

# Financial Strategies for Managing Hotel Business in the Context of Digitalization

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## Summary

The article considers the development of financial strategies for managing hotel business in the context of digitalization. It is established that the financial strategy should take into account the risk of non-payments, inflation surges, and other unpredictable circumstances. It is proved that the financial strategy aims at providing hotel businesses with the necessary and sufficient financial resources. It is revealed that the proposed mechanism for analyzing a financial strategy is a perfect tool for the effective management of the resource potential of the hotel business since it allows comprehensively assessing the financial stability and financial crisis with due regard to the results of activities in key parameters: liquidity, financial stability, and profitability. It is determined that the introduction of digital technologies into the operation of hotels will improve the qualifications of service personnel and their productivity, enhance the quality of work and services performed, reduce the time for providing such services, and increase the quality of guest service.

## Keywords:

*finances, strategy, management, hotel business, competitiveness.*

## 1. Introduction

The process of ensuring competitiveness is an integral step in the strategic management of the hotel business and is associated with achieving the set results as soon as possible in a changing internal environment and market situation. In this case, the achievement of the goal is the result, and a strategy is a tool for this process. Therefore, the formation and selection of alternative strategies are of particular importance. Their task is to provide a perspective vision of operating conditions and position the hotel business in the market, which allows not only taking measures to eliminate undesirable consequences or minimize them, but also benefiting from the situation.

In this case, a financial strategy is a perfect tool for the effective management of the resource potential of the hotel business since it allows to comprehensively assess the financial stability and financial crisis with due regard to functioning goals and performance results.

While considering the financial capabilities of the hotel business and assessing the nature of internal and external factors, the financial strategy ensures that the financial and economic capabilities of a hotel enterprise correspond to the conditions prevailing in the hotel services market.

The issues related to the development of the hotel business were studied by Yu.S. Avdyukhina [1], B. Assaf [2], S.A. Volkov [3], G.S. Klychova [4], N.S. Plaskova [5], Z.Yu. Tenova [6], etc. Despite a significant number of scientific works on this topic, in-depth research should dwell on the issues of financial strategies for managing the hotel business in the context of digitalization.

## 2. Methods

The theoretical and methodological basis of this research is as follows: the abstract-logical method, induction, deduction, analysis, synthesis, and systematization. They are used to justify the impact of financial strategies on the development of hotel business enterprises.

The information base of the article is the statistics of state bodies, legislative and regulatory documents governing the financial activities of hotel business entities, and the results of scientific research conducted within the framework of modern economic processes [7-9].

In the course of the study, we planned to systematize the main aspects of forming financial strategies, developing measures to coordinate financial activities between the main participants in the hotel business in the context of digitalization, and determining the features of the financial system for managing the hotel business.

## 3. Results

The relevant studies have shown that an effective tool for long-term management of financial activities of hotel business enterprises is a financial strategy. At the same time,

the turbulence of economic processes that arise in the internal and external environment of a hotel business enterprise necessitates the search and development of their own development strategy, including an optimal ratio between the costs and results of the hotel products and services offered.

The complexity of managing the strategic development of hotel business conditions some unresolved issues in developing a mechanism for analyzing the financial strategy of hotel business enterprises. Under these circumstances, the financial strategy of a hotel enterprise covers all aspects of its activity (the optimization of fixed and working capital, capital management, profit distribution, cashless payments, management, securities policy) and determines the objects of development and implementation of the financial strategy.

In this case, the objects are income and receipts of funds, expenses, and deductions, mutual settlements with budget and extra-budgetary funds, as well as credit relationships. Therefore, the financial strategy should correspond to the tasks set and, if necessary, be adjusted and changed. In addition, control over the implementation of the financial strategy ensures the verification of income and its economical and rational use. Well-established financial control helps to identify internal reserves and increase the profitability of the hotel business and money savings.

Any financial strategy is a component of the overall strategy of a hotel business. It includes the optimization of fixed working capital, profit distribution, capital management, cashless settlement policy, and tax management (Fig. 1).

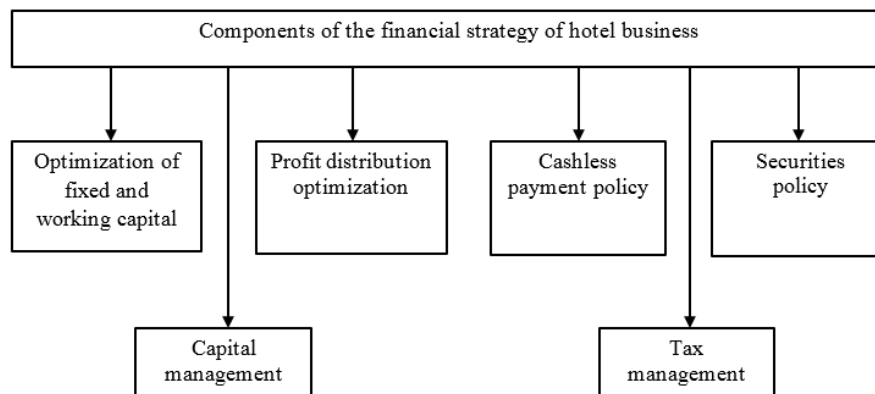


Fig. 1. The financial strategy of hotel business enterprises

The priority task of the hotel business is to build healthy competition, which is determined in the process of developing services and marketing strategies. Accordingly, the overall strategy is based on the possibility of increasing the competitive advantages of the hotel business.

