

## APPROACHING THE WORLD: MAIN LARGEST HOTEL GROUPS STRATEGIES

Cristina Fleşeriu<sup>1</sup>, Smaranda Cosma<sup>2</sup>, Marius Bota<sup>3\*</sup>

### Abstract

In 2009, the world hotel market reached a saturation level, having too many hotels opened in a short time interval. Beginning with 2010, the number of tourists started increasing again, exceeding 1 billion in 2013. Emerging countries began gaining more and more foreign tourists. All these changes are taken into consideration by the international hotel chains having a significant role in the economies of the countries hosting their hotels. The most often used strategies to penetrate a foreign market are the franchise and the management contract. However, quite often, the penetration into a foreign market can contain a mixture of strategies, rather than only one. The purpose of the paper is the identification of predominant strategy of penetrating a foreign market for top 10 largest hotel groups in the world, finding of main strategy for every hotel group and analysing of the dynamics for the strategy of penetrating a foreign market in every hotel group under analysis for the interval 2002-2013. The research reveals that 70% of the hotel groups under investigation use mainly franchise strategy. Hotel groups owning a large number of hotels (over 3500 hotels worldwide) and which coordinated large service distribution networks prefer a strategy that involves an average level of financial involvement, average risk and operational control.

**Key words:** international hotel chains, penetrating strategies, hotels groups, foreign tourism market

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<sup>1</sup> Teaching Assistant, PhD, Babeş-Bolyai University, Cluj-Napoca, Faculty of Economics and Business Administration, e-mail: cristina.fleseriu@tbs.ubbcluj.ro

<sup>2</sup> Professor, PhD, Babeş-Bolyai University, Faculty of Business, Cluj-Napoca, e-mail: smaranda.cosma@tbs.ubbcluj.ro

<sup>3</sup> Lecturer, PhD, Babeş-Bolyai University, Cluj-Napoca, Faculty of Business, e-mail: marius.bota@tbs.ubbcluj.ro

## 1. Introduction

Tourism represents a very important sector of world economy and tourist destinations attract more and more people every year. In 2008, before the onset of the world crisis, the overall number of international tourists reached almost 929 million, while one year later, in 2009, it dropped to 894 million. Beginning with 2010, the number of tourists started increasing again. Thus, in 2012, it exceeded 1 billion (1.035 million), to which, in 2013, 52 million (a total of 1.087 million) more are added ([http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto\\_barom13\\_01\\_jan\\_excer\\_pt\\_0.pdf](http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_barom13_01_jan_excer_pt_0.pdf); [http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto\\_fitur\\_2014\\_hq\\_jk\\_2pp\\_0.pdf](http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_fitur_2014_hq_jk_2pp_0.pdf); retrieved on 28.02.2014, hour 12.45).

According to a survey conducted in 2011 by the journal *"Hotels, The magazine of the worldwide hotel industry"*, in 2009, the world hotel market reached a saturation level, as a consequence of having too many hotels opened in a short time interval. Most hotel companies added to the world market "stock" not only hotels but also other forms of accommodation and the market seems to have been unable to absorb all of them, up to 2009. The number of hotel linked buildings reached a maximum level by 2009, while the strong financial and economic world crisis in 2008-2009 led to stagnation for hotel companies, too ([www.marketingandtechnology.com/repository/webFeatures/HOTELS/2011\\_HOTELS\\_325.pdf](http://www.marketingandtechnology.com/repository/webFeatures/HOTELS/2011_HOTELS_325.pdf); retrieved on 24.04.2014, hour 11.40).

## 2. Insights from international hotel chains market

If one takes into account the regions and areas where most foreign tourists are met, we find Europe on the first place, followed by Asia, Africa/ Middle East, North America and Latin America ([http://mkt.unwto.org/sites/all/files/docpdf/unwtohighlights11enhr\\_3.pdf](http://mkt.unwto.org/sites/all/files/docpdf/unwtohighlights11enhr_3.pdf); [http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto\\_barom12\\_01\\_january\\_en\\_excerpt.pdf](http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_barom12_01_january_en_excerpt.pdf), date 28.02.2014, hour 15.50). What is actually very interesting is that the number of Europe - visiting tourists started decreasing since the 90's, while the numbers for Asia and the Pacific areas has an upward tendency. In 2008, the latter areas mentioned had only over 185 million tourists, but figures went up and in 2013 they reached over 247 million. In North America, less tourists go and numbers have decreased during the last 20 years. Latin America remains with a constant number of tourists, Africa/ Middle East record a slight increase

in time ([http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto\\_barom14\\_01\\_jan\\_excerpt.pdf](http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_barom14_01_jan_excerpt.pdf), retrieved on 26.05.2014, hour 9.47).

Other important influence factor for tourism is given by the type of economy the countries have - developed or emerging related to the number of tourists visiting them. Emerging countries began gaining more and more foreign tourists and the trend remains valid for 2014, too ([http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto\\_fitur\\_2014\\_hq\\_jk\\_1pp\\_0.pdf](http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_fitur_2014_hq_jk_1pp_0.pdf); retrieved on 28.02.2014, hour 13.53).

