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## **FINANCIAL MECHANISM OF HOTEL BUSINESS DEVELOPMENT IN THE CONTEXT OF DIGITALIZATION**

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**Abstract:** *The article substantiates the financial mechanism of hotel business development in the context of digitalization. It is established that the financial mechanism for the hotel business development in the context of digitalization is necessary and possible, while the successful implementation of innovative approaches in the hospitality sector will provide it with outstripping development dynamics in comparison with other industries as well as with high competitiveness not only in the domestic but also in the foreign market. It is revealed that the interaction between hotels and their guests can be significantly simplified using the latest information technologies that bring the hotel business to a new level, which is an important component in an ever-growing competition. Therefore, to ensure the required level of financial stability, it is necessary to use digital technologies, which allow creating databases that enable keeping records of all hotel rooms and customers.*

**Keywords:** *financial mechanism, hotel business, digitalization, competition, financial stability, hotel, management.*

## INTRODUCTION

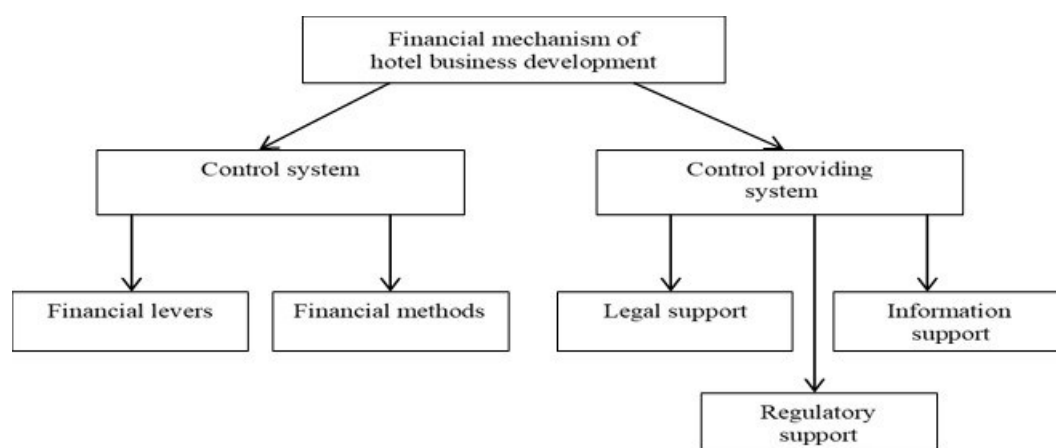
The financial mechanism incorporates a part of the economic mechanism of the hotel business, which is represented by a set of interrelated types and forms of organization of financial relations, conditions, and methods involved in the financial resources forming process, the formation and use of funds intended for certain purposes of hotel business entities. The structure of the financial mechanism includes elements that reflect the economic content of finance whose evolution has developed both formal and informal institutional forms of organizing relations that mediate the interaction of different-scale and multilevel hotel business entities in terms of the content and nature of operations, such as the financial mechanism of hotel business entities, the management mechanism of hotel business programs, and the mechanism of financial intermediaries. The study of hotel business development issues is reflected in the works of E.A. Gruneva & E.V. Blankina (2019), D.S. Karpov & N.V. Gribulina (2020), N.S. Morozova & M.M. Morozov (2020), Yu. Odegov & G. Rudenko (2017), E.Yu. Tugolukova (2019), S.V. Frumina (2019), and others. At that, the need to justify the financial mechanism for the hotel business development is conditioned by the requirements of the digital economy.

## METHODS

The theoretical and methodological basis of the research includes an abstract-logical method, methods of induction, deduction, analysis, synthesis, and systematization, used to justify the approach to identifying trends in the financial mechanism of hotel business development, as well as graphic method employed to study the level and trends of changes in the development parameters of hotel business entities. The information base of the article includes statistical data of state bodies, legislative and regulatory documents governing financial relations in the hotel business, assessment of the effectiveness of regulating relations among the main hotel business entities in the context of digitalization, as well as the results of conducted scientific research (Agamirova et al., 2017; Lukiyanchuk et al., 2020; Zavalko et al., 2017). In the course of the research, it is planned to consider options for a new financial mechanism for the hotel business development, substantiate theories and prospects for the hotel business entities development in the context of digitalization, as well as to analyze financial systems to confirm the parameters reflecting their effective functioning in the hotel business.

