

# DIFFERENCE BETWEEN SHARE, AVERAGE GROWTH AND NUMBER OF TOOLS USED IN ONLINE SALES OF INDIVIDUAL AND GROUP HOTELS

Tina Vukasović<sup>1</sup> 

Vlaho Mihač<sup>2</sup> 

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**Abstract:** *The purpose of the following research was to explore the possible difference between individual and group hotels, to determine which is and is there any difference in the share of online sales, average growth and tools used for online sales of hotel accommodation in the Republic of Croatia. To reach the desired results, the authors have used the quantitative research method and research of secondary data from the PHOBS CRS system, which is the most used CRS in the Republic of Croatia. The main discoveries of the research are the share of online sales in total hotel sales, the average growth of online sales, the number of tools used in hotel sales and the impact of COVID-19 on online sales in 2020. Employees in hotel sales can use these findings to gain insight into mentioned topics and to compare their results with the results in the paper.*

**Keywords:** *Hospitality, Tourism, PHOBS CRS, COVID-19, Croatia.*

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## 1. INTRODUCTION

Tourism has been recognized as a strategic sector for economic growth in many countries and as one of the most important industries in the world. It is the largest generator of well-being and employment in the world and an engine for economic development, both in developed and developing countries (Blažević, 2007, World Travel & Tourism Council, 2014, World Tourism Organization, 2019). According to the European Commission, it is the third-largest socio-economic activity in the EU (after the trade and distribution, and construction sectors), and has an overall positive impact on economic growth and employment. Traditionally, Europe plays a significant role in the overall international tourism flow, with a share of 51% (World Tourism Organization, 2019.) in 2018. In the last five years, this sector has registered growth, a trend that is projected to continue over the next decade. Online travel sales worldwide have increased by double-digit every year and the online booking market reached the scale of \$189.62 billion in 2017 (eMarketer, 2017). The growth trend would have continued if there was not an outbreak of the COVID-19 in 2020. According to the World Tourism Organization, international tourist arrivals dropped by 72% (Europe 68%) from January to October 2020. (United Nation World Tourism Organization, 2020)

Croatia's tourism industry is characterized by mass tourism and 'sun and sea' as the main tourism product. Recently, many attempts to move away from such products have been made, resulting in the development of various selective forms of tourism such as cultural, health, sports tourism, and others. Furthermore, considering the economic variables in the observed countries, the results indicate that tourism in Croatia is a more significant backbone of economic development, due to its greater contribution to GDP and employment. On the one hand, this can

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<sup>1</sup> DOBA Business School Maribor, Slovenia

<sup>2</sup> PHOBS, Croatia

be an advantage, but on the other hand, changeable tourism cannot be the main and sole driver of economic development, nor would it be desirable in Croatia. The development of tourism in Europe, and hence in Croatia, contributes to a stronger consolidation of the European Union, guaranteeing a link between regions and countries with their systems, languages, traditions, and cultures (Krstinić Nižić, Šverko Grdić & Hrustić, 2016, p. 79).

The hotel industry in Croatia thrives largely due to the growth in tourism and travel. Due to the increase in tourism with rising foreign and domestic tourists, the hotel sector is bound to grow. With a consistently growing middle class and increasing disposable income, the tourism sector is witnessing healthy growth and accounts for 19,6 per cent of the country's GDP (Ministry of Tourism of the Republic of Croatia, 2019.).

According to Ambrož and Gomezelj Omerzel (2017), like other industry sectors, the tourism industry has also encountered a variety of changes recently. New technologies and new tourist habits are the main reasons for the constant development. The revolution of the E-Commerce industry boosts the immense growth and potential business opportunities of the online tourism market. 95% of consumers search online before making a travel purchase. Best deals are an important motivation for customers to go online. Since the online agencies provide flexibility and accessibility, it is easy for tourists to search and buy travel products and services within a small fraction of time. Train and air tickets, car rentals or accommodation can be researched, evaluated, and reserved through the online sites 24/7 (Akhila and Manikandan, 2018, p. 9).

