



GOCE DELCEV UNIVERSITY OF STIP
FACULTY OF TOURISM AND BUSINESS LOGISTICS

PROCEEDINGS

THE 2ND INTERNATIONAL SCIENTIFIC
CHALLENGES OF TOURISM
AND BUSINESS LOGISTICS IN
THE 21ST CENTURY

Stip, September 13th, 2019

North Macedonia



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CHALLENGES OF TOURISM AND BUSINESS LOGISTICS
IN THE 21ST CENTURY

P R O C E E D I N G S

Stip, September 13th, 2019

PREFACE

The Faculty of Tourism and Business Logistics in Gevgelia, at the Goce Delcev University of Stip, hosted the Second International Scientific Conference, "Challenges of Tourism and Business Logistics in the 21st Century".

The conference was held on 13 September 2019 in Stip, with 35 works of 62 authors from Serbia, Croatian, Montenegro, Bulgaria, Kosovo and Macedonia that were presented at the Conference.

The purpose of the Conference is exchange of ideas and experiences of the participants coming from Macedonia and abroad, and establishment of cooperation for further development of tourism and business logistics in Macedonia and beyond.

The results of the Conference are visible through publication in a collection of papers, which is presented to a wider scientific audience and the public. In this way, we want to promote the Faculty of Tourism and Business Logistics, promote Stip as the most visited settlement in the eastern part of Macedonia.

Stip,
September, 13th, 2019

Editor
Nikola V. Dimitrov, Ph.D. *Dean*

Contents

PREFACE	11
PLENARY SESSION.....	17
RURAL TOURISM AS A PERSPECTIVE OF ECONOMIC DEVELOPMENT IN SERBIA	19
<i>Drago Cvijanović ; Tamara Gajić</i>	
SUSTAINABLE TOURISM DEVELOPMENT THROUGH SPECIFIC FORMS OF TOURISM IN THE EXAMPLE OF TOURISM EVENTS.....	33
<i>Snezana Stetic ; Igor Trišić</i>	
SCIENTIFIC PAPERS.....	41
IMPORTANCE OF HEALTH INSURANCE FOR EMPLOYEES IN HOTEL MANAGEMENT AND TOURISM IN THE REPUBLIC OF SERBIA.....	43
<i>Aleksandra Mitrović ; Marija Pešić</i>	
ROLE AND IMPORTANCE OF THE DEVELOPMENT OF CONTEMPORARY TOURISM IN THE PEJA.....	51
<i>Anela Džogović ; Cane Koteski</i>	
SELF – DETERMINATION AS A FUNDAMENTAL PRINCIPLE AND HUMAN RIGHT	59
<i>Aneta Stojanovska - Stefanova</i>	
COMPARATIVE ANALYSIS OF OCCUPATIONAL SAFETY AND HEALTH IN THE TOURISM AND CATERING SECTOR IN THE REPUBLIC OF CROATIA AND THE REPUBLIC OF NORTH MACEDONIA	69
<i>Borče Stojčevski ; Ivana Krišto ; Cvetan Kovač</i>	
RURAL SETTLEMENTS IN THE BASIN OF THE BLACK RIVER AND THEIR KNOWLEDGE FOR TOURISM DEVELOPMENT IN THE REPUBLIC OF NORTH MACEDONIA	79
<i>Cane Koteski</i>	
VIRTUAL TOURISM: NEW FRONTIER FOR THE HOTEL INDUSTRY.....	87
<i>Cvetanka Ristova ; Tanja Angelkova Petkova ; Mladen Micevski</i>	
UNESCO'S ROLE IN THE PROTECTION OF NATURAL AND CULTURAL HERITAGE: A CASE STUDY OF THE OHRID REGION.....	95
<i>Darko Majhosev</i>	
CURRENT RISKY GEOMORPHOLOGICAL PROCESSES FOR TOURISTS IN THE AREA OF THE MADARA HISTORICAL - ARCHEOLOGICAL RESERVE	105
<i>Dimitar Vladev</i>	