## RESULTS

The practice has shown that the financial mechanism for the hotel business development can be represented as a set of the following interrelated elements: control system, control providing system, financial levers, financial methods, legal support, regulatory support, as well as digital support (Fig. 1).



**Figure 1.** Financial mechanism of hotel business development

At the same time, the financial mechanism for the hotel business development is inseparably associated with the implementation of the socio-economic development strategy of the Russian Federation and its regions and is based on a system of formal and informal institutions. Therefore, the persistence of tough problems that block effective trajectories of hotel business development, traditionally associated with economic growth and innovative development drivers of hotel business entities, is associated with the dysfunctionality of the private property institution, as well as increasing uncertainty and risk due to exogenous and endogenous factors of a political and economic nature. Besides, the economic content of the financial mechanism of hotel business development in the context of digitalization is understood as a set of components of a whole system of elements, such as the budget, tax, and credit mechanisms, as well as self-financing mechanism, which under the influence of internal and external factors provide the co-evolution of tools and institutions of hotel business development and implementation of the development strategy of the country. A healthy business climate, improving the tax policy and insurance premiums system, simplifying access to infrastructure, slowing the growth of tariffs of natural monopolies (to the level of inflation), as well as lowering levels of corruption are crucial to solving the accumulated problems in the hotel business development in conjunction with the application of the most effective tools of financing. The following key changes related to the financial climate in the hotel business can be distinguished in the framework of the conducted study: simplifying the registration of new hotels, simplifying and reducing the cost of connecting to the power grid and reducing tariffs for technological connection, reducing the time frame for state registration of rights to real estate and transactions with it, as well as reducing the total tax rate by excluding movable property from the tax base for the property tax of hotel businesses.

Consequently, the economic content of financing instruments for hotel business entities that allow using the financial mechanism of their development in practice consists in the uninterrupted mobilization and provision of financial resources that create added value in the individual and public capital reproducing process based on the principles of accessibility, transparency, and efficiency in the context of digitalization of the economy. This determines the need to identify specific features of the hotel business at the methodological level. Therefore, the activities of hotel businesses are influenced by many factors that may limit the ability of entities to access external financing, namely, limited

