WILL LITHUANIA'S HOTEL INDUSTRY GROW?

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ABSTRACT
This article aims to assess the dynamic trends in the Lithuania's hotel market and substantiate, plus illustrate their need, if it exists. Hotel business is becoming increasingly growing entrepreneurial branch that integrates political decisions together with business initiatives and local public attitude towards the tourist, or economic benefits left behind. In Lithuania and worldwide hotel business is expanding rapidly, but the growth of the sector in state was and is particularly vulnerable to the historical conditions, political decisions, new business trends - international business and globalization, and, of course, the needs of incoming tourists. But how and in what direction is reasonable to develop the hotel industry is the main topic discussed in the article with additionally carried out statistical analysis.
KEY WORDS: *hotel industry, hospitality service, hotel business, occupancy.*

JEL CODES: L830, L840, N83, N84.

Introduction

Tourism experts have long agreed what a huge impact on the tourism dealership has the hotel business (Callan and Bowman, 2000; Callan and Kyndt, 2001; Min, et al., 2002). However, until now there is a lot of discussion when the hotel market is filled, and when there is a need for development. On the other hand this discussion is closely linked with the country's development, business environment, inbound tourism indicators, the country's image, tax breaks and other implications, some of which will be analyzed in this article.

Lithuania's hotel sector development was particularly dependent on the speed of evolvement and the opportunities. Challenges and actions facing the hotel industry today are reasoned by valid classification system, the internationalization processes and the opportunities of the tourism development.

This inquiry aims to assess the hotel dynamic trends in Lithuania's market, substantiate and illustrate the need, if it exists. One of the most suitable ways to assess the market demand is a detailed statistical analysis of the data, what will be used in this article. This article analyzes also the traits evolution intrinsic for the foreign accommodation services; the key indicators of market dynamics have been distinguished.

1. Demand assessment for the hotels in the market

Many authors have made inquiries attempting to accurately assess why the users of accommodation services tend to use certain hotels and why all industry is so strongly focused on tourist's expectations (Annath

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et al. 1992; Callan, 1998; Callan and Bowman, 2003; Wilkins et al. 2007; Ariffin et al 2012). Current researches make it possible to acknowledge the changes in tourist's needs, to adjust the services supply accordingly and introduce the new ones, to integrate new features and innovations. Often occurring in the hospitality service quality evaluation is analysis of importance of service quality and its relationship to customer satisfaction (Buttle, 1996; Caruana, 2002; Oh, 1999; Parasuraman et al., 1985, 1994). This method is especially suitable for improving existing services at a given enterprise and for the creation of competitive advantages in the market.

However, when analyzing the business opportunities a different aspect is rather exciting – what determines the emergence of hotels in the country, and what criteria make it possible to determine the need for the accommodation establishments in the country or region.

Lithuania's market is small, so this issue is very important for all market participants: businesses, public, administration and, of course, tourists. The basic principle that the service must meet the needs of consumers is the best business principle for success for several decades. How the hotel classification scheme meets the needs of tourists has been analyzed in the Roger J. Callan's article. The profile of customer sample was analysed by category of grading scheme, indicating use of independent/corporate group or consortia hotels, gender, business/leisure and methods of reservation.

Analyzing changes in the hotel industry usually statistical indicators are on scrutiny (Gu et al., 2012): number of hotels and hotel rooms, number of hotels by star classification, number of international tourist arrivals, local and foreign investments to hotel business. It is clear, though, that each and every market retains its subtleties dictated by various factors such as global events impact, the country's natural or cultural attraction and internationalization, economical or political changes. These parameters allow understanding the whole hotel market's potential and its disadvantages.

2. Dynamic trends in the World's hotel market

2.1 The lodging industry in USA

In the United States, travel and tourism is among the nation's largest services export industries, and one of America's largest employers (it employs 1.8 million hotel property workers). It ranks as one of the top 10 largest industries in 48 states plus the District of Columbia. Very important fact is: resident and international travelers in the United States spend an average of $2.2 billion a day. Tourism generates $813 billion in sales (excluding international passenger fares on U.S. airlines). The tourism industry pays $124 billion in federal, state, and local taxes (by American Hotel and Lodging Association, AH&LA).

The United States receives a larger share of world international tourism receipts than any other country in the world. In 2011, spending estimates on travel increased 14 % to $153 billion, including $116 billion spent at destinations in the U.S. and another $37 billion on passenger fares on U.S. carriers. The U.S. share of 2011 world tourism receipts was at the top (11.3 %), nearly double that of second-ranked Spain (5.8 %).

In 2011, international travellers to the United States increased 5 % over 2010 to a record 62.3 million. Overseas (excluding Canada and Mexico) arrivals increased 6 % to a record 27.8 million. The impact of international travelers on the hotel industry is considerable; international visitors accounted for 21 % of all lodging sales (Bureau of Economic Analysis, US). In 2011, 22.1 million overseas travelers and another 10.6 million Canadians (2011 estimated from 2010 data) stayed in a hotel/motel during their U.S. visit. The average length of stay for overseas hotel visitors was 8.8 nights; the average party size was 1.7 travelers. The main purposes of trips for overseas travelers who stayed in hotels and motels were leisure/recreation/ holiday (62 %), and business/convention (25 %).