All these changes are taken into consideration by the international hotel chains having a significant role in the economies of the countries hosting their hotels.

In 2010, the international hotel chains from the entire world could not increase their portfolio much. Year 2011 marks an increase in the number of hotels owned by large international hotel companies, not at an aggressive rate, rather cautiously and the trend went on. The dynamics of the hotel numbers is the following at world level: in Europe and America, though new hotels appeared with 2010, the increase is very small compared to preceding years. This rule does not apply to Asia and Pacific, where the increase is very large compared to the rest of continents. Thus, in Asia and Pacific, in 2010, the number of newly built hotels increased by 16%, compared to year 2008 ([www.marketingandtechnology.com/repository/webFeatures/HOTELS/2011\\_HOTELS\\_325.pdf](http://www.marketingandtechnology.com/repository/webFeatures/HOTELS/2011_HOTELS_325.pdf); retrieved on 24.04.2014, hour 12.35).

**Table no. 1 Top 10 largest hotel groups in the world in 2012**

| No. | Company                             | 2012                                       |                 |                  |
|-----|-------------------------------------|--------------------------------------------|-----------------|------------------|
|     |                                     | Number of countries in which it is present | Number of rooms | Number of hotels |
| 1   | InterContinental Hotels Group       | 100                                        | 675.982         | 4602             |
| 2   | Marriott International              | 74                                         | 660.394         | 3800             |
| 3   | Hilton Worldwide                    | 90                                         | 652.957         | 3966             |
| 4   | Wyndham Worldwide                   | 66                                         | 627.437         | 7342             |
| 5   | Choice Hotels International         | 35                                         | 538.222         | 6725             |
| 6   | Accor                               | 92                                         | 450.487         | 3516             |
| 7   | Starwood Hotels & Resorts Worldwide | 100                                        | 335.415         | 1134             |
| 8   | Best Western International          | 100                                        | 312.467         | 4050             |
| 9   | Carlson Rezidor Hotel Group         | 83                                         | 166.241         | 1077             |
| 10  | Hyatt Hotels Corp.                  | 46                                         | 135.144         | 500              |

Source: adapted from [http://www.marketingandtechnology.com/repository/webFeatures/HOTELS/h1307\\_Special\\_Report\\_325\\_iPad.pdf](http://www.marketingandtechnology.com/repository/webFeatures/HOTELS/h1307_Special_Report_325_iPad.pdf) (retrieved on 02.06.2014, hour 9.20)

This new trend, making international hotel groups to focus upon specific geographic areas in the world, leads to visible changes in the ranking of international hotels every year ([www.hotelsmag.com](http://www.hotelsmag.com), retrieved on 24.04.2014, hour 12.55). The ranking of the largest hotel groups (Table no.1) considers the number of rooms made available by individual hotel chains, and not the number of hotel building owned by these companies.

Besides this issue that points out the value of the geographical area, international hotel groups become aware of the significance of the brand and its contribution to the enlarging of the number of hotels under the umbrella of an international hotel brand. At present, two thirds of the hotels in the world represent direct investments, the majority being small and average size enterprises (SMEs). In Europe, particularly, the hotel industry relies on small companies to a very large extent, where companies either own the hotels or manage them, using various strategies for foreign market penetration (Leidner, 2004; Johnson & Vanetti, 2005; Holverson & Revaz, 2006). If in 2010, only 38% of the worldwide hotels belonged to international brands, it is estimated that by 2020, the figure will go up to 45%, and by 2030, even to 50% ([http://www.ihgplc.com/files/results/prelims11/downloads/prelims11\\_slides.pdf](http://www.ihgplc.com/files/results/prelims11/downloads/prelims11_slides.pdf); retrieved on 20.04.2014, hour 22.30).

The most significant hotel brands belong to the biggest worldwide international hotel groups. However, changes in the ranking of world level international hotel groups appear every year.

This is the reason for which the theoretical and design of own strategies for penetrating various foreign markets has become a necessity. As they were able to adapt to the new conditions provided by new locations and as they were able to implement efficient strategies international hotel groups could spread so widely. Last but not least, they kept their top position for a long time also keeping the large number of available rooms.

There are more strategies used by hotel chains to penetrate a new market (a new country): *the green field investment, hotel or hotel company take over from an internal market; joined company, franchise, management contract, strategic alliances, consortia (voluntary chains)* etc. (Cristureanu, 2006).

The internationalisation strategies chosen by hotel chains vary related to the amount of financial involvement wanted to be made by the chains, to the level of desired operational control and level of assumed risk (Table no. 2) (Chen & Dimou, 2005; Cristureanu, 2006; Lupu & Țigu, 2006). Another

criterion hotel chains take into account when penetrating a foreign market is the host country level of development (Graf, 2009).

