A SMALL HOTEL MARKET IN SLOVENIA: A POINT OF VIEW FROM BOTH SIDES OF THE COUNTER

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Abstract
Introduction – The purpose of this paper is to investigate a small hotel market in Slovenia. The goal of the research is to present key attributes of small hotels in the country, reasons why guests choose small rather than big hotels, and the attributes of small hotels that the guests are most satisfied with.
Design/Methodology – Empirical research was conducted in Slovenia from May 2014 to June 2015. The qualitative methods were used to collect and analyse data about the key attributes of small hotels (supply side), and the quantitative methods to collect and analyse data from small hotel guests (demand side).
Findings – The results of the study indicate that Slovenian investors design their small hotels similarly to small hotels' entrepreneurs in other countries. The major reasons why guests choose small hotels are their wish to establish closer contact with the local people and the local area, friendlier staff, and reasonable prices. Staff friendliness, their professionalism, and service quality are those attributes that small hotels guests appreciate the most.
Originality of research – This is the first empirical research on small hotels' market in Slovenia that offers an overview on its current situation in the country.
Keywords small and medium sized enterprises in tourism (SMTEs), small hotels (SHs), SH attributes, guest satisfaction

INTRODUCTION

Constant increase in tourist overnight stays (in 2016, 8.2 billion were registered globally) and 400 million-night increase on yearly basis require additional two million beds each year (IPK 2017). In tourist accommodation (TAC) sector, the share of hotels and similar accommodations amounted to 59% (ibid.).

TAC sector consists of different types of accommodation, such as hotels, motels, private rooms, apartments, campsites etc. (Mihalič 2002); great variety exists even among the TACs of the same type. In terms of size, the number of small independent TAC entities in Europe considerably exceeds the number of bigger ones (Page and Connell 2014). In Italy, the segment of small and family run hotels dominates. Similarly, small, family run hotels are dominant form of TACs in Austria (Kramarić 2010; Ettinger et al. 2018). In Croatia, almost half of the accommodation premises belongs to micro and small entrepreneurs (Kramarić 2010). The abundance of small hotels (SHs) is a characteristic of Spanish hotel industry as well (Rey-Martí et al. 2017).

Buhalis and Murphy (2009) define TACs that operate on smaller scale as small and medium-sized tourism enterprises (SMTEs). SMTEs contribute to the range, variety, authenticity and quality of tourist experiences and therefore play important role in the prosperity of destinations. Despite increasing number of studies on TACs, neither SMTEs in TAC sector nor SHs are frequently a research topic. Consequently, literature on SHs and other small TAC entities is scarce (Nolan 2002; Rey-Martí et al. 2017; Ettinger et al. 2018). The study investigating SHs market from both perspectives – providers and consumers – has not been conducted yet.

This research is about SHs in Slovenia. With only over 300 hotels (Žlogar 2015), Slovenia has (compared to neighbouring tourist 'superpowers' such as Austria, Croatia, and Italy) relatively small hotel sector (Mihalič and Buhalis 2013), even though its tourism is already among the important industries contributing 13% of country's GDP in 2014 (Slovenski turizem 2015). The larger part of SHs has been built after 1990 and is individually/family owned and operated. In spite of their growing importance in creating tourist satisfaction, SH entrepreneurship still occupies a marginal position in the mind of Slovene Government institutions, professionals and academics (Zupan and Milfelner 2014).

The study contributes to the body of literature focused on SHs and SMTEs by addressing the following research questions (RQ):

- What are the key attributes of SHs in Slovenia?
- Why guests choose accommodation in small rather than in large hotels?
- What are the attributes of SHs that best satisfy their guests?

Location, size, quality level, service and legal form have been investigated as the key attributes of SHs in Slovenia. Those attributes are most commonly used as key in assessing differences among small and big hotels (Medlik and Ingram 2000) and in relation to guests' satisfaction (e.g. Radojevic et al. 2015).