### 1.1. Tools Used in Hotel Sales and Marketing Departments

According to the previous research conducted on 30<sup>th</sup> January 2019, systems used by employees of the hotel sales and marketing department in their day-to-day business are the following:

**Table 1.** Systems used in online sales

System	Percentage of tools used
Hotel Information System / Property Management System (HIS /PMS)	74%
Central Reservations System (CRS)	74%
Content Management System (CMS)	32%
Payment gateway	18%
Online reputation management tool	6%
Revenue Management System (RMS)	6%
Call center management system	2%
Customer Relationship Management (CRM)	2%
Rate shopping tools	2%

Source: Vukasović and Mihač, 2021.

### 1.2. Purpose and Goals of the Research

The purpose of the following research was to explore the possible difference between individual and group hotels, in order to determine which is and is there any difference in the share of online sales, average growth and tools used for online sales of hotel accommodation in the Republic of Croatia.

The authors were also interested in the impact of COVID-19 on online sales in 2020. For that reason, the following research questions were set:

1. What is the share of online sales in total hotel sales?
2. What is the average growth of online sales in total hotel sales?
3. How many tools are used on average in hotel sales?
4. General impact of COVID-19 on online sales in 2020.

To reach the desired results, the authors have used the quantitative research method and research of secondary data from PHOBS CRS (Central Reservation System).

The name PHOBS in Croatian stands for 'Prvi Hrvatski Online Booking Sustav', or translated to English 'First Croatian Online Booking System'. Today, three hotel groups - the Luksic Group, the Valamar Riviera, and Maistra - manage more than half of the total hotel, resort and camp accommodations in Croatia (Istarski.hr, 2018). Besides the above mentioned hotel groups, some of the other multi-property groups in Croatia that use PHOBS CRS are Liburnia Riviera Hotel, Arena Hospitality Group, Bluesun Hotels and Resort, Suncani Hvar Hotels, Jadran Hotels and Campsites, Aminess Hotels and Campsites, and many more. The PHOBS system is a Croatian product well known outside of Croatia. As a virtual sales office for hotels, resorts, camps, and villas, it offers revenue-generating solutions for hospitality: property management interfaces, booking engine, yield manager, channel manager, revenue management interface, business intelligence & analytics, B2B manager, etc. (PHOBS, 2018).

## 2. METHODOLOGY AND RESEARCH SAMPLE

This research was based on the quantitative research method and research of secondary data from the PHOBS CRS system. As the basis for the quantitative survey, the authors have used the list of categorized facilities available on the Ministry of Tourism's website published on 31.08.2018 to which the authors have emailed an online survey on date 25.02.2019. According to the mentioned database, at the given moment, there were 737 hotels in the Republic of Croatia to which the authors have sent anonymous surveys.

**Table 2.** Number of hotels in the Republic of Croatia on date 31.08.2018.

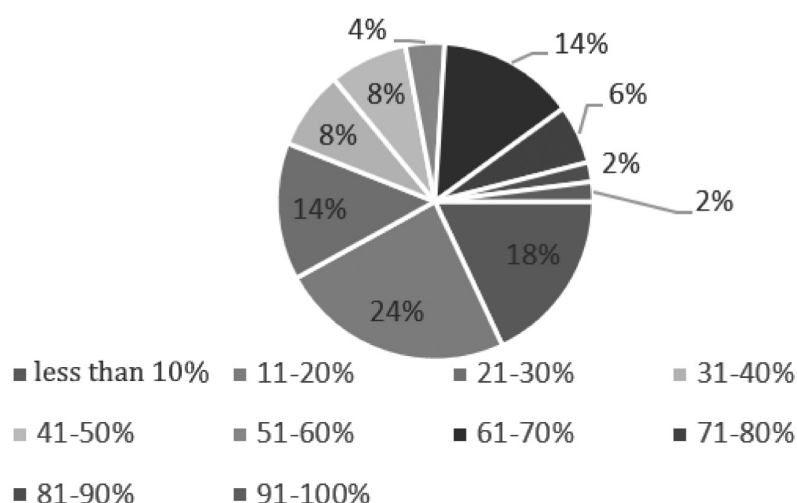
Object type	Facilities in total
2*	61
3*	305
4*	294
5*	37
Hotel baština (Heritage)	20
Scattered hotel	1
Dispersed hotel	15
Hotels of a special standard	4
The total number of hotels:	737

**Source:** Ministry of Tourism (2018).

In the research of secondary data from PHOBS CRS system, the authors have analyzed the data from 249 different companies.

