

# THE PECULIARITIES OF COMPETITION IN THE HOTEL SERVICES MARKET OF THE REPUBLIC OF MOLDOVA

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**Abstract.** The hotel services market in the Republic of Moldova plays a pivotal role in the country's economic development, particularly through its contribution to tourism. The present study explores the competitive dynamics of Moldova's hotel industry across its three regions: The geographical location in question is divided into three distinct regions: Centre, North, and South. By examining market structures, barriers to entry, and external and internal influencing factors, the study identifies regional disparities and their effects on competition. The research employs theoretical and analytical methodologies, integrating statistical analysis to evaluate the monopolistic competition characteristics of urban markets, such as Chişinău, and the fragmented nature of rural accommodations in the North and South. The findings reveal disparities in competition levels across regions. Chişinău is characterised by a preponderance of international chains and mid-range hotels, exhibiting monopolistic competition with oligopolistic traits in the luxury segment. In contrast, rural areas in the North and South are characterised by fragmented markets with limited offerings and lower barriers to entry, relying on niche tourism segments such as wine tourism and eco-tourism. The study emphasises the pivotal function of digital marketing, government policies, and infrastructure in determining competitiveness. The research provides practical recommendations for enhancing the competitiveness and sustainability of the hotel industry. These recommendations include region-specific strategies for improving service quality, enhancing digital presence, and promoting collaboration between local and international stakeholders.

**Keywords:** hotel services market, competition, market structure, monopolistic competition, oligopoly, guesthouses, tourism industry, service differentiation.

**JEL Classification:** L11, L13, L83

## 1. Introduction

The hotel services market has recently become increasingly important to the economic development of the Republic of Moldova, particularly as part of the broader tourism industry. As this sector continues to expand, its competitiveness assumes an increasingly significant role in attracting both domestic and international visitors. Nevertheless, despite its growing importance, the competitive dynamics of the hotel industry in Moldova have not been the subject of comprehensive analysis. The objective of this research is to address this lacuna by exploring the specific features of competition within the Moldovan hotel market.

The present study focuses on analysing the competitive landscape of the country's hotel sector, with particular attention to its structural characteristics and the factors that influence competition. The study

examines the dominant market structures, the role of service differentiation, and the impact of external factors, such as seasonal tourism trends and government policies. The objective of the research is to illuminate the manner in which competition evolves within an economy undergoing transition and endeavouring to augment its underdeveloped tourism infrastructure.

Moreover, the research under scrutiny illuminates the disparities between urban and rural markets, demonstrating how regional characteristics influence the nature of competition. Furthermore, the text explores opportunities within niche markets, such as wine tourism and eco-tourism, and their potential to drive regional growth. The study synthesises theoretical perspectives with statistical data to identify both challenges and opportunities in the Moldovan hotel industry, and thereby identifies the main characteristics of the dynamics of this sector.

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## 2. Market Structure and Competitive Environment

In order to analyse the market structure of the hotel sector in the Republic of Moldova, it is essential to examine a variety of data that can characterise the nature of competition within this industry. From the perspective of imperfect competition, the analysis aims to determine whether the market demonstrates characteristics of monopolistic competition, oligopoly, or another structure.

The study will also explore the barriers to entry and exit. Such barriers may include financial constraints, regulatory requirements, and infrastructure limitations.

In order to determine the nature of competition in the hotel industry in Moldova, it is necessary to examine several market structure indicators, such as:

- The number of sellers (hotels, motels, guesthouses) and buyers (travellers);
- the degree of product differentiation (where products are similar but not identical, allowing firms to compete on the basis of features such as quality, branding, location or services);
- freedom of entry and exit (which affects the ease with which new competitors can enter the market or existing players can exit);
- market transparency (buyers and sellers may not have perfect information about all aspects of the market).

The number of tourists (i.e., travellers) has been increasing since 2017, with the exception of the pandemic and post-pandemic period, indicating that the tourism market in the Republic of Moldova is in full expansion (see Table 1).

The number of accommodation structures has also shown a positive evolution (see Table 2). According to the available data, it is particularly noteworthy that tourist guesthouses and agrotourism guesthouses have experienced the most significant growth, with numbers increasing by almost 100%.

