. Secondary education with a minimum of practice is sufficient, the Act does not require or the passing an examination of professional competence with special focus on performed trade, what does not contribute to the quality of service.

It can be therefore concluded that current legal regulation of conditions for permission of carrying the trade in the field of tourism contained in the Trade Act onis insufficient and should be adapted to match standard conditions and equivalent requirements under legislation in other European countries. (Michalík b, 2010)

*The Regulation of Ministry of Economy of the Slovak Republic no. 277/2008 Coll. on classification characteristics for the accommodation facilities for their classification into categories and classes* defines accommodation services as the services provided in accommodation facilities which are buildings, spaces and areas in which the public is all the year provided for the payment with the temporary accommodation and related services. Seasonal accommodation facilities that provide accommodation and related services at most nine months of the year are also considered as accommodation facilities.

The regulation of the Ministry lists five classes according to the number of assigned stars and nine categories within which more opportunities may be placed (e.g. in the first category there is hotel, garni hotel, mountain hotel or spa hotel) while their essential characteristics is also determined. Classification characteristics are regulated very explicitly. Importance of such adjustment consists in guaranteeing a certain standard of

provided service – it means that if tourism participant chooses particular category of accommodation facility in certain class, the regulation allows him to ascertain what level of services can be expected in this facility. The control of observance of provisions of regulation is ensured by the Slovak Trade Inspection (*Vyhlasška Ministerstva hospodárstva Slovenskej republiky č. 277/2008 Z.z., ktorou sa ustanovujú klasifikačné znaky na ubytovacie zariadenia pri ich zaradovaní do kategórií a tried.* 2013. <[www.economy.gov.sk/...kategorizacii-ubytovacich-zariadeni.../127564s](http://www.economy.gov.sk/...kategorizacii-ubytovacich-zariadeni.../127564s)>).

*General civil and commercial legal regulation of contractual relations in tourism* is contained in the Civil Code and Commercial Code of the Slovak Republic.

*Civil Code* (Act no. 40/1964 Coll. as amended) under the general provisions of § 43 - § 51 on the legal actions also addresses the process of creating a contract by consensus of the Parties, the form of such a contract and the possibility of withdrawal of contract and in the provisions of § 488 to § 587 addresses in general also and the contractual legal relationship. Provisions of § 741a and following govern the contract on procurement of the tour which is the most often used types of contracts in relation to the participant in tourism. It belongs to so called consumer contracts generally governed by the provisions of § 52 – 54 of the Civil Code. This contract we include between named contracts, while its gist is the acquisition of combination of tourism services (tour) offered in advance by the contracting authority (tour operator) in favor of the customer who undertakes to pay the agreed price. Contract is mandatory concluded in writing. The Act defines also conditions of withdrawal from the contract and liability for damages, while the provision of § 741j admits so called liberation – exclusion of liability of tour operator on the basis of three legal reasons.

To the relationship between the tour operator (travel agency) and the insurance company with which the tour operator takes out insurance in favor of its customers, subsidiary provisions of § 788-828 of the Civil Code are applied. Tour operator has statutory obligation to conclude insurance against insolvency with some of the insurance companies. This type of contract is governed by provisions applicable to the insurance contract. In practice also the contract on association according to the provisions of § 829 – 841 of the Civil Code occurs, which entities acting in the field of tourism conclude in order to achieve certain agreed purpose (*Občiansky zákonník – zákon č. 40/1964 Zb. v znení neskorších právnych predpisov*). It is used for example by the Slovak Tourist Board in cooperation with its partners.

*Commercial Code* (Act no. 513/1991 Coll. as amended) regulates the commercial contractual relations between persons making business in tourism. To the relationships between these entities and their customers, however, the Commercial Code cannot be applied in accordance with § 261 of the Commercial Code, neither subsidiary, i.e. if these relations are not governed by the Civil Code (*Obchodný zákonník – zákon č. 513/1991 Zb. v znení neskorších právnych predpisov*).

Commercial legal regulation is justified in the case of establishment, resp. revocation of county and regional tourism organization on the basis of the Act on promotion of tourism (e.g. provisions on corporate indenture, liquidation, bankruptcy).

## Conclusion

To sum it up, it is crucial to overcome existing shortcomings, which in some cases make business activities of entities working in the tourism extremely difficult. Also activities supporting the development of tourism are sometimes hampered by non-existent or incomplete legislation or by lengthy bureaucracy.