### 3. RESULTS AND DISCUSSION

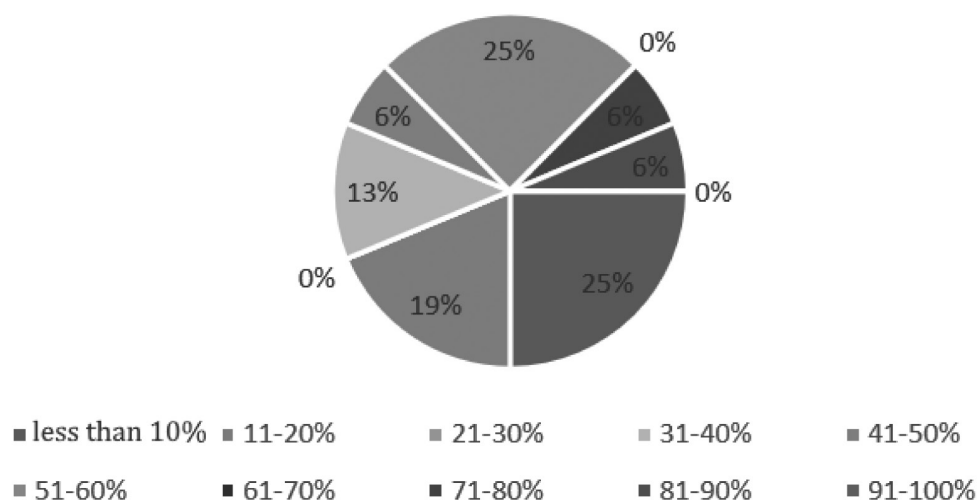
#### 3.1. Share of Online Sales in Total Hotel Sales



**Figure 1.** The share of online sales at individual facilities in 2018

**Source:** Author's research (2019)

Figure 1 shows the share of online sales at individual facilities. The overall average share of online sales for individual facilities in 2018 was 36.46%. Most facilities have a share of 11% to 20%. According to the chart, different shares on online sales can be seen, so for example, 5 respondents have an online sales share of over 70%. Such a high percentage is possible, for example, for establishments with a small number of accommodation units that do not accept group bookings and as such are not interesting to the classic allotment, so online sales remain the primary way of filling their capacities. In addition, it is important to know the average occupancy of such facilities, as well as the number of days in which such facilities are open, meaning they receive guests.



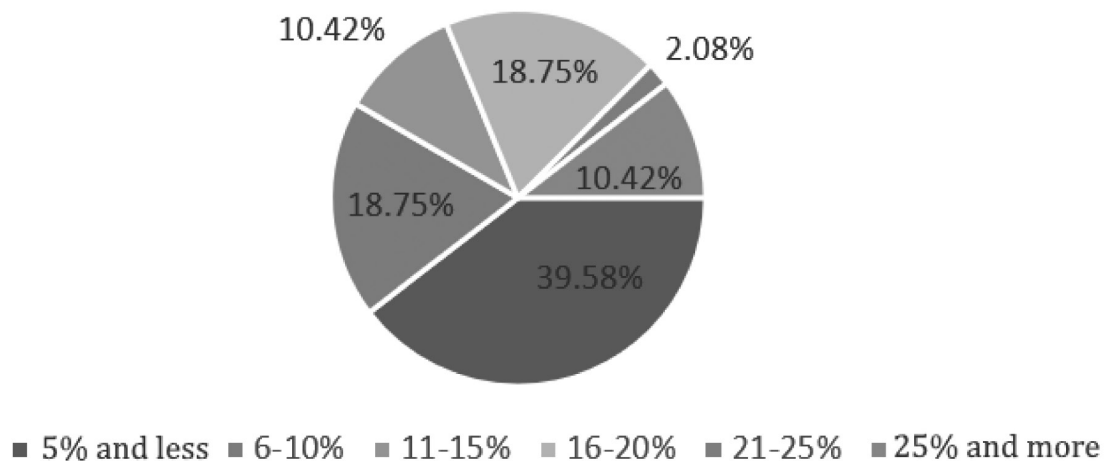
**Figure 2.** The share of online sales at group facilities in 2018