Little research has so far investigated why travellers choose SHs and not their 'big brothers'. The combination of specific SH attributes found in existing literature (as in Kramarić 2010; Barros and Mascharenhas 2005; Milohnić and Gržinić 2010; Medlik and Ingram 2000; Main 2002) was used as variables in question, asked to SHs guests. Two attributes on price were added to check whether (better or negotiable) price might be the key for the guest choosing small instead of large hotel. The second RQ demands a descriptive type of answer, therefore RQ was not further elaborated into a hypothesis despite of quantitative data that were collected.

Hotel guest satisfaction is one among frequently researched topic on hotels and is considered to be 'determinant of and the secret to success' (Radojevic et al. 2015). Although in theory, SHs should provide better level of tourist satisfaction, it is not always that they deliver consistently high level of service (Kozak and Rimmington 1998). The third RQ, therefore, investigates guest satisfaction in SHs. The variables measuring guest satisfaction were derived from two sources measuring customer satisfaction of tourists in Slovenia: model of Makovec-Brenčič et al. (2007) and model of Pisnik Konda and Milfelner (2009). The answer on the third RQ was designed to be of descriptive type. Therefore, the RQ was not elaborated into hypothesis.

1. LITERATURE REVIEW

1.1. Key hotel's attributes

Hotel service, location, rooms, price / value, food and beverage (F&B), image, security and marketing are the most frequently studied hotel areas (Dolnicar and Otter 2003). In recent hotel studies they are addressed as either characteristics (e.g. Yang et al. 2012; Masiero and Law 2016; Singh 2017) or attributes (e.g. Dolnicar and Otter 2003; Rhee and Yang 2015; Martin-Fuentes 2016; Albayrak et al. 2016; Román and Martín, 2016). A lot of research is one-dimensional, focused on hotel location, size, quality etc. (Rhee and Young 2016). In others, hotels attributes are associated with guest satisfaction (Radijevic et al, 2015), perception of quality of hotel services (Albayrak, Caber and Bideci 2016; Núñnez-Serrano et al, 2014; Román and Martín 2016), customer overall ratings (Rhee and Jung 2015), or with hotel profitability (Lado-Sestayo et al. 2016).

Due to the high profit margin, rooms are usually the most important revenue source for hotel (Chen and Lin 2013). Consequently, *number of rooms* gives the best picture on the physical scale of hotel's operation (Vallen and Vallen 2013). Thus, the hotel size is most frequently, but not exclusively, determined by the number of rooms (for e.g. by Vallen and Vallen 2013; Jones and Lockwood 2004; Medlik and Ingram 2000). Radojevic's et al. (2015) research demonstrates that the number of rooms has been (adversely) associated with customers satisfaction.

In Europe, SHs are hotel establishments offering less than 50 rooms (Cerović 2010), 33 on average (Medlik and Ingram 2010). SHs in Croatia (data for 2009), for example, have on average 22-23 rooms (Kramarić 2010).

As hotel services can only be consumed in a particular place and a given point in time, the nature of hotel business is crucially determined by its *location* (Dolnicar and Otter 2003). Location is one of the most important hotel's distribution aspects (Kotler et al. 2006) that determines the competitive position of the hotel over its competitors (Lado-Sestayo et al. 2015). From the tourist's point of view, location is essential factor that strongly influence a selection decision (Yang et al. 2012). From perspective of hotel investors, location presents one of the five key factors evaluated in decision-making process (Newell and Seabrook 2006).

Different tourist segments have different preferences toward location. Location close to the city centre might be perceived as favourable characteristic of hotel (Hall and Page 2014) for 'city-break' tourists, but not for typical leisure tourists looking for 'see, sun, sand' location (Radojevic et al. 2015). Furthermore, Yang et al. (2012) argued that location is also related with hotel classification: luxury hotels are more location sensitive than budget hotels. Thus, economy hotels are more likely located at the edge of the city than luxury ones, which exhibit strong preference to central locations.

