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## ANALYSIS OF THE SELECTED TRENDS IN TOURISM AND HOTEL INDUSTRY IN SLOVAK REPUBLIC IN 1989-2000

**Abstract.** Tourism is a modern socio-economic phenomenon affecting several sectors of the national economy of each country. A precondition for successful tourism development is sufficient quality of accommodation, since it is considered to be a key factor within infrastructure services of every tourist destination. The important milestone in the development of modern tourism in Slovak Republic was the year 1989, when fundamental social, political and economic changes happened. Historical sources showed that the tourism industry was traditionally fighting for its place in the economic structure of Slovak Republic and was undergoing the significant changes for the last quarter of 20th century. Regarding above mentioned, the aim of the paper is to identify the main trends in tourism and hotel industry in Slovak Republic in 1989-2000.

**Keywords:** Tourist Industry; Accommodation Establishments; Tourism Development; Slovak Republic.

**JEL Classification:** R58; L83

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### **АНАЛІЗ ОКРЕМИХ ТЕНДЕНЦІЙ РОЗВИТКУ СФЕРИ ТУРИЗМУ І ГОТЕЛЬНОЇ ІНДУСТРІЇ У СЛОВАЦЬКІЙ РЕСПУБЛІЦІ (1989-2000)**

**Анотація.** Туризм – це сучасне соціально-економічне явище, що зачіпає декілька галузей національної економіки країни. Передумовою для успішного розвитку туристичного бізнесу є досить якісне житло, тому що розміщення вважається ключовим фактором у рамках інфраструктури послуг кожного туристичного напрямку. Важливою віхою в розвитку туризму в Словачській Республіці був 1989 рік, коли відбулися фундаментальні соціальні, політичні та економічні трансформації. Історичні джерела показують, що індустрія туризму традиційно бореться за своє місце в економічній структурі Словаччини і пережила значні зміни в останній чверті XX століття. З огляду на вищевикладене, метою цієї статті є виявлення основних тенденцій у сфері туризму та готельного господарства у Словачській Республіці в 1989–2000 рр.

**Ключові слова:** готельна індустрія; проживання; розвиток туризму; Словачька Республіка.

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### **АНАЛИЗ ОТДЕЛЬНЫХ ТЕНДЕНЦИЙ РАЗВИТИЯ СФЕРЫ ТУРИЗМА И ГОСТИНИЧНОЙ ИНДУСТРИИ В СЛОВАЦКОЙ РЕСПУБЛИКЕ (1989-2000)**

**Аннотация.** Туризм – это современное социально-экономическое явление, затрагивающее несколько отраслей национальной экономики страны. Предпосылкой для успешного развития туристического бизнеса является достаточно качественное жилье, так как размещение считается ключевым фактором в рамках инфраструктуры услуг каждого туристического направления. Важной вехой в развитии туризма в Словацкой Республике был 1989 год, когда произошли фундаментальные социальные, политические и экономические трансформации. Исторические источники показывают, что индустрия туризма традиционно борется за свое место в экономической структуре Словакии и пережила значительные изменения в последней четверти XX века. С учетом вышесказанного, целью данной работы является выявление основных тенденций в сфере туризма и гостиничного хозяйства в Словацкой Республике в 1989–2000 гг.

**Ключевые слова:** гостиничная индустрия; проживание; развитие туризма; Словацкая Республика.

## 1. Introduction

Modern tourism arose during the industrial revolution in the late 19th and early 20th century as a result of productive forces development. As the object of knowledge, tourism began to be systematically examined in the 20th century and proved to be interdisciplinary. The various academic disciplines always investigate tourism from their point of view and by their methodological approach, but the knowledge of one discipline influences others.

## 2. Brief Literature Review

The earliest works on tourism were written at the beginning of the 20th century. There are over 150 definitions of tourism by many authors, for instance E. Guyer-Freuler (1905) [1], E. Piccard (1911) [2], J. Guth (1917) [3], E. Novy and E. Fodor (1937) [4] and others. The Swiss professors W. Hunziker and K. Krapf considered to be the classics of the theory of tourism. They published their work «Outline of the General Teaching of Tourism» (Grundriss der Allgemeinen Fremdenverkehrslehre). They defined tourism as «the sum of the phenomena and relations arising from the travel and stay of non-residents, in so far as they do not lead to permanent residence and are not connected with any earning activity» [5]. Since then, various scientific schools of tourism have been established, of which the Swiss school has the longest tradition. Another well-known Swiss expert on tourism Claude Kaspar (1995) characterized tourism as «the sum of the relations and phenomena arising from travel or stay, while the place of the stay is not the main or permanent residence and employment» [6]. The Slovak experts on tourism, mainly economists and marketing specialists, have exclusively economic approach to tourism. Sladek (1970) stated that tourism was an independent sector with the character of industry. Currently, there are more approaches to defining the nature of tourism. Tourism is investigated by social sciences, such as economics, psychology, sociology, education and natural sciences as geography and ecology, but also by medicine. In Slovak Republic, tourism is studied mostly in the context of economics and to the minor extent in the area of geography [7].