Table 1. Property/room breakdown by rate in 2011

By Rate	Property	Part, %	Rooms	Part, %
Under $30	410	1	41514	1
$30–$44.99	4727	9	339579	7
$45–$59.99	14637	28	874545	18
$60–$85	15300	29	1254804	26
Over $85	17140	33	2364395	48

Source: AH&LA

The average room rate was $101.70 in 2011 – up from $98.06 in 2010. The average room rate was $98.07 in 2009, $107.40 in 2008, $104.32 in 2007, $97.82 in 2006, $91.04 in 2005, $86.19 in 2004, $82.68 in 2003, $82.54 in 2002 and $83.62 in 2001.

2.2. The lodging industry in Latvia

According to the data of the Central Statistical Bureau (CSB) of Latvia, the number of visitors in hotels and other accommodation establishments[1] in the 1st quarter of 2012 comprised 284.6 thousand people, which is 15.2 % more than in the 1st quarter of 2011. Of which 63.6 % were foreign guests and 36.4 % – residents of Latvia. This percentage was similar also in the previous reporting periods. The number of both – foreign and Latvian guests increased by 15 %, as compared to the corresponding period of 2011.

The total number of overnight stays in the 1st quarter of 2012 reached 610.8 thousand, and it is 15% more than in the 1st quarter of 2011.

Out of the total number of foreign tourists, 150 thousand or 82.7 % stayed in Riga, 6.6 % in Jūrmala and 2.1 % in Liepāja. The majority of Latvian travellers stayed in Riga (27.1 %), Liepāja (10.5 %) and Jūrmala (8.6 %). Although the position of the three previously mentioned cities in the structure of accommodation establishments does not change significantly, this year the share of Daugavpils – the largest city in Latgale – tends to grow, as the number of accommodated foreign and Latvian visitors increased by almost 50 % as compared to the 1st quarter 2011.

2.3. Tourism industry growth in Estonia

In the three summer months of 2012 year more than one million tourists stayed in Estonian accommodation establishments, by Statistics Estonia. Hotels received over a million guests this summer. The number of foreign tourists increased by 1% and domestic tourists by 3 % compared to the summer of 2011.

During the high season, i.e. the months of June, July and August, 710 000 foreign tourists or nearly 5 000 more than the year before used the services of Estonian accommodation establishments. Most of them arrived in this country for a holiday and only 16 % were on a business trip.

More tourists than last summer arrived from neighbouring Russia and Latvia, respectively 30 % and 13 % more, as well as from several European, American and Asian countries.

The share of Russian tourists in the total number of foreign tourists increased by two percentage points in annual comparison. The number of Finnish tourists, however, showed a year-on-year decline in all three months. Fewer tourists than the year before also arrived from Sweden, the UK, Spain, and Italy.

In August 344 000 tourists stayed in Estonian hotels, of whom 35 % were domestic tourists. There were 1 094 accommodation establishments with 21 000 rooms and 49 000 beds available to customers in Estonia. The average room occupancy rate was 54 %, down one percentage point compared to August 2011. The average cost of a guest night in an accommodation establishment was 30 euros.

3. Tendencies in hotel market in Lithuania

3.1. A Brief History

The beginnings of the accommodation service in nowadays Lithuanian territory can be relatively traced from circa 1385 – attempted creation of the former controversial "union" of Poland and Lithuania, where Lithuanian Grand Duke Jogaila married Polish Princess Jadwiga. By Kreva agreement Grand Duke of Lithuania Jogaila committed himself to perform the baptism of Lithuania. Christianity in many states has resulted not only in the spread of religion but also in the development of services and the emergence of the businesses, other enterprises – universities for example. During this period, Lithuania appeared in more intense trade relationship between two countries, which later spread to a way greater extent. Probably there were earlier manifestations of the accommodation services, but confirmed historical facts have not yet been identified.