HEALTH TOURISM IN THE FUNCTION OF DEVELOPING RURAL DESTINATIONS OF SERBIA.....	115
<i>Drago Cvijanović ; Snežana Milićević ; Nataša Đorđević</i>	
CHARACTERISTICS OF CONTRACTS FROM INTERNATIONAL TRADE – KEY LEGAL INSTRUMENT FOR SUCCESSFUL FOREIGN AND TRADE OPERATION ..	123
<i>Drasko Atanasoski ; Aneta Stojanovska-Stefanova ; Marija Magdinceva-Sopova</i>	
ASYMMETRIC AUCTION MECHANISM VS BILATERAL TRADE INEFFICIENCY THEOREM.....	135
<i>Dushko Josheski ; Mico Apostolov</i>	
HOW CAN STUDENTS MANAGE THEIR LIVES IN THE REPUBLIC OF NORTH MACEDONIA	149
<i>Elizabeta Mitreva ; Mija Dablinska ; Viktorija Petkovska</i>	
MODERN AMONG CIVILIZATIONAL CONFLICTS AND THE TOURISM CONTRIBUTION FOR PRESERVING AND PROMOTING THE CULTURAL LEGACY AND STRENGTHENING THE WORLD PEACE.....	161
<i>Ivaylo Vladev ; Rositsa Vladeva</i>	
WINE TOURISM AS FACTOR IN THE DEVELOPMENT OF RURAL AREAS	169
<i>Julijana Sazdova ; Goran Antonievski ; Aco Kuzelov</i>	
REGIONAL DEVELOPMENT AND ITS IMPACT ON TOURISM POLICY-MAKING	177
<i>Kamen Petrov</i>	
IMPLEMENTATION OF CONTEMPORARY TRENDS IN LOGISTICS IN THE TRANSPORT COMPANIES	191
<i>Magdalena Miceva ; Tanja Angelkova Petkova ; Vladimir Kitanov</i>	
THE ROLE OF ECOTOURISM IN MANAGEMENT OF PROTECTED AREAS IN SERBIA AND NORTH MACEDONIA	199
<i>Marija Belij ; Cvetanka Ristova</i>	
MODERN TRENDS IN LOGISTICS: ANALYSIS OF OMNI-CHANNEL LOGISTICS.	211
<i>Marija Magdinceva-Sopova ; Magdalena Miceva ; Vladimir Kitanov</i>	
GEOGRAPHY OF CONSUMPTION, CULTURAL GEOGRAPHY, CULINARY TOURISM - RELATIONSHIPS AND CORRELATIONS.....	217
<i>Milen Penerliev ; Veselin Petkov</i>	
ANALYSIS AND EVALUATION OF RESOURCE POTENTIAL OF THE BLACK SEA SPA RIVIERA IN BULGARIA	225
<i>Milena Stoyanova ; Stefka Hristova ; Svetla Stankova</i>	
THE IMPACTS OF CRUISE TOURISM IN THE EUROPEAN TOURIST REGION	235
<i>Milena Stoyanova</i>	