Considering that the Republic of Moldova is often divided into three zones – Center, North, and South –

in various international statistics, this study will also follow this regional division. Thus, we will sort all the accommodation facilities into those three groups.

The hotel industry in the Central Region of Moldova (including Chişinău and surrounding areas) is characterised by a blend of monopolistic competition, oligopoly, and a small degree of fragmentation. The Central Region of Moldova comprises the city of Chişinău, as well as the municipalities of Orhei and Străşeni, among others. The competitive landscape in the hospitality sector is characterised by the interaction between major hotels in Chişinău, smaller establishments in towns such as Orhei, and rural or agritourism accommodations.

It is evident that, given its status as the capital and primary economic centre, Chişinău continues to exert significant influence within the hospitality market. The hotel market in Chişinău is predominantly characterised by monopolistic competition. The city boasts a wide range of hotel options, encompassing budget accommodations, mid-range establishments, and luxury options, catering to diverse customer preferences.

Chişinău hotels differentiation is shown in Figure 1.

It is possible to differentiate Chisinau accommodation facilities according to these four criteria, thereby classifying them into three categories:

- Luxury hotels like the Radisson Blu Hotel or Courtyard Marriott Hotel, offer premium services and target corporate clients, business travelers, and high-end tourists.
- Mid-range hotels such as Jumbo Hotel and City Park Hotel provide solid services at competitive prices, appealing to business travelers and tourists who seek comfort without luxury pricing.
- Budget hotels and guesthouses are smaller hotels, hostels, and guesthouses (like Zarea and Hotel Chisinau) cater to budget-conscious tourists, often with more basic amenities and fewer frills.

In Chişinău, the hotel industry also exhibits oligopolistic characteristics in the luxury segment.

Table 1

### Number of tourists accommodated in the Republic of Moldova, persons

Year	2017	2018	2019	2020	2021	2022	2023
Number of tourists accommodated	337207	364608	374765	90338	178196	333925	391471

Source: National Bureau of Statistics of Moldova, statistical data base

Table 2

### Number of accommodation structures in Republic of Moldova, units

Year	2017	2018	2019	2020	2021	2022	2023
Hotels, motels	106	107	110	112	115	115	123
Tourist guesthouses, Agrotourism guesthouses	28	33	36	38	43	47	56
Total	134	140	146	150	158	162	179

Source: National Bureau of Statistics of Moldova, statistical data base

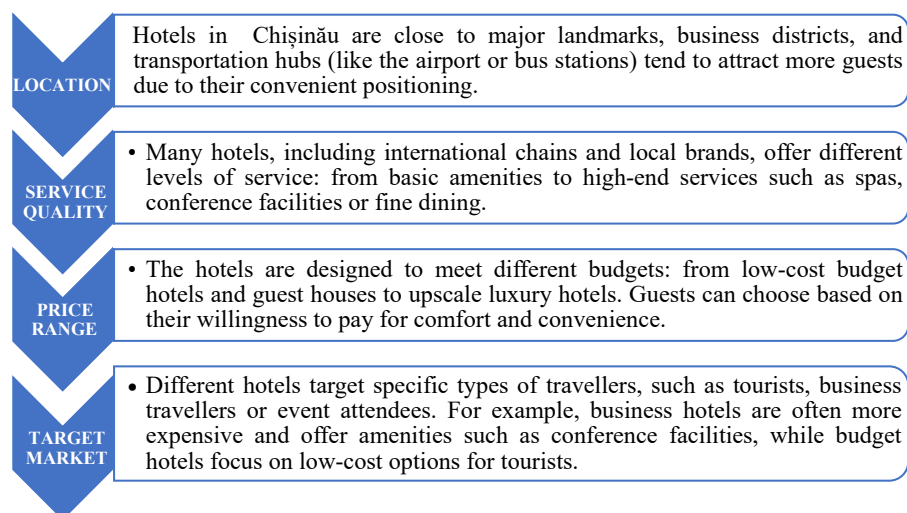


Figure 1. Chişinău hotels differentiation

It is evident that a select number of prominent hotel chains and high-end establishments have attained a dominant market position, particularly with regard to their reputation and market share. For instance, international chains such as Radisson Blu and Manhattan enjoy a significant market presence and have the capacity to influence market dynamics on a broader scale. The high costs of establishing luxury hotels, in conjunction with the brand loyalty customers have towards well-established international brands such as Radisson, engender a competitive environment that is challenging for smaller or local hotels to penetrate.