Location – tourist destination or region – define the SH's target market (Rey-Martí et al. 2017). SHs can be located either on established tourist destinations, including big cities or metropolises (Dickson et al. 2006; Markova et al. 2013) or on peripheral locations

(Barros and Mascharenhas 2005). If located in peripheral location, SH might face serious challenges to successful business development (Morrison 1998).

Hotels ratings are used to classify hotels according to their *quality level* (Martin-Fuentez 2016). Quality of hotels is most commonly presented with stars: hotel can be granted from one to five stars (Núñnez-Serrano et al., 2014; Lopez-Fernandez and Serano Bedia, 2004). There is no common standard concerning what a hotel of each category should provide; however, it is rather clear that obtaining stars is based on objective criteria such as infrastructure, service, amenities, size of the rooms and common spaces (Martin-Fuentez 2016).

Star classification mechanism is the most common customer segmentation pattern in the hotel industry (Dioko et al. 2013). It gives information to guests and to travel agencies on the expected quality of hotel services: higher star-rating can be considered indicator of higher quality (Abrate et al. 2011). The star-rating is also related with price: price increases with each additional star (Martin-Fuertez 2016). Furthermore, hotel star rating predominantly influences on guest satisfaction (Ryan and Gu 2007).

When researching the quality competitive advantage of SHs in Croatia, Milohnić and Gržinić (2010) took star-rating as a quality measure. The researchers demonstrated that with average of 3.75, Croatia's SHs quality grade was higher than average quality grade of all Croatia's hotels (which was 3.15). The largest number of SHs (50%) were categorised with three stars, 25% of SHs were graded with four and 25% with five stars.

Hotel's service diversification is related to the market demand, to the location and investors goals. Provision of hotel rooms and F&B are basic components of overall *hotel service* (Medlik and Ingram 2000). The number of stars is most commonly related with hotel's service diversification: the more the stars, the brother the scale and the scope of overall hotel service (wellness, shops, hairdresser etc.). Yang et al. (2012) argue that downscale hotels are generally equipped with limited service infrastructure. As rooms are the most important source of hotel's revenue (Chen and Lin 2013), downscale hotels on peripheral area might have to turn to other businesses to support the SH operation due to poor accessibility to potential market for accommodation service.

Depending on the hotel size, the majority of SH guests are individuals or families, and rarely groups; the SH might cater food to guest or serve only breakfast, depend on its location (Medlik and Ingram 2000). If local inhabitants belong to the hotel's target guests, SH can have a restaurant of open-type, with additional spaces for business meetings, entertainment, family celebrations etc. In Croatia's, for e.g., SHs' basic services are related to F&B in a restaurant (90 to 100%) and meeting centres. In high percentage, SHs offer also wellness (Kramarić 2010).

Regarding the *organisational form*, hotels can operate as independent entities (without being affiliated to standards of other entities), or as connected in larger groups of hotels (e.g. hotel chains). If the latter, they can choose between various levels of connectedness intensity (e.g. franchises, capital- or management ventures, market alliances, consortia etc.) (Cerović 2010).

Traditionally, SHs are privately or family owned (Morrison 1998; Holverson and Revaz 2006; Ettinger et al. 2018). The most frequent legal forms for SHs are either a) one of the non-corporate forms (entrepreneur, sole proprietor, rarely partnership) or b) a formal form, e.g. a limited liability company (Medlik and Ingram 2000). The study of Milohnić and Cerović (2007) on Croatia's SHs shows that two thirds of SHs are registered a private legal person (limited liability company) while third of a sample was registered as a trade. Owners of smaller independent firms highly value management autonomy and that hoteliers in SHs like to remain active in the management of their property; therefore, they are not fond of being connected to a hotel group (Holverson and Revaz 2006).