COMPARATIVE ANALYSIS OF EMPLOYMENT AND SELF-EMPLOYMENT IN NORTH MACEDONIA AND THE WESTERN BALKANS	245
<i>Mimoza Serafimova ; Snezana Bardarova ; Drasko Atanasovski</i>	
INCENTIVE TRAVELS AND THEIR USE IN THE REPUBLIC OF NORTH MACEDONIA	253
<i>Mladen Micevski ; Nikola Cuculeski</i>	
THE IMPACT OF WORLD HOTEL CHAINS IN MACEDONIA.....	261
<i>Natasha Miteva ; Dushica Popova</i>	
RURAL TOURISM IN THE SPACE OF NP “PELISTER” CASE STUDY: “EIGHT PELISTER VILLAGES”	267
<i>Nikola Dimitrov ; Biljana Petrevska ; Aleksandra Terzic</i>	
WINTER TOURISM SERVING AS BASIS FOR ECONOMIC DEVELOPMENT IN BROD- THE REGION OF PRIZREN	279
<i>Naser Bresa ; Nikola Dimitrov</i>	
TOURISM POTENTIALS OF THE SOUTHWEST PLANNING REGION	289
<i>Naume Marinoski ; Mihail Risteski</i>	
ECONOMIC ASPECTS OF GASTRONOMY AS A CREATIVE INDUSTRY	297
<i>Risto Gogoski ; Vasko Cuculeski</i>	
IMPLEMENTATION CHALLENGES AND PROSPECTIVES FOR THE DEVELOPMENT OF THE ACADEMIC STUDIES OF INTERNATIONAL HOSPITALITY SCHOOL IN MONTENEGRO	305
<i>Sanida Sabotic ; Aleksandra Martinovic</i>	
ANALYSIS OF EMPLOYMENT IN TOURISM AND HOSPITALITY SME’S: THE CASE OF THE REPUBLIC OF NORTH MACEDONIA	313
<i>Snezana Bardarova ; Danijela Durkalic ; Risto Elenov</i>	
MEDIATION-A WAY OF SOLVING CHALLENGES IN TOURISM	323
<i>Svetlana Popova</i>	
ROMANIAN COVERGENCE AND MACROECONOMIC PERSPECTIVE FROM EU MEMBERSHIP	331
<i>Tatjana Boshkov ; Dushko Joseski ; Zarko Radjenovic</i>	
ANALYSIS OF TRAVELS AND OPPORTUNITIES FOR CROSS-BORDER COOPERATION BETWEEN BULGARIA AND NORTH MACEDONIA	339
<i>Vanya Vasileva ; Dora Kabakchieva</i>	
POSTER PRESENTATIONS	349
CONCLUDING REMARKS AND RECOMMENDATIONS	351

DONORS	357
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VIRTUAL TOURISM: NEW FRONTIER FOR THE HOTEL INDUSTRY

Cvetanka Ristova⁵; Tanja Angelkova Petkova⁶; Mladen Micevski⁷

Abstract

With technology on an exponentially advancing trajectory, it's never been more important to keep up-to-date with how a hotel can incorporate the latest innovations into their business. One great example is virtual reality. Booking a room online used to just involve reading reviews or flicking through photos of the intended accommodation. Recently, however, the hotel industry has woken up to the benefits of virtual reality and the options for booking online have multiplied.

Key Words: *hotel, hospitality, tourism, trend, virtual reality*

JEL classification: *M30, M39, Z32, Z33*

Introduction

The tourism industry is today one of the fastest growing industries globally and one of the sectors best poised to benefit from technological advancements (Eckhaus, 2017). With hospitality being always excelled at sparking guests' imaginations, the humongous outbreak of technology and applications affecting today's world in hospitality is making the use of VR in applications to provide a virtual and exotic experience to guests with interactive features and a user-friendly interface. Hotels will make use of VR to determine guests' tastes as they check in, monitor their movements inside the hotel, and attempt to get them to pay for additional products. VR will also be a key part of the future guest experience. The use of VR may be also especially beneficial for hotel marketing. The benefits of VR are seen where in anticipation of their visit to a hotel, guests develop an image of the hotel that is made up of previous experiences, word of mouth, press articles, different advertising measures and common beliefs (Baloglu & Brinberg, 1997), the immersive nature of VR enables unique selling point where guests are provided a kind of "try before you buy" option to give them confidence and make purchase decision for booking in the hotel.

What is Virtual Reality?