Online booking platforms such as Booking.com, Expedia and Airbnb have a significant impact on the competition between hotels in Chişinău. Many hotels, regardless of size or category, list their properties on these platforms to increase visibility and attract international travellers. Online reviews on these platforms play a crucial role in hotel competition. Hotels with higher ratings are more likely to attract guests, especially tourists. This leads to competitive efforts to improve service quality and customer satisfaction. Hotels also frequently adjust their prices based on market demand, competition and seasonal factors. Discounts and special offers are common strategies to fill rooms during off-peak periods or to boost bookings for major events.

In the more rural or suburban areas of the Central Region, the market is highly fragmented. The hotel industry is made up of small, independent guesthouses, family-run guesthouses and agritourism establishments that offer personalised services. These establishments tend to face less competition in their local areas, but may find it difficult to compete with larger hotels in terms of resources, online visibility and marketing.

Alongside Chisinau, Orheiul Vechi (The Old Orhei) is another significant historical and tourist destination in the Central part of Moldova. It is a unique archaeological and cultural site that attracts both domestic and international tourists.

The main market players in this region are Casa din Luncă, a popular guesthouse near Orheiul Vechi, known for its traditional Moldovan hospitality; Eco-Resort Butuceni, which offers eco-friendly accommodation and authentic local experiences such as traditional meals and guided tours; Casa Verde, a rural-style guesthouse offering cosy, traditional Moldovan accommodation, etc.

The competition in Orhei reflects monopolistic competition characteristics due to the presence of service differentiation, which is determined by the fact that guesthouses and agrotourism guesthouses differentiate themselves through unique offerings, such as traditional food, guided tours, or eco-friendly facilities.

Properties closer to Orheiul Vechi or in scenic rural locations attract more tourists. Prices vary widely, from budget options to boutique accommodations catering to tourists seeking premium experiences.

Overall, the hotel industry in Orhei is characterised by small-scale, localised competition with a focus on cultural and rural tourism. The area's unique attractions and potential for sustainable tourism make it an increasingly important player in Moldova's hospitality market.

An analysis of the entry barriers encountered by new hotel businesses in Chişinău reveals that they are higher in this context due to three key factors. Firstly, there is the high initial investment cost, which is a common challenge in the hotel industry. Secondly, there is the competition from established international chains, which creates a high level of

market saturation. Thirdly, there is the complexity of meeting urban infrastructure and regulatory requirements, which is a common challenge in urban planning. With regard to Orhei and other small towns in the Central Republic, the entry costs are lower. However, new hotels and guesthouses still face competition from well-established agritourism businesses. In order to differentiate themselves, it is essential that these new enterprises offer unique experiences, such as wine tours and cultural activities.

The Northern Region of Moldova, which includes major cities such as Bălți, Soroca, Edineț, and Rîșcani, is experiencing a growth in its hospitality sector. The region under discussion combines urban centres such as Bălți, which is often referred to as Moldova's "northern capital," with picturesque rural areas and landmarks such as the Soroca Fortress. The competitive environment in this sector is characterised by a diverse range of small and medium-sized hotels, guesthouses, and agrotourism establishments.

The accommodation facilities in Northern Moldova are characterised by a combination of urban and rural accommodations. In the case of Bălți, urban hotels predominate, catering primarily to business travellers and local events. For instance, the Elite Hotel is a centrally located hotel offering mid-range services for business and leisure guests. The VisPas Hotel is a boutique hotel providing premium accommodations and amenities, and the LidoLux Hotel is known for its modern amenities and convenient location near the city centre. Competition in Bălți is moderate, with hotels endeavouring to differentiate through service quality and pricing. New entrants must allocate substantial resources to infrastructure development and to the satisfaction of business travellers.