Sixteenth century could be considered the forth going evolution of the accommodation services, after a more tight federal (some say) state, made up of Kingdom of Poland and the Grand Duchy of Lithuania, was agreed upon and signed as the Union of Lublin in 1569. All ethical, political controversies aside the new Union farther expanded the flow of western influences to Lithuania's motherland, seeping threw Poland, which could not bypass the accommodation businesses whatsoever. Initiatives of tradesmen went growing – land reforms decades earlier boosted the grain market – so did the overall market. So called "karčema" enterprises provided accommodation and catering services for the travelling tradesmen and other people. Creation of the Commonwealth reinforced not only the common policy, but also the development in trade, accommodation and business. The following pages in Lithuania's history were full of drama, three territorial divisions at the end of 18th century weekend and destroyed the political core and thus, together with other hardships, influenced the development of the accommodation sectors, although with bright moments (as strengthening of the city dwellers class). Nearly 150 years under tsarist Russia rule, which came next, can be described or pictured in the context of the economic realities in the Russian Empire, but can't be mixed with "socialistic planning" which came with soviet occupation in 1940–1950-ies. The First World War nearly stopped all other business initiatives, except for the military-industrial needs, with its own opportunities. The independence of 1918 strengthened the Lithuania's name in the World, but demolition of the ties with Poland, etc., as a result of the nationalistic view to the past, brought its own outcomes. Restored "new" independent country had to establish political system and state foundations first of all, while business opportunities, services and trade exchanges with foreign countries were surely not a priority, at least in the beginning, and faulty managed so often afterwards. Lithuania's options in such activities were very limited due to the political (internal on foreign) inspirations, weak economy and the geopolitical situation, where the Russia's (Soviet) influence never limited itself, bearing even ugly forms inside Lithuania. Soviet occupation, which came next, has brought in a fundamentally different approach to service businesses; the accommodation service development has become a strictly planned, dictated by the state activity (hence not from the first day of the occupation). The Second World War once again shook the fledgling rudiments of accommodation business in Lithuania, but the differences in Soviet and Nazi economical policies must be considered. The Jewish Genocide under Nazis, the exile and murder of wealthy (and not so) Lithuanian business intelligentsia under Soviets had postponed the opportunities for the accommodations businesses until the uncertain future.

After the war state controlled hotels have been established as a result of the economical policies of the Soviet Union. There were 44 administrative districts in Lithuania. In 1980 almost every district centre had its hotel for the district quests and local residents (although later under the strict administrative control; rare foreigners-under the strict KGB control). Prestigious restaurants were open inside hotels, where economical and political leaders, plus their deserving only employees enjoyed exclusive collective, family or state holidays. In country's resorts other tourism and accommodation bodies, such as tourist camps and sanatoriums, have been created. Some of them were strictly dedicated for only the highest representatives of the Government (e.g. the Brezhnev villa in Palanga), with a relatively modern infrastructure, ultimately guarded.

Tourist bases belonged to existing organizations and state bodies. During the summer season they, in precisely planned manner were filled with holidaymaking employees, their families and co-workers. Sanatoriums were reserved for clients with variety of individual problems and send by specialists to restore their health. No other legal accommodation services existed in Lithuania for the moment. But truly popular way of accommodation on the seaside, or health resorts, was to stay with friends or relatives, but it stands outside the identification limits in the accommodation service market.

A brief description of the history of Lithuania's accommodation services could be the basis for the identification of the changes that took place in the accommodation sector during the last decade.

3.2. Lithuanian hotel industry structure

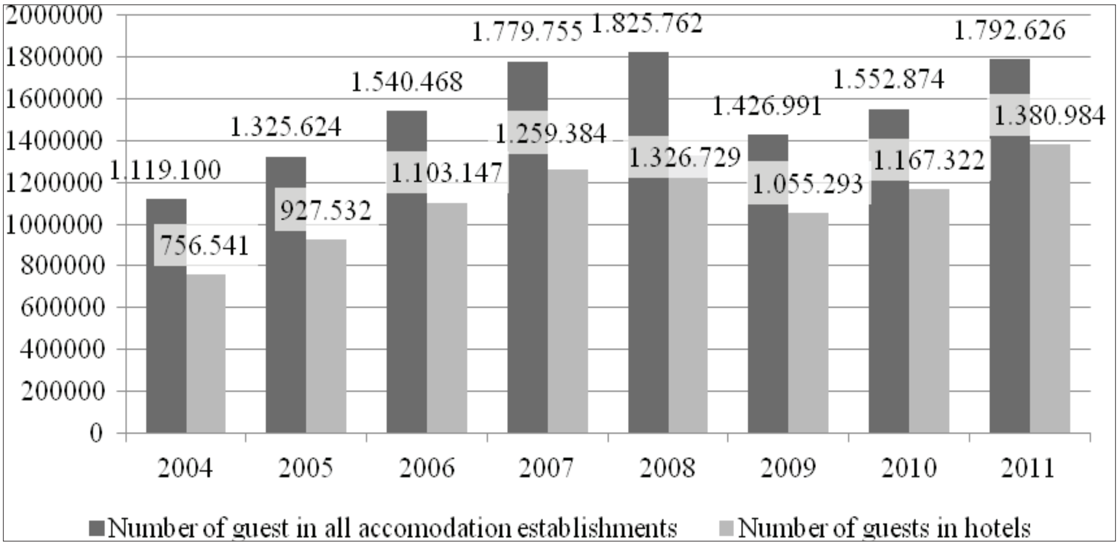


Fig. 1. Number of tourists, accommodated in Lithuania and number of hotel accommodations in 2004–2011 period

Source: authors' calculations based on data of Lithuanian Department of Statistics

In 2011 Lithuanian establishments accommodated 1.79 million tourists, or 15.4 percent more visitors than in 2010. Of these 1.38 million stayed in hotels. Compared with the previous year (Figure 1) it's obvious, that tourism in Lithuania is recovering from the financial crisis and the number of tourists accommodated in Lithuania is growing; it is true that in 2011 country is still short of 2008 rate of 1.82 million. However analyzing numbers in hotel accommodation we can see, that 2011 was the most successful year in 2004–2011 year period – 54 thousand tourists more than before the crisis.

