

# CURRENT SITUATION OF MONGOLIAN TOURISM AND HOTEL INDUSTRY

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## Abstract

The enormous resources to attract foreign and domestic tourists and develop tourisms, are Mongolian history, cultures, and natural appearance and sightseeings, accordingly the number of tourists to Mongolia is being increased stably. The hotel plays a significant role in developing the tourism, thus this paper to shows the opportunities to increase products and services well fitted to demands of visitors, hospitality industry trend, competitiveness, and current situation of Mongolian hotel even tourism industry.

Key words: tourism, hotel, service, trend

## Introduction

From the establishment of human nomadic culture, Mongolia is one of the most effective resourced place that saved all characters and cultures of nomads to develop travel and tourism. On the other hand, a travel kind of nonsmoking industry is developing immediately in our country since 1990 and it is developing in the future.

By result of The Travel & Tourism Competitiveness Report of 2012 and 2013 that executed by the World Economic Forum, Mongolia was placing at 101<sup>st</sup> place from 139 countries in 2011, 99<sup>th</sup> place<sup>1</sup> from 140 countries in 2012, by result of The Global Competitiveness Report of 2013 – 2014, Mongolia was placing at 107<sup>th</sup> place<sup>1</sup> from 148 countries. In this case, Mongolia is achieving to complete missions to place within 80<sup>th</sup> place<sup>1</sup> in the world by Tourism and Travel Competitiveness within 2020.

In field of our country's tourism and travel, has been operating international biggest hotels, fast food restaurants, independent hotel's consortiums and members hotels of "Small Luxury Hotels of the World" such as Kempinski, Best Westren, Ramada, Shangri-la, KFC and Pizza Hut. However it is influencing to increase foreign travelers quantity, but we are demanding to increase manpower's professional skills, develop providing services till to reach the world standards and increasing competitiveness of national independent companies.

In case of Complex Policy of National Development based on goals of Millennium Challenge of Mongolia, we are achieving to increase quantity of travelers in Mongolia to reach equal with our total populations<sup>1</sup> and we are demanding to develop traveling services immediately relating to organizing "ACEM" of 2016 in Mongolia.

## 1. Nowadays condition of tourism and travel field

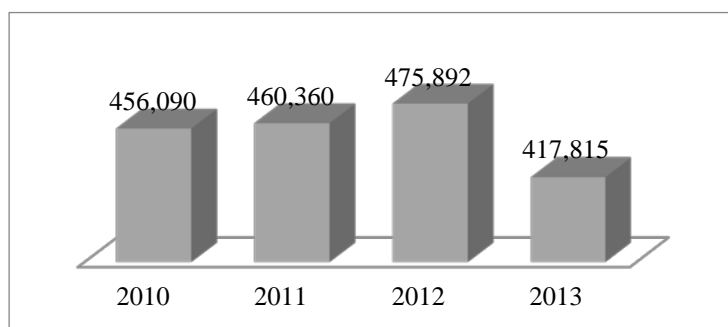
Traveling services, travel and tourism field is one of the most important fields of economy that included widest regions and immediately increasing field in the world. In the international field travel and tourism sector earns 1 trillion dollar and traveler's quantity is exceeded 1 billion. It had been established 8% of total work forces and 9% of domestic products. (UNWTO, 2013)

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In case of Mongolian first tourism and travel company, "JUULCHIN" LLC was established in Mongolia in field of tourism and travel in 1954. Since 1990, legal, social and economy environment is completed to develop tourism and travel field.

By result of all activities to develop travel and tourism from Government of Mongolia, Mongolia has received 475892 travelers in 2012. It is increased specification by 10% that compared by local period of last year. But in 2013, Mongolia has received 417815 travelers in 2013. Here you can show that traveler's quantity is decreased by 12% if you compare it with last year and you can take details about it from the following Diagram.

*Diagram 1. Traveler's quantity of Mongolia*



Source: National Statistic Commission of Mongolia Service field is holding approximately 50% of Mongolian Domestic products<sup>1</sup>. So in service field, traveling and tourism holds biggest position. Here, in Table 1, showed incomes of travel and tourism of last 5 years from 2009 to 2013. Traveling and tourism income calculation is based on only foreign traveler's income and there is not any research works or studies about domestic traveler's income.