**Source:** Author's research (2019)

Figure 2 shows the share of online sales at group facilities in 2018. In such facilities, the total average share of online sales is 37.13%, and most of the facilities (25%) are in groups where the

share is less than 10% or 51% -60%. Companies with multiple properties, most often for ease of sales management, have a certain amount of capacity in allotment leases and cooperate much more with groups and agencies on request. The bankruptcy of the world's oldest tourist company and the second-largest tour operator in the world, Thomas Cook in 2019, will certainly affect the distribution of shares in the future. The growth of online and the increase in individual sales has certainly been one of the elements that influenced the aforementioned.

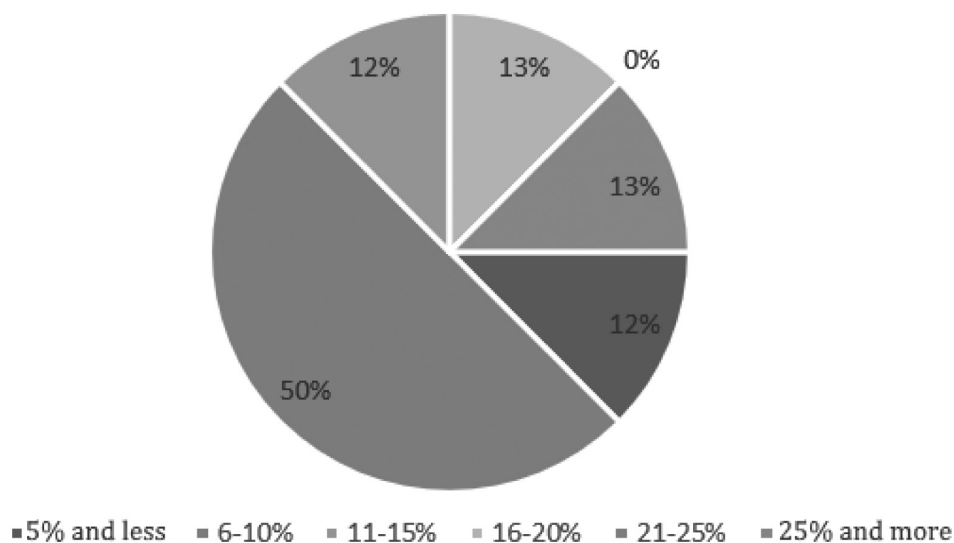
### 3.2. The average growth of online sales



**Figure 3.** Average growth of online sales in the period from 2015 to 2018 - individual facilities

**Source:** Author's research (2019)

Figure 3 shows the average growth of online sales from 2015 to 2018 for individual facilities. The overall average growth in online sales for individual facilities over the last three years is 12.87%. Most facilities have growth of 5% and less, that is 19 of them or 40%. The increase in online sales has certainly been influenced by advances in technology, Internet accessibility, an increase in secure purchases, and the efforts of OTA companies and the hoteliers themselves who have gone in that direction. General knowledge, prices of websites, social networks, and comment sites can be considered to be responsible for this trend.