The concept of virtual reality (VR) is perceived by many to be in its infancy but the origins of VR can be traced as far back as "The Ultimate Display", a paper written by Ivan Sutherland in 1965. In this paper Sutherland issued the following challenge: "The screen is a window through which one sees a Virtual World. The challenge is to make that world look real, act real, sound real and feel real" (Sutherland, 1965). As for the term "Virtual Reality", it is obtained by Jaron Lanier, originally called "Outstanding Virtual Reality", a place where the user becomes fully integrated into the virtual 3D world (Blanchard et al., 1990). The revolutionary power of VR

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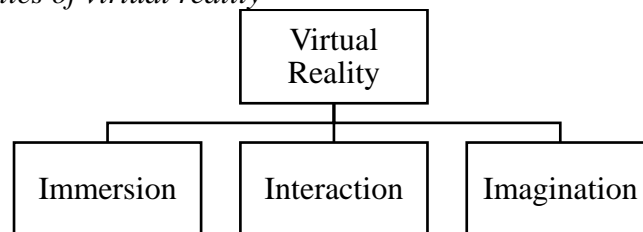
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has long been recognized. As early as in 1995, Hobson and Williams described VR as ‘potentially one of the most important technological achievements of the late XX century’ (p. 425). According to Guttentag (2010), VR is defined as ‘the use of a computer-generated 3D environment - called a virtual environment - that the user can move and possibly communicate, resulting in real-time simulation with one or more from the five senses of the user’ (p. 638). In general, users can “enter” the practice to a virtual environment, VR technology to simulate the real experience of real effects on the body, function, allowing users as their general instructions, free viewing of various angles of things to achieve different functions of the process (Neuhofer et al., 2014; Nicoletta & Servidio, 2012).

Characteristics and extensions of virtual reality

Virtual reality technology has three basic characteristics: immersion, interaction and imagination which fully reflect the characteristics of VR technology (Guttentag, 2010).

Figure 1: *Characteristics of virtual reality*



Source: Guttentag, D., A. (2010). *Virtual reality: Applications and implications for tourism. Tourism Management*, 31(5), 637-651.

- *Immersion.* It refers to the user feel full exposure to the same virtual world that he is surrounded. Immersive virtual system stems from the perception of the real world more, including our common visual perception, tactile perception, motion perception, taste perception, olfactory perception and the body feels like.
- *Interactivity.* Users interact with the virtual world by means of VR system special hardware devices (such as head-mounted displays, data gloves, etc.), as a natural way to interact. In the system, the user can control various parameters of objects directly, such as: direction, speed, and the system can also be feedback to the user, such as: driving simulation system, the two vehicles collided, the user will feel the tremor, car jitter. This interaction is generated in real time and the same perception in the real world, where even the users themselves are aware of the existence of the computer.
- *Conceivability.* It is a virtual environment in a human imagination, which reflects the imagination of the designers. VR technology is not just a media or an advanced user interface, it also can also solve engineering problems, medical issues, military issues, tourism issues, urban planning, etc. It is designed by the developer of the corresponding software usually in the form of exaggerated reflection of the designer's ideas.

An extension to VR usually means a credible and interactive content appearing alongside the text. With technological advancements making such big strides, VR is poised to lead the way. VR's ability to deliver real time experiences by projecting layers of information into real environments creates amazing user experiences. VR can transpose the user. It brings them to some other place. Using goggles or closed visors, VR blocks out the room and puts the user presence somewhere else. What it usually does is, it expands our senses with experiences within after we put a VR headset over our eyes. You can even find yourself on top of Mount Kilimanjaro. The immersion is very artistic, where even some users have reported feelings of

movements as they ride a rollercoaster within the virtual environment. VR is gaining traction and is more relevant in our current market scenario than ever before.

Reimagining hospitality through virtual reality

Continued achievements in VR pushed this technology off the realm of extreme gamers into the area of hospitality (Ristova, 2019). For hoteliers, this represents a new revolutionary way of telling their stories and hotel experiences. VR technology will allow hotels to know what the guests needs before he even knows he wants it.