**Table no. 2 Internationalisation means**

|                           | Operational Control | Financial involvement | Potential risk |
|---------------------------|---------------------|-----------------------|----------------|
| Direct foreign investment | High                | High                  | High           |
| Franchise                 | Average             | Average               | Average        |
| Joined company            | High                | Low                   | Low            |
| Management contract       | High                | Low                   | Low            |
| Strategic alliance        | Low                 | Low                   | Low            |
| Consortiums               | Low                 | Low                   | Low            |

Source: adapted from Contractor F. J. & Kundu S. K., *Modal Choice in a World of Alliances: Analyzing Organizational Forms in the International Hotel Sector*, *Journal of International Business Studies* (Vol. 29, Nr. 2, pp. 325-358) and Cristureanu, *Strategii și tranzacții în turismul internațional* (București, Editura C.H. Beck, 2006, p. 324)

The most often used strategies to penetrate a foreign market are the franchise and the management contract (Erramilli, Agarwal, Dev, 2002; Guillet, Zhang, Gao, 2011). However, quite often, the penetration into a foreign market can contain a mixture of strategies, rather than only one (Fleșeriu & Fleșeriu, 2011: 295-302).

### 3. Material and methods

There are three major objectives to be followed in this research:

- Objective 1: Identification of predominant strategy of penetrating a foreign market in the hotel industry;
- Objective 2: Identification of main strategy of penetrating a foreign market for every hotel group;
- Objective 3: Identification of the dynamics for the strategy of penetrating a foreign market in every hotel group under analysis.

In order to get the information required for the present research both exploratory and descriptive research methods were used. The first ten world level hotel groups were analysed (see Table no. 1). The main research method consists in the analysis of secondary data. Data from various sources were found, among which: annual reports, websites of hotel groups, statistical studies and analyses published until present day. These documents were used to find specific details that could lead to common issues as well as differences. For

every individual hotel group, publicly made documents were studied to identify the strategies they used to penetrate a foreign market previously, at present and to see their plans for the future. From every annual report published, data necessary for the study were identified, collected and processed and then they were synthesised in a material for all the ten hotel groups. The second research method lies in an in-depth telephone interview with the Hilton hotel group, to get data for years 2012-2013. Mention should be made that this hotel group did not publish its annual reports for the period 2007-2012, and it is not listed with the stock exchange.

#### **4. Results and discussions**

This part makes an analysis of the situation of the first ten hotel groups worldwide during the last 12 years. The exception is the Accor group, where 17 years were taken into discussion because of the available data and Hyatt where data are missing and only the interval 2006-2013 is investigated.

**I. IHG (InterContinental Hotels Group)** is a hotel company that holds the largest number of guest rooms in the world, with over 4600 hotels in 100 countries (<http://www.ihg.com/hotels/us/en/global/about/company-overview>; retrieved on 19.06.2014, hour 12.37). The group runs its activity based on four strategies of penetration into a foreign market: the franchise, management contract, leasing contract and direct foreign investment. The most frequent means of foreign market penetration are the franchise, followed by the management contract. Figure no. 1 shows the evolution in time of this situation.

**II. Marriott International, Inc.** is the second hotel group in the world considering the number of rooms, as a criterion.

The Marriott International group owns more than 3900 properties in 72 countries and territories ([www.marriott.com/marriott/aboutmarriott.mi](http://www.marriott.com/marriott/aboutmarriott.mi); retrieved on 18.06.2014, hour 20.05). The hotels are franchised under the brands Marriott, JW Marriott, The Ritz-Carlton, Renaissance, Residence Inn, Courtyard, TownePlace Suites, Fairfield Inn, SpringHill Suites and Bulgari. The hotel company has its own holiday resorts under the brands Marriott Vacation Club, The Ritz-Carlton Destination Club and Grand Residences by Marriott offering leasing and management contracts under the residential brands comprising The Ritz-Carlton Residences, JW Marriott Residences and Marriott Residences. The group also holds Marriott Executive Apartments and conference centres.