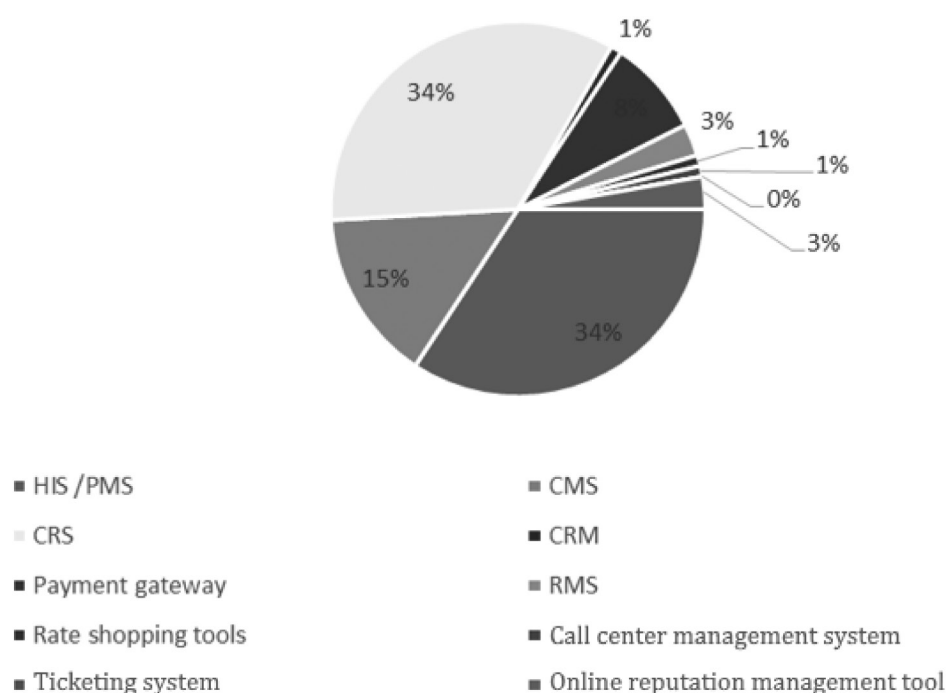
**Figure 4.** Average growth of online sales in the period from 2015 to 2018 – groups

**Source:** Author's research (2019)

Figure 4 illustrates the total average growth of online sales in facilities within the group from 2015 to 2018. In such facilities, a total average increase is 14.44%, and the majority of respondents, to be more precise, 8 of them (50%), have an average growth between 6% and 10%. Almost all groups in the territory of the Republic of Croatia (which may be generalized to other territories) aim to increase their share of online, i.e. direct sales for several reasons. Some of these represent better average prices and diversification of sales channels, i.e. less dependence on one channel/partner, which makes them more resilient to unplanned events. Some of the symptoms responsible for growth are certainly the same as those listed under Growth for Individual Facilities, and it can be expected that online share is going to grow over the years.

The overall average share of online sales for individual facilities is 36.46%, while for group facilities, it amounts to 37.13%. The overall average increase of online sales for individual facilities in from 2015 to 2018 is 12.87%, while the overall average increase of online sales for group facilities is a little higher and is 14.44%. (Vukasović and Mihač, 2021.)