One key use of VR technology is to enhance the relationship between hotel and guests. VR can give potential guests a taste of a hotel pre-stay and help them book with confidence. If they can look around the space in advance, they're less likely to face disappointments when they arrive. This is convenient for guests who have difficulty visualizing building developments from photos or images, but with the help of VR, who can place the guest in the environment, they can facilitates understanding of sightlines, views and rooms. Some hotels are incorporating VR into the onsite guest experience, keeping guests entertained on-property and making rainy days a little less dull. Even through, technology can often be isolating, when it comes to playing games, and exploring new worlds in VR, for guests means more fun. This design games and experiences bring guests together for mind-blowing VR adventures and to forging real memories that can last a lifetime. In 2017, MGM Grand Hotel & Casino and Zero Latency introduced Las Vegas' first multiplayer free-roam VR experience inside Level Up gaming lounge in September. The arena, "Virtual Reality Powered by Zero Latency," is immersing up to eight players in a completely interactive digital universe, allowing them to physically navigate considerable distances through the 2,000-square-foot arena while collaborating with other players (Hertzfeld, 2017).

Virtual reality has also the capacity to make in depth training exercises available to all employees of a company at any time (Kizil et al., 2011). VR allows training of individuals in new processes in business organizations where the availability of skills has become the key to achieving innovation and assurance of sustainable successful existence of business entities (Volná, et al., 2015). VR already emerged as valuable employee training tool in the hotel industry as well, where simulations are being created for a variety of professions to prepare the hotel employees for real events on the field. Best Western is the first hotel company partnering with virtual training platform Mursion to use VR for training employees in dealing with guests. The project is part of the company's I Care, Every Guest Every Time initiative and is already in use at several properties. Simulations for now are being created in particular for front-desk staff and the chain claims that the 60-minute sessions have brought about a boost in guest satisfaction. The employee training initiative leverages VR to transform communications between front-desk staff and guests, and uses a live hospitality virtual simulator (Mest, 2016).

While offering VR services to guests' base may still feel very sci-fi for now, anyone working in hospitality needs to be aware of the waves it's already making in the industry. Because right now, VR isn't something guests expect from hotels, in fact, it's more of a rare feature that guests are willing to actively search for. Since not a lot of places have VR headsets and experiences, but lots of guests are talking about, guests are curious. And, in hospitality, where guests are always looking to be wowed, being ahead of the curve with the latest technology can be the difference which sets the hotel apart from their competitors.

Virtual reality in hospitality: new experiences to sell

The technology for VR is rapidly evolving. The software is becoming more sophisticated, and faster and the graphical imagery more detailed. The hardware is becoming less expensive and less bulky. And last but not least, the user experience is getting better due to these advances in the technologies (Nayyar et al. 2018). While the full extent of its utility has yet to be seen, as said technology for VR is so rapidly evolving it appears that VR is only going to become more pervasive in the coming years. With VR offering guests, hoteliers and hotel staff an opportunity to expand their engagement with a property, its services and brand — drawing on a variety of senses, emotions and visuals, it is no wonder that VR has already found its implementation in the hotel industry. Few of the examples where hotels decided to use VR so they “can craft unique stories appropriate to the brand” and create “indelible memories” will be elaborated below.

InterContinental Hotels Group started using VR during the design development process of the hotel product with initial benefit of saving time and money as well as improving relationships with owners, particularly within its business travel brand Crowne Plaza. In 2018 Crowne Plaza was going through a refresh, where the brand had built physical pilot rooms to test design schemes, which generally cost in excess of £100,000. Now, using immersive VR, they have created a complete virtual concept hotel, where guests can walk around and see how the design looks from any position – even under the bed. According to Matthew Yates, who is the brand design manager at IHG Europe the biggest benefit of VR is “building in the virtual world costs significantly less with the benefit of quick and easy changes” (Girdhari, 2018).

Hilton has taken a completely different approach to VR, using it to create immersive environments for its corporate staff designed to help them understand what day-to-day life is actually like for different hotel employees. Once they’ve donned their Oculus Rift goggles, which are linked up to a high-end gaming laptop, they cannot only go on a guided journey of the different departments of the hotel, from the restaurants and kitchens to the housekeeping area and the boiler room, but they’re also invited to take part in three routine operational tasks: cleaning a guest room, building a room service tray and checking in rewards programme guests at the front desk (Girdhari, 2018).