*Table 1. Incomes of travel and tourism (USD, Million)*

Year	Incomes of travel and tourism	Income increase of travel and tourism (%)
2009	213,3	
2010	283,5	32,9%
2011	282,6	-0,4%
2012	286,5	1,3%
2013	270,9	-5,5%

Source: <http://www.touristinfocenter.mn/> Tourism statistic

Travel and tourism field earns 270900 million US Dollar and 50% of this earns is being hotel service. From 2010 to 2013, hotel and public meal service is holding 0.6–1.1% of domestic products.<sup>1</sup>

Facing problems of Mongolian travel and tourism’s nowadays and future development is there has not any renewed study of this field’s human resource and employment. In each year’s report of National Statistics Commission of Mongolia shows some related documents of workers of hotels and restaurants.

By result of study that made in case of “TASIS” Program of European Union in 2000, calculated as travel and tourism field has been working more than 17000 peoples in 2015. And field’s human resource demands prognosis estimated as 3–4 thousands (Table 2) in a year.

Table 2

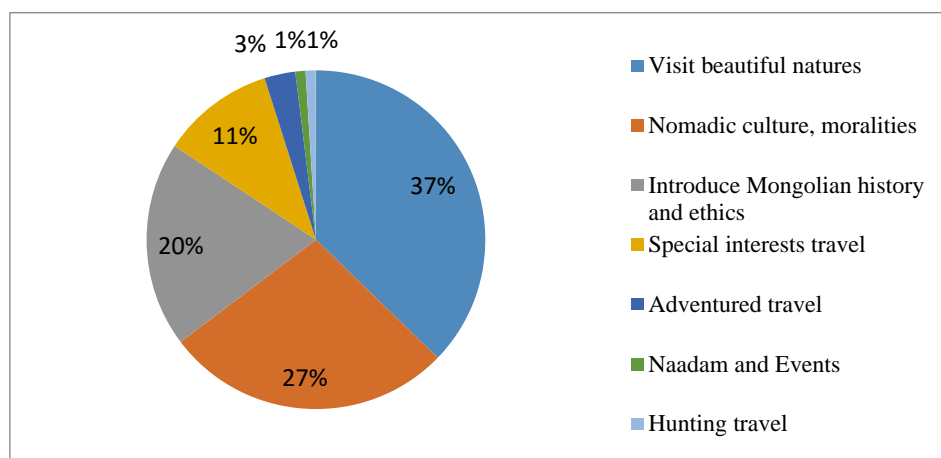
	2006-2010 years	2011-2015 years	Percentage of field %
Tour operators, travel agents	186	226	5,2
Travel guides	406	495	11,4
Hotels	601	906	20,9
Gerr Camps	1098	1596	36,8
Cooker and driver	173	212	4,9
Restaurant, bars and cafes	619	899	20,7
<b>TOTAL</b>	<b>3083</b>	<b>4334</b>	<b>100</b>

Source: Science documents of Travel and Tourism. 2013. 10<sup>th</sup> page

In view of this estimation, service field of travel and tourism is demanding most work places.

Foreign travelers also interesting Mongolian holy beautiful nature, historical places that related to great histories, moralities, nomadic ethics, religion and cultural resources. In 2012, Government of Netherland is executed research work about reasons to traveling in Mongolia of foreign travelers.

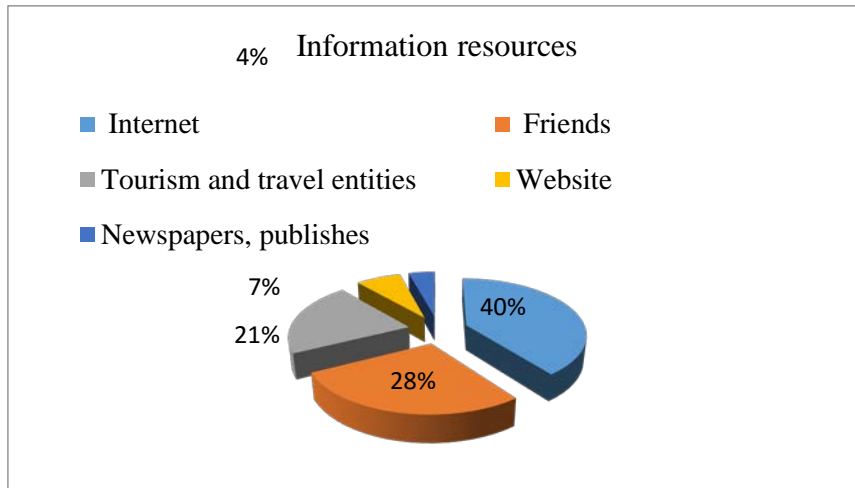
Diagram 3. Reasons to traveling in Mongolia



Source: “Traveling services development issues” Seminar, Science and Technology University of Mongolia, 2014

In this study, included 417000 travelers in case of Supporting Project of Government of Netherland in 2012 and 37% of our country’s foreign travelers is visiting to see beautiful landscapes, 27% is visiting to introduce moralities, nomadic characters, ethics, 20% is visiting to introduce history and religion, 11% is visiting for special interests, 3% is visiting to horse riding, camel travels and bicycle travels and 1% is visiting to see cultures of our holidays, folk music, art performances. In this case, we need to establish brand products that showed nomadic ethics and beautiful landscapes and natures.