### 3.3. Tool used in hotel sales

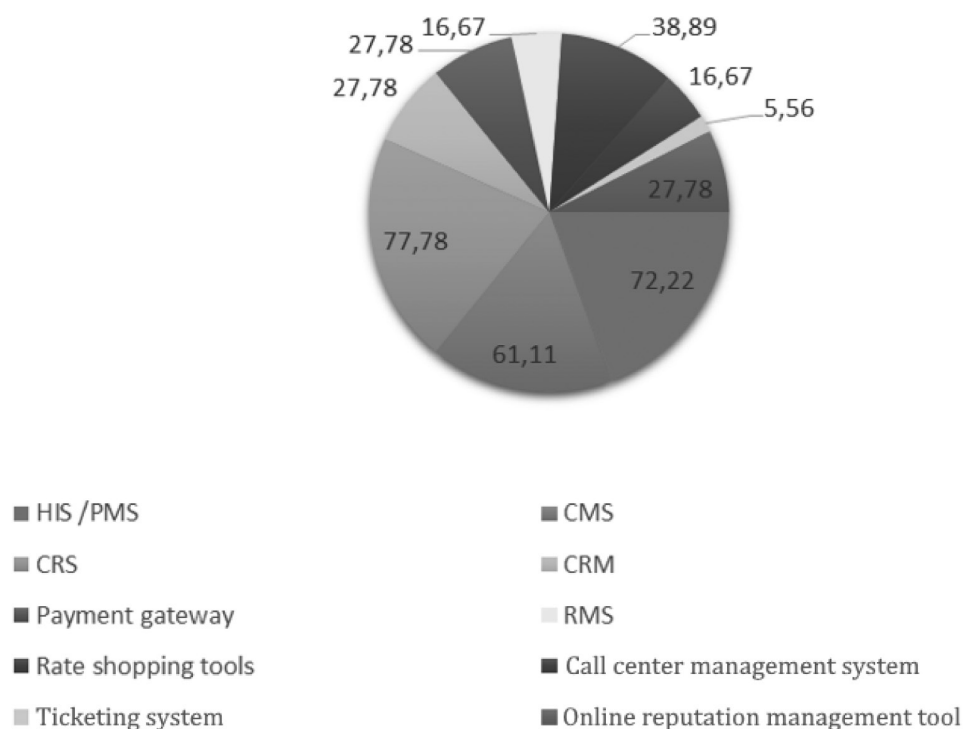


**Figure 5.** Tools used – single facilities

**Source:** Author's research (2019).

Figure 5 shows the percentage of tools used in individual facilities in 2018. The overall average of tools used in such facilities is 22.6%. The most used tools in individual facilities are reception and a central reservation system used by 74% of respondents, followed by a content management system used by 32% of respondents, and a payment processor used by 18% of respondents. Price and reputation management systems are used by 6% of respondents; the customer management system, a rate shopping tool, and a call center management system are used by 2% of respondents, and a ticketing system for customer communication is not used by any of respondents.





**Figure 6.** Tools used in 2018 – Groups

**Source:** Author's research (2019).

Figure 6 shows the percentage of tools used in group facilities in 2018. In such facilities, the most commonly used tools are (1) central reservation system used by 77.78% of respondents and (2) reception system used by 72.22% of respondents. Furthermore, (3) web content management system is used by 61.11% of respondents. A (4) rate shopping tool is used by 38.89% of respondents while a (5) customer management system, (6) payment processor and (7) online reputation management tools are used by 27.78% of respondents. An (8) price management and a (9) call center system are used by 16.67% of respondents, and one user, i.e. 5.56% of respondents, uses a (10) ticketing system to communicate with customers.

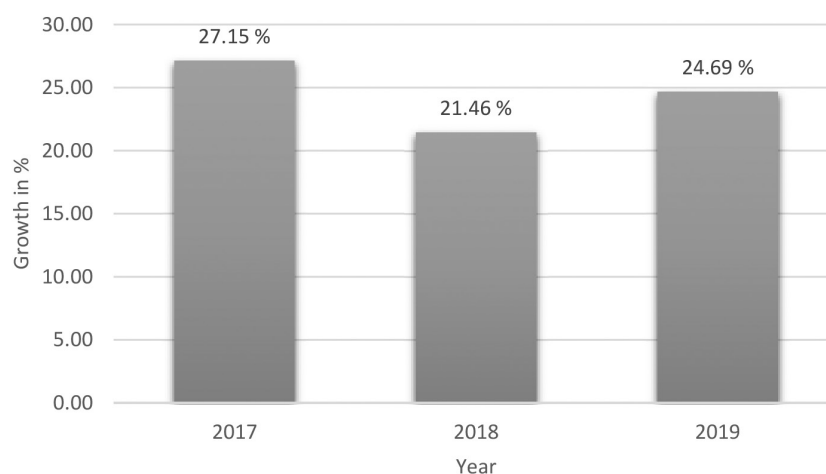
If answers of respondents who manage group facilities are compared with answers of those who manage individual ones, it can be seen that an equal percentage of them use reception and central reservation systems. The biggest difference may be seen in the usage of website content management systems, price management tools and guest communication and online reputation management tools. For smaller facilities, which represent the majority of 66% according to the results of the survey, it is very common that they have a 'family' atmosphere and that there is a large percentage of guests who return for this reason. Suppose that in such facilities hotel staff may be more dedicated to guests, which leads us to the question whether they need tools such as CRM, call center management system, ticketing communication system and various online reputation management tools.