1.2. Special attributes of SHs

When choosing a hotel, a segment of guests with certain preferences finds the size of the hotel important. Big hotels offer usually standardised architecture, rooms and services that might result in impersonal environment. This kind of environment is not conducive to providing a unique and unforgettable experience. The key to their success might be concealing functionality behind catering for clients' needs with efficiency and quality of service (Barros and Mascharenhas 2005).

Due to their feature, SHs have certain advantages over bigger hotels; therefore, they may appear more attractive for a certain segment of people (Zupan and Milfelner 2014). Their services may contain non-standardised elements that represent a marked contrast to standardised services of large hotels that cater mass-tourism (Lebe and Milfelner 2006).

SHs are also characterised by hoteliers who 'relate to' their guests with personal touch (Benmore 2014), by pleasant, cosy atmosphere and by the ability of individualized, differentiated and tailor made services (Pivcevic 2009). Moreover, SHs are supposed to have special features of interior and external appearance in accordance with local architecture (Kramarić 2010). As their value proposition is focused on 'true touch of destination' (Raguseo et al. 2017), guests might establish closer relationship with the location and people in it.

As attributes of SHs are their core strengths comparing to big hotels and hotel chains (Pivcevic 2009), contemporary tourists may benefit from personalised and unique lodging experience in them (Main 2002). Core strengths of SHs can also be assumed as their competitive advantages. For e.g., in Croatia's SHs, Milohnić and Gržinić (2010) identified ten important competitive advantages of SHs: family atmosphere, hospitality and individual approach, micro-location, service quality, staff quality, product quality, interior and exterior design, creativity, possibility of special service offer, scope of products and services etc.

Opposite to core strengths, SHs might face certain weaknesses, generally associated with overall SMTEs weaknesses (Wanhill 1999; Holverson and Revaz 2006). Those weaknesses might influence the SHs financial performance, but the guests do not note them when assessing their overall satisfaction by SHs.

1.3. Guest satisfaction

Guest experiences involve a diverse array of amenities and service encounters, influenced by the visitors' unique expectations. In today's competitive business environment, the ability to meet and exceed customer's expectations is a key determinant of guest satisfaction (Crotts et al. 2009). Providing and sustaining customer satisfaction remains one of the biggest challenges for managers in the hotel industry (Dominici and Guzzo 2010; Avelini Holjevac et al. 2010).

In the service marketing literature, customer satisfaction is traditionally determined as a complex human process, which involves cognitive and affective processes. Oliver's expectancy disconfirmation theory (Oliver 1997) suggests that customer satisfaction defines how well the product or service fulfils pre-purchase expectations of consumers. For measuring the gap between individual's pre-purchase expectations and post-purchase quality perceptions, SERQUAL model can be used. It includes ten determinants of perceived service quality, e.g. reliability, responsiveness, curtesy, tangibles etc. (Parasuraman et al. 1985).

Customer satisfaction can be understood as a post-consumption, evaluative judgment of a consumer concerning a specific service (Gundersen et al., 1996). In hotels, guest satisfaction is simply a subjective method for measuring hotel quality, opposed to star rating, which is objective method (Núñez-Serrano et al. 2014).

Over the years, different hotel facilities and attributes have been used for measuring guest satisfaction. According to Oh (1999), lodging guest satisfaction is composed of several dimensions: guest room (cleanliness, items, maintenance), employee friendliness and knowledgeable employees (attentiveness of staff). Dube et al. (1999) found out that quality of hotel services, guest room design and the physical property are highly correlated with guest satisfaction. Furthermore, Mattila's (1999) study revealed that the hotel's physical environment plays a critical role in the guest's value perception; price as well (Mattila and O'Neill 2003). For Chaves et al. (2012), the most frequently used components (or attributes) for qualifying the concept of guest satisfaction are rooms, staff and location (following by cleanliness, friendliness, helpfulness and centrality of position). Radojevic et al. (2015) confirmed that the most often researched hotel facilities and attributes, which contributes to guest satisfaction are the following: price, location, security, personal service, physical attractiveness, standard of services, appealing image, reputation, staff quality, value for money, presence of tangible components (e.g. restaurant, parking), interior and exterior aesthetics of the hotel, cleanliness etc.