Diagram 3. Sources of travel information



Sources: Speech named as “Travel and Tourism State Policy”, MARGAD.B,Chairman of Tourism Policy Implementation Department, 2014

40% of research participators is taking travel information to visit Mongolia from the internet, 28% is taking from their friends, 21% is taking from tourism and travel entities and tour operators, 7% is taking from websites and 4% is taking from newspapers and publishes. So we need to develop order and information system.

## Summary

Mongolia has received 475892 travelers in 2012. It is increased specification by 10% that compared by local period of last year. But in 2013, Mongolia has received 417815 travelers in 2013. Here you can show that traveler’s quantity is decreased by 12%. We need to implement long termed policies such as reference human resource policy to develop service quality, introduce new brand of tourisms, to develop cooperation of state and private entities and support their activities.

## 2.Present situation of the hotel industry

The hotel service occupies higher position in the complex service which form tourism industry. As far as tourism sector develops, the hotel market of Mongolia hes been expanding and the international prominent hotels and fast food restaurant chains such as Kempinski Khan Palace, Ramada, Best Western, Shangri-la, KFC, Pizza Hut have been launching their chains in Mongolia and operating their functions.

Table 2.1 Economic indicators for the industry of hotel,accommodation and public food

Year	Income of the industry of hotel, accommodation and public food service	Contributions of the industry of hotel, accommodation and public food service to the GDP growth (%)
2010	47 522.9	0,6
2011	93 348.5	1,0
2012	138 693.2	1,2
2013	161 668.5	1,1

Source: National Statistical book of Mongolia 2013

The rate of industry of hotel accommodation and public food services in GDP has been rising that while its index was 0,6 percent in 2010 but it rose 1,1 percent in 2013. It represents that the economic range of the sector is growing. It is vital for Mongolia to develop the industry of tourism and hospitality by the policy in order to avoid from economic risky system which fully depends on one industry, particularly, mining and quarrying industry with short-term exhaustible resource.

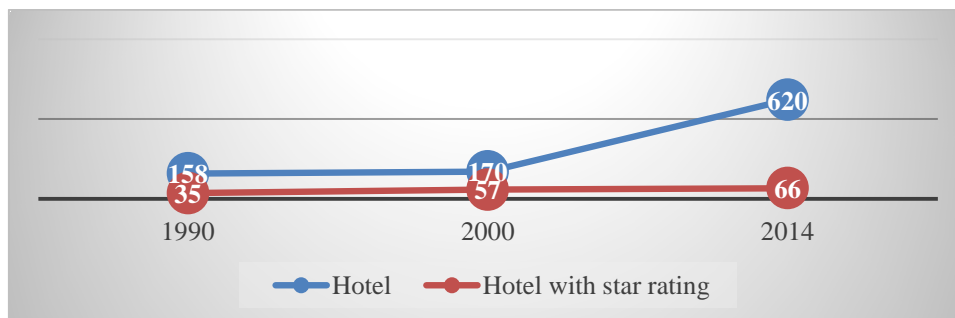
*Diagram 2.1. Annual income growth of hotel industry (by year)*



Source: www.1212.mn

Above indicator is the only income of hotel sector and it has increased by 43.7% in 2011, 66.3% in 2012 and 32.2% in 2013 year. It is seen from this that hotel service has developed intensively, contributes to economy of the country. This influences to increase of customer's number.