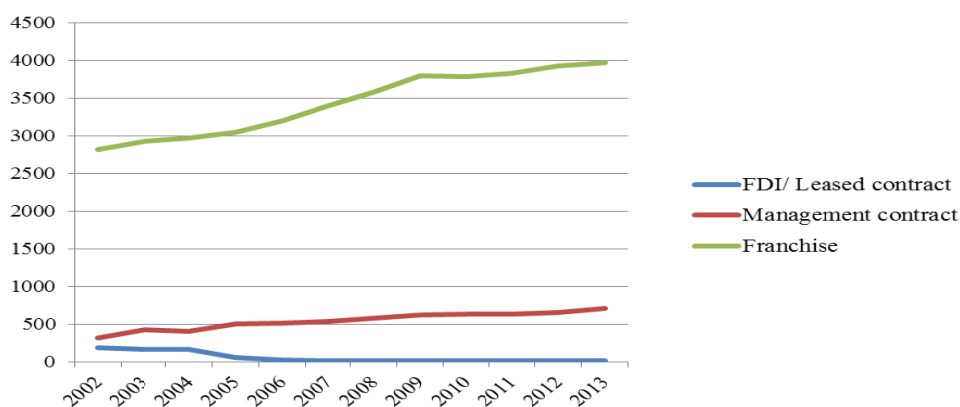


**Figure no. 1 Types of strategies used by the IHG hotel group to penetrate a foreign market (2002-2013)**

Source: produced by the authors on the basis of IHG group annual reports for the interval 2002-2013, <http://ihgplc.com/index.asp?pageid=56&data=Reports> (retrieved on 20.06.2014, hour 13.10)

The Figure no. 2 highlights the most frequently used foreign market penetration strategy, namely the franchise, followed by the management contract.

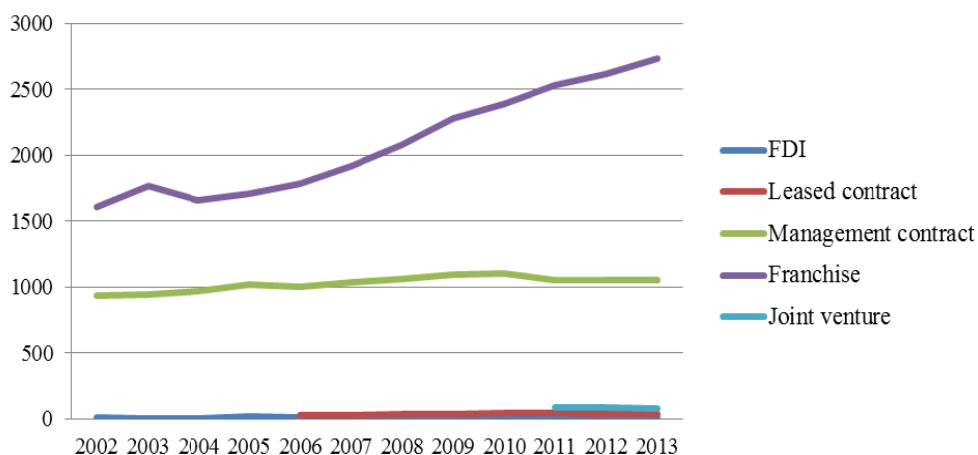


**Figure no. 2 Types of strategies used by the Marriott hotel group to penetrate a foreign market (2002-2013)**

Source: produced by the authors on the basis of Marriott group annual reports for the interval 2002-2013, <http://investor.shareholder.com/mar/reports.cfm> (retrieved on 20.05.2014, hour 13.10)

**III. Hilton Hotels Corporation** is situated on the third place in the world, with respect to the number of rooms hold. The company has 4115 hotels, in 91 countries, in the form of franchise, management contracts, leasing contracts or direct foreign investments, belonging to several best known hotel brands: Waldorf Astoria Hotels & Resorts, Conrad Hotels & Resorts, Hilton Hotels & Resorts, DoubleTree by Hilton, Embassy Suites Hotels, Hilton Garden Inn, Hampton Hotels, Homewood Suites by Hilton, Home2 Suites by Hilton, Hilton Garand Vacations ([http://ir.hiltonworldwide.com/files/doc\\_financials/Hilton\\_2013\\_AR.pdf](http://ir.hiltonworldwide.com/files/doc_financials/Hilton_2013_AR.pdf); retrieved on 20.05.2014, hour 14.28) (Figure no. 3).

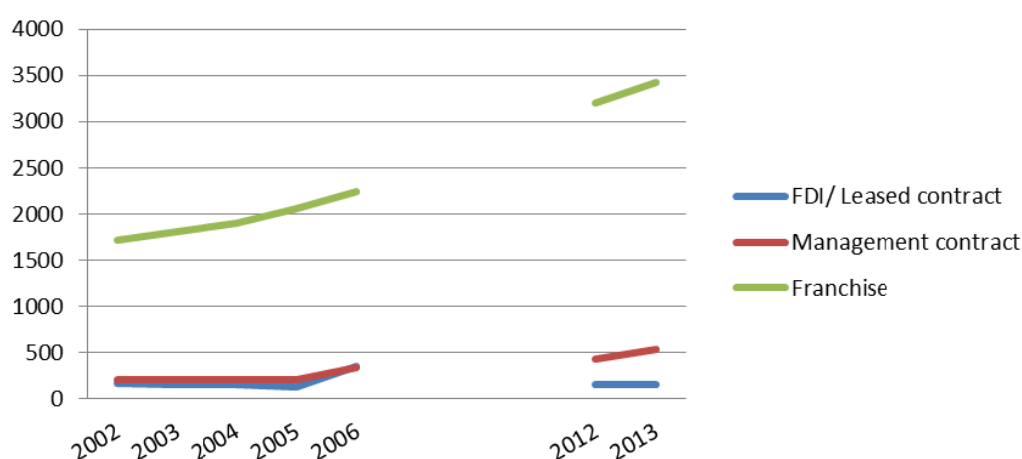


**Figure no. 3** Types of strategies used by the Hilton hotel group to penetrate a foreign market (2002-2006 and 2012-2013)

