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# Determinants of hotel chains' market presence in a destination: A global study

## Abstract

The paper examines the host country-specific factors as determinants of hotel chains' market presence in a destination. Three types of hotel chains' market presence are identified – absolute market presence (number of chain affiliated hotels/rooms), relative market presence (share of affiliated hotels/rooms in the total number of hotels/rooms in a destination) and market presence intensity (number of affiliated hotels/rooms per 1,000 people). The impact of the following country-specific factors on hotel chains' market presence is investigated: size of hotel industry, average capacity of hotels, size of tourism sector, importance of tourism for the economy, population size, economy size, wealth of local population, level of globalisation, destination competitiveness, human development, geographic location, least developