Problems and prospects of family hotel business development in Georgia

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Abstract. In many countries, the tourism and hospitality industry is dominated by hotel family businesses. Georgia, as a mountainous country, has great resources for the development of small and family hotels. The beautiful landscape of the mountainous country makes it diverse and motivates the local population to develop the hotel business. Despite the lack of development of tourist infrastructure and other hindering conditions, the interest in the mountains of Georgia is growing more and more. In order to receive tourists, the issue of building small hotels with relatively small costs or converting existing houses into guest houses becomes urgent. Each family hotel tells us its own story with originality, local ethno-cultural values and traditions. The presented work deals with the business development of family hotels, the life cycle, the assessment of the current situation, the investments made and the challenges faced by family hotels. Quantitative and qualitative research methods, empirical research, comparative and statistical analysis methods are used in the work.

Keywords: Business, Tourism Development, Small Hotels, Family Hotels

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Introduction. The tourism and hospitality sector is the largest exporter in Georgia. Hotel enterprises play an important role in the development of the country's economy, increase revenues, including foreign exchange, create new jobs, contribute to the development of tourism-oriented industries, social and industrial infrastructure. A well-developed accommodation industry contributes to the rapid development of the tourism industry, which has a positive impact on the economy of the entire country.

As world practice shows, family business dominates in villages and peripheries, because it is in such places that land is owned by families. Therefore, rural tourism is mainly represented by family businesses. At the same time, the number of people who prefer to start their own business in villages and suburbs due to their lifestyle is increasing. The field of tourism gives them the opportunity to do so [1]. "Small business" is a set of small enterprises that can quickly increase the number of producers in the economy and promptly satisfy the increased diverse demand for goods and services with relatively small capital investments [2].

In Georgia the number of tourists has increased with the increasing demand for natural tourist accommodation, as well as quantitatively in terms of quality of service. Especially in rural areas. The best development opportunity has a "Family guest house", which is also a pre-condition for rural tourism development. Today majority of "Family guest house " are concentrated in regional centers or are near the regional centers. But they do not meet international standards and requirements. Therefore it is necessary to implement new innovative measures for the development of "family guest houses" in order to keep the tourists happy, and therefore to increase an additional income for rural residents. Based on the data of the Department of Statistics, the main means of accommodation for tourists in the regions of Georgia are family hotels. Most of the hotels are concentrated in cities and regional centers, but the majority of foreign tourists, in addition to business visitors, as well as local tourists, prefer to rest in "family hotels"[3].

Despite the fact that the tourist infrastructure in most places is a hindrance to the mountainous region, the interest in the mountainous region of Georgia is growing more and more
on the part of foreign visitors. In order to receive tourists, the question of building small hotels or converting existing houses into "guesthouses" (guesthouses) with relatively small costs becomes relevant. Since the tourist who went to the mountains is considered an active vacationer, it is important for him how he will rest in the hotel, whether he will feel comfortable and safe. For a family hotel to function successfully, two main things are needed - a well-equipped house and friendly service staff.

The presented paper deals with the development of family hotel business in the regions, the life cycle of local business, the assessment of the current situation, the investments made and the challenges facing family hotels. The relevance of the topic is due to the recommendation of the World Tourism Organization to prioritize the development of eco, agro/gastro, rural and experience-based tourism products in order to ensure the sustainability of regions in Georgia. Family hotels are a tourism product for the development of local communities.

**Aim of research.** The purpose of the research and the topicality of the topic are conditioned by the recommendation of the World Tourism Organization, in order to ensure the sustainability of regions in Georgia, priority will be given to promoting the development of eco, agro/gastro, rural and experience-based tourism. Family hotels are the product of development of local communities.

**Methodology.** Quantitative and qualitative research methods, empirical research, comparative and statistical analysis methods are used in the work. The research included: data collection, desk research, empirical data analysis, application of content analysis concepts, evaluation and structuring of results. The article provides an analysis of the articles in the scientific literature, the analysis of the documents and manuals developed by the state structures.