Source: produced by the author on the basis of information received from Hilton Hotels Worldwide and [http://ir.hiltonworldwide.com/files/doc\\_financials/Hilton\\_2013\\_AR.pdf](http://ir.hiltonworldwide.com/files/doc_financials/Hilton_2013_AR.pdf) (retrieved on 20.05.2014, hour 14.50)

The franchise represents the predominant foreign market penetration strategy of the Hilton hotel group (over 80%, less in 2006, when 76%). Though on the second place is the strategy of management contract, its weigh is still very low (between 9% and 13%).

**IV. Wyndham Hotel Group** is the largest franchiser as well as the largest hotel group in the world, if one takes into account the number of hotels owned (approximately 7500 in 65 countries worldwide) ([www.wyndhamworldwide.com/](http://www.wyndhamworldwide.com/)

about-wyndham-worldwide/wyndham-hotel-group; retrieved on 20.06.2014, hour 15.20). The group has more hotel brands: Days Inn, Super 8, Microtel Inns & Suites, Howard Johnson, Travelodge, Knights Inn, Ramada, Baymont, Wyndham Hotels and Resorts, Wingate by Wyndham, Tryp by Wyndham, Hawthorn Suites by Wyndham, Night and Dream. They all use the franchise as a foreign market penetration strategy. The Wyndham Hotel Group implements a direct franchise model. In the direct franchise, the franchisor gives the franchised the option of managing only one franchise and even when the owner holds more franchised hotels, the franchisor draws an individual franchise contract for every separate hotel (Riesterer, 2001:41). The group introduces its brands through individual hotel owners.

V. Similar to the Wyndham Hotel Group, the *Choice Hotels International* implements the franchise as a penetration strategy. The group has ten different brands (Comfort Inn, Comfort Suites, Quality, Sleep Inn, Clarion, Cambria Suites, Main Stay Suites, Suburban, Econo Lodge and Rodeway Inn) in 6700 hotels, found in over 35 countries (<http://www.choicehotels.com/en/about-choice/aboutchoic-hotels>; retrieved on 20.06.2014, hour 15.50).

No graphs were made for the hotel groups in positions 4, 5 and 8, because they use only one strategy to penetrate foreign markets.

VI. *Accor* is a world group, with a significant share in the hotel domain and a world leader in services provided to corporations and public institutions. Accor runs activities in 92 countries ([www.accor.com/en/group/accor-worldwide.html](http://www.accor.com/en/group/accor-worldwide.html); retrieved on 11.04.2013, hour 16.45).

As a very large group and with a vast portfolio, Accor defines its strategies for penetrating foreign markets relative to the target segments and country development level ([www.accor.com/fileadmin/user\\_upload/Contenus\\_Accor/Finance/Documentation/2012/EN/2011\\_registration\\_document.pdf](http://www.accor.com/fileadmin/user_upload/Contenus_Accor/Finance/Documentation/2012/EN/2011_registration_document.pdf); retrieved on 11.04.2013, hour 17.01). Hence, in mature markets, the group favours the management contract and less the franchise. The only segment where the franchise is not implemented is the luxury one. The leasing contract is also used for middle and economic segment hotels. In emerging markets, the main strategy is the management contract, exclusively used for the luxury and upscale segment, though it can also be found in the rest of the segments. For the middle and economic segment, other strategies in place are: the joint-venture, the

leasing contract and the franchise ([www.accor.com/fileadmin/ user\\_upload/ Contenus\\_Accor/Finance/Documentation/2013/UK/2012\\_registration\\_document.pdf](http://www.accor.com/fileadmin/user_upload/Contenus_Accor/Finance/Documentation/2013/UK/2012_registration_document.pdf); retrieved on 18.06.2013, hour 16.17) (Figure no. 4).