Lithuanian accommodation establishments mostly accommodate tourists from abroad. In 2011 Lithuania was visited by 1 million foreign tourists, of which 880 thousand stayed at the hotels. These foreign tourists accounted for 64 % of all tourists accommodated at the hotels in 2011. The rest, 34 %, were tourists from Lithuania. The analysis of the last 8 years of Lithuania's hotel accommodation data shows that the greater part of tourists accommodated at the hotels per analyzed period is represented by foreign tourists.

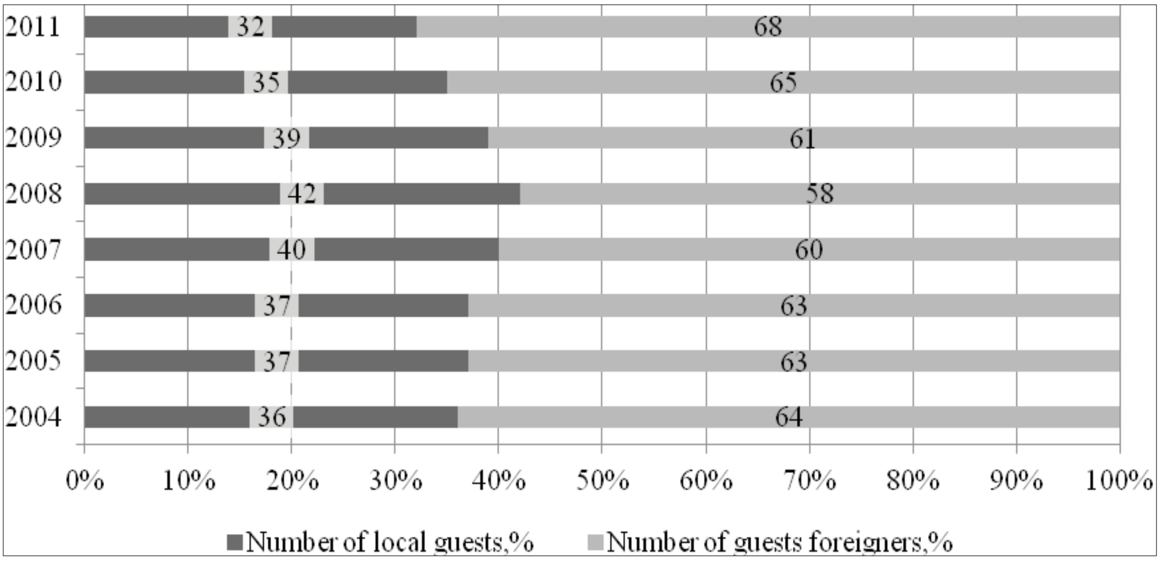
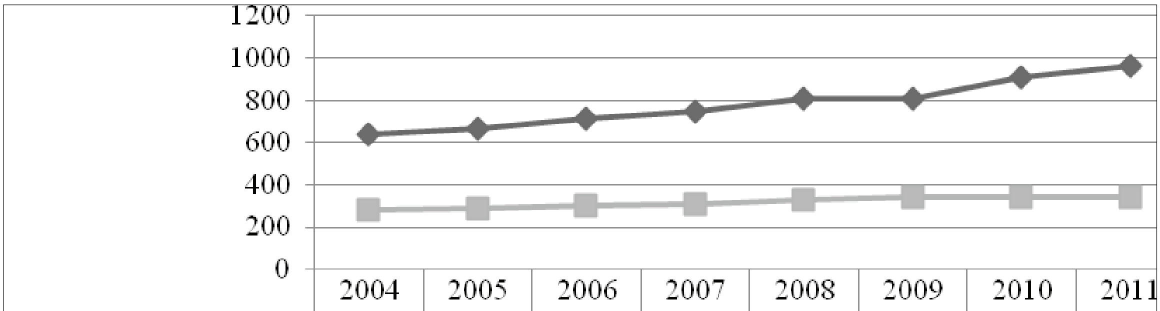


Fig. 2. Locals and foreign tourists, accommodated at the Lithuania's hotels – percentage of the year 2004–2011

Source: authors' calculations based on data of Lithuanian Department of Statistics

While evaluating Lithuania's hotel market is worth considering numeric alteration trends in the numbers of accommodation establishments and hotels, which are presented in Figure. We can see that number of accommodation establishments in Lithuania is growing. In 2011 that number was 966, by 58 facilities more that in 2010, and considering year 2004 this number increased by as much as 35 %. True, year 2009 featured a slight decrease in the number of accommodation establishments as a result of a financial crisis. This trend went upward until 2009, but during the last three years situation remains unchanged.