In Slovenia, a model for measuring satisfaction of tourist in Slovenia was designed comprising the following attributes: image, price, quality, value, overall satisfaction, loyalty (Makovec-Brenčič et al. 2007). However, for measuring guest satisfaction in Slovene hotels the following variables were used: quality of staff, quality of information, quality of services, quality of additional services, overall customer satisfaction (Pisnik Korda and Milfelner 2009).

2. METHODOLOGY

The research consists of two parts and includes collection and analysis of data:

- Of five key attributes of SHs (supply side of SHs market) using qualitative research methods (first part);
- From SHs guests about reasons for choosing SHs as accommodation and about satisfaction with their stay (data on demand side of the SH market) using quantitative research methods (second part).

Data were collected in Slovenia from May 2014 until June 2015 as part of the extend research on hotel's entrepreneurship. There has been no formal list of SHs; thus, for the research purpose, SH was determined as being a privately owned (entrepreneurial) small TAC with at least 10 and not more than 50 hotel rooms / units that offers hotel services. Self-developed criteria were based on existing theoretical and empirical findings on SHs in Europe and on Slovene regulation on TAC types. The population of 125 SHs was identified in the country. All owners of SHs were invited to participate in the research by electronic invitation and a phone call. However, only those representatives of SHs, who were willing to participate in the first part of the research, were asked for permission for conducting the second part of the research.

In the first part, the sample of 62 SHs (49.6%) encompasses entities whose representatives agreed to participate in this part of the research. As SHs from the sample were geographically dispersed across the country, the sample can be anticipated as representative one. Data on 62 SHs key attributes were collected from site visits and interviews. Data on SHs location were collected in on-site observations, while data on SHs size, quality level, service diversification and legal form were collected in on-site semi-structured interviews with 62 hotel representatives (SHs owners or managers). The first author conducted interviews using reminder of four targeted open-ended questions: about number of rooms, number of stars, subtypes of overall hotel service and legal form. Answers were manually recorded. Data, collected in on-site observations and interviews were manually processed by using methods of consolidation according to the previously determined criteria and quantification.

For the second part of the research, 25 representatives of SHs from the sample of 62 SHs (participating in the step one) gave permission for collecting data from their guests. 256 SH guests were willing to fill in the printed questionnaire. Questionnaire has been translated from Slovene to German, Italian and Croatian language. The highest number of completed questionnaires per hotel was 15 (which was pre-set maximum) and the lowest two. The first and the second question inquired about the purpose of guests' visit (business or leisure) and about the frequency of choosing SHs for accommodation. The third question was about reasons, why guests choose small and not large hotels; six statements were provided to the guests. Answers were measured on a five-point Likert type scale from 1 = completely disagree, to 5 = completely agree with the statement. Guests satisfaction with SHs was measured with eight variables using five-point Likert scale from 1 = totally dissatisfied, to 5 = completely satisfied. To measure the guests' satisfaction with hotel experience, two control questions were added: recommendation of the SH to friends; staying in the same SH during another visit.

Data were analysed using statistical methods and SPSS statistical program. Categorical variables were described as frequencies and percentages, continuous as means and standard deviation. Factor analysis was used to verify the validity of the measurements and was carried out using the method of main axis perpendicular to the rotation. The number of factors was determined on the basis value of $\lambda > 1$.

The suitability of the factor analysis for the data was verified by using the Kaiser-Meyer-Olkin (KMO) sample adequacy (which should be higher than 0.50), and the Bartlett test of sphericity. The purpose was to test whether the correlation matrix was an identity matrix (when $p \leq 0.05$, it can be concluded that there is a correlation between measured variables).

