

HOTEL SYSTEMS AS AN EXAMPLE OF INTERNATIONALIZATION

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Abstract: Article concerns topic connected with hotel managements systems on world. Their rise be connected with continuous development across internationalization. This development be made by investments, cooperation by franchising or management. The presence of the largest nets of hotels in 100 countries testifies about their power.

Key words: hotel chain, hotel system, internationalization.

Introduction

Accommodation industry is one of the most successful industries of national economy of many countries and global economy as a whole. Because of the observed processes of globalization, shortening travel time, increasing levels of affluence in many countries and accompanying growing share of leisure time, the increasing demand for hotel services has been observed. It is also an area which brings considerable income, at the same time one of the most internationalized - in large part due to its specificity - branch of economy. In recent years, the consolidation in the industry due to increase in new but also the strength of already existing international hotel chains is more and more apparent. This article aims to analyze the expansion of international hotel groups in recent years and ways of this expansion.

Internationalization

Internationalization is a term that has appeared in our dictionary relatively recently, however the phenomenon represented by this term has been observed for a long time [1]. In practice, in ancient times, when the border issues have not been fully addressed or boundaries were changing rapidly, it was an inherent aspect of any economy. In current reality, which is characterized by an almost precise determination of political and territorial issues, this idea is related primarily to the development of enterprises and specific way of managing them. The potential scope of enterprise activity is now unlimited. Restrictions are only resources, time, transportation, and other features directly associated with the product / service that is the subject of trade. World, due to the development of techniques and technologies, but also awareness of potential customers and change of perception of novelties has become seemingly smaller and the course of events - including changes of economic nature – has accelerated [2].

From a historical point of view, companies were usually formed on the local basis.

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With a small group of customers large proportion of them experienced stagnation and eventually liquidation. Other change the industry or sometimes changed the place of operation. Other develop their capabilities becoming frequently ancestors of the later concerns. The striving for development of enterprises helps to cross many barriers. Proper management practices can then decide on expansion, change the production profile, moving business to other areas of the market [3]. In the past, the growth potential of a market from local to regional, national, international and finally intercontinental area was almost a standard path of development. Today, in the era of universal digitization, we observe companies that at the time of establishment operate internationally. It is not only the result of progress in technical sense. Living associations of states such as the European Union allow or even force this way of management. Moreover, a large part of current trade concern financial services and transfers, which with advanced technology and ignoring the manufacture, transportation (replaced by transfer) and storage, facilitates internationalization.

A similar origins have hotel companies called hotel chains. The first hotel chains were built already in the interwar period. After saturation of the U.S. market (where currently, according to STR research 70% of the market belongs to chains), the largest hotel chains (native) began to expand outside. This was related to other markets possibilities and their potential on the one hand, and possibilities of using past experience and financial resources on the other. It was not until the fifties and the decades after World War II when a more intensive integration of hotels, mainly in developed countries has started. A growing competitive rivalry between the individual hotels, which began to occur frequently due to the increasing number of people traveling could have impact it. One of the first hotel chains were Holton Hotels Corp. founded by C.Hilton in the early twentieth century, and Western Hotels.

In the meantime, hotel corporations learned other benefits of investing capital abroad - such as differences in tax rates, the use of cheap labor, investment incentives, etc.

Each hotel has its own manager, or belongs to an institution. Not all hotels are included in hotel chains. Some of them operate independently. However, connecting to the system is more cost-effective for hotels. It has even been shown that accommodation rate for hotels which are grouped in chains is on average higher by 10 - 20% compared to independent hotels. Hotels grouped in systems can effectively compete with competition than individual hotels, affect the market more efficiently and achieve better economic performance. At the same time can shape the specific forms of support, organizational structures, reservation systems.

The progress in the hotel industry was influenced by development of means of communication and roads. Today travel has become faster and more enjoyable. Thus spared time can be devoted to pleasure such as holiday. Most people in developed countries have their own cars, which in an increasingly less time can cover long distances. Most countries care about the condition of roads and

gradually improve their condition, for greater comfort. However, car or coach is not the only means of transport. There are a lot faster and cheaper ways to get to your destination. Currently, express trains, ships and airplanes are popular amongst transport means, and sometimes are the only possible route. Often these vehicles can be a place to stay and relax for people. One such example is a passenger ship, which often have dozens of accommodations and amenities better than those offered by many ordinary hotels. They give you some other options, such as for example an ability to simultaneously explore, taking long and interesting journey, take advantage of many additional services such as wellness, massage, entertainment - swimming pool, casino, courts for basketball and volleyball, movies, and taste dishes from the kitchen around the world and many, many others.

Modern hotel systems

Definition of a hotel system says that it is a union of hotels, which must meet the following criteria:

- Have a single organizational solution for all subordinate hotels,
- A uniform way of customer service and an identical, standardized operational documentation,
- Its own reservation system, a single computer system
- A uniform standard of equipment and the size, scope of services, location conditions,
- Unified hotels logo.