	2004	2005	2006	2007	2008	2009	2010	2011
Number of accomodation establishments	637	663	715	748	810	807	908	966
Number of hotels	278	290	300	309	326	342	342	341

Number of accomodation establishments — Number of hotels

Fig. 3. Number of accommodation establishments and hotels in Lithuania for the period of 2004–2011

Source: Lithuanian Department of Statistics

How the hotels are distributed in the market according to the level of quality can be seen in Figure 4. In Lithuania all hotels are classified from one-star to five-star, this is the result of the period of 2006–2011 we compare: numeric hotel analysis shows three-star hotels occupying the largest market share. Three-star hotels grew in numbers even during the crisis, so we can assume that the level of service and price is what typical Lithuanian tourist needs. Paradoxically, in times of crisis, when the choice is between more modest travel expenses, decreased economy class two-star hotels. Meanwhile, more luxurious class – four-star – the number of hotels has grown, and five-star – remained the same. But we should not rule out the possibility that the four-star hotels may have accumulated more financial resources to cover potential losses.

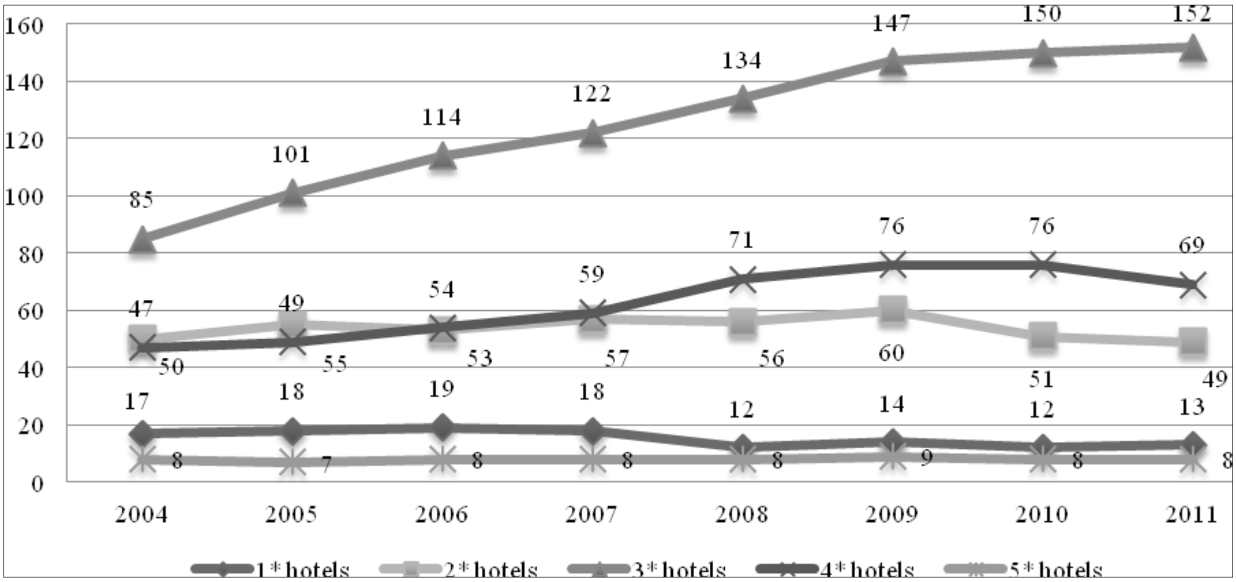


Fig. 4. Lithuania's hotels by category for the 2004–2011 period

Source: Lithuanian Department of Statistics

Quantity dynamics of the rooms and beds in hotels is represented in Figure 1, where one can notice an increase in numbers per given period. Although the number of hotels in the last 3 years has remained virtually unchanged the number of rooms and beds is steadily increasing.

Table 2. Number of rooms, beds in the accommodation enterprises and their occupancy rate for the years 2006–2011 respectively

Number of rooms	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Hotels	10.426	10.518	10.684	11.496	11.547	12.118
Room occupancy rate, %	**2006 m.**	**2007 m.**	**2008 m.**	**2009 m.**	**2010 m.**	**2011 m.**
Hotels	42.3	46.2↑	44.9↓	**34.3↓↓**	36.9↑	**44,5↑↑**
Motels	37.0	48.4	44.9	27.4	28.1	34,2
Hostels	44.0	49.9	43.0	33.7	34.7	–
Campings	40.5	40.2	40.2	25.2	–	–
Number of beds	**2006 m.**	**2007 m.**	**2008 m.**	**2009 m.**	**2010 m.**	**2011 m.**
Hotels	20.553	20.841	21.037	22.851	23.137	24.909
Bed occupancy rate, %	**2006 m.**	**2007 m.**	**2008 m.**	**2009 m.**	**2010 m.**	**2011 m.**
Hotels	33.1	36.1↑	34.4↓	**25.8↓↓**	28.1↑	33.9↑
Motels	29.4	34.8	29.6	17.5	17.3	20.3
Hostels	39.7	40.4	33.4	22.3	19.4	
Campings	42.4	34.9	29.7	19.6	–	–

Source: authors' calculations based on data of Lithuanian Department of Statistics

It could be summarized as follows:

- According to data, presented by the State Department of Statistics, hotels remain the most popular type of accommodation in Lithuania.
- It's obvious, that the tourism sector, after the 2008–2009, a critical period for the tourism industry, slowly began to recover; though at the end of 2009 the almost 10 percent decrease in occupancy coefficient rate for the hotel rooms and beds has been calculated and data in 2011 is still below the top of the former in 2007.