Soroca is another town in the northern region that draws tourists to its historical site, the Soroca fortress. The Central Hotel Soroca is a cost-effective lodging option for tourists visiting the fortress, while the Steaua Nordului Guesthouse offers a more authentic and personalised rural experience. The competition is less intense, but it is focused on location and proximity to tourist sites.

In other Northern districts, such as Edineț, Rîșcani and Drochia, the number of guesthouses and small hotels is limited, with insufficient capacity to accommodate larger groups or delegations.

The demand for accommodation in the north is constrained by the region's limited development of tourism infrastructure. The majority of visitors are domestic travellers, businesspeople in Bălți, or occasional tourists exploring rural or historical sites. Existing accommodations frequently encounter difficulties in achieving acceptable occupancy rates, resulting in underutilisation of facilities and further discouraging investment in the sector.

The southern region of Moldova demonstrates a nascent and underdeveloped hospitality sector, which reflects the region's economic and tourism potential. The southern region of the country is renowned for its natural beauty, wine production, and cultural heritage, and there is considerable untapped potential for growth. However, the accommodation infrastructure remains underdeveloped, catering primarily to local tourists and niche segments such as wine tourism.

The South has a limited number of hotels, with most accommodations concentrated in Cahul – the largest city in the region – and around tourist hotspots such as Comrat and Administrative-Territorial Unit Gagauzia. Most accommodations are small guesthouses, pensions, and family-run inns. Larger hotels are scarce, and international hotel chains are entirely absent.

The capital of the Administrative-Territorial Unit Gagauzia, Comrat, is home to a modest selection of small hotels and guesthouses that cater to visitors interested in Gagauz culture, wine tourism, and business activities in the region.

The city of Cahul is renowned for its health resorts and cultural events, and it functions as the primary accommodation hub in the southern region. The city is a popular destination for business travellers, spa tourists, and attendees of regional festivals. A number of mid-range hotels are available in the area, including the Hotel Diana, the Hotel Azalia, the Marco Polo Hotel, the Hotel Oasis and the Hotel Elcairo.

Accommodations in proximity to wineries (e.g., Et Cetera, Vinăria Purcari) are of particular interest to wine tourism enthusiasts, as they offer a combination of luxury and rural charm.

Consequently, the limited number of accommodations results in relatively low competition. However, there is growing rivalry among guesthouses and wineries in their attempts to attract high-value wine and rural tourism clients. Competition is primarily based on the uniqueness of experiences offered, such as wine tastings, cultural events, or eco-tourism activities, rather than price or scale.

As illustrated in Table 3, the Republic of Moldova's accommodation facilities are characterised by the following features.

### **3. External and Internal Influences on Market Dynamics**

In addition to the market structure, the hotel sector is influenced by a number of external and internal factors. External factors include tourism policies, but also foreign investment and economic conditions (Figure 2).

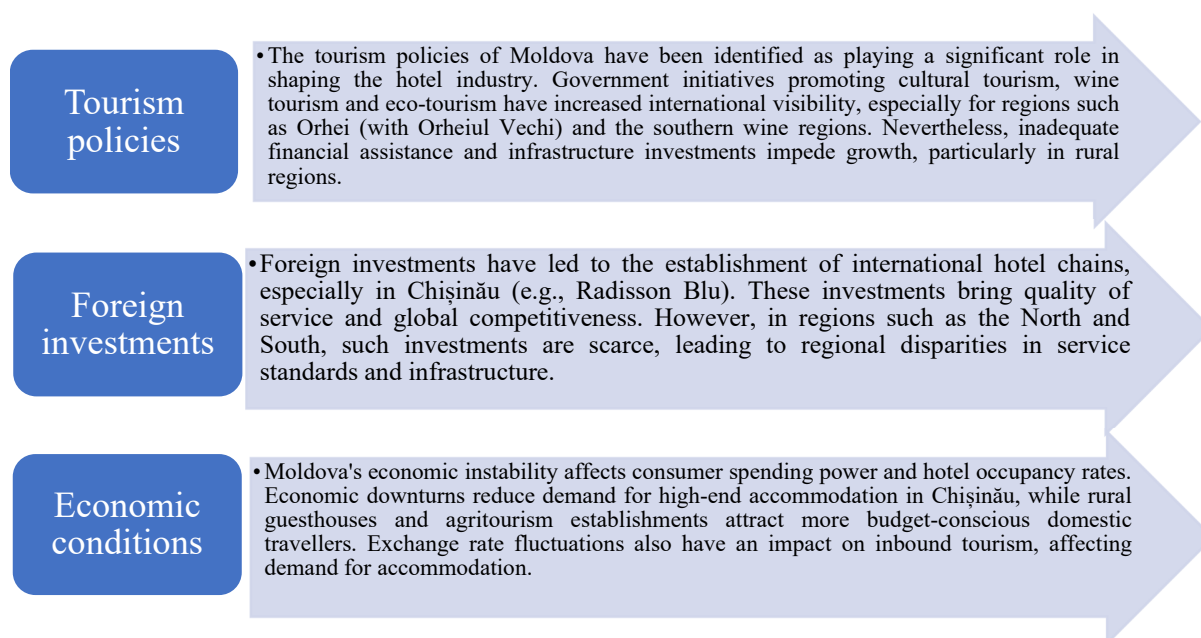
The market is subject to influence by a number of internal factors, including seasonal demand, the utilisation of digital marketing strategies, and operational challenges (see Figure 3).



Table 3

**Regional characteristics of hotel competition in Republic of Moldova**

Region	Number of accommodations	Competition Type	Barriers to entry	Additional characteristics
Center	Chişinău: 60+ accommodations Orhei: ~20 accommodations.	Monopolistic competition and oligopoly in luxury segment	High in Chişinău (due to costs, regulatory complexity, and international brand dominance). Moderate in Orhei (less capital required but need for differentiation).	Chişinău: Focus on business, conference tourism, and varied market segments. Orhei: Focus on agritourism and proximity to cultural sites like Orheiul Vechi.
North	Bălţi: ~10 hotels/guesthouses. Entire region: ~35 accommodations	Fragmented market	Moderate (lower investments required compared to Chişinău but limited demand and smaller customer base).	Dominated by small, family-owned guesthouses catering to transit tourists and local visitors.
South	Cahul: ~15 accommodations. Entire region: ~40 accommodations	Fragmented and emerging market	Moderate to low (focus on niche tourism such as wellness, spa and proximity to natural attractions).	Growth opportunities due to cross-border tourism with Romania and Ukraine. Some luxury establishments cater to wellness tourism. Increasing focus on agritourism and eco-tourism.

**Figure 2. External factors influencing the hotel services market structure**

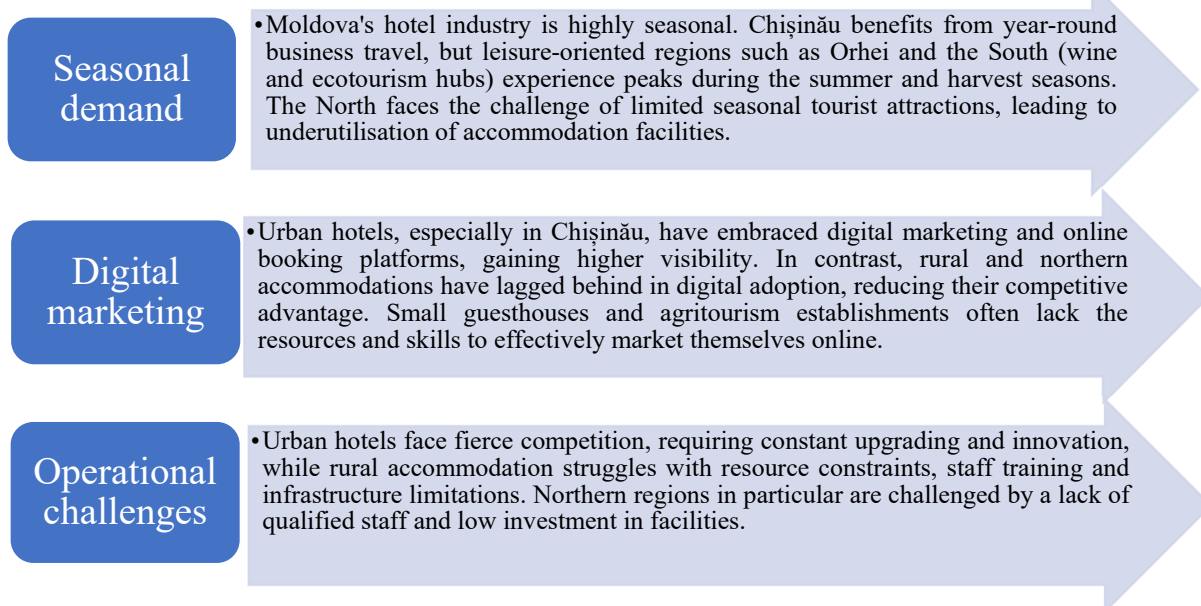
#### 4. Strategies for Strengthening Competitiveness in Each Region of Republic of Moldova