3. RESULTS

3.1. Key attributes of SHs

The results of the qualitative part of the research are based on 62 site observations (Table 1) and 62 semi-structured interviews (Table 2). We interviewed 50 SH entrepreneurs and 12 SH managers. The structure of interviewees by gender was uniform: 32 males and 30 females. The interviewees were between 30 and 49 years old. More than half of SH entrepreneurs and SH managers had a college level of education or higher.

Five key attributes of SHs were investigated: a) location, b) size – number of rooms, c) quality level – star rating, d) service diversification (subparts of overall hotel service) and e) legal form.

Locations were grouped into three clusters: a) two major cities in Slovenia: Ljubljana or Maribor; b) established tourism destinations and c) other locations. The result of the study shows that 40% of SHs were located in places, which *do not* belong to established tourism destinations. Table 1 shows the results on locations, where SHs in Slovenia can be found.

Table 1: **Location of SHs with regard to place's attractiveness for tourism**

Location of SHs	**f**	**f %**
Ljubljana, Maribor	16	25.8
Established tourism destinations	21	33.9
Other locations	25	40.3

Note: f = frequency (n = 62), f % = percentage
Source: Data from site observations

Table 2 presents the results of the following SHs key attributes: number of rooms (size), quality level (star rating) and service diversification.

Table 2: **Number of rooms, quality level and service diversification**

		f	f %
Size - number of hotel rooms	10–20	28	45.2
	21–30	22	35.5
	31–40	9	14.5
	41–50	3	4.8
Quality level – star-rating	*	0	0.00
	**	3	4.8
	***	40	64.6
	*****	19	30.6
	******	0	0.00
Service diversification	Accommodation and food only	28	45.1
	Renting premises for meetings	17	27.4
	Wellness centre	12	19.4
	Sports activities	5	8.1

Note: f = frequency (n = 62), f % = percentage
Source: Data from interviews

Slovene SHs have on average 23 rooms and have been of three-stars quality.

Additional services to accommodation and F&B, e.g. renting premises for business/social meetings (for weddings or anniversary celebrations, conferences, seminars etc.), a wellness centre or sports activities are offered in more than one half of the Slovene SHs and are not offered exclusively to hotel guests. More than two thirds of Slovene SHs provide F&B of restaurants type (lunch and/or dinner) and are welcoming also guests who are not staying in the hotel.

SHs operate as independent entities, not integrated into hotel groups. According to *legal form,* Slovene SHs are either limited liability companies or operates in the form of sole proprietorship. Slovene SHs operate as SMEs (in 33 cases), with some business activities being carried out parallel to the core hotel business. The main activity of legal entity is either hospitality or other activities (in 29 SMEs), e.g. business consulting services, manufacture of furniture, organisation of exhibitions and fairs, installations, travel agency activities, sports facilities operation services, construction activity, activities of casinos etc.

3.2. Reasons for choosing SHs and guest satisfaction

3.2.1. Sample characteristics

The questionnaires were filled-in by 256 guests in 25 SHs, whereby there were ten percent more female than male responders were. Guests, who filled in the questionnaire, were older than 30 years (84%) and had at least a higher education degree (78%). They were residents of Italy, Austria, Germany, Croatia, Slovenia and of other countries. The most frequent purpose of their visit was leisure (71%).

3.2.2. Frequency and reasons for choosing a SH

The results show that more than half of the surveyed guests decide frequently or even always to stay in a SH. The most important out of the six possible reasons, presented in Table 3, why guests stay in SHs and not in large ones, were the following: establishing closer contact to the local area and people, friendlier staff and reasonable prices. Architecture or design/layout of SHs and the possibility to negotiate the price were less important.