Hotel accommodation sector in Lithuanian faces another serious obstacle – the highly expressed seasonality. Most tourists in 2011–2012 were accommodated during the highest, summer, season – June, July and August.

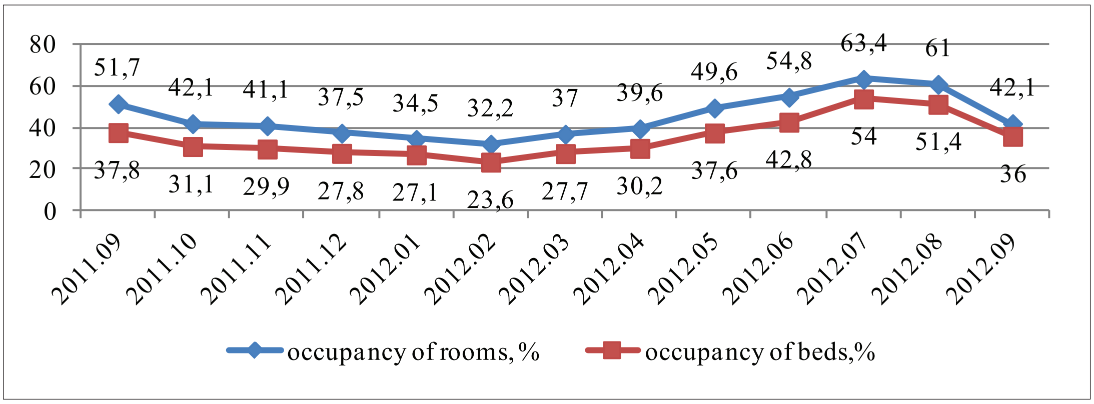


Fig. 5. Monthly occupancy rate for the rooms and beds in Lithuania's hotels during the 2011.09–2012.09 period (%)

Source: authors' calculations based on data of Lithuanian Department of Statistics

It would be appropriate, while elaborating Lithuania's hotel sector statistics, to review each hotel groups (from one-star to five-star) indicators and market share by volume in a given year. Three-star hotels are the chart-toppers by their hotel market share, as shown in Table 3, and five-star – are at the bottom. The most amazing is decline in two-star hotel market share; we will look at it in more detail in a separate section.

Table 3. Lithuania's hotel market shares in terms of level of service in 2006–2011

Lithuanian hotel market share, %	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
One-star hotels	6.33	5.82	3.68	4.09	3.50	3.81
Two-star hotels	17.66	18.44↑	17.18↓	17.54↑	**14.91**↓↓	14.37↓
Three-star hotels	38.00	39.48	41.10	42.98	43.86	44.57
Four-star hotels	18.00	19.09	21.78	22.22	22.22	20.23
Five-star hotels	2.66	2.59	2.45	2.63	2.34	2.35

Source: author's own calculations based on data of Lithuanian Department of Statistics

In summary, the Lithuania's hotel market is conducive for such services and, possibly, creation of the new ones. Relatively sharp recovery from the financial crisis is noticeable, as well as increases in the tourists numbers. Most visitors accommodated are foreigners. Three and four star hotels are the busiest ones. Meanwhile, the number of two-star hotels in Lithuania is relatively low, only 49 hotels in 2011, yet the occupancy rate is growing.

4. Initiatives by the international hotel chains in Lithuania

International hotel chain activities are very important for each country (Cho, 2003; Pine 2000), and particularly for the Lithuanian tourism market, where they account for about 5 percent of total number of enterprises. 8 international networks are currently organizing franchising, or management-based, activities in Lithuania, where 17 hotels are involved (11 of them in capital city Vilnius).

Table 4. List of international hotel chains in Lithuania, 2012

Hotel chain	No. of hotels	Hotels	No. of guest rooms
"Carlson" (holdings in "Rezidor Hotel Group")	6	"Radisson Blu Astorija Hotel"	120
		"Radisson Blu Hotel Lietuva"	291
		"Radisson Blu Hotel Klaipeda"	74
		"Park In by Radisson Vilnius North"	84
		"Park In by Radisson Kaunas Hotel"	206
		"Park Inn by Radisson Klaipeda Hotel"	84
"Amberton Hotel Group"	3	"Amberton Hotel" in Vilnius	98
		"Amberton Cozy" Hotel in Kaunas	28
		"Amberton Klaipėda" Hotel	307
"Best Western"	3	"Best Western" Vilnius	114
		"Best Western" Santaka Hotel (Kaunas)	92
		"Best Western" Hotel Central (Druskininkai)	36
"Accor Group"	2	"Novotel"	284
		"Ibis"	
"Wyndham Worlwide"	1	"Ramada" Hotel & Suites Vilnius	55
"Relais & Châteaux Hotels"	1	Relais & Châteaux "Stikliai" Hotel	43
"Choise Hotels International"	1	"Comfort Hotel LT"	200
"Kempinski"	1	"Kempinski Hotel" Cathedral Square	96
		Total:	**2699**

