IMPORTANCE OF PUBLIC RELATIONS MANAGEMENT IN SMALL HOTELS

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Abstract: This work explores co-dependency of Public Relations and competitive advantage based on numerous interviews with 60 managers of small hotels in Croatia. Aim of this research is to state different ways and possibilities of public relations implementation as one of the modern, efficient leading functions which gives the opportunity of adapting to changes and needs of modern market. In its first part the research covers the qualitative grading of public relations’ implementation within the limits of communication strategy in small hotels business in Croatia. Second part refers to determining the place and role of competitive advantages in small hotels’ business within the context of measuring the public relations’ influence on the increase of small hotels’ competitive advantages increase in Croatia.

The research has shown that the management of small hotels rarely applies public relations as a form of a continuous action with the aim of promoting vacation, without understanding that it is the way to improve its own type of business. The reasons for this could be found in the lack of possibility of each individual hotel's positioning as a result of insufficient funds, general and specific knowledge, as well as other possibilities. Using simple and multivariate regression analysis, the thesis of strong influence of competitive advantages on the increase of competitive advantages in small hotels in Croatia has been proven and the facts and propositions of implementation of public relations in small hotels’ business with the aim of competitive advantages increase have been stated.

The research has shown that the management of public relations adds to the mastering of processes of creating specific strategies and shaping business politics to improve the competitive advantages in business objects in the market conditions.

Key words: Public Relations Management, competitive advantages, small hotels, implementation.

Sažetak: ZNAČAJ MENADŽMENTA ODNOSA S JAVNOŠĆU U MALIM HOTELIMA. U ovom se radu istražuje međuzavisnost odnosa s javnošću i konkurentskih prednosti na temelju opsežnih intervjuјa s 60 menadžera malih hotela u Hrvatskoј. Cijel ovog istraživanja utvrditi načine i mogućnosti implementacije odnosa s javnošću kao jedne od funkcije upravljanja koja pruža mogućnost prilagodbe mijenjama i potrebama suvremenog tržišta. U svom prvom dijelu istraživanja je obuhvaćeno kvalitativnu ocjenu implementacije odnosa s javnošću u okvirima strategije komunikacije u poslovanju malih hotela u Hrvatskoј. Drugi dio

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Istraživanje odnosi se na određenje mjesta i uloge konkurentskih prednosti u poslovanju malih hotela u kontekstu mjerenja utjecaja odnosa s javnošću na povećanje konkurentskih prednosti malih hotela u Hrvatskoj. Istraživanje je pokazalo da menadžment malih hotela vrlo rijetko koristi odnose s javnošću kao oblik kontinuiranog djelovanja s ciljem promoviranja odmora, ne shvaćajući da je to način kojim se može bolje i uspješnije obavljati vlastita djelatnost. Kao razloge zatečenom stanju moguće je istaknuti i nemogućnost pojedinačnog pozicioniranja malih hotela kao rezultat nedostatka financijskih sredstava, općih i specijalističkih znanja, kao i drugih mogućnosti. Korištenjem jednostavnije i multiple regresijske analize dokazuje se teza o jakom utjecaju odnosa s javnošću na povećanje konkurentskih prednosti malih hotela u Hrvatskoj, te se iznose činjenice i prijedlozi mjera implementacije odnosa s javnošću u poslovanju malih hotela sa svrhom povećanja konkurentskih prednosti. Istraživanje je pokazalo kako menadžment odnosa s javnošću doprinosi ovladavanju procesima donošenja određenih strategija i oblikovanja poslovnih politika za poboljšanje konkurentskih prednosti u poslovnim objektima koji djeluju u tržišnim uvjetima.

**Ključne riječi:** menadžment odnosa s javnošću, konkurentske prednosti, mali hoteli, implementacija.

**INTRODUCTION**

Individuals and groups have always made relationships with others in order to fulfill the wants and needs of both. As the relations have changed in the modern world, the need for more complex social, political and economic interactions arose. Therefore, creating and maintaining relations on all levels of social system became an important field of scientific studies and professional work.

This work explores relations between organizations and their public, or more detailed, between small entrepreneurs in hospitality and their public. Special accent is put on small entrepreneurs who connect their business to a special kind of objects – hotels.

The author tried to investigate mutual relation between competitive advantages of small entrepreneurs who use public relations in sense of positive function of managing an organization and those who do not.

Constant changes have been supported by social, economic, political, market and other changes and they demand an imperative of taking competitive advantages to a higher level of competitiveness, not only at the level of a tourist destination, but as well as the level of management subjects.