Another concept of the system indicates that it is a complex of hotel network, which is run by the central administration, maintaining a uniform standard and range of services, leading to a common economic policy and having its own reservation system, includes all organizational units. Because of organizational – legal forms, hotels in systems can be divided into:

- 1) own - built or purchased by the system,
- 2) leased - operated on a lease agreement,
- 3) managed - are managed, but not owned by the hotel group,
- 4) licensed - franchised, that hotel is managed by an owner, however, must maintain the existing methods and practices of the system to which it belongs.

Currently, hotel groups show less interest in building and maintaining their own facilities, and the importance of franchise agreements has increased.

Often the concept of a hotel chain and system are used interchangeably. However, in 1977, J. Grabowski attempted to diversify these two concepts. He defined a hotel chain as a group of hotels, which are managed by a joint management board responsible for common policies, both economic and accommodation, who use a common trademark or logo, and maintain balanced standard and range of services in subordinate hotels, and all facilities belong to one owner [4]. You can also add that in comparison with other structures, chain is characterized by a relatively largest standardization and unification in organizational, architectural, functional

terms, etc. They may be the property of a system or function independently [5]. Another name for a chain is a brand or a network.

Today, the classification from 1977 on a system and chain does not apply. The situation in world has changed, and therefore associated progress occurred in accommodation industry. Hotel owners are trying to adapt provided services in their facilities to the customer, or standards of hotels in different brands are changing, started to move away from building their own facilities, and increased interest in use of franchise agreements, especially if hotels that are in different locations were built, and consequently, there is no unified location of objects.

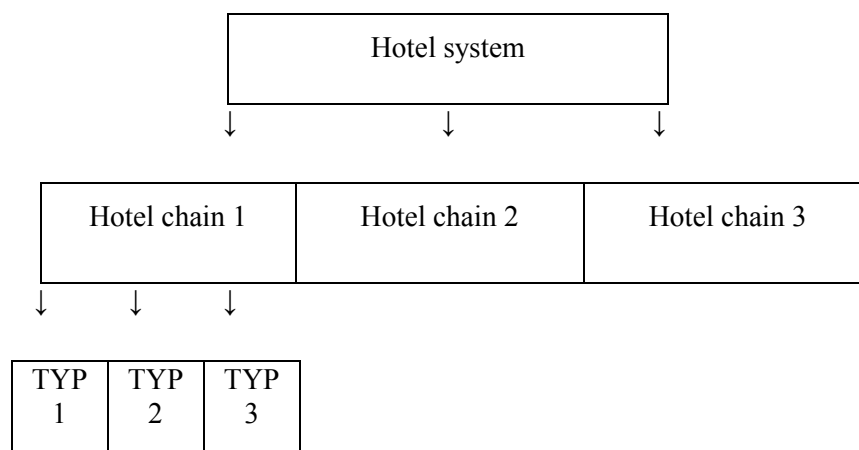


Figure 1. The structure of hotel system

Source: Author's elaboration based on M. Milewska, W. Błaszczuk, *Hotelarstwo. Podstawowe wiadomości z zakresu hotelarstwa. Część I, Wydawnictwo WSTH w Łodzi. Łódź 2005r., p.243*

In 2010, the order of largest hotel systems in the world, in terms of number of hotels, was as follows (the first ten positions):

Table 1. Top 10 largest hotel systems in the world, in terms of number of hotels in 2010 year

Enterprises	2010		2000		change	
	hotels	rooms	hotels	rooms	hotels	rooms
Wyndham Worldwide	7207	612735	6455	541313	12%	13%
Choice Hotels International	6142	495145	4392	350351	40%	41%
InterContinental Hotel Group PLC	4437	647141	3096	490531	43%	32%
Accor SA	4229	507306	3488	389437	21%	30%
Best Western International	4038	308692	4065	307737	-1%	0%

Hilton Worldwide	3671	604781	2118	382470	73%	58%
Marriott International Inc.	3545	618104	2099	390469	69%	58%
Carlson Hotels Worldwide	1064	162143	716	129234	49%	25%
Starwood Hotels & Resorts Worldwide Inc.	1041	308736	738	227042	41%	36%
Louvre Hotels Group	1023	78230	868	53083	18%	47%

Source: *Special raport Hotels 325, Hotels, August 2011, p.22*

For many years Wyndham Worldwide has been the leader of a rank, the only one which gathers over seven thousand rooms. The top ten in the world has a total of 36,397 hotels. The first decade with regard to number of rooms have 4 392 310. The increase in number of hotels for Hilton Worldwide in the last 10 years was as high as 73% and number of rooms (like Marriott International Inc.) 58%. By far the largest share of the global hotel market has the USA which is not surprising, given that on the 25 largest hotel markets in North America there are sales of over 202 million rooms every year with a value exceeding \$ 27 billion [6]. Wyndham Worldwide revenues in 2012 amounted to more than \$ 4.5 billion and a net profit after tax \$ 399 million. In 2011, the European Union sold 1.6 billion days [7]. Revenue of the largest "European" network in 2012 amounted to 1835 million with profits of \$ 545 million dollars. It is therefore not strange that companies from other industries are considering the possibility of conducting business in the accommodation industry. Swedish IKEA plans to build 100 economy hotels in Europe. In light of this, the information that in 2010, the 106 in the list of world's largest hotel systems was Orbis S.A. - Polish network with 60 hotels and 11,002 rooms - the number of hotels has decreased over the previous year – is not good news. Even in 2000, having 56 hotels was enough to take place of 86, currently Orbis S.A. is no longer only a national hotel chain, as its hotels are located in Lithuania and it is still the largest network in this part of Europe, which has its roots in the country of the former Eastern bloc.