Source: created by authors

In 1998 the first international chain hotel to appear in Lithuania was Radisson Blu Astoria. 6 hotels of this chain are already operating in the country today. Four-star hotel chain Amberton currently offers 3 hotels in Lithuania. The hotels are located in main destinations of Lithuania – Vilnius, Klaipeda and Kaunas. Previously the hotels belonged to local hotel chain klaipeda and since spring 2010 the hotels joined newly established brand "Amberton". "Amberton Hotel Group" is managed by young, enthusiastic, professional group of hoteliers under the company "Hoteliers Co." Brand "Accor" operates solely in Lithuania, skipping Latvia and Estonia, but for Poland – there are 55 hotels of this chain. By 2012 "Accor" brand network incorporated in Poland 3 Sofitel, 11 Novotel, 12 Mercure, 12 ibis, 9 ibis (budget) and other net hotels. Only in 2012 "Kempinski" hotel chain has launched its first hotel in Lithuania, which also complements the luxurious five-star hotels market.

5. The two-star hotel's exigency and capability assessment

So why is the number of two-star hotels in Lithuania so relatively small? Let us analyze in more detail the statistical data of this service level to identify and clarify the exponential changes in Lithuania's two-star hotels sphere. Recent studies on Tourism and hospitality industry for two-star hotels have addressed service quality issues in various ways locations (Arasli 2002).

Table 5. Main indicators identifying two star hotel sector in Lithuania in 2006–2012

Main indicators	2006	2007	2008	2009	2010	2011
Number of rooms in two-star hotels	1675	1790	1828	2225	1838	1886
Part of the market by bed number, %	15.80	17.09↑	17.11↑	19.52↑	16.31↓	**15.74**↓
Part of the market by room number, %	16.06	17.02↑	17.11↑	19.35↑	15.92↓	**15.56**↓
Part of the market by number of accommodated guests, %	14.26	15.13↑	14.71↓	13.66↓	12.07↓	**11.25**↓
Number of tourists per bed	470	500↑	507↑	**320**↓↓	411↑	457↑
Room occupancy rate, %	40.40	47.40↑	45.60↓	31.40↓	36.50↑	40.50↑
Bed occupancy rate, %	35.60	40.80↑	36.60↓	**24.10**↓↓	29.00↑	33.80↑
Average duration of stay	2.45	2.48↑	2.25↓	2.34↑	2.55↑	2.63↑

Source: authors' calculations based on data of Lithuanian Department of Statistics

As we can see the number of rooms and beds threw the 2004–2011 period in two-star hotels had changed without any tendency, increasing and decreasing with each year passed. Most rooms were on offer in 2009. In 2010 the number of rooms decreased significantly, but the number of beds has increased. And in 2011 more rooms were offered than in 2010, but fewer beds. We have found, however, that two-star hotels are quite in demand across the country; yet truth is that in 2004 they gained significantly higher popularity, with 20 % off all quests staying in the hotels in 2012 this percentage significantly decreased to slightly more than 11 %.

The biggest occupancy rate in terms of rooms and beds occurred in 2007. 2009 noticed a rather sharp decline, but in 2010 and 2011 rates were increasing once again. Hotel room occupancy in 2011 accounted for 44.5 % (2010 – 36.9 %), while the bed occupancy rate – 33.9 % (2010 – 28.1 %).

Analysis of the two-star hotel rooms occupancy indicators per 2004–2011 period compared to the total of all that of Lithuania's hotels has led to observations, that two-star hotel room occupancy rate was quite similar to that of total; in 2007 and 2008 was even higher than the average occupancy rate. Occupancy fell in 2009, but is increasing during last 2 years and reached 40 % in 2011.

Summarizing, it should be noted, that in 2009, when volume of the two-star hotels in the market grew, number of tourists per two-star hotel bed significantly fell; however, under the overall accommodation sector statistics for 2009, the whole tourist flow was much lower. It should also be noted, that even in the year 2011 figures have not reached the minimal number of previous occupancy rate. Therefore, we can assume that two-star hotels are yet to become appealing for incoming tourists, or their management in the current market conditions is extremely weak (dim marketing, inadequate means of communication, the prices are very similar to that of three-star hotels, with different level of service, etc.). Therefore, greater interest from the international tourist class hotels would be very welcome.

6. An impact of EU financial support

Even in 2009, whilst creating the National Tourism Development Program for years 2010–2013, a very long discussion on how to encourage tourism in Lithuania [National Tourism Development Program for years 2010–2013] occurred. Although the gap with the EU average according to hotel accommodation places per thousand people has decreased in Lithuania from previous 10 to 5 times in the last five years, but is still far behind other EU member states, tourism opportunities are prevented also due to uneven territorial distribution of the hotel services, when as much as 60 percent of the total hotel network by the year 2010 belonged to the major Lithuanian cities and resorts.

Lately business development in Lithuania is promoted not only by entrepreneurial initiatives, but by state policy through EU support as well. As tourism in Lithuania is recognized as one of the priority sectors, 300 million euros were dedicated for its development through the year 2007–2013 period, part of which is surely allocated for the hotels development.