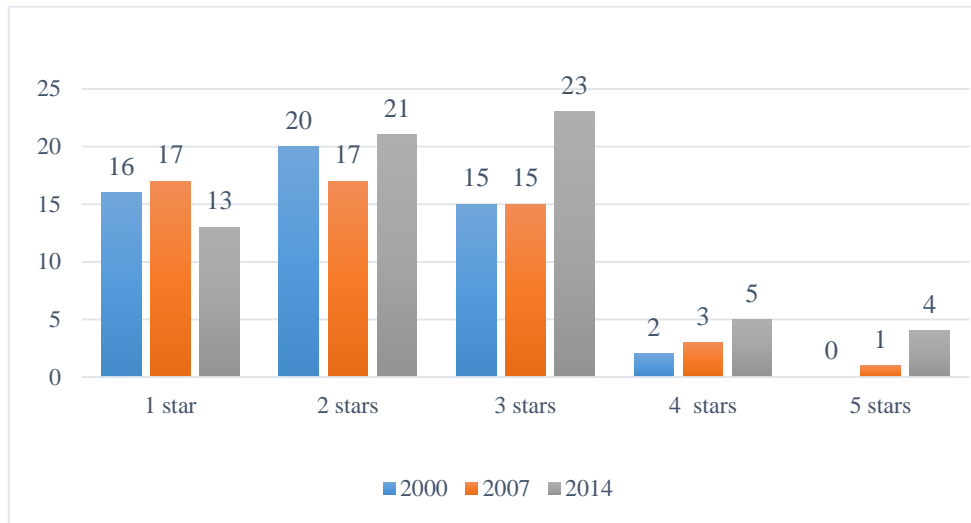
*Diagram 2.2 Increased number of hotels which carries out activity in Mongolia /from 1990 year/*



Source: www.must.edu.mn/content/show/id/4308

By 2014, there are 620 hotels have been carrying out activity in Mongolia. From this 1 to 5 star rating have being given to hotels according to main requirement of MNS 5927:2008, hotel service quality grade. There are 66 hotels are satisfying star grade in the country and the remaining 90% is needed to focus on service quality issue.

Diagram 2.3. Increase in number of the star grade hotels of Mongolia /from 2000 year/



Sources: [www.must.edu.mn/content/sho/id/4308](http://www.must.edu.mn/content/sho/id/4308)

As of 2014 there are 66 hotels with rating totally and the number of hotels with rating were increased by 15.7% /9 new hotels were built/ since 2010.

Table 2.1. Hotels star rating

Star ranking	Quantitative index	Hotels
5 stars	4	Ulaanbaatar, Terelj, Kempinski Khan Place, Corporate Hotel & Convention Center, “Best Western Premier” Tuushin
4 stars	5	Bayangol, Palace, Corporate Hotel, Chinggis Khan, Park
3 stars	23	Amarbayasgalant, Diplomat, Nuht, Bishrelt, Zaluuchuud, Tsetseg, Narantuul, Ulaanbaatar2, Sentii, Naranbulag, Narny Urtuu, Edelweis, Continental, White house, Imperial etc
2 stars	21	
A star	13	
Total	66	

Sources: [www.must.edu.mn/content/sho/id/4308](http://www.must.edu.mn/content/sho/id/4308)

*Table 2.2. Capacity of hotels*

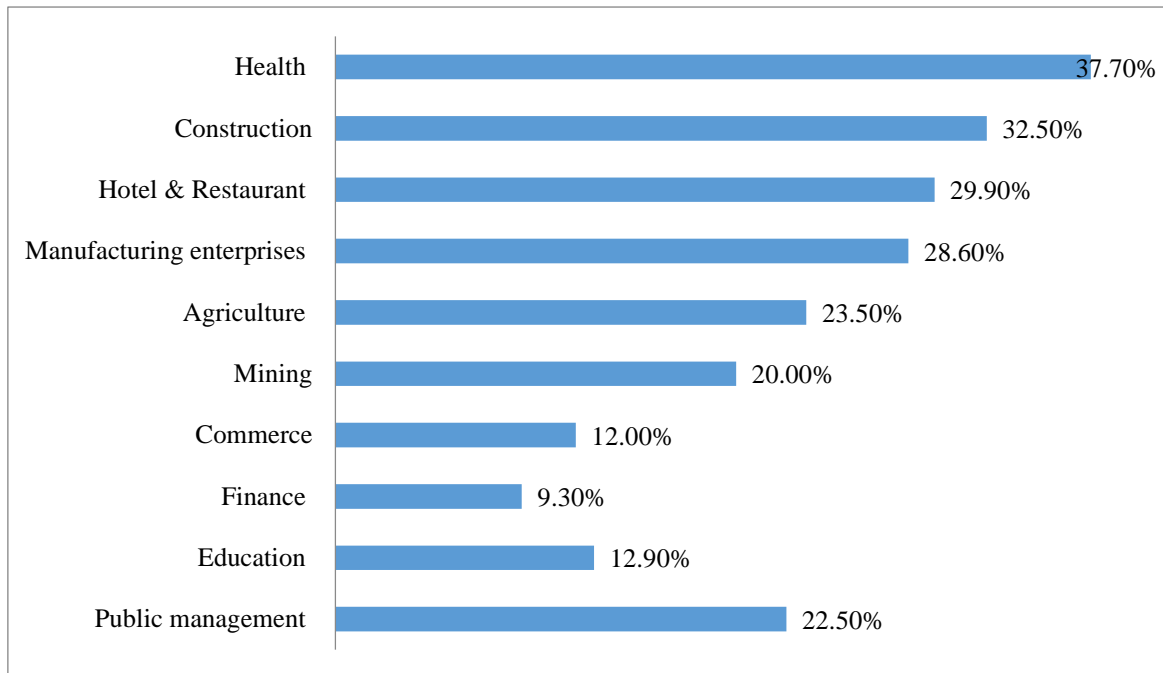
№	Characteristics	Total	Percentage of field %	Room number	Percentage of field %	Bed number	Percentage of field %
1	In whole country	620	100	5141	100	17406	100
2	In province and countryside	415	72.7	1890	36.8	6650	38.2
3	Ulaanbaatar	205	27.3	3251	63.2	10756	61.8