It is also necessary to consider tightening some of the criteria (for example those in Act on trade business which have been mentioned above), by fulfillment of which the provision of services in this field is conditional and specification of those which cause difficulties of interpretation in the practice.

Regarding tourism in the context of regional development, adopted Act on promotion of regional development has in some extent contributed to the unification of the used terminology and has explained the basic conditions of the future progress. There is effort to eliminate dual regulation of contractual types in the Civil and Commercial Code, which will also contribute to a simplified creation of contractual relations between entities providing tourism services.

Traditionally the biggest problem, representing one of the key obstacles to the development of tourism is the lack of financial resources. It is desirable to focus on the full use of the resources allocated in the EU structural funds, because they can contribute significantly to the completion of the lack of infrastructure, but also to the development of current tourism offer.

## Literature

- [1] Gúčík, M., 2010. *Cestovný ruch – úvod do štúdia*. Banská Bystrica: Dali-BB. *Informácie o službách v cestovnom ruchu*. [online]. Available at: [www.telecom.gov.sk/index/open\\_file.php%3Ffile%3Dcestovnyruch/sluzbyVcr.pdf+%amp;cd=9&hl=sk&ct=clnk&gl=sk](http://www.telecom.gov.sk/index/open_file.php%3Ffile%3Dcestovnyruch/sluzbyVcr.pdf+%amp;cd=9&hl=sk&ct=clnk&gl=sk) [Accessed: 05 June 2013].
- [2] Michalík, B.a, 2010. *Regionálny rozvoj a cestovný ruch*. [online]. Available at: [http://www.euroregion-vdi.sk/manazer/images/prednasky/18.Regionalny\\_rozvoj\\_a\\_cestovny\\_ruch.pdf](http://www.euroregion-vdi.sk/manazer/images/prednasky/18.Regionalny_rozvoj_a_cestovny_ruch.pdf)[Accessed 02 June 2013].