Table 3: **Reasons for choosing a SH**

Reasons for choosing a SH	**n**	**Min**	**Max**	**$\bar{x}$**	**SD**
Closer contacts to local people and the area	254	1	5	4.1	1.0
Friendlier staff	252	1	5	4.0	1.0
Favourable price	248	1	5	3.8	1.1
Hotel design matches the location	250	1	5	3.7	1.0
Appealing design of SHs	250	1	5	3.7	1.0
Negotiable price	236	1	5	3.5	1.2

Note: n = number of responses; Min = lowest value; Max = highest value; $\bar{x}$ = arithmetic mean; SD = standard deviation

Considering the reasons for choosing a SH, the factor analysis perpendicular to the rotation ends with a two-factor system solution, as presented in Table 4. Two factors explain 50% variability of measured variances. The reliability of the measurement of both constructs was proved to be suitable (Cronbach $\alpha > 0.7$). The reasons why guests decide to stay in a SH can be divided into: a) reasons related to guests' personal perception of a SH as a suitable TAC, and b) reasons related to price. Two composite variables (factors) were formed as the average comprising of guest personal perception of SH and price.

Table 4: **Data adequacy for factor analysis**

Statements	Factor loadings – Guest perception of SH	Factor loadings – price
Staff friendliness	0.7	0.3
Appealing design of SHs	0.8	0.2
Hotels design matches the location	0.6	0.0
Closer contact with local area and people	0.6	0.2
Favourable price	0.2	0.8
Negotiable price	0.1	0.7
% of explained variables	29.5	20.0
Cronbach α	0.8	0.7

KMO: 0.728
Bartlett test of sphericity: $\chi^2 = 352.1$; $sp = 15$; $p < 0.001$

3.2.2. Guest satisfaction with Slovene SHs

Guest satisfaction with SHs was measured by testing eight statements, presented in Table 5. Guests assessed highly all of them. Friendliness of the hotel staff, their professionalism and service quality were assessed slightly higher than other elements. Guest were the least satisfied with the location of SHs and the type/scope of services they received.

Table 5: **Guest satisfaction with SHs**

Elements	N	Min	Max	$\bar{x}$	SD
Staff friendliness	254	1	5	4.7	0.7
Professional performance of staff	250	1	5	4.6	0.8
Services quality	249	1	5	4.5	0.8
Price/quality ratio	245	1	5	4.4	0.8
Price	243	1	5	4.4	0.8
Overall impression	253	1	5	4.4	0.8
Location	256	1	5	4.4	0.9
Type/scope of services	245	1	5	4.3	0.9

Note: n = number of responses; Min = lowest value; Max = highest value; $\bar{x}$= arithmetic mean; SD = standard deviation

Regarding the elements for measuring guest satisfaction, all statements have high weights on one factor, which is a sign of single dimensionality of guest satisfaction. The results of the factor analysis, presented in Table 6, revealed that one factor explains 61.7% variability of measured variances. Data adequacy is high (Cronbach α = 0.9). A

composite variable (factor) of guest satisfaction was formed as an average for all statements that measure satisfaction.

Table 6: **Data adequacy for factor analysis**

Statements	**Factor loadings – satisfaction with SHs**
Location	0.6
Overall impression	0.8
Type/scope of services	0.8
Quality of services	0.8
Staff friendliness	0.8
Professional performance of staff	0.8
Price	0.7
Price/quality ratio	0.8
% of explained variance	61.7
Cronbach α	0.9

KMO: 0.0887
Bartlett test of sphericity: $\chi^2 = 1369.4$; *sph. = 28;p < 0.001*

A control questions on satisfaction confirmed the results that guests were satisfied with their stay in the SH. The majority of respondents would visit the SH again (answers: probably = 28%, definitely = 57%); even more: guests would recommend the hotel to their relatives and acquaintances (answers: probably = 20%, definitely = 70%).

DISCUSSION

This research is about SHs, a subtype of hotels, which operates on a smaller scale than their 'big brothers' and therefore have some specific attributes or characteristics. The study gives an overview on SHs market from the perspective of SH suppliers and from the perspective of SH guests. The results of the empirical research give answers to three RQs: a) about key attributes of SHs, b) about reasons for choosing SHs as tourist accommodation and c) about guest satisfaction with their accommodation choice.