Sources: [www.must.edu.mn/content/sho/id/4308](http://www.must.edu.mn/content/sho/id/4308)

72.7% of business entities, which have been engaging activities in the market of hotel service in Mongolia, are located in countryside and the remaining or 27.3% are located in Ulaanbaatar. 36.8% of total rooms are in countryside and 63.2% of them are in Ulaanbaatar. 38.2% of beds are in countryside and 61.8% of beds are in the city. As seeing results of the table, hotels in Ulaanbaatar occupy more than 50% with their quantity of visitors' rooms and beds. Types of tourist camps and resting resorts are more highly developed in countryside.

Economic sectors with the most shortage of workforce in the labor market of Mongolia were health sector /37.7%/, construction sector /32.5%/, Hotel & Restaurant /29.9%/, and Processing factory /28.6%/. As results of survey, sector of Hotel and Restaurant has placed at 3<sup>rd</sup>. This means professional human resources are more needful in the market.

*Table 2.4. Shortage of labor force in economic sector*



Source: <http://www.labourinstitute.mn>

*Table 2. Percentage of employees in hotel, apartment, public catering service sector*

Sector	2010	2011	2012	2013
Employees in hotel, apartment, public catering service sector (in %)	2.67	2,54	2,85	2,87

Source: National Statistical book 2013

The table 2 shows that the number of employees who work for hotels, apartment and public catering service sector has been increasing year to year. While 1323 business entities in 11 sectors were ranked in list of the labor market, there are 20 professions with high demands as follows: hotel attendants placed at 7<sup>th</sup>, waiter places at 15<sup>th</sup> respectively.

## **Conclusion**

In recent years, International chain hotels and famous brands introduced us. We should improve the competitiveness and service quality and on the other hand that makes us opportunity to attract foreign tourists. Today hotel industry is growing but we have not enough hotels and other accommodation for only 400000 tourists. In July and June even September there is not enough room for tourists in high quality hotels. During the celebration there is an oversupply of hotel room booking. Accordingly, it is necessary to further expand the market sector. In our country, Hotel business environment is limited not only most customers are foreign visitors and that makes industry seasonal. Plane ticket prices higher and international flights are not enough. Lack of professional personnels and so many issues we have.

## **3. Trend of Tourism and Hospitality service industry**

As far as globalization deepens, scope of hospitality service expanding, number of international tourists are increasing and services are becoming increasingly globalized. Hospitality service organizations face their legitimate need, to improve their competitiveness on the international level. In 2020, international tourist arrivals are expected to reach more than 1.56 billion.

The type of hospitality service are expected to grow more and more sophisticated. Demands of modern customers are varied and their requirements are also increasing.

Customer security, food security, advanced technology, innovation, service capabilities and even customer satisfaction issue more important to attract customers in the hospitality industry and become an important trend.

## **4. Mongolian hospitality service's issues**

- Seasonal influencese and high fluctuation
- A few types of services
- Poor quality and service standart
- Differing promised service and reality



- Service staff's lack of communication skills and poor service culture
- Several nonprofessionals, poor systematic training and qualification system
- Low wage level and poor stability of employee

## **5. Hospitality service industry's development recommendations**

- Making brand new product in global market which is independence with seasonal influence
- Develop a Orders and Information System
- Involved with international projects
- Joint tour programs with neighboring countries
- Government should provide support for nature-oriented products
- Making sector's human resource policies and strategic development plans
- Improve infrastructure and service quality management

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