- [3] Michalík, B.b, 2010. *Postavenie a úlohy sprievodcov v cestovnom ruchu*. [online]. Available at: [http://www.euroregion-vdi.sk/manazer/images/prednasky/21.Postavenie\\_a\\_uloHY\\_sprievodcov\\_v\\_cestovnom\\_ruchu.pdf](http://www.euroregion-vdi.sk/manazer/images/prednasky/21.Postavenie_a_uloHY_sprievodcov_v_cestovnom_ruchu.pdf) [Accessed: 02 June 2013].
- [4] Micháľková, A., *Prínosy a riziká aplikácie zákona o podpore cestovného ruchu*. [online]. Available at: [http://of.euba.sk/zbornik2011/ZBORNÍK%20VEDECKÝCH%20STATÍ%202011-PDF/KSCR/MICH%C3%81LKOV%C3%81\\_A\\_KSCR.pdf](http://of.euba.sk/zbornik2011/ZBORNÍK%20VEDECKÝCH%20STATÍ%202011-PDF/KSCR/MICH%C3%81LKOV%C3%81_A_KSCR.pdf) [Accessed 04 April 2014].
- [5] *Návrh zákona, ktorým sa mení a dopĺňa zákon č. 543/2002 Z. z. o ochrane prírody a krajiny*. [online]. Available at: <http://www.danovecentrum.sk/clanok-z-titulky/Navrh-zakona-ktorym-sa-meni-a-doplna-zakon-c-543-2002-Z-z-o-ochrane-prirody-a-krajiny.htm> [Accessed: 05 May 2014].
- [6] *Návrh legislatívneho zámeru zákona o turizme – vlastný materiál*. [online]. Available at: [https://lt.justice.gov.sk/\(S\(cgz45atb5e2dh55xctzz155\)\)/Document/PrintForm.aspx%3FinstEID%3D61%26matEID%3D2013%26docEID%3D83149%26docFormEID%3D13%26docTypeEID%3D-1%26format%3Dpdf%26langEID%3D1%26tStamp%3D20091027094857467+&cd=1&hl=sk&ct=clnk&gl=sk](https://lt.justice.gov.sk/(S(cgz45atb5e2dh55xctzz155))/Document/PrintForm.aspx%3FinstEID%3D61%26matEID%3D2013%26docEID%3D83149%26docFormEID%3D13%26docTypeEID%3D-1%26format%3Dpdf%26langEID%3D1%26tStamp%3D20091027094857467+&cd=1&hl=sk&ct=clnk&gl=sk) [Accessed: 04 April 2014].
- [7] *Novela zákona o podpore cestovného ruchu*. [online]. Available at: <http://www.ulclegal.com/sk/bulletin-pro-bono/2011/11/3135-novela-zakona-o-podpore-cestovneho-ruchu> [Accessed: 09 May 2014].
- [8] *Občiansky zákonník – zákon č. 40/1964 Zb. v znení neskorších právnych predpisov*. In: *Zákony 2013 – II*.
- [9] *Obchodný zákonník – zákon č. 513/1991 Zb. v znení neskorších právnych predpisov*. In: *Zákony 2013 –II*.
- [10] *Ochrana prírody a krajiny*. [online]. Available at: <http://www.environet.sk/?M=20&lang=sk> [Accessed: 06 May 2014].
- [11] *Regionálny rozvoj: kontroverzná novela zákona*. [online]. Available at: <http://www.euractiv.sk/regionalny-rozvoj/clanok/regionalny-rozvoj-kontroverzna-novela-zakona> [Accessed: 06 May 2014].
- [12] *Slovenské vinohradníctvo a vinárstvo*. [online]. Available at: <http://www.zvhv.sk/main.php?modul=svv&task=0> [Accessed: 05 May 2014].
- [13] *Vinohradníctvo a vinárstvo na Slovensku*. [online]. Available at: [http://www.enovia.sk/index.php?option=com\\_content&view=article&id=29&Itemid=27](http://www.enovia.sk/index.php?option=com_content&view=article&id=29&Itemid=27) [Accessed: 08 May 2014].
- [14] *Vyhláska Ministerstva hospodárstva Slovenskej republiky č. 277/2008 Z.z., ktorou sa ustanovujú klasifikačné znaky na ubytovacie zariadenia pri ich zaradovaní do kategórií a tried*. [online]. Available at: [www.economy.gov.sk/...kategorizacii-ubytovacich-zariadeni.../127564s](http://www.economy.gov.sk/...kategorizacii-ubytovacich-zariadeni.../127564s) [Accessed: 12 May 2014].
- [15] *Zákon č. 91/2010 Z.z. o podpore cestovného ruchu v znení neskorších právnych predpisov*. [online]. Available at:

www.telecom.gov.sk/index/open\_file.php?file=cestovnyruch/.../zakon...pdf  
[Accessed: 25 December 2013].

- [16] *Zákon o podpore cestovného ruchu.* [online]. Available at: <http://www.ulclegal.com/media/a542/file/item/sk/0000/C2yBMWpb.pdf> [Accessed: 25 April 2014].
- [17] *Zákon č. 281/2001 Z.z. o zájazdoch, podmienkach podnikania cestovných kancelárií a cestovných agentúr a o zmene a doplnení Občianskeho zákonníka v znení neskorších právnych predpisov.* [online]. Available at: [www.zbierka.sk/sk/predpisy/281-2001-z-z.p-5824.pdf](http://www.zbierka.sk/sk/predpisy/281-2001-z-z.p-5824.pdf) [Accessed: 12 May 2014].
- [18] *Zákon č. 539/2008 Z.z. o podpore regionálneho rozvoja.* [online]. Available at: [www.zbierka.sk/sk/predpisy/539-2008-z-z.p-32651.pdf](http://www.zbierka.sk/sk/predpisy/539-2008-z-z.p-32651.pdf) [Accessed: 15 April 2014].
- [19] *Zákon č. 543/2002 Z.z. o ochrane prírody a krajiny v znení neskorších právnych predpisov.* [online]. Available at: [www.zbierka.sk/sk/predpisy/543-2002-z-z.p-6708.pdf](http://www.zbierka.sk/sk/predpisy/543-2002-z-z.p-6708.pdf) [Accessed: 19 April 2014].
- [20] *Zákon č. 313/2009 o vinohradníctve a vinárstve.* [online]. Available at: [www.zbierka.sk/sk/predpisy/313-2009-z-z.p-33097.pdf](http://www.zbierka.sk/sk/predpisy/313-2009-z-z.p-33097.pdf) [Accessed: 07 May 2014].
- [21] *Zákon č. 455/1991 Zb. o živnostenskom podnikaní v znení neskorších právnych predpisov.* Available at: [www.minv.sk/swift\\_data/source/verejna\\_sprava/zivnostenske\\_podnikanie\\_zuborova/Uplne\\_znenie\\_zivnostenskeho\\_zakona.pdf+%&cd=1&hl=sk&ct=clnk&gl=sk](http://www.minv.sk/swift_data/source/verejna_sprava/zivnostenske_podnikanie_zuborova/Uplne_znenie_zivnostenskeho_zakona.pdf+%&cd=1&hl=sk&ct=clnk&gl=sk) [Accessed: 07 May 2014].