The financial strategy aims to ensure a hotel enterprise's self-sufficiency, which can be achieved through the effective management of capital, assets, profits, investments, etc. Thus, the formation of strategic goals should accumulate the capital funds sufficient to finance their expanded reproduction.

The financial strategy is consistent with the overall strategy of the hotel business and the factor of ensuring its effective functioning and financial development in the future. The development of the financial strategy for the hotel business begins at a preparatory stage. During this period, it is necessary to conduct a financial analysis of the activities of a hotel business enterprise, forecast the external economic environment, draw up a long-term program for the development of this hotel, and consider the expected income and financial expenses.

In the process of developing a financial strategy, a period must be determined for the formation of a general strategy for the economic development of a hotel business enterprise. However, the financial management strategy as a component of the overall strategy can be implemented only within the established time limit.

Any financial strategy aims at maximizing the market value of the hotel business. However, the main goal can be specified through the objectives of financial development. The system of strategic goals forms a strategic model for the development of a hotel business enterprise.

In addition, the developed financial strategy should have specific financial indicators (target strategic standards), including the annual growth rate of own capital; the minimum share of own capital in the total volume of the used capital; return on equity; the minimum level of asset liquidity; the acceptable level of financial risks. Under these conditions, specifying the financial strategy for the periods of its implementation ensures the consistency of strategic standards over time.

The existing practice has revealed that financial strategies should be based on prospects for the financial

development of the hotel business and, accordingly, the main aspects of its financial activities that form financial policies. The development and implementation of the financial policy of a hotel enterprise, based on its financial strategy, allows to solve problems in specific areas of its financial activity, i.e. the financial strategy focuses on those solutions that ensure the achievement of the goal set.

Therefore, the assessment of the effectiveness of the developed strategy in terms of its parameters is the final stage in the formation of the financial strategy of a hotel business enterprise. This assessment determines the coordination of objectives and tasks, stages and time limits for implementing the financial management strategy, and the consistency of the financial strategy with external financial changes. After analyzing the financial activities of a hotel business enterprise, all the proposals should be evaluated and selected, which ensures the primary criterion for improving the financial conditions of such an enterprise. To overcome a crisis, hotel business should do as follows: find and mobilize reserves for the growth of economic profitability; reduce the shortage of liquid funds by accelerating their circulation; mothball investments or release funds into economic circulation; find opportunities to reduce the cost of borrowed resources; find non-traditional financial resources. If this does not have a positive effect, then it is necessary to reorganize the hotel enterprise in question.

Currently, the hotel business is at the stage of a large-scale transition from a paper-manual method of work to automated hotel management technologies. The introduction of such digital technologies in a significant number of hotels was a crucial step in the successful development of business. The use of digital networks, the Internet, and information technologies, as well as the automation of all business processes, is also important to ensure leadership and create competitive advantages, guarantee the existence and survival in the hotel services market.

Management information systems, integrated communication networks, multimedia systems, electronic payment systems, and modern reservation and booking systems are widely used in the hotel business, i.e. a hotel website should have special options for travel agencies or consumers of hotel services to let them take advantage of the opportunities provided by the software designed for this. Hotel marketing and advertising tools are products of the innovative development of digital technologies. In modern conditions of functioning and development of hotel business, there should be a hotel website.

Recently, specific and universal aggregator websites have emerged. Specific websites contain narrowly targeted information about a particular hotel with a description of services and contact data. Universal websites contain generalized information from various economic sectors with a separate section about the hotel. Therefore, it is effective to post information about a hotel on aggregator websites because they have the largest number of visitors. According to our estimates, the effectiveness of the hotel business largely depends on the use of opportunities provided by the latest digital technologies. Therefore, digitalization in the hotel business is not only the provision of new services and the use of innovations but also the complex use of new methods in the field of hotel management, including the analysis of income and information (Fig. 2).

The relevant studies demonstrate that a standard set of technological operations for financial and accounting activities within hotel management or guest service does not provide hotels with competitive advantages. Now, this process is impossible without the introduction and use of innovative digital technologies and automated control systems that simplify the work of personnel while increasing their efficiency. Automated digital technologies are a set of methods and means for collecting, registering, transferring, accumulating, searching, processing, and protecting information based on software, communications, and computer technology.