Development of tourism is influenced also by hotel industry, and vice versa. Tourism and hotel industry are developed in parallel and influence each other. Since these relationships are reciprocal, there has been a dual dependence: long-stay tourism cannot exist without hotel industry, while tourism is a key factor in the utilization of the capacity of hotel industry and its development. Accommodation establishments were classified by C. Kaspar (year) as a secondary offer of tourism and their importance for long-stay tourism was highlighted, as well [6].

Historical events and changes that took place in the former Czechoslovakia after November 1989 strongly influenced the field of tourism, which had a progressive development. The borders were open and Slovaks were given opportunity to travel to the West. On the other hand, number of foreigners wishing to get to know Slovak Republic increased. Tourism began to be seen as a prospective sector requiring all-round support from the state. It was mainly related to the favourable geographical location of Slovak Republic, its natural resources, diverse flora and fauna, healing thermal and mineral springs, rare cultural and historical monuments, folk architecture, folk traditions and national cuisine.

The special preconditions for the development of tourism is political and legal stability, ensuring personal safety of tourists in visited country and their final destination. The overall economic and legal stability in the country is also very important for entrepreneurs in tourism. From this perspective, the economic transformation and further political development, which ended in the dissolution of Czechoslovakia, can be evaluated as calm, without any major social and political conflicts [5].

## 3. Purpose

To identify the basic trends in development of tourism and hotel industry in Slovak Republic in 1989-2000.

## 4. Methodology & Materials

The paper was created as one of the outputs of the currently ongoing scientific-research grant KEGA (Cultural and Educational Grant Agency of Ministry of Education, Science, Research and Sport of Slovak Republic) No 032PU-4/2013

«The application of e-learning in teaching economic disciplines of the study program management and new study programs at Faculty of Management, University of Presov in Presov». The material used for the research is official statistical data on tourism in Slovak Republic from 1989, mainly the offer of accommodation capacities based on different sorting criteria and demand indicated by the number of guests and overnight stays published by the Slovak Statistical Office, domestic and foreign scientific and specialized literature, legislative norms, strategic development documents of Slovak Republic, as well as concepts and strategies for the development of tourism. The important sources of information were guided interviews with experts from practice and own empirical research. The collected empirical data were subjected to a secondary analysis in order to reach the stated objective. The scientific methods used in the research were the historical method and the study of documents; the comparative analysis based on temporal and spatial criteria, the method of synthesis and selected methods of descriptive statistics. The paper should be perceived as open, providing suggestions for further research.

## 5. Results & Discussion

The year 1989 brought changes to the social and political life of the former Czechoslovakia. The changes greatly affected the tourism as well. Another major change in tourism development was in 1993, when the former Czechoslovakia was formally split into two independent nations – the Czech Republic and Slovak Republic. In 1993, both Slovak Republic and the Czech Republic, as the successive countries of the former federal state of Czechoslovakia, were at the same starting position. However, shortly after the dissolution, the Slovak currency was devalued and the political development in Slovak Republic resulted in the deterioration of the international political position and economic situation. As a result of privatization and the disorganization of the labor movement, bound tourism (recreation stays of employees financed or co-financed by trade unions and/or by the company funds), till then the dominant kind of tourism with a distinctive social character, in fact failed.

Visa regime and passport abolition, along with the development of market economy and privatization led to an increase in inbound tourism revenue. The already mentioned factors also had a backup by specific actions that were oriented towards supporting only tourism generating inbound tourism revenue, as well as jobs. The supporting resources were divided into small grants that did not significantly affect the transformation process of the expected development. As a consequence, the revenues from inbound tourism had started to fall since 1997. The most significant impact on the development of tourism had inflation, purchasing power of the currency, exchange rate, cost of living, etc. The years 1993-1998 are usually called the transition period during which the Slovak economy (especially in from 1996 to 1998) showed typical signs of economy overheating and high economic growth was accompanied by the deepening of internal economic imbalances [7].

After 1989, there was a growth in the cost of living of the population. From 1989 to 1998, consumer prices increased by 352.8%, but real wages in 1998 corresponded only to 91.5% of real wages in 1989. The fast growth rate of Slovak GDP was in 1994-1998. The significant decline in growth occurred in 1998 (-4.4%), resulting in close connection with the slowdown in the implementation of infrastructure projects. Entrepreneurs in tourism had to face challenging conditions such as heavy tax burden, high rates of income deduction burden, expanding the return on investment period, difficult availability of loans, high interest rates, etc. The economic reform in 1990 caused that the Czechoslovak State Spa ceased to exist [1].