**Literature review.** In many countries, the tourism and hospitality business is dominated by the hotel family business. Despite the fact that there is a lot of scientific and popular literature on small and family hotel business, as such, less space is devoted to the study in Georgia. Regarding the research question, we got acquainted with the existing literature. They clearly illustrated the methods and

**Discussion and Results.** Most of the tourists consider the main motive of coming to the countryside to escape from the city and relax in the idyll of nature, this opinion is consistent with numerous observations. The article by M. Kurleto is interesting, where it confirms that tourists who prefer a village for travel and rest, when justifying their choice, mainly, first of all, mention the possibility of relaxing in nature and spending their vacation in the environment of the desired landscape [4]. Also, the most important motive for traveling to the countryside is to get to know the local traditional cuisine and the desire to taste the wine of Kvevri, the opportunity to purchase ecologically clean products at a low price.

Researchers have interesting opinions on the example of Croatia. "In the last few years, due to its natural and cultural heritage and improved transport links with the European source markets, Croatia has become a hit tourist destination. Small family hotels are increasingly sought after tourist product in Croatia, with a constant growth in traffic and spending per guest, with the trend of the efforts of extending the season. In Croatia there were about two hundred of small family hotels with approximately 15,600 beds, as compared to the number of beds in large hotel companies very little watching European experience. Small family hotels in Croatia became an absolute trend as they are filled 180 days a year, and generate a third more nights than traditional hotels and generate 25% of all hotel overnight stays in Croatia, which indicates their significance, enhanced quality of business and making the most of the capacity. Small family hotels make most common form of tourism not only in Croatia,
but also globally. Therefore, it is the hospitality (accommodation) offer that is of particular importance for the destination identity, international recognition / desirability, and the destination competitiveness of the Republic of Croatia. Small family hotels in Croatia, should become engines in the process of improving the overall hotel industry which will be the main part of the economic sectors of tourism through sustainable development, which should increase economic growth, employment and the standard of the local population [5].

The best example is the Rachi region in Georgia, where natural conditions, villages, natural-climatic conditions and the abundance of waters of different mineral composition create a unique environment for human relaxation and healing. The existing family hotel is located in the center of the district, on the edge of the forest, in a quiet and cozy place and has been hosting guests since 2000. However, the "artist's house" itself, which is located in the old building and creates a space for new experiences for visitors, started functioning in 2010. After the restoration, the "Artist's House" hotel was awarded the cultural heritage award for its new life. The buildings are decorated with traditional Georgian furniture and paintings made by the housekeeper, which creates a cozy and warm environment for the guests. There is a library, a gallery and a collection of interesting minerals and stones. The hotel has a garden with fruit trees, flowers and a seating area. Visitors are also offered tours to see waterfalls, caves, lakes, glaciers and other interesting places. The hotel is mostly visited by foreigners. However, during the pandemic, the number of Georgians also increased. According to the host, guests often continue to arrive. Guests are taught how to make traditional dishes, how to distill chacha, how to bake bread in the bakery. Guests take part in the harvesting, pressing of the wine, and then taste their pressed wine. It is also possible to attend master classes in painting, wood carving, felt work. Proper planning of innovations is essential in the tourism business. In such a case, tourism has a great perspective as a rapidly growing and profitable industry.

Along with the development of the hotel business, the
wise use of the territories of small land countries becomes relevant, so it can be used for various purposes in terms of tourism, where free tourist zones are found, the area located there fulfills the incentive of investment and the possibility of using the land, completely free of charge. In the conditions where there is a shortage of domestic markets and the possibility of export is insufficiently developed, a large part of the destinations is not activated from the economic point of view, there are situations that make the given situation even more difficult, in terms of climate, terrain and faulty transport infrastructure.

Vlasiuk, who specially studied the problem of the origin and development of small entrepreneurship in the field of rural tourism, tried to establish the peculiarities of this type of business. He rightly believes that today the ecological component is gaining special importance in business organization. An entrepreneur who diligently protects the principles of ecology and consistently implements an environmental protection program will sooner or later acquire a positive reputation throughout the region or industry, which will positively affect his competitiveness and, therefore, the profitability of his business [6].