In the National Tourism Development Program for the year 2010–2013 the shortage of two-star was identified. Support for the accommodation services was committed mainly through two means:

- Complex adaptation of the public immovable cultural heritage objects for tourism purposes;
- Development of the diversity in tourism services / products and enhancement of tourism services.

First one targets the public accommodation facilities as camping, campsites, etc., the second – application of private cultural heritage objects that has been adapted for tourism. During this period 173.381.000 litas, from which more then 100.000.000 was EU financial support, went for design and application of these objects. Total EU aid intensity for the private sector projects accounted for about 65 per cent., for the public projects – about 90 percent. However, these funds are not entirely suitable for analyzing the development of the accommodation sector, since the vast majority of estates after the implementation of the projects will become museums, racecourses, spa or health complexes, motels, and so on. All these projects undoubtedly directly or indirectly affect the accommodation sector. At least few tourist-class hotels (table 6), encouraged by the development of better business conditions will really start or have already started to provide services.

Table 6. Projects related with two-star hotel development in 2008–2012, using EU support

No. of project	Project name	Intensity of EU support	Total budget, Litas	Number of rooms/beds
VP3-1.3-ŪM-06-K-01-040	Norbera Invest – construction of an economy class accommodation infrastructure in Vilnius	30 %	4.862.764,02	126 / 258
VP3-1.3-ŪM-06-K-02-014	Construction of the tourist – class hotel in Kaunas	50 %	1.796.783,90	44 / 95
VP3-1.3-ŪM-06-K-02-027	Development of the "Babylon" active ecotourism centre	50 %	1.929.980,09	24 / 54
VP3-1.3-ŪM-06-K-02-028	Tourist class accommodation development in Kaunas	50 %	5.240.114,50	125 / 253
VP3-1.3-ŪM-06-K-02-067	Creation of a wider range of accommodation infrastructure in economy class segment, promoting the inbound tourism flows all year round	50 %	6.496.731,83	200 / 400

Source: authors' calculations based on data from website www.esparama.lt

Thus the positive impact of financial support is undoubted, but the statistics illustrating the performance results is still pending, as most of them started providing services in 2012, but international hotel chain – Choise Hotel International, had started their business using one of these projects, already.

Conclusions

Most of the theoretical and research work is done by analyzing the hotel management, service quality compliance with the needs of tourists and so on. Notable scientific works perfectly legitimate adequate measures to improve the performance of the hotels or set any consumer expectations. However, less attention is paid to services based on market demand, the theme of the great importance in Eastern Europe or developing tourist destinations. This study has identified few factors that are deemed important to Lithuanian middle market hotel perspectives. The factors are local environment, brand name, market characteristics, some support services, features of hotel industry structure. In fact, these factors allow detailed examination of the existing business opportunities and predict further opportunities and trends. It should be added that international business opportunities using traditional franchise could be the right way to stimulate this sector in Lithuania.

The beginnings of Lithuania's hotel sector could be traced from the XIV century, but, in reality accommodation business in the country is only two decades old. That's why the activities of international hotel chains in Lithuania are of such particular importance: service quality, visitors' loyalty (and for Lithuania especially – segment of the experienced service users), all leads Lithuania to the internalization and increased tourism business's position among the other states.

Government incentives as well as the high potential profitability motivated investors to develop middle market hotels in Lithuania. Directional country's policy to promote the tourist-orientated tourist-class hotels was successful. Changes in two-star category will encourage flows of local and foreign tourists and overall opportunities. Policy of the Lithuanian Government together with the EU support per 2010-2013 period has effected achieving significant results: the number of two-star hotel rooms, sponsored by programs, increased by 28 %, and is likely to encourage potentiality and flows of tourists in tourist class hotels.

Continuous expansion of hotel supply shows the growing tourism business in Lithuania. Any indicator, considering the accommodation service and which have been examined in this article, only confirms the fact. The trends suggest that the hotel industry has full of place to develop, as the analytical data shows bright future results in growth.

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AR PLĖSIS LIETUVOS VIEŠBUČIŲ SEKTORIUS?

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Santrauka

Šiuo straipsniu siekta įvertinti viešbučių dinamikos tendencijas Lietuvos rinkoje ir pagrįsti bei iliustruoti jų poreikį, jei jis egzistuoja. Viešbučių verslas tampa vis labiau auganči verslo šaka, kuri apima ir politinius sprendimus, ir verslo iniciatyvas, ir vietos visuomenės požiūrį į turistą ar patiriamą ekonominę naudą. Lietuvoje, kaip ir visame pasaulyje, viešbučių verslas sparčiai plečiasi, tačiau šio sektoriaus augimą valstybėje ypač veikė istorinės sąlygos, politiniai sprendimai, naujos verslo tendencijos – tarptautinis verslas ir globalizacija, žinoma, ir atvykstančių turistų poreikiai. Kiek ir kuriomis kryptimis tikslinga plėtoti viešbučių verslą, svarstoma straipsnyje, remiantis atlikta statistine analize.

PAGRINDINIAI ŽODŽIAI: *viešbučių sektorius, svetingumo paslaugos, viešbučių verslas, užimtumas.*

JEL KLASIFIKACIJA: L830, L840, N83, N84