



Article Title

Analysis of Financial Indicators of Montenegrin Hotel Industry

Citation

Stanovčić, T., Moric, I., Lakovic, T. & Pekovic, S. (2015). Analysis of Financial Indicators of Montenegrin Hotel Industry. *Management International Conference*.

Abstract

Taking into consideration the slow increase of incomes and limited investments IN Montenegrin hotel industry, the purpose of this paper is to research the potential sources of efficiency via analysis of financial indicators in hotels in Montenegro. The special focus is given to analysis of the following indicators: operating revenue, revenue per room, room occupancy, investments, room rates, payroll etc. Using available secondary and primary data from hotels, government bodies and relevant international organizations, several factors are identified that affect the financial efficiency of SMEs in Montenegrin hotel industry. Key findings indicate that hotel industry in Montenegro is experiencing limited financial efficiency, especially in terms of following financial indicators: low average annual growth rate of the operating revenues per room of just 4% in period 2008-2013; room occupancy has grew from average annual 37% in 2008 to 39.5% in 2013; decrease in average investment in 2013 comparing to 2012 for 54.6%, together with negative prognosis for future investment till end of 2015; and serious regional misbalance in sense of key indicators (e.g. operating revenue, gross operation profit) in seaside, central and northern area of Montenegro, where level of demand in Northern (Mountain) region is still below the Montenegrin average, etc. The contribution of this research comes from the analysis of financial indicators and accounting system of hotel industry in Montenegro, which provides the guidance and ideas for further improvements in the important sector of tourism.

Methods

Using available secondary data, especially from Horwath Hotel Industry Survey Montenegro 2012 and 2013, combined with available primary data, several factors are identified that affect the financial efficiency of SMEs in Montenegrin hotel industry. In line with this, in this paper we shall focus just on individual economic - financial aspects of the tourist offer and the business results achieved in the hotel industry as the most important segment of tourism. The

special focus is given to analysis of the following indicators: operating revenue, revenue per room, room occupancy, investments, room rates, payroll etc. Related to these arguments, we formulate the following hypothesis: Hotel industry in Montenegro is experiencing limited financial efficiency, which implies the need for definition of several practical and managerial guidelines in order to improve the financial management of these enterprises.

Results/Conclusion

Key findings indicate that hotel industry in Montenegro is experiencing limited financial efficiency, especially in terms of following financial indicators: low average annual growth rate of the operating revenues per room of just 4% in period 2008-2013; room occupancy has grown from average annual 37% in 2008 to 39.5% in 2013; limited possibility to increase room rate in future period due to the need for higher occupancy rates and stable market position (e.g. average room rates for period 2012- 2013 were increased for 6.9%); decrease in average investment in 2013 comparing to 2012 for 54.6%, together with negative prognosis for future investment till end of 2015; after multiannual losses, the surveyed hoteliers have forecasted the minimum profit realization in 2013 (4% of the revenues, on 438 average); payroll and related expenses of the hotel industry of Montenegro since 2004 were constantly high, although the average monthly gross payroll in years 2012 and 2013 has been stabilized on around 535 Euro per employee; and serious regional disbalance in sense of key indicators (e.g. operating revenue, gross operation profit) in seaside, central and northern area of Montenegro, where level of demand in Northern (Mountain) region is still below the Montenegrin average; serious disbalance in terms of revenue in different hotel categories, where operating revenues of surveyed 4+ and 5-star hotels were increased for 62% in period 2008-2012 compared to lowest category (2*) that has experienced decrease of their revenues for around 13%; the average age of the hotels surveyed was 27 years etc. Based on these facts, we may conclude that our hypothesis, that hotel industry in Montenegro is experiencing limited financial efficiency that further implies the need for definition of several practical and managerial guidelines in order to improve the financial management of these enterprises, is confirmed.