Key role in strategic positioning in Croatian tourism belongs to small hospitality enterprises. One of the key commands, which as their aim, have the increase of enterprises' competitiveness are innovations in the field of quality of tourist product, quality of service and marketing.

Management of these enterprises, as the carrier of public relations, has been analyzed within the context of new surroundings, especially demands set in the conditions of management openness and competitiveness. Demand which is put in front of management is its ability to guide the changes and creation of such interrelationships which will enable marketing break on more and more demanding markets.

**Problem of research** is focused on research of creating and maintaining relationships with public and their influence on increase of enlargement of competitive advantages of small hotels.
1. METHODS OF RESEARCH

This paper will show part of the research results on small hotels management. It is a descriptive research, carried out on a once occurring, on purpose chosen sample. Target groups in this research are managers/owners of small hospitality companies. The results were obtained through interview method, on a sample of 60 managers/owners of small hospitality companies, on a model of Republic of Croatia. Data was collected by a specially structured questionnaire, and the research was carried out for 18 days, in period from June 24th till July 11th 2005.

Basic group was defined using the database of Ministry of sea, tourism, traffic and development. Database contains all categorized accommodation objects (companies and trades) in Republic Croatia. Hotel accommodation most commonly falls into the following three categories:
1. Small hotels (5 - 50 rooms)
2. Medium sized hotels (51 - 200 rooms)
3. Large hotels (more than 200 rooms).

Accommodation objects from the sample fall into the category of small hotels, and have less than 50 accommodation units.

Criterion which was set while forming the sample is based on the remarks on Trade law and Accounting law which define the criteria for small companies which, in Croatia, are companies that do not exceed two of three following criteria:
- Income in 12 months before balance 16 mil. kn (2,2 mil.€)
- Sum of balance after the loss deduction shown in active 8. mil kn (1,1 mil.€)
- Average number of employees in a year 50

Elements were taken out from the database within each of the counties separately, to obtain the best possible global proportionate picture on a national level of Republic of Croatia. The number of elements in the sample obtained in the described manner was n=60.

Small business subjects are, according to legal form of their business a majority (40 or 66,7%) registered as a private legal person i.e.(d.o.o.), while a third of the sample is registered as a trade (20 or 33,3%).

Largest number of small entrepreneurs employ up to 20 people (86,7 %). The greatest group, also in the structure, is from 10-19 employees (38,3 %), followed by entrepreneurs who employ 6-9 employees (31,7 %), and 1-5 employees(16,7 %). The largest number of employees in the sample was 43.

When comparing the type and category of accommodation objects, it is possible to conclude that the largest number is small hotels categorized with 3* (65%).

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2 Ministarstvo mora, turizma prometa i veza Republike Hrvatske, www.mmtpv.hr/kategorizacija/25.10.2005./
4 Zakon o obrtu, (NN RH 43/03.)
5 Zakon o računovodstvu, (NN RH 90/92, article 16.)
On second place are those with 4* (23.2 %). Therefore, hotels with 3* and 4* make 88.2 % of the sample, although objects from the Other objects for accommodation category were taken into account.

Research methods are based on two basic principles which understand the use of descriptive and inferential analysis. Methods of simple and multiple regression analysis were used to show the role of public relations in increase of competitive advantages of small hotels in Republic of Croatia.

The SPSS package version 11.0 was used to analyze the data. Reliability was assessed using Cronbach's alpha coefficient, which represents a measure of the internal consistency.

2. USE OF PUBLIC RELATIONS IN SMALL HOTELS

Many definitions try to capture the essence of public relations trying to list main activities which make up practice. Concept development and attempt to describe practice mostly lead to the definition of public relations as a function of guidance which creates and maintains useful relationships between the organization and different public to which its success or failure is depended on.

It is important to notice that the concept of public relations is quite often mixed with component parts and activities of public relations themselves, such as: publicity, advertising, lobbing etc.

Separate field of PR, Relations with media gets more and more attention. Besides they create public opinion, media transfer information to potential guests. Therefore, development and maintenance of quality relations with the media becomes one of the most important segments of organization's strategic planning. Free presence in the media emerges, total expenses decrease and a good promotion for the company is created. Kotler defines publicity as non paid message about the business of the company or their products (services) delivered through one of the mass media.

Small entrepreneurs in hospitality should accept media as a good opportunity to promote themselves with no cost. But first, a company should have an interesting and attractive message which would ensure the attention of both media and the target groups whom the message should reach. Small business subjects will easily gain their trust with their cordial behavior, hospitality and the ability to adapt quickly.