A great example for implementation of VR comes from Marriott International, which used VR as part of its “Travel Brilliantly” campaign. The Campaign allowed guests to “transport” themselves from a New York City booth to destinations such as London’s Tower 42, or picturesque Hawaiian beaches. The VR experience enveloped participants with sights, sounds, scents and even climate conditions such as heat and mist. The campaign’s mission was to connect with and inspire travelers, especially tech-savvy millennials, who are projected to make up over 50% of the world’s hotel guests by 2020 (Nicholls, 2018).

Best Western Hotels & Resorts has the Best Western Virtual Reality Experience, a high-definition, 360-degree look into all of the company’s 2,200 North American properties. Each video gives guests an interactive tour of the hotel’s pool, lobby, fitness center and guest rooms, all in less than two minutes. Before making their reservations, potential guests can examine everything from the rooms to the types of chairs they will be sitting in. In 2018, Best Western was recognized by Fast Company magazine as one of the “Top 10 Most Innovative Companies” in the AR/VR category (Chamberlin Public Relations, 2018).

There are plenty of ways hotels can incorporate VR into the guest experience, and new ones are coming online constantly. As guests become more tech-savvy, VR can help make sure that not only are their expectations met, but exceeded.

Building the pathway to promotion and profit in hospitality with virtual reality

Virtual reality is growing in popularity in every market, so hotels can't afford to ignore it, especially if they are looking to attract millennials and younger generations in the years to come. With VR being ahead of the curve not only will increase the hotel's profits, but doing something new will get them extra exposure and bring in new guests. VR and related technologies have substantial potential as promotional tools to encourage real life tourism visits (Tussyadiah et al., 2016; Fauzi & Gozali, 2015). VR is especially intriguing for the hotel industry as a channel to communicate intangible tourism experiences to a wider audience. Although the adoption of VR is still nascent, it is flourishing, as a growing number of companies and organizations integrate VR elements into their marketing. Many hotels have already adopted VR technologies to provide a preview experience of hotel properties and travel experiences (Samuely, 2016; Vitaliev, 2016). VR is becoming a popular choice for hotels and restaurants with many adding a virtual tour as a component of their promotional mix (Guerra et al., 2015).

Hence the "try before you buy" with VR moves to a whole new level, the use of VR may be especially beneficial for hotel marketing. From the hotel-decision, made at home or in the tourist agency's office, to the hotel room selection or even taking in the sweeping view from the window, the virtual walkthroughs can aid the indecisive guests to find and create their dream holiday. A guests' desire for modernity, efficiency and simplicity nowadays can't be overstated, and that is why surpassing the guests' expectations with VR promotion will ultimately increase the number of guests the hotel will get, captivate them for longer time and encourage them to return – effectively, intriguing new guests and keeping old ones interested.

Håkansson (2018) states that 'one of the most important things for every hotel who will be trying to use VR as promotional tool is to create a strong narrative for the VR video journey and preferably include interactivity and visual and audio cues to make the experience even more impactful. Also, a hotel needs to remember when planning a VR solution for their marketing is to focus on providing value to the guest. The hotels should consider their perspective and craft the story and virtual environment based on the guests' needs, because VR it all comes down to storytelling and imagination' (p. 42).

Considering the above mentioned, the authors discuss several benefits of why should hotels pursue in their marketing VR as innovative manner of a new tech highways that will result with promotion and profit for the hotel.

1. *VR creates rich, immersive and interactive guest experience* – VR allows the hotels to bring the outside travel experience inside, creating a unique environment for the guests.
2. *Personalized content is tailored to guest's particular needs and adopted fast* - With personalized services being the most imperative factor for the hotel industry, the hotel is able to collect the guests' data (with their permission of course). This provides an excellent insight into the guest's routine behavior, which further helps the hotel take personalized services to a whole new level.
3. *VR allow guests to truly connect with the published content* – In the world of hospitality, booking in a hotel can involve a lot of research and guesswork. With VR guests are able to experience a taste of a hotel property before committing to the cost. Getting a sneak-

peak into the dream vacation, without the actual commitment, is a great chance for guests everywhere and an even greater marketing strategy for hoteliers.