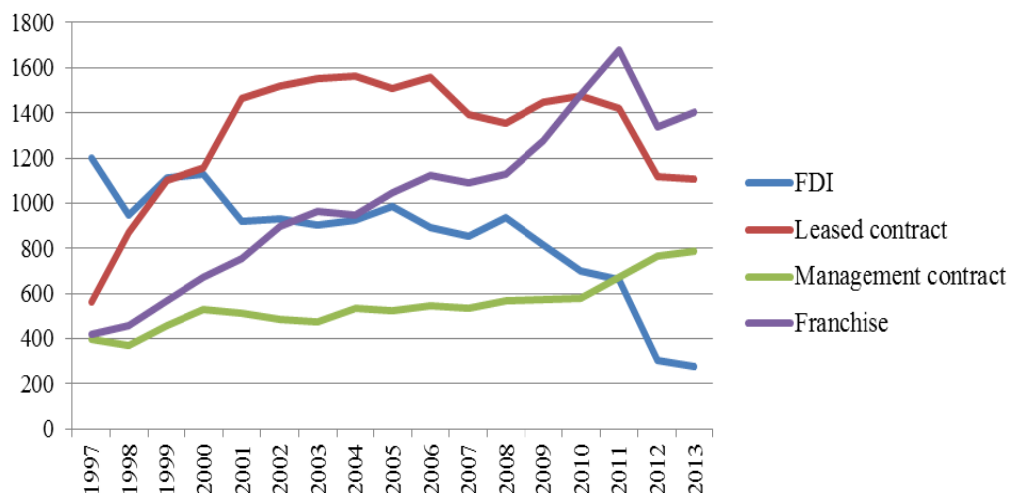


**Figure no. 4 Types of strategies used by the Accor hotel group to penetrate a foreign market (1997-2013)**

Source: produced by the authors on the basis of Accor group annual reports for the interval 1997-2013, [www.accor.com/en/finance/financial-library/annual-and-half-yearly-information.html](http://www.accor.com/en/finance/financial-library/annual-and-half-yearly-information.html) (retrieved on 20.06.2014, hour 15.30)

There is a trend in the strategies implemented by Accor worldwide. Thus, for the interval under investigation there is a low number of direct foreign investments, the management contracts number was kept relatively constant, that of leasing contracts underwent an increase followed by decrease and the franchise number has increased. One can state that the Accor group wants to diminish in the future the number of rooms running on direct foreign investments and fix-leased ones while enlarging the number of franchises, management contracts and variable leasing.

**VII. Starwood Hotels & Resorts Worldwide** is a hotel group situated on the seventh place in the top of the largest hotel groups. The group has almost 1200 hotels in 100 countries. The group foreign market penetration strategies for the brands owned (St. Regis, The Luxury Collection, W, Westin, Le

Méridien, Sheraton, Four Points by Sheraton, Aloft and Element) are: direct foreign investment, management contract, leasing contract and franchise (<http://www.starwoodhotels.com/corphourte/about/index.html>; retrieved on 20.06.2014, hour 15.50) (Figure no. 5).

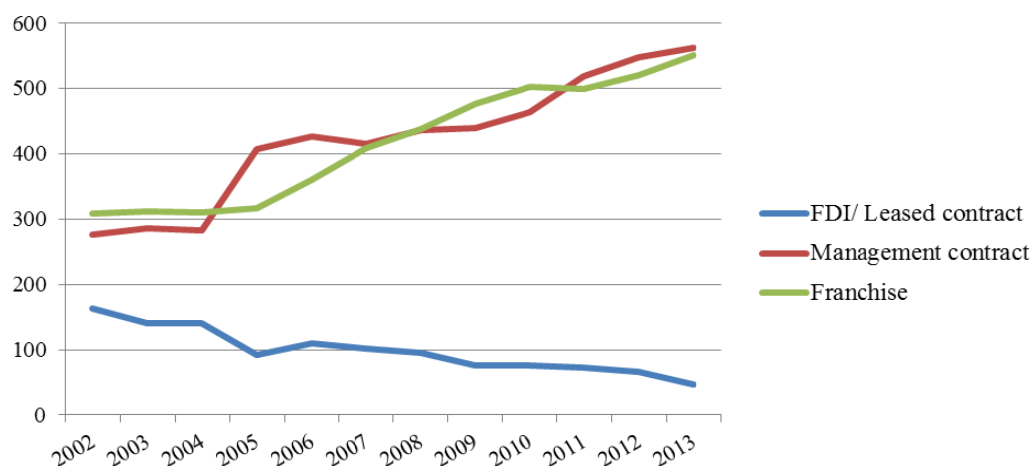


**Figure no. 5 Types of strategies used by the Starwood hotel group to penetrate a foreign market (2002-2013)**

Source: produced by the authors on the basis of Starwood group annual reports for the interval 2002-2013, <http://www.starwoodhotels.com/corphourte/about/investor/reports.html> (retrieved on 20.06.2014, hour 16.10)

One can notice the main utilisation of two alternative strategies for foreign market penetration. In 2013, 48% of the hotels operated on management contract, 47% were in franchise, the rest up to 100% being run on direct foreign investments and leasing contracts.

Though the franchise and management contract are almost equally used, for the general evaluation the data favour the management contract as the main approach.

**VIII. Best Western International** represents a hotel brand on the fourth place in the world, considering the number of owned hotels and position eight for the number of rooms provided. At the end of 2013 the group had over 4060 hotels operating independently, in 100 countries worldwide

([www.bestwesterndevelopers.com/membership/worldwide-development.html](http://www.bestwesterndevelopers.com/membership/worldwide-development.html); retrieved on 20.06.2014, hour 16.30).