In the continuation, the results of empirical research of PR use within small entrepreneurship in hospitality are presented. They show that there is no real conscience of the importance of Public relations as a part of communication strategy. (Figure 1).

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7 Cutlip, S. M., Center, A.H., Broom, G. M.; Effective Public Relations, MATE Zagreb, Zagreb, 2003, p.6.
8 Skoko, B.; Medije treba znati iskoristiti, Poslovni magazin, no. 6., June, 2003, p. 42-43.
Figure 1: PR use in small hotels

It is visible that only 20% of small entrepreneurs use PR, 60% of them use it regularly, while others use it quite weak and irregularly. It is possible to conclude that only 12% of all sample small entrepreneurs use PR significantly and affirmatively. Therefore, more important implementation of PR in small hotels is yet to come.

In general, there is no quality approach or tactics selection without previously defined market position or small entrepreneurship in Croatian hospitality. Defining market position can be labeled with a slogan: "Small hotels for a quality vacation".

The need of market activity improvement on all levels emerged, because there is no clear policy of promotion, attracting and creation of guests' loyalty. Activities of promotion are based on "own forces" to which the attraction of guests depends. Formation of branding, sale system, promotion and policy should be the basis of new marketing approach.
New tactics of communication would be based on:

- Special signs for categorizing different accommodation offer
- Study travels with the task of learning from the leading destinations about the successful development and products structuring procedure
- Association of free access, at the level of small hospitality entrepreneurs, all operators included in the sector of vacation at seaside/in the continental part, including the representatives of private and public sector. Its aims, among others, include: development and creation of products package, strategies of promotion and commercialization and marketing projects co-financing
- Off-line advertising consists of promo offers in chosen printed media of target emitive markets. Their aim is to induce out of season demand
- Press trips which generate reports and articles on theme offer of small objects accommodation
- e-mailing of hotels and apartments, monthly offers sent by e-mail to potential clients who use Internet
- Your eyes only, special way of cooperative direct marketing, consists of promo video sent to a small number of households. Used to launch renewed accommodation offer with 4 or 5 stars
- Appetizers of hotels and apartments, leaflets which contain shortened presentation of specially marked accommodation offer
- Directory – elaborate guide of small accommodation objects (location, category)

Public relations (PR), is not recognized by small business subjects as a form of continuous performance with the aim of promoting vacation in small business objects (hotels). Purpose of PR is to increase awareness of potential users of spending vacation in small family hotels which should shift towards different segments of guests (third age guests, sportspersons, children, businessman, young couples, and groups of friends).

3. COMPETITIVE ADVANTAGES OF SMALL HOTELS

Competitive advantages are the answer to the question: „How to improve your position compared to the competition in the future?”

Sources of competitive advantages lie in combining and enforcing skills and development of superior resources (assets) while creating value for the guest.

Therefore, it is possible to divide resources to tangible and intangible. They are the outputs which enable an organization to practice all of their activities. Tangible resources include shares, material mechanisms, buildings, human resources, finances
etc. Intangible resources include skills, knowledge, trademarks, copyrights, patent rights etc.\textsuperscript{11} It is possible to include „free resources“ within the context of hospitality.

Bull\textsuperscript{12} states that the base of tourism lies in combining ‘free resources’ (renewable resources) as well as the resources from private and public sector. Free resources in combination with rare resources make up what most of tourists understand as a ‘product’.

Managers in tourism and hospitality are faced with special challenges which can be recognized through:\textsuperscript{13}

− Resources immobility
− Resources replacement
− Conflict of resources and competitiveness
− Ownership and resources control
− Seasonality
− Low rewards
− Capacity limitations
− Time.

Texts on strategy and tourism often use term maintenance connected to the idea of advantages. Maintenance is reached when those who are in advantage keep their position in spite of the competition.\textsuperscript{14} In other words, in order to reach final goal of maintenance competitive advantages, a company needs to resist copying or imitating other companies.\textsuperscript{15}

In his work Competitive Advantage\textsuperscript{16}, Porter claims that competitive advantage rises from the value which the company is capable to create for their consumers, and it surpasses the expenses of its creation.

Competitive advantages are formed by those activities, features and qualities of organization which are better than their competition. Competitive advantage creation is possible to define only compared to rivals-competitors meaning that the company needs to create more value than their competitors.

There are two criteria of creating and maintaining competitive advantages:\textsuperscript{17}

1. Activities which are unique for the company, and the company needs to produce goods or offer services which are valued by the consumers
2. Competitors cannot easily copy it.