The Slovak domestic tourism after 1993 developed mainly in response to changes in the economy of Slovak Republic. For instance, 77.8% of the population over 18 years participated in tourism in 1996; in 1997 it was 79.6% and 68.7% in 1998. The services of travel agencies for organizing holidays in domestic tourism were used by 10% of inhabitants in 1993-1998 and there was more than 15% increase in number of inhabitants who organized holiday in Slovakia by themselves [8]. The results of the representative research, realized by the Institute

of Tourism of Slovak Republic in 1995, showed that each inhabitant participated in tourism 15.1 times, of which 12 were one day trip and 3.1 short-term stays. There were 17 % of inhabitants staying abroad and 28.4% of inhabitants spending holiday in Slovak Republic. In addition, there was a demand for mountain stay and stays by the water, followed by visits of relatives, friends and healing stays [11].

As it was already mentioned, in the field of outbound tourism, there were the fundamental changes in Slovak Republic in the early 1990s, related to the opening of borders to the west. The number of Slovak citizens travelling abroad sharply rose. The overview of the Slovak citizens travelling abroad in the years 1993-2000 is provided in the Table 1.

Tab. 1: The Slovak citizens' travelling abroad in 1993-2000

Indicator/Year	1993	1994	1995	1996	1997	1998	1999	2000
Number of trips abroad of Slovak citizens (in millions)	11,2	14,4	18,0	22,9	22,1	23,7	21,9	20,3
Number of trips abroad per inhabitant	2.0	2.6	3.3	4.2	4.0	4.3	4.0	3.7

Source: [4]

Inbound Tourism of Slovak Republic in the research period could not be assessed unambiguously. Several millions of foreign visitors came to the country every year. The peak was reached in 1996. The total number of visitors to Slovak Republic in 1993-2000 is shown in Table 2.

Tab. 2: Arrivals of foreign visitors to Slovak Republic in 1993-2000

Indicator/Year	1993	1994	1995	1996	1997	1998	1999	2000
Total number of visitors to the Slovak Republic (in millions)	12,9	21,9	27,3	33,1	31,7	32,7	30,8	28,8
Number of visitors per inhabitant	2.3	4.0	5.0	6.0	5.8	6.0	5.6	5.2

Source: [4]

The most common reasons of visiting Slovak Republic stated by the participants in inbound tourism in the 1990s were visiting family and friends, staying in the mountains and sight-seeing of the cultural and historical monuments. During the research period, about 90% of visitors coming to Slovak Republic were from the Czech Republic, Germany, Hungary, Poland, Austria and Ukraine.

In 1990s the inner structure of domestic visitors' demand changed. For example, the volume of domestic visitors grew from 55% in 1993 to 66% in 1998, but they preferred cheaper accommodation of lower categories. There was a clear relation: the simpler accommodation establishment, the higher proportion of domestic guests. The data is even more distinctive if the volume of domestic tourism participants is evaluated by the number of nights. There was a clear sign of purchasing power decrease in the timeframe of 1993-1998, which resulted in preferring simple and cheap accommodation. Such development caused the loss of more than 13% of hotels shares in both indicators in favour of simple accommodation ranging from 1993 to 1998 in terms of the share of the individual accommodation establishments in the market, evaluated by domestic visitors and their number of overnight stays.

The condition of the infrastructure in hotel industry is crucial taking account the offer of complex services. During the 90s the significant changes occurred in the internal structure of accommodation capacities in Slovak Republic. In 1990 there were 890 accommodation establishments in Slovak Republic with 69.843 beds, which were 78 beds on average per accommodation establishment. However, the statistics information showed that there were 1.928 accommodation establishments in the year 2000 (an increase of 116% compared to 1990) with 102.800 beds (an increase of 67.9% compared to 1990). In other words, there were 53 beds per accommodation establishment on average in the year 2000. The number of guest houses rose 12

times from 1993 to 1998, while the new trend of miniaturization was significantly demonstrated by that. While in the year 1993, accommodation establishments with the worst service were transformed to guest houses, but further development enabled them to change into a typical family-owned business with qualitative service. Furthermore, there was the rapidly increasing number of tourist accommodation, holiday hut villages and camping sites that showed an increase in absolute terms, but their share in the market of accommodation capacities relatively decreased (see Table 3).