International hotel systems were formed before World War II in the United States. Then they rise in a market economy due to the following reasons:

1. The dynamic development of tourism, and thus the demand for hotel services adjusted to needs of different customers,
2. Growth and constant change of visitors demands,
3. Competition in the market,
4. Concentration and benefits of scale of operations,
5. Effectiveness of the IHS and its benefits for hotels operating under the system.

Effectiveness of the IHS and its benefits for hotels operating under the system [3].

Hotel systems are currently regarded as a driving force behind technological progress and organizational changes in the industry. At the same time they define patterns and standards of construction, equipment, operation and maintenance. They became partners with tour operators. The development of system is

accompanied by acquiring accommodation base by international capital. An example of this situation was the acquisition of Orbis in 2000 by Accor group. Hotel Systems strive for continuous development, develop comprehensively. They try to control all segments of hotel services and all regions of the world. They want to specialize their hotel chains sufficiently to control different parts of the market. They use technological advances to customize their offers to guests' needs and capabilities as well as the organizers of tourism. Big hotel groups are buying less, but at the same time dynamic hotel chains expand their business and eliminate competition. Individual brands or individual hotels are trying to get into a powerful system, but they must raise their standard to international level. When you join the system they operate normally under franchise, lease or management.

Table 2. The part of franchising contracts in chosen the hotel systems in 2010 year

Enterprise:	Franchised hotels	Managed hotels
Choice Hotels International	6142	100,0%
Wyndham Worldwide	7177	99,6%
Carlson Hotels Worldwide	1021	96,0%
Hilton Worldwide	3135	85,4%
InterContinental Hotel Group PLC	3783	85,3%
Marriott International Inc.	2391	67,4%
Starwood Hotels & Resorts Worldwide Inc.	502	48,2%
Louvre Hotels Group	472	46,1%
Accor SA	1479	35,0%

Source: Special raport Hotels 325, Hotels, August 2011, p.34

Franchise and management contracts are considered the leading forms of cooperation within hotel systems. Part of "new" facilities is obtained by targeting existing independent hotels as well as planned or ongoing investments in hotels and negotiating entry to the chain in exchange for a fee particularly in the case of franchise, but also on the basis of management contracts. The franchise agreements in the major systems represent the vast majority and sometimes as high as 100%. In this respect, the French networks are much more orientated on a management contracts than the U.S. chains. The expansion is nowadays so much advanced that the largest networks (InterContinental Hotel Group PLC and Starwood Hotels & Resorts Worldwide Inc.) already have outlets in 100 countries and next seven groups in more than 60. Standardization, in conjunction with good information and a high level of brand identification bring on the one hand benefits to companies, on the other hand adds a level of comfort - security for customers. Thanks to that network of Starwood Hotels & Resorts Worldwide, Inc. achieved in 2012 a profit of \$ 470 million with revenues reaching \$ 6321 million.

In addition to the negative impact of hotel chains, such as high competition for local objects, one should also note the positive side. Because hotels operating in other countries, create undoubtedly additional jobs for local workers, the improvement of accommodation, both in terms of quantity and quality. Independent objects, in order to stay in business, are forced to raise their standards, which translates into a better conditions for guests. Competition may thus be a motivation to improve own requirements. At the same time hotels owned by individuals have the option of observing large networks and take example from them in improving the quality of its services. Sometimes, opportunities and threats analysis leads owners to join a larger accommodation systems.

Summary

In the current reality, the development of hotel companies strives towards their internationalization. Only global demand gives the chance of permanent development due to still invisible boundaries of that demand. Even more so, together with increase of tourism and business, more and more we also deal with the use of hotels as a permanent residence. As in other areas of the economy the increase in consolidation and the rise of big players is noticeable. Even then, the emergence of new - often specialized in the provision of specific additional services – independent hotels is visible. But over time they can unite forces in order to increase their impact on market forces.

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HOTELOWE SYSTEMY JAKO PRZYKŁAD INTERNACJONALIZACJI

Streszczenie: Artykuł dotyczy tematu związanego z systemami zarządzania hotelami na świecie. Ich powstanie jest związane z ciągłym rozwojem poprzez internacjonalizację. Rozwój ten jest determinowany inwestycjami, współpracą w formie franchisingu czy zarządzania. Obecność największych sieci hoteli w 100 krajach świadczy o ich sile.

Słowa kluczowe: sieć hotelowa, system hoteli, internacjonalizacja

作為一個例子，國際化的酒店系統

摘要：文章關注的話題與酒店管理系統連接世界。他們的崛起與國際化的不斷發展，跨越。這種發展作出的投資，合作，特許經營或管理。酒店在100個國家和地區的大網的存在證明他們的權力