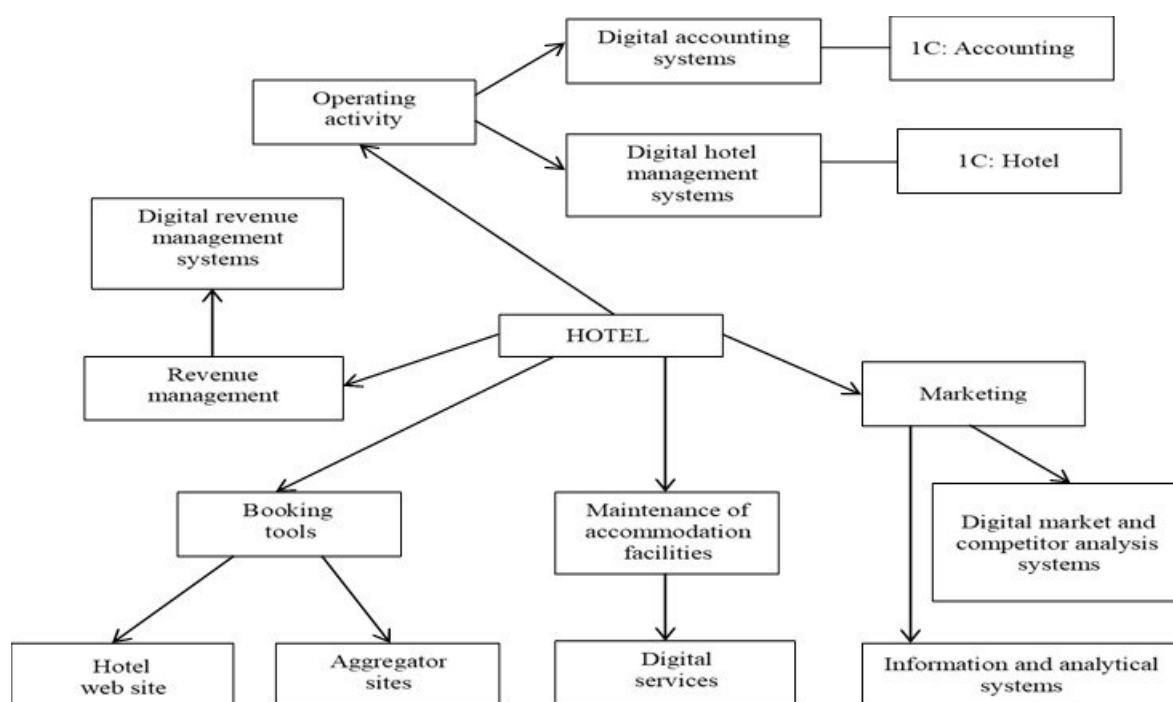
equity, difficulties in obtaining reliable and complete information, as well as reputation component. At the same time, the low quality of systematization of information support, which would give a comprehensive picture of the current situation of individual hotel enterprises, can be attributed to the barriers that also hinder the hotel business development. Research shows that in the hotel business, employees lack the necessary experience in processing business-related information and communicating it through business channels, access to financial markets is difficult, as well as the number of specialized rating agencies that assess the financial situation of the hotel business entities is limited. Besides, the financing of the hotel business is also carried out with the direct involvement of the state, which implements a special program for providing subsidies to hotel business entities. It is important to understand that today's realities pose new challenges not only to the hotel business but also to the state in terms of the effectiveness of implementing subsidy programs that highlight the need to create a new format for the organizations supporting network infrastructure, as well as to implement a service model aimed at providing such assistance to the hotel business. Therefore, the methodological justification of organizing the financial mechanism in the hotel business represents a three-pronged process in which the hotel business leaders, infrastructure organizations, and the state must clearly understand the capabilities and threats of doing business in this segment, taking into account the current state and its implementation conditions.

However, the provision of financial support to hotel business entities which form their supporting infrastructure can be carried out according to the legislation of the Russian Federation at the expense of regional and local budgets through mechanisms, such as subsidies, budget investment, and guarantee support from the state and municipalities by commitments of the hotel business entities. At the same time, the main achievements in the field of hotel business development concern defining strategic guidelines for state policy in the field of hotel business development; implementing several measures to improve the business environment in the hotel business; implementing a risk-based approach to control and supervisory activities; reducing excessive requirements and risks of sanctions; ensuring a predictable tax policy with respect to the hotel business; expanding the property, financial, information and consulting support for hotel business entities; improving the quality of the regulatory environment for doing business as a priority area in implementing the hotel business support policy; introducing mechanisms to replicate best practices to improve the investment climate in the hotel industry. Research has shown that the digital world generated by new development rates is mobile, constantly changing and scaling, because virtual reality can influence public opinion, making the ephemeral tangible. In the context of digital reality, the state and its institutions are beginning to realize the scope of new challenges. This highlights the necessity of the technological revolution in the Russian Federation since it will increase the country's innovation level and competitiveness. In the context of the digitalization of the Russian economy, one can focus on studying the possibilities of using digital technologies in the hospitality industry as the most dynamically developing economic sector. In this regard, it is necessary to point out the significant opportunities for the hotel business, where an active innovation environment has already been formed. The range of know-how in the hotel business is quite broad. It is represented by various forms of innovations based on the active implementation of digital technologies, in particular, automated control systems used in traditional business processes, whether it is the production of services, management, technical equipment of facilities, or safety and security arrangements.