Prof. has important opinions regarding starting a business in rural tourism. T. Shengelia, in his opinion, should start a business with the activity that the entrepreneur has studied well" [7]. For a man born and raised in a rural environment, who has gained some experience in rural customs, traditions, habits and culture. Such an experience should definitely be considered a hospitality practice. Every region of Georgia has a unique experience of guest-hospitality, which can be considered a prototype of rural tourism services, and based on the appropriate infrastructural provision, it can be successfully transformed into a tourism business. This is the initial experience, a potential resource of the rural tourism business, which, in case of matching with other necessary conditions for the start of the business, will be transformed into a real tourism resource and finally a factor of hotel business production [8].

Well-known investment funds in the hotel sector are:
investment trusts (REITs), mutual funds (MUTUAL FUNDS), insurance funds, investment banks, investment trusts, credit unions and others [9]. The main purpose of the "Produce in Georgia" project is to attract foreign investments to our country, self-financing mechanisms, this direction is an intermediary between foreign investors and the Georgian government, it helps groups of interested investors to find various information and conduct useful negotiations with their local parties. Produce in Georgia significantly promotes the development of chain or family-type hotels. In 2024, the terms of the co-financing mechanism of the program regulate hotel, tourist services, hotel and balneological resort industry, agro and eco-tourism activities [10].

The presence of co-financing programs in the country contributes to the development of the small and family hotel industry. One such organization is "Make in Georgia". The goal of the state is to promote the entrepreneurial environment, develop the private sector, attract investment funds and promote export development. "Produce in Georgia" organization combines three main components: business, export and investments. The purpose of this direction is to develop business in Georgia, to support an entrepreneur, to create a new hotel or to develop and expand an existing hotel. The main goal of the co-financing program is to support family and small hotels in Georgia. Improving the financial situation of commercial banks and continuing to operate in the market. Assistance to business entities operating within the framework of this program to ensure the payment of loans taken from commercial bank.

In this regard, a good example of local investment is the eco-friendly hotel "Sazano Wine", which was created in the village of Sazano in the Imereti region, with 31 rooms, hosting 71 guests. The investment cost is 6 million GEL. with GEL. With this project, the hotel is built on 5 hectares, where 30 locals are employed. The hotel also includes several restaurants, recreation and children's entertainment spaces. As part of this investment project, old houses were rehabilitated. A special benefit of the hotel is the proximity to the river and the green environment that will meet the visitors coming to this hotel. It should be noted the important
fact that this is the first hotel in this municipality, which will be able to receive both local and foreign vacationers and entertain them with Imerian gastronomy.

Local investments can:
- to increase the local tourist area;
- to create a new location in those regions where the twist market is not yet developed;
- to promote the expansion of new tourist areas, to attract both local and foreign visitors;
- to create such a hotel complex, which will be adapted to any tourist, so that the given tourist destination can become a contributor to the growth of the tourist market and the economy of the region;
- make it possible to employ the local population;
- promote entrepreneurship.

The priority of the modern market is to give hotel buildings a green and sustainable status. International standards of quality service performance in hotel facilities are important. The "individualism" of the hotel organization is recommended as a priority approach to the green management style of management [11].

Conclusion and recommendations. Today, the emptying of villages remains a big problem in Georgia. The migration of the population from the mountains and foothills did not stop. Moreover, the number of depopulated and empty villages is increasing year by year. According to experts, the population's return to the villages has not led to the agricultural revival program proposed by the government. One of the solutions to save the emptying of Georgian villages lies in the development of family business, rural tourism. It is necessary that the access road to the family hotel is well equipped; Infrastructural arrangement of the hotel, beautification of the exterior is desirable; It would be better if service personnel were trained in terms of service; It is desirable that the host speaks fluently not only Georgian, but also other languages in order to be able to provide necessary information to foreign-speaking guests; In order to run a successful business, it is necessary to have a good understanding of the market trends. It is significant that the principles of taxation in Georgia do not have a positive effect on family-type hotels.
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