In light of the divergent competition structures across the three regions of the Republic of Moldova, it is recommended that a bespoke strategy be formulated for the enhancement of competition in the hotel services market of the country (see Table 4).

#### 5. Conclusions

The hotel services market in the Republic of Moldova is characterised by distinct regional dynamics, which are shaped by market structure, demand

patterns, and development potential. The Central Region, which is dominated by Chişinău, operates under monopolistic competition with oligopolistic tendencies in the luxury segment. This is driven by its role as the nation's business and cultural hub. The Northern Region is characterised by a fragmented market, with limited offerings that primarily cater to local and transit travellers. The Southern Region has identified niche markets, such as wine tourism and eco-tourism, as areas for development. However, the region is yet to experience significant progress in terms of infrastructure and accommodation diversity.



**Figure 3. Internal factors influencing the hotel services market structure**

**Table 4**

**Strategies for strengthening the competition in the hotel services market**

Central Region	Northern Region	Southern Region	Cross-regional strategies
Diversify offerings for different market segments by: Expanding mid-range accommodations, develop themed hotels or unique experiences.	Focus on domestic and regional tourism by selling accommodations for weekend getaways, targeting nearby regions.	Promote wine and culinary tourism developing wine routes, tastings, and festivals, highlighting Gagauz and Moldovan culinary traditions.	1.Unified branding for Moldova, developing a cohesive national branding campaign emphasizing Moldova's rich culture and authentic hospitality.
Enhance conference tourism by investing in conference facilities to attract business tourism.	Develop niche experiences by promoting agritourism, eco-tourism and rural estates for authentic holidays.	2. Create regional clusters making collaborations between hotels, wineries, and natural reserves for travel packages.	2. Regional tourism offices, establishing tourism offices in each region to coordinate marketing and attract investments.
Leverage digital marketing by optimising listings on global platforms and use social media for event promotion.	3. Collaborate with educational institutions, making partnerships with local universities for conferences and workshops.	3. Highlight proximity to nature, making accommodations as gateways to natural attractions for eco-tourism.	3. Tourism data collection and analysis, using data-driven approaches to understand tourist preferences and trends.
Partner with airlines and tour operators, offering bundled travel and stay packages to attract international tourists.	4. Improve accessibility by improving transport infrastructure of main towns.	4. Attract foreign investment, promoting rural luxury and boutique accommodation investment opportunities.	4. Policy support, making government incentives for sustainable practices and tourism infrastructure development.

The competitive disparities observed across these regions are influenced by a combination of external and internal factors. Exogenous factors, including government tourism policies, foreign investments, and economic trends, collectively influence the market opportunities available. Internally, challenges such as seasonal demand, limited digital marketing use, and operational constraints impact competitiveness.

In order to address these challenges, it is essential that strategies are tailored to each region. These include

the diversification of offerings, the enhancement of digital visibility, the promotion of regional branding, and the development of niche tourism experiences. It is vital to acknowledge the significance of collaboration among stakeholders, enhancement of infrastructure, and targeted investments in order to achieve the full potential of Moldova's hospitality sector. By aligning competitiveness with sustainability, the industry can better contribute to the country's economic growth and international appeal.

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