Best Western International relies on a very simple concept: there are independent owners of hotels joined together to promote their properties and to make profit. The hotel group is regarded as an association. Hotels belong to owners, they have an independent activity. Every member possessing a hotel has a strong opinion in so far hotel management is concerned and consequently, the hotel chain uses a common and single penetration strategy with application to the singleness of the respective hotel. Though not regarded as an integrated hotel chain and though not seen as a voluntary association too, the strategy to penetrate foreign markets in Best Western is the franchise.

Best Western is placed on the first position in Top 50 Brands by "Hotels, The magazine of the worldwide hotel industry" ([http://www.marketingandtechnology.com/repository/webFeatures/HOTELS/h1307\\_Special\\_Report\\_325\\_iPad.pdf](http://www.marketingandtechnology.com/repository/webFeatures/HOTELS/h1307_Special_Report_325_iPad.pdf); retrieved on 21.06.2014, hour 9.27).

**IX.** The *Carlson Rezidor Hotel Group* was established at the end of 2011, from the partnership between the Rezidor hotel group and Carlson Hotels (division of the Carlson group, a hospitality and tourism company). In 2010 the Carlson group was ranked on the ninth position considering the number of rooms, in the top of worldwide hotels. Today, the group has preserved the same nine place, and holds the following brands: Radisson Blu, Radisson, Radisson Red, Park Inn by Radisson, Park Plaza, Country Inns & Suites by Carlson and Quorvus Collection ([http://www.carlsonrezidor.com/our\\_brands-cis.php](http://www.carlsonrezidor.com/our_brands-cis.php); retrieved on 20.06.2014, hour 16.47). No statistical data are available about the hotel chains belonging to the Carlson group but there are data about the Rezidor.

The Rezidor group has a long-term approach regarding penetration strategies: the leasing contract and the franchise lose ground in front of the management contract (Figure no. 6). Rezidor wants to decrease the number of hotels using for internationalisation the leasing contract and to increase the number of hotels operating on management contract, until 2015.

**X. Hyatt Hotels Corporation**, established in Chicago, holds 548 hotels, in six continents, in 47 countries, belonging to the brands: Hyatt, Park Hyatt, Andaz, Grand Hyatt, Hyatt Regency, Hyatt Place, Hyatt House, Hyatt Zilara and Hyatt Ziva. The strategies of foreign market penetration used by this hotel group are the franchise, management contract, leasing contract and direct foreign investment (<http://investors.hyatt.com/phoenix.zhtml?c=228969&p=irol-irhome>; retrieved on 20.06.2014, hour 17.15). From the Figure no. 7 one can notice that the predominant penetration strategy used by the Hyatt group is the management contract. However, the number of hotels using this option decreases (from 81% in 2006 to 61% in 2013) favouring the increase of the number of hotels having a franchise contract (from 13% in 2006 to 34% in 2013).

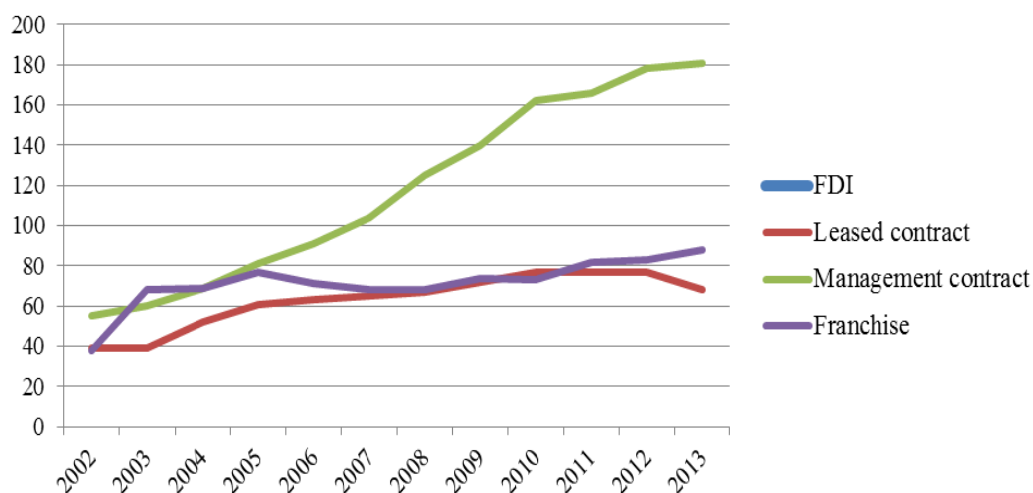


**Figure no. 6 Types of strategies used by the Rezidor hotel group to penetrate a foreign market (2002-2013)**

Source: produced by the authors on the basis of Rezidor group annual reports for the interval 2002-2013, <http://www.rezidor.com/phoenix.zhtml?c=205430&p=irol-library> (retrieved on 20.06.2014, hour 16.52)