Based on literature review about interrelationship and association with guest satisfaction, the following five *key attributes* of SHs in Slovenia have been explored: size, location, quality level, service diversification and legal form. The results indicate that - with 23 rooms on average - SHs in Slovenia are smaller than their 'SH brothers' in Europe; however, they are the same size than those in Croatia, but lower in the quality level. According to existing studies on SHs, there is no general rule about their location. In Slovenia, SHs can be found in big cities and established tourism destinations. Yet, there is a 'room' for them also on locations with not enough demand for the operation of large hotels. Furthermore, the service diversification of Slovene SHs is rather modest, which

is comparable to general trend on SHs services in existing findings, particularly those of three and less star-rating; however, Croatia's SHs, can be viewed as exception to this rule, while almost all SHs in the country have restaurants and majority of them also meeting rooms and wellness centres. For half of Slovene SH entrepreneurs, the hotel business is not the only business they are running, which is similarly to existing findings on hotel operation, particularly of hotels in the peripheral areas.

With indicating the most important reasons, why SHs guests choose a SH more often than a big one, the empirical results of the study present important contribution to the SHs literature. Closer contact with the local area and people, friendliness of the staff and reasonable prices are those features of SHs that influence guest's decision what kind of hotel – according to its size – to choose. Moreover, the results suggest that SHs may offer a lower price than their big brothers may, which has never been empirically confirmed before. However, design of SHs does not seem to be important for SHs guests, as suggested in existing literature.

The study indicates that the most important attributes of guest satisfaction with SHs are supposed to be friendliness of SHs staff, their professionalism and service quality. According to the three key Slovene SHs attributes: location (peripheral), star rating (three stars) and service diversification (rooms and F&B only), it is not surprising that guests were the least satisfied with the SH's location and with its service diversification.

CONCLUSION

This is the first study on SHs in Slovenia that gives the insight about quantitative and qualitative dimensions of SHs establishments in the country. The results can be of use by hotel professionals, policy makers and potential SHs investors. The study indicates that the key SHs attributes of Slovene SHs are comparable to SH 'brothers' in other European countries and with existing findings in hotel literature. Thus, they develop in accordance to European average. The preferences of guests toward SHs and their satisfaction attributes might be used as guidelines to existing and the future SH investors. They indicate what kind of attributes investors should particularly care for when they (re)design their overall hotel service. The study contributes to modest existing body of literature on small accommodations.

The results of this study and the current tourism trend toward more tailor-made tourism services indicate that the demand for SHs is going to continue and even has the potential to increase in the future. However, there are some issues, which existing and future operators of SHs have to consider. In many countries, small family-owned hotels are facing increased competition from the larger hotels and with new tourism products (e.g. cruises), which may endanger their long-term stay. Moreover, millennium guests look for innovative forms of TAC that have already created new market opportunities (e.g. eco lodges, tree houses, glamping etc.). They might become even more attractive and desirable than the traditional SHs. Moreover, the "para-hotel" business, particularly Airbnb, has been growing in recent years and might represent a serious threat to the SH sector in the future.

There are some limitations to this research. The first limitation relates the number of SHs included to the sample (half of the population of SHs). Data were collected only in those SHs, where a permission for interviewing had been granted. The results might be different if more units would have been a part of the sample. Thus, the generalisation of the results could be made only with bearing this limitation in mind. The limited number of existing literature on TAC and on SHs particularly, narrow the possibility for broader comparison of the results. Additionally, the variables in guest questionnaire have theoretical background in existing literature; however, due to exploratory nature of the topic in the SH context their combination has been self-designed and rather limited in number, which can be a limitation as well. However, the limitations of this pioneer research can be considered as a challenge for further researches on SHs and other small TACs.

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