### General impact of COVID-19 on online sales in 2020 in Croatia

In pre-pandemic time, according to the earlier research of secondary data on 241 hotels in the Republic of Croatia, the growth of online sales from 2017 to 2019 was 24.43% on average.

According to the financial data from 249 different companies inside PHOBS CRS, the difference between income in 2020 and 2019 is -53.74%. In 2019, there were 19.6 million tourist

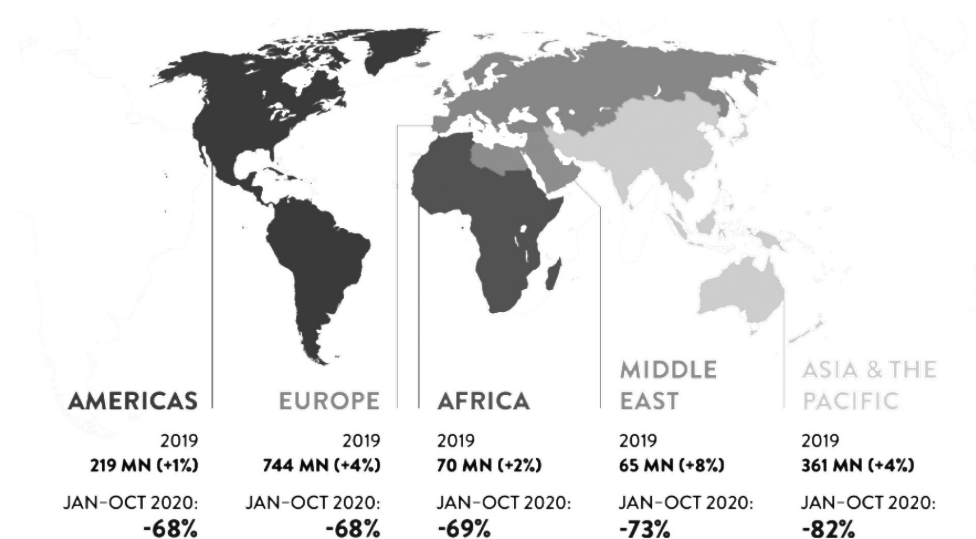
arrivals and 91.2 million tourist nights recorded in commercial accommodation establishments. Compared to 2018, there was an increase in tourist arrivals of 4.8% and an increase in tourist nights of 1.8%. (Croatian bureau of statistics, 2020)



**Figure 7.** Growth of online sales from 2017 to 2019

**Source:** Vukasović and Mihač, 2020.

The following figure shows international tourist arrivals by region from January to October 2020.