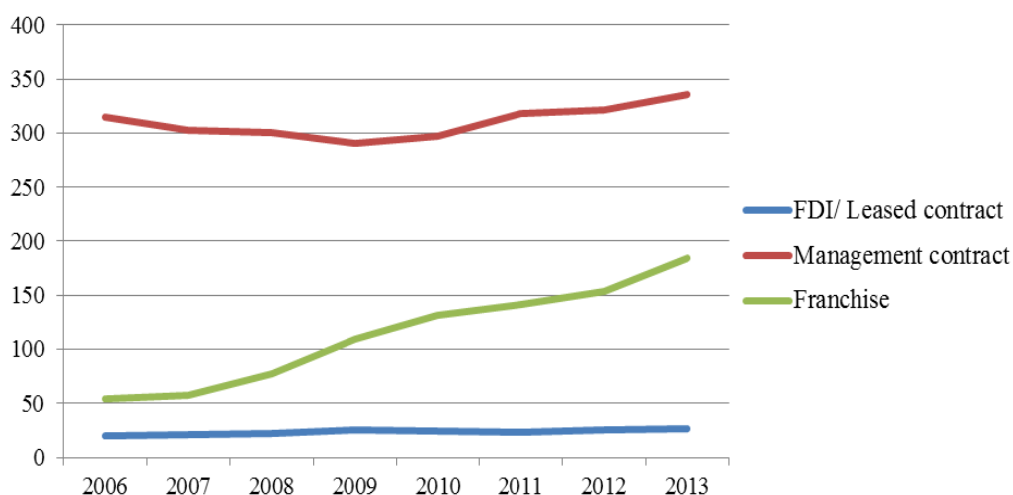


**Figure no. 7 Types of strategies used by the Hyatt hotel group to penetrate a foreign market (2006-2013)**

Source: produced by the authors on the basis of Hyatt group annual reports for the interval 2006-2013, <http://investors.hyatt.com/phoenix.zhtml?c=228969&p=irol-reportsannual> (retrieved on 20.06.2014, hour 17.50)

The synthesis of the data found for every individual hotel group reveals that seven out of ten hotel groups prefer the franchise as a predominant foreign market penetration strategy (Table no. 3).

**Table no. 3 Main penetration strategy**

| No. | Company                             | Penetration strategy |
|-----|-------------------------------------|----------------------|
| 1   | InterContinental Hotels Group       | Franchise            |
| 2   | Marriott International              | Franchise            |
| 3   | Hilton Worldwide                    | Franchise            |
| 4   | Wyndham Worldwide                   | Franchise            |
| 5   | Choice Hotels International         | Franchise            |
| 6   | Accor                               | Franchise            |
| 7   | Starwood Hotels & Resorts Worldwide | Management contract* |
| 8   | Best Western International          | Franchise            |
| 9   | Carlson Rezidor Hotel Group         | Management contract  |
| 10  | Hyatt Hotels Corp.                  | Management contract  |

\*closely followed by franchise

Source: *produced by the authors*

Out of the three groups using predominantly the management contract, Starwood Hotels & Resorts Worldwide also makes use of the franchise almost equally (the difference is only one percent), while Carlson Rezidor Hotel Group and Hyatt Hotels Corp. mainly address to upscale luxury segment of tourists. The result is not surprising if considering the penetration strategy for an upmarket target where the management contract is more efficient (Cosma & Fleşeriu, 2010).

## 5. Conclusion

Further on, international hotel groups and chains will go on wishing to increase the number of owned hotels as there still exist geographical areas that have not been exploited to their maximum potential.

The international hotel chains have always defined future plans and objectives based on development strategies. Today, such plans are justified only in so far UNWTO gives a positive prognosis for the number of tourists and the geographical areas of tourist destinations. One can see that, besides Europe, an area much loved by tourists, areas of Asia and Pacific have strong possibilities to develop further. The Americas will also witness development in the years to come, though not so spectacular as the first three areas previously mentioned. The areas that will attract the smallest number of tourists, represented as weigh of the total number of tourists, will be Africa and Middle East. Though with less tourists, the investors of international hotel chains still want to strengthen the advantage of the first comer in those areas.

The analysis made here reveals that the favoured distribution form for the hotel industry is the franchise, 70% of the hotel groups under investigation using mainly this extension strategy. It is also revealed that hotel groups owning a large number of hotels (over 3500 hotels worldwide) and which coordinated large service distribution networks prefer a strategy that involves an average level of financial involvement, average risk and operational control.

As far as the evolution of the strategy within every hotel group the investigation data show a decrease of direct foreign investment concomitantly with more franchise and management contract implementation. One can state that hotel groups act in a globally consolidated market, where those forms of cooperation that diminish financial involvement and business risks are given priority.

The analysis of the data regarding years before the economic and financial crisis beginning in 2008 reveals that the hotel industry was one of the worldwide industries least affected by the crisis. The difficult economic situation has not prevented hoteliers to develop. Moreover, hotel groups have used internationalisation as a means to balance business during crisis affected time.

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