\textsuperscript{11} Coyne, K.P.; \textit{Sustainable Competitive Advantage \textemdash what it is, what it isn’t}, Business Horizons, Jan.-Feb., 1986, p. 54-61.
\textsuperscript{17} Bahtijarević-Šiber, F.; Management ljudskih potencijala, Golden marketing Zagreb, Zagreb, 1999., p. 129.
Competitive advantages of a company are not defined only from the aspect of products they produce. Mostly they are the companies which possess strength and capacities for quick transformation of production or services they offer. Key to success is complete consumer-guests' satisfaction by developing skills, knowledge and processes which can easily be adapted to their changeable demands.

Descriptive analysis of competitive advantages is shown in the continuation. Table 1 shows frequency of particular competitive advantages in the sample analyzed.
<table>
<thead>
<tr>
<th>COMPETITIVE ADVANTAGES</th>
<th>F (from 60)</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Family atmosphere, hospitality, individual approach</td>
<td>55</td>
<td>.92</td>
</tr>
<tr>
<td>2. Micro-location of an object</td>
<td>45</td>
<td>.75</td>
</tr>
<tr>
<td>3. Service quality</td>
<td>39</td>
<td>.65</td>
</tr>
<tr>
<td>4. Staff quality</td>
<td>31</td>
<td>.53</td>
</tr>
<tr>
<td>5. Product's quality</td>
<td>31</td>
<td>.53</td>
</tr>
<tr>
<td>6. Interior and exterior design</td>
<td>25</td>
<td>.43</td>
</tr>
<tr>
<td>7. Creativity</td>
<td>18</td>
<td>.30</td>
</tr>
<tr>
<td>8. Possibility of special services offer</td>
<td>18</td>
<td>.30</td>
</tr>
<tr>
<td>9. Wide specter of products and services</td>
<td>15</td>
<td>.25</td>
</tr>
<tr>
<td>10. Strong strategy</td>
<td>13</td>
<td>.23</td>
</tr>
<tr>
<td>11. Family tradition</td>
<td>12</td>
<td>.20</td>
</tr>
<tr>
<td>12. Protected cultural monument</td>
<td>7</td>
<td>.12</td>
</tr>
<tr>
<td>13. Strong market promotion</td>
<td>4</td>
<td>.08</td>
</tr>
<tr>
<td>14. Stories and experience</td>
<td>4</td>
<td>.08</td>
</tr>
</tbody>
</table>

Source: created by author, based on data analyses of own research

It is possible to notice that 'Family atmosphere...', is mostly mentioned as competitive advantage, while 'Market promotion' and 'Stories and descriptions' are the least mentioned advantages. Described competitive advantages have the smallest variability of results, and that fact should be taken into account while giving further interpretation and other statistical analysis.

### 4. INFERENCEAL ANALYSIS OF COMPETITIVE ADVANTAGES OF SMALL HOTELS

Grading the influence of individual characteristics and correlates on competitive advantages is a statistical processing of data which has two basic aims:
1. to establish the possibility of getting a reliable Index of competitive advantages from the data gathered
2. to establish relevant predictors of competitive advantages

As the basic descriptive characteristics of specific competitive advantages have been previously stated, it will be tried to determine the reliability of the competitive advantages scale.

#### a. Reliability of the competitive advantages scale

Results were analyzed to determine reliability with the aim of forming a unique and reliable Index of competitive advantages.

Scale, which is formed of all the questions which were related to competitive advantages, has satisfactory reliability $\alpha=0.72$. Therefore, the Index of competitive...
advantages, calculated by adding all competitive advantages, can be considered a reliable measure of competitive advantages.

b. **Predictors of competitive advantages**

Standard multivariate regression analysis, in which the Index of competitive advantages was set as a criterion variable, was carried out with the aim of determining more important characteristics and correlates of competitive advantages.

Results' prognosis was based on larger number of predictors.