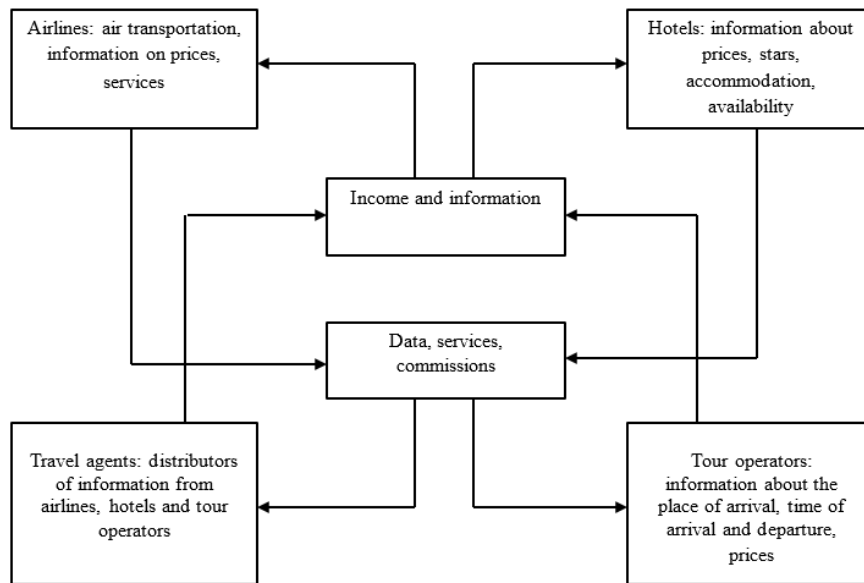


Fig. 2. The digitalization of hotel business in modern conditions

It allows reducing the cost of current repair, maintenance, electricity, and operating costs by optimizing the use of hotel rooms and increasing the quality of customer service. Furthermore, services provided via the Internet also bring economic benefits.

Digital systems can also analyze the quantity and quality of these services. Thus, it is possible to exclude services that are provided rarely and poorly, replacing them with new ones, get an economic effect and profit, and determine guest preferences more accurately. Thanks to the introduction and application of an automated digital system, it is possible to increase labor productivity and reduce the need for labor, while reducing labor costs by about 30%.

Currently, the following automated hotel systems are widely used: hotel management system; restaurant management system; telephone service system; electronic key system; electronic minibar system; interactive television system; energy saving system; credit card processing system; warehouse accounting and costing system; financial and accounting system; central reservation system; online booking system; personnel records management system; safety system.

#### 4. Discussion

The reliability of the presented approaches is confirmed by the fact that the digitalization of business processes in a hotel concerns both external (front office) and internal business processes (back office). Reception and accommodation, marketing, booking and sales, service and support are structural departments and employees whose task is to interact directly with guests. The introduction of the latest achievements in the field of digital technologies ensures a competitive advantage in the hotel business. The latter are associated with the complex automation of hotel business processes, i.e. booking, customers' payments, travel agents and tour operators, management and economic activities, security, and resource conservation.

When studying the current development of the hotel business, it is necessary to recognize that most countries of the world have been developing this sector of the economy for a long time. They have a significant material base and provide jobs for millions of able-bodied people, which has a positive impact on the economy of a particular country.

The transformation of the hotel business into an economic sector on an industrial basis contributes to the development of foreign tourism and an increase in currency earnings. Thus, priority areas for the development of hotel business are as follows: to improve the conceptualization and specialization of hotel business facilities; the creation of hotel groups and international hotel networks due to the globalization of the economy; focus on the needs and requests of customers, service personalization; service diversification; the introduction of the latest digital technologies into hotel business enterprises.

## 5. Conclusion

The study results have proved that the financial strategy should consider the risk of non-payments, inflation surges, and other unpredictable circumstances [10-12]. The main strategic goal of the financial strategy is to provide hotel businesses with the necessary and sufficient financial resources.

The proposed mechanism for analyzing a financial strategy is a perfect tool for the effective management of the resource potential of the hotel business since it allows to comprehensively assess the financial stability and financial crisis with due regard to the results of activities in key parameters: liquidity, financial stability, and profitability.

The set of recommended indicators implements a new approach to substantiate financial equilibrium models for hotel business enterprises which are used as an analytical basis for choosing their financial strategy. To effectively solve the urgent problems of the hotel business, it is necessary to introduce digital management information systems to open up new opportunities in the implementation of resource and energy-saving programs.

At the same time, the introduction of digital technologies into the operation of hotel business will increase the qualifications of service personnel and their productivity, improve the quality of work and services performed, reduce the time for providing services, and improve the quality of guest service. Under these conditions, innovative processes play a decisive role in the development of the hotel business. Based on this, it is crucial to overcome technological backwardness in comparison with the accelerated innovative development of the international hotel market. Hotel enterprises need to introduce advanced technologies for the provision of services and new methods of management, organization, motivation, and control in accordance with changing requirements of the external competitive environment. At the present stage, the development of innovative processes in the hotel business should be determined by the widespread introduction of digital technologies. It is also necessary to restructure the business process itself and consider possible changes in the structure of the organization and in the scheme for supporting information systems, management methods, and the strategy of a hotel business.

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