4. *Brand awareness gets increased via social shares* – VR is already closely intertwining itself within social media. For the hotel industry to start using VR as part of their social media strategy is a guest experience win-win. Not only does it make it easy for the guest to get involved, it can also lead to increased brand awareness and engagement with your content. VR can give the hotel guests a way to experience the hotel products, beyond just looking at a picture on the hotel website.
5. *VR helps in customer buying decisions* – Since VR is an immersive technology that replaces one's physical environment with a virtual world. It influences guests' perception, learning, and experience. In the hotel industry, VR has been proven to be more effective in case of perception. Hotels' multiple pictures, video clips mixed with VR is getting a better understanding of hotel products to make more informed buying-decisions for the guests. Positive effects of consumer learning when guest experience products in VR is also present in the hotel industry. Learning allows guests to learn about, and experience the hotel product in action prior to making a purchase. VR is also completely enhancing the way guests can interact with hotel products without the need for physical prototypes or samples. Creating experiences rather than simply creating non-interactive marketing content results in a more memorable product for guests to want to book.
6. *Detailed analytics is generated for understanding guest behavior* - Insights with VR analytics help the hotel measure what guest looks at and for how long, record the choices made by the guest and know how long it took to make the booking.

As seen, VR is in no way mandatory for hotels and it doesn't seem like it will be, at least not in the near future, on the contrary, is it one of those features that can spice up a guest's journey and drive a higher level of popularity for a hotel, which can result in more bookings. VR marketing is already evolving and it's more important for the hotel to keep their finger on the trends pulse. When VR even more takes off in the near future, hotels will be able to reach fully immersed guests on a platform unlike any other. Thus, early adopters will have the upper hand in experience and stand out from other competitors.

Limitations

This paper has several limitations. First one is that it's clear that the VR technology has great potential in the hotel industry, but as with almost all new innovations, it can be difficult to decide whether to spend the time and money investing in them, when they could simply be a trend that will be considered irrelevant five years down the line. Further research in hotel industry that needs to be done is VR nothing more than the latest fad, or is it here to stay?

Another limitation in this paper is that the adoption and acceptance of VR in marketing is still however barely explored (Disztinger, et al., 2017), numerous authors have explored this topic in regarding VR in destination marketing (Rainoldi et al, 2018; Gibson & O'Rawe, 2017; Griffin et al., 2017) where focus of the research in investigating the influence of VR on tourists' intention to visit a destination within the customer buying cycle, the authors express the need for to develop a deeper understanding for VR and its benefits for hotels from a marketing perspective.

Limitation represent Millennials as well, who are poised to become the biggest customer segment for hotels worldwide, but this paper gives a limited mentioning regarding the capturing

their attention with VR are promotional tool. In order for hotels to differentiate and engage with this lucrative market, they must step up their “technological game” and analyze the potentials of VR to deliver an out of the world experience.

Conclusion

The concept of VR is hardly new. Admittedly, it is noticeable that in spite of increasing in demand for travelling, VR attract tourist by providing new form of tourism called “Virtual Tourism”. VR technology in tourism is in its infancy and there is a huge potential for development. Within the hotel industry, VR has become particularly important, because of the amount of information the average guest needs before they will actually book a hotel room. Rather than reading through descriptions, which may or may not be trustworthy, it offers guests the chance to experience things for themselves. The guest now has the ability to the hotel without leaving home. And this means that the hotelier now has the ability to stand in a guests’ shoes. Hoteliers have already realized the potential of VR in the hotel industry and today, the leading hotel brands across the world invest in this technology to allure their guests. But whether it’s used by marketing to encourage booking, or in-house to improve experience, it’s clear that the VR technology can be an asset to properties of all shapes and sizes in the hotel industry.

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