**Table 2:** Multivariate regression analysis carried out on characteristics and correlates of competitive advantages

<table>
<thead>
<tr>
<th>Predictors:</th>
<th>Non-standard regression coefficients</th>
<th>Standard regression coefficients</th>
<th>t</th>
<th>p</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>std. mistake</td>
<td>Beta</td>
<td>t</td>
<td>p</td>
</tr>
<tr>
<td><strong>Constant a</strong></td>
<td>-4,034</td>
<td>2,904</td>
<td>-1,389</td>
<td>1,71</td>
<td></td>
</tr>
<tr>
<td><strong>Object categorization (</strong>)**</td>
<td>1,321</td>
<td>.747</td>
<td>.230</td>
<td>1,768</td>
<td>.083</td>
</tr>
<tr>
<td><strong>Months in a year</strong></td>
<td>.306</td>
<td>.155</td>
<td>.216</td>
<td>1,971</td>
<td>.054</td>
</tr>
<tr>
<td><strong>Used PR</strong></td>
<td>1,844</td>
<td>.624</td>
<td>.313</td>
<td>2,955</td>
<td>.005</td>
</tr>
<tr>
<td><strong>Have a certificate of quality</strong></td>
<td>3,435</td>
<td>1,053</td>
<td>.409</td>
<td>3,263</td>
<td>.002</td>
</tr>
<tr>
<td><strong>Compare themselves with domestic competition</strong></td>
<td>-.120</td>
<td>.664</td>
<td>-.022</td>
<td>-.181</td>
<td>.857</td>
</tr>
<tr>
<td><strong>Compare themselves with foreign competition</strong></td>
<td>.412</td>
<td>.734</td>
<td>.071</td>
<td>.561</td>
<td>577</td>
</tr>
<tr>
<td><strong>Average price of two-bed bedroom</strong></td>
<td>-.012</td>
<td>.009</td>
<td>-.190</td>
<td>-.136</td>
<td>.186</td>
</tr>
<tr>
<td><strong>Average occupation per room</strong></td>
<td>.016</td>
<td>.017</td>
<td>.108</td>
<td>.968</td>
<td>.338</td>
</tr>
<tr>
<td><strong>Staff limitations</strong></td>
<td>-.035</td>
<td>.105</td>
<td>-.036</td>
<td>-.334</td>
<td>.740</td>
</tr>
<tr>
<td><strong>Need for better cooperation</strong></td>
<td>.870</td>
<td>.306</td>
<td>.333</td>
<td>2,848</td>
<td>.006</td>
</tr>
</tbody>
</table>

R=0,712, p<0.01, R²=0,507
Used predictors explained 50.70% of variance results in criterion variable. Among the statistically relevant predictors (p<0.10) Use of PR in business is specially explained. Connection between PR usage and competitive advantages is r=0.41. It means, that based on the degree of PR usage, the difference between competitive advantages, which is 16.49%, can be explained.

Simple regression analysis proves that PR usage increases index of competitive advantages by 2.39 points, which means 44.42% competitive advantages increase in average. Percentage of average competitive advantage increase has been calculated as \((B/M_{kp}) \times 100\)\(^{18}\).

![Figure 3: Results of Multiple regression analysis](image)

<table>
<thead>
<tr>
<th>Certificate quality</th>
<th>CA Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>63.85%</td>
<td></td>
</tr>
</tbody>
</table>

Use of PR
- 34.28%

Category increase
- 24.55%

Need for better cooperation
- 16.17%

Working months per year
- 5.69%

It is possible to conclude that the relation between PR and competitive advantages is complicated and mediated by measures which were used in predictors’ status. That is the reason for choice of multivariate regression analysis, to determine independent contribution of PR to Index of competitive advantages increase.

When all of the mediator variables are controlled, semi partial correlation is decreased to r=0.30, which leads to a conclusion that the independent contribution of PR in small hotels explains the difference of 9% to Index of competitive advantages. Parameters from multivariate regression analysis show that after checking all mediator measures Usage of PR increases Index of competitive advantages by 1.844 points, i.e. by 34.28% average competitive advantages.

CONCLUDING REMARKS

Impossibility of individual positioning of small entrepreneurship is a result of lack of financial resources, general and specific knowledge, as well as other possibilities. Advantages of small hospitality enterprises are multiple. With its flexibility, creativity and dynamics, small hospitality enterprises give the base for accomplishing competitive advantages. Small hospitality entrepreneurs create added value and, therefore, ensure competitiveness of own market position.

Role of management in creating and maintaining PR contributes to competitive advantages increase of small business subjects, and therefore, the competitiveness of tourism and hospitality of Republic of Croatia. Results of empirical research show a considerable influence of PR to the increase of competitive advantages of small entrepreneurship in hospitality. They are especially relevant for mastering processes of choosing certain strategies and forming business policy for competitive advantages improvement in business objects which act under market conditions.

Future orientations, with a basic aim of improving strategy of management communication in small hospitality entrepreneurship, are proposed. New approach would be based on:

- 'New' sale system development
- Introduction of new marketing tactics and means of communication
- Strengthening the awareness of PR importance as a way of communication
- Special services promotion.

The research which has been carried out opened many questions and is only a small step towards what is offered, and, is that way, represents the basis for future researches. To conclude, it is possible to stress the need for more intense research of public relations in small hotels, as well as, the guests’ satisfaction as the only true quality measurement.

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