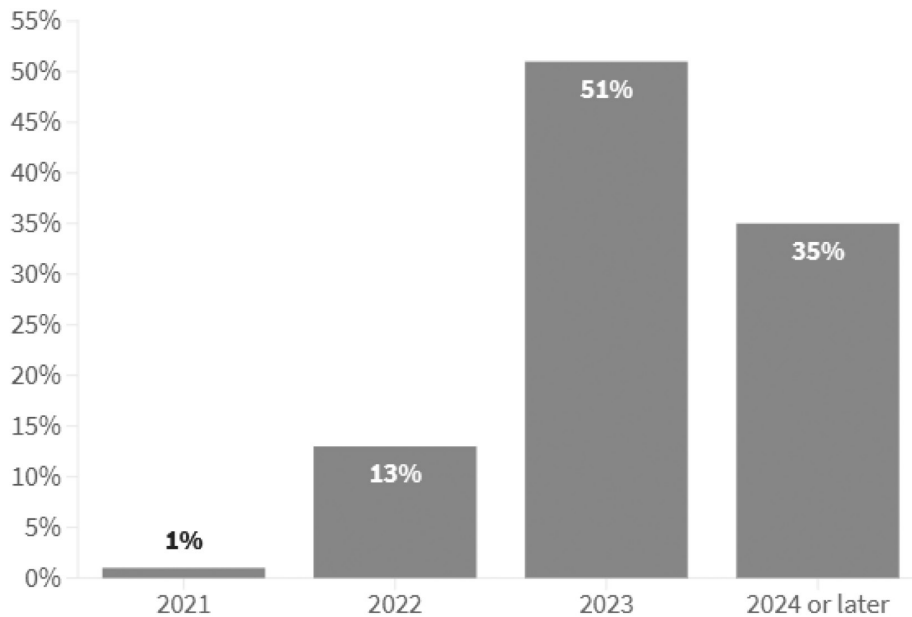


**Figure 8.** International tourist arrivals by region January-October 2020

**Source:** UNWTO, 2021.

Most foreign tourist arrivals and nights in 2019 in the Republic of Croatia were realized by foreign tourists (88.69%), of which the most were from Germany (16.6%), followed by the nights realized by tourists from Slovenia (8.9%), Austria (8.4%), Poland (7.0%), Italy (6.1%), Czech Republic (5.9%) and The United Kingdom (5.1%). (Croatian bureau of statistics, 2020) If the difference between the income from PHOBS and the drop of international arrivals from UNWTO are compared, it can be concluded that some other segments of hotel sales (like for example groups, MICE and allotment) had even bigger drop than the online sales, which is most likely because of the gathering limitations given by the government to slow the spread of the disease. According to the survey conducted by UNWTO in 2021, 86% of respondents expect that international tourism would return to pre-pandemic 2019 levels in Europe.





**Figure 9.** Expect of international tourism returning to pre-pandemic 2019 levels in Europe  
**Source:** UNWTO, 2021.

#### 4. FUTURE RESEARCH DIRECTIONS

It would be interesting to know how the whole situation with COVID has influenced the number of tools used per property and the percentage of direct reservations in comparison to group and allotment sales. There is also a possibility that, because of the need for automation and distance, there will be more tools on the market with features like online check in and the like.

#### 5. CONCLUSION

The results indicate that online sales have been increasing recently, as well as the share of direct bookings of observed companies till 2020, which has then drastically dropped because of the ongoing pandemic.

In the quantitative research, the authors have decided to research separately group and individual hotels because the authors have noticed that in general group hotels have more employees working in sales and marketing departments, they use more tools and have larger budgets for online marketing, while in individual hotels (depending on its size/number of units) usually, one or two employees have multiple roles. For example, the sales manager takes care of online marketing and revenue management, front desk manager takes care of revenue manager, etc. It is the same with the tools used/needed given the size of the property.

If the results from respondents who manage group facilities are compared with those who manage individual ones, it can be concluded that an equal percentage of them use reception and central reservation systems. The biggest difference may be seen in the usage of website content management systems, price management tools and guest communication, and online reputation management tools. Although the number of tools used does not have a significant impact on the share of online sales in total sales, according to the results from PHOBS CRS, it can be concluded that companies that use more tools have a more significant share of direct bookings made through the website than bookings made through the OTA channels. It is also a fact that larger

companies have more resources for advertising and sales management. Therefore, smaller facilities need to think about the cost-effectiveness of introducing new technologies.

Predictions on the market for 2021 are that the main season (July and August for “costal” properties in Croatia) will mostly depend on the percentage of the vaccinated population in countries like Germany, Slovenia, Austria, etc. which had the most tourist arrivals in the past. Like the year 2020, the year 2021 will also be unpredictable and most of the reservations and decisions by guests will be made at the last minute.

Another interesting question is how this will all affect season workers and will there be plenty of them once the numbers turn back to normal.

The authors believe that research results can help anyone who wants to know more about the above-mentioned topic, whether they are just starting with the research or looking for additional ways and tools to improve their business. With all the available systems and automation, it is crucial to have a capable and motivated workforce. Systems are still a tool in the hands of man, which depend on his ability and creativity. Employees in hotel sales can use these findings to gain insight into mentioned topics and to compare their results with the results in the paper. They can also get more information about the impact on business results, depending on the number of tools used in day-to-day business.

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