### Contact information

PhDr. Mgr. Barbara Pavlíková, PhD.

Department of Law

Faculty of European Studies and Regional Development

Slovak University of Agriculture in Nitra

Tr. Andreja Hlinku 2

949 76 Nitra

Slovak Republic

T: (+421) 905 123 500

E: [barbarapavlikova@gmail.com](mailto:barbarapavlikova@gmail.com)

### Description of the author

Author focuses on different areas of EU policy and law, national law and related aspects of tourism and culture.

# REVIEW

**VLČEK, J., KALABISOVÁ, J., PLZÁKOVÁ, L., STUDNIČKA, P. Innovation in the Service Supply in Hospitality – the Case of Hotel Stein. Prague: Press21 Ltd., 2013. 82 p. ISBN 978-80-905181-3-1.**

Tourism services used by customers are distinguished, according to their significance, as basic and supplementary. The essence of basic tourism services is ensuring the transfer of tourists to and from the tourist destination, and the provision of services related to the stay in the recreation area. These services are transport, accommodation and catering.

Tourism is linked to a particular place, region or state, whose supply is dependent not only on business entities, but also on public administration bodies. Cooperation between the different actors, coordination of individual activities in terms of space and time, and communication between all stakeholders in the development of tourism is necessary to fully satisfy visitors and tourists. In tourist destinations, it is necessary to apply the basic principles of destination management.

Nowadays, we often encounter the term "hospitality", which has no Czech equivalent and is often defined as "taking good care of guests". The role of the hospitality sector is the creation and provision of accommodation and food services. Accommodation services provide accommodation outside the usual environment, including additional requirements that are connected with an overnight stay or temporary stay. Catering services meet the nutritional needs of tourists.

Hospitality involves the construction, management and organization of large hotels and hotel chains, ensuring their operation, and provision of hotel services. With the increasing demands of guests, it is necessary to innovate with regard to services. On the supply side, this includes the introduction of a variety of wellness programs and the creation of subsidized accommodation packages. In the context of the Europe 2020 document, the EU strives to maintain Europe's position as one of the leading destinations in the world. The initiative is focused on innovation, while innovation vouchers are targeted at small and medium-sized enterprises, which hold a dominant position in the tourism and hotel industry.

The aim of the project *The New Face of Hotel Stein* is to reduce the impact of seasonal fluctuations and increase the competitiveness of Hotel Stein through innovation in management activities focused on the customer, and innovation in the services offered. A theoretical approach to innovation and knowledge transfer in the hotel and tourism industry

is described, the output of which is processed using a Cross-Case Analysis. During the project an extensive questionnaire survey was carried out, which focused on the hotel guests, the environment, and competition from Czech and German accommodation. Attention was given to market segmentation, design of new packages and conducting a SWOT analysis.

The output includes suggestions for the innovation of processes, products and services, which should lead to an improvement of the current situation in the form of a business plan, and also includes a risk analysis. The methodological approaches included use of the CID model (coordination, innovation, diversification), the CRM system (Customer Relationship Management) and the 3V model (value customer, value proposition, value network). The annex includes a questionnaire for hotel guests, which was distributed from July to September 2012.

The Monograph *Innovation in the Service Supply in Hospitality – the Case of Hotel Stein* has been produced with the financial support of the Karlovy Vary Region in the project UEPRKKK201209 – The New Face of Hotel Stein, under contract No. 271/2012.