The implementation of digital technologies in the hotel business is explained by the pace of changes in the very nature of this business, including the need for the operational management of business processes and the dynamic pattern in consumer requests under the influence of greater availability of information. At the same time, the actual interest in the use of digital technologies in the hotel business is associated with the fact that they can be used to transfer the usual communication mechanisms to the digital environment, which allows employing customary schemes on a qualitatively new digital basis. However, in the context of high competition in the hotel business, hoteliers are constantly faced with the need to maintain an individual approach to the guests, including providing services based on innovative marketing tools. In this case, one of the most effective solutions of this kind is the implementation of an attractive loyalty program for the accommodation property, since according to statistics, attracting a new client costs 5-10 times more than retaining an existing one. Currently, the presence of a guest incentive program is considered a serious argument in favor of a particular hotel, along with the rates, location, and reviews of friends. At that, the hotel loyalty program should be fully integrated into the overall service model and combine various types of incentives, including nonfinancial motivation. Therefore, a well-designed program is a combination of a mathematical model, consumer psychology, and trade marketing. Besides, a system launched once must be constantly updated and improved in response to the changing nature of consumption in general. For example, the growth in the number of smartphones and the future transition to 5G mobile networks, which will provide universal access to the Internet, is a current trend for the whole world and all industries. This means that brands must strive to provide real-time customer service offering specific context, which will ultimately lead to loyalty and repeat purchases.

It should be noted particularly that for small-format accommodation facilities, loyalty programs are one of the most cost-effective ways to encourage direct bookings. Moreover, the complex and ambiguous problem of digital management of business processes in a hotel enterprise can be solved quite successfully using property management systems. They are a type of automated management system designed primarily to reduce the manual labor of hotel staff and financial costs. At the same time, systems of this class were designed as platforms used to automate the work of the hotel front office, namely, pre-booking of rooms, their distribution among arriving guests, check-in and check-out of guests, and billing for services rendered. That is, these systems were supposed to replace paper and electronic tables generated manually by the hotel front managers, which reflected all the listed information. These systems had been actively developed, and now their functions go far beyond the hotel reception. However, in the current context, the hotel information system represents an integrated system of operations that allow the owner or manager to automate all the service cycles and business processes in the hotel, from the work of service maids to the generation of complete financial statements and statistics reflecting any indicators necessary to analyze hotel performance, such as the workload for the certain period or the average occupancy of rooms (Fig. 2).





**Figure 2.** The information system of the hotel business enterprise

Also, systems of this class are supplemented with automatic synchronization functions with global booking systems, which allow agencies from all over the world to make reservations directly in hotels. In this case, when choosing an automatic management system, it is necessary to analyze quite many factors, including the nature of the hotel property, since powerful multifunctional systems may be too expensive for mini-hotels, hostels, and hotel properties with a pronounced seasonal influx of guests.

## DISCUSSION

The reliability of the presented approaches is confirmed by the fact that it is impossible to ignore the impact of financial conditions on the development of digital technologies in the hospitality industry, taking into account the fact that until recently, management systems for accommodation facilities have been installed and operated from physical servers (Konovalova et al., 2018; Nikolskaya et al., 2020; Ogloblina et al., 2020).

At that, hotels faced the need to allocate certain space for the appropriate hardware and attract additional human resources to maintain hardware and carry out regular software updates. Such difficulties have activated the search for new technological solutions, including the development of cloud technologies.

At present, the number of cloud offers for managing hotel accommodations has gradually begun to exceed the number of existing options for solving problems of this class. In this case, systems based on cloud platforms with support for mobile devices offer their customers an innovative way to interact with guests, allowing them to reduce the financial costs of purchasing special computer equipment and digital services.

These systems are administered by the vendor and are easy to use. Updates and fixes are performed automatically, which saves their owners both time and money, and also makes it possible to use applications from any computer devices, including mobile

devices, from any point where there is access to the Internet. Besides, it is possible to securely store data remotely on web servers.

This has made cloud technologies an extremely attractive model for software developers in the context of digitalization of the hotel business. In this case, special electronic systems developed by both major players in the hospitality industry and individual accommodation facilities open up new opportunities for direct communication with customers, which undoubtedly increases the loyalty and commitment of the latter to a particular hotel brand.

## CONCLUSION

Summing up, it can be noted that the financial mechanism for the hotel business development in the context of digitalization is necessary and possible, while the successful implementation of innovative approaches in the hospitality sector will ensure that it is ahead of other industries and highly competitive not only in the domestic but also in the foreign market, which is extremely important in the current economic and geopolitical situation.

At the same time, the interaction between hotels and their guests can be significantly simplified utilizing the latest information technologies that bring the hotel business to a new level, which is an important component in an ever-growing competition.

To ensure the required level of financial stability, it is necessary to use digital technologies, which allow creating databases that enable hotel managers to keep records of all hotel rooms and customers.

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