The quality of services provided by accommodation establishments in the transformation period of centrally planned economy to market economy was affected by privatization,

break-up of traditional markets, and restitutions. Political changes were followed by management changes in many organizations and individual hotels. Many hotels changed their owners and got to be owned by people without adequate knowledge and experience; moreover, speculative groups were no exception. The sale of organizations (and accommodation establishments) in the so-called «small privatization» to domestic buyers caused delays in necessary reconstruction work as domestic entrepreneurs did not have enough own equity, loans were unfavourable in domestic banks and unavailable in foreign banks. Thus the result of privatization of hospitality establishments was that many of them got to be owned by people without adequate knowledge and experience, which was obvious especially in the quality of provided services. The privatization ended in 1997, which was rather late. The state organizations were thus forced to wait a long time for a new owner, which

deepened their bankruptcy. Furthermore, the effects of globalization and internationalization influenced the Slovak hotel industry in the 90s, although in small extent. The process of concentration of hotels and vigorous development of hotel companies continued in the world, to the detriment of small and medium-sized organizations [9]. It was reflected in increased number of hotels that became members of hotel groups, as well as increased number of rooms per hotel. Surprisingly, in comparison with other states, after the year 1989 foreign hotel groups entered the market more slowly during the development of the Slovak hotel industry. In the first half of the 90s there were hotels as Forum – today Crowne Plaza (Intercontinental Hotels Group), Danube (Meydan Hotels) Holiday Inn (Intercontinental) in Bratislava. In 1999, only 6 hotels were the members of multinational hotel groups in Slovak Republic; moreover, two hotels were managed by international groups.

## 6. Conclusions

At the end of the twentieth century, the deepening of international cooperation occurred in tourism, which was a result of increasing globalization. Slovak Republic had to respect globalization changes in tourism, despite the difficult transition it was undergoing. In our opinion, Slovak Republic did not have and still does not have any other choice just to engage in the process of globalization, while maintaining national identity as a competitive advantage.

The conditions influencing the Slovak hotel industry at the threshold of the 21st century (2000) can be characterized mostly by these factors – insufficient country promotion on tourism market in Europe and in the world (Slovak Republic is still often confused with Slovenia), low proportion of foreign capital in tourism, low number of hotels included in the international hotel chains, out-flow of young skilled workers (especially cooks and waiters) to Western Europe and the U.S. The reasons for such situation are: higher earnings, growing

Tab. 3: Number of accommodation establishments in Slovak Republic in 1989-2000

Year	Number of accommodation establishments	Absolute increase	Acceleration of growth	Coefficient of growth	Growth rate, in %	Coefficient of increase	Increase rate, in %
1989	988	-	-	-	-	-	-
1990	890	-98	-	0.90	90.08	-0.09	-9.91
1991	793	-97	1	0.89	89.10	-0.10	10.89
1992	475	-318	-221	0.59	59.89	-0.40	40.10
1993	578	103	421	1.21	121.68	0.21	21.68
1994	1.009	431	328	1.74	174.56	0.74	74.56
1995	1.027	18	-413	1.01	101.78	0.01	1.78
1996	1.194	167	149	1.16	116.26	0.16	16.26
1997	1.168	-26	-193	0.97	97.82	-0.02	-2.17
1998	1.816	648	674	1.55	155.47	0.55	55.47
1999	1.898	82	-566	1.04	104.51	0.04	4.51
2000	1.928	30	-52	1.01	101.58	0.01	1.58

Source: Own processing based on data of the Statistic Office of Slovak Republic

unemployment rate followed by purchasing power decrease which resulted into decrease of domestic guests in accommodation establishments, system of social welfare of unemployed people providing allowance almost at the same level as the wage of workers in the hospitality industry did not motivate unemployed people to work in hotels, inability of Slovak hoteliers to offer foreign tour operators pricelists in time caused by frequent tax law changes in the industry where you need to make contracts well in advance (often up to 2 years), lack of coordination of tourism by both state and local government, sporadic cooperation at local and regional level without rules and proper result, lack of proper tools for the acceleration of domestic tourism, hotels, as well as local production and services.

In spite of the stated facts and current problem with the impact of the global economic crisis, the Slovak hotel industry has been developing in quality and quantity. The development in Slovak Republic is not isolated from the development in the world. Therefore, this fact deserves to be respected. By Slovak Republic entering the European Union, restrictions on travelling were lifted and the requirements for service quality were increased, as well as competition in the tourism market. From the Slovak tourism development point of view, it is important not only to identify the changes and trends, but respond to them appropriately. In the first place, we believe that there is a need for even more significant marketing interventions in order to make the whole area of tourism more dynamic. From a prospective view, an adequate research of the tourism market is needed with processed prognosis, concepts and forecasts for its further development.

The basis for the development of accommodation capacities in tourism should be macro-marketing studies not only at

ment in tourism, the establishment construction authorization, and others.

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