### **Z recenzních posudků**

**VLČEK, J., KALABISOVÁ, J., PLZÁKOVÁ, L., STUDNIČKA, P. Inovace nabídky v hotelnictví na příkladu hotelu Stein. Praha: Press21 s.r.o., 2013. 82 str. ISBN 978-80-905181-3-1.**

*„Inovace nabídky v hotelnictví na příkladu hotelu Stein je potřebnou chybějící publikací doplňující, resp. rozpracovávající tuzemské doposud vydané odborné učebnice a vědecké tituly zabývající se problematikou cestovního ruchu včetně hotelnictví. Pojednává o velice aktuálním ekonomickém a sociálním tématu, jehož pochopení v celé šíři je určující pro efektivní chování subjektů cestovního ruchu i subjektů souvisejících s cestovním ruchem nejen v současnosti, ale zejména v budoucnosti. Posuzovaná monografie svým obsahem zasahuje do hotelnictví a do problematiky destinačního managementu na Chebsku, resp. v Karlovarském kraji.*

*Aktuálnost problematiky je zřejmá i z pohledu regionálního. Zvolené území patří historicky a z objektivních ekonomicko-sociálních důvodů i v současnosti v důsledku minimální existence sekundárního a primárního sektoru mezi ekonomicky „podvyživené“ regiony, což lze částečně kompenzovat smysluplným využitím jeho přírodních předpokladů. Cestovní ruch se tak jeví jako jedna z mála možností, jak tuto situaci pozitivně změnit.*

*Monografie má jasnou a logickou stavbu. Je rozdělena na dvě části, obecnou s důrazem na teorii a globální přístupy k předmětné problematice a na aplikační praktickou. První část seznamuje v přiměřeném rozsahu s vybranými částmi teorie, souvisejícími se zkoumanými*

otázkami, čímž předkládá nezbytnou odbornou základnu pro pochopení podstaty předmětné problematiky a vytváří také východiska pro následnou aplikaci předkládaných informací a část (kapitolu) praktickou, ve které jsou na posuzovaný hotel aplikovány, pomocí odpovídajícího souboru konkrétních nástrojů, obecné poznatky a zákonitosti pojednané v první kapitole.

Vysoká zmíněná aktuálnost resp. potřebnost monografie tohoto typu je dána také její specifičností. Předkládá metody, postupy a příklady hmotných i procesních výstupů analytických a tvůrčích aktivit, jimiž se lze inspirovat v hotelové, ale v i řídicí praxi cestovního ruchu v regionech. “

**Ing. Karel Nejdli, CSc.**

Společnost vědeckých expertů cestovního ruchu

„Tato odborná monografie je součástí projektu UEPRKKK201209 Nová tvář Hotelu Stein řešeného v rámci Inovačních voucherů Karlovarského kraje v celkovém rozsahu 82 stran.

V předmluvě autoři zdůrazňují význam hotelnictví pro cestovní ruch, kdy označují hotel jako ryzí podnik cestovního ruchu, zabývají se jeho umístěním a charakterizují nabízené programy (wellness a agroturistika). Zvolený hotel vznikl úpravou středně veliké zemědělské usedlosti a dosáhl stupně tří hvězdiček. Může být využíván k pořádání menších konferencí a seminářů a k outdoorovým a incentivním pobytům.

V následujících kapitolách se řeší nejdříve problémy obecné – vztah cestovního ruchu a hotelnictví, případová studie, charakteristika hotelových hostů, návrhy inovačních procesů. Důkladně je rozebrán problém vztahu cestovního ruchu a hotelnictví, včetně uměřené historické exkurze. Zajímavá je charakteristika využitelnosti území regionu pro trh! Je srovnáván vývoj ubytovacích kapacit, je uveden přehled současné struktury a kapacity hotelů – vše v republikovém a světovém srovnání (včetně přehledných současných tabulek a grafů). Za velmi cennou považují část, která se týká velmi potřebného problému – řešení společensko-ekonomických disparit. Případová studie se zabývá i charakteristikou rizik nabídky hotelu Stein v souvislosti s potřebnými reakcemi na současné sociálně-ekonomické změny.

Závěrem je nutné konstatovat, že předložená publikace je velmi potřebným a konkrétním přínosem tolik potřebné inovace v současném nelehkém období, kdy jednotlivé hotely musí přemýšlet o co nejefektivnějším řešení své udržitelnosti. Práce svým obsahem i rozsahem plně vyhovuje potřebám praxe, je psána čtivým jazykem a doprovázena sympatickým množstvím tabulek a grafů. “

**doc. PaedDr. Jiří Štyrský, CSc.**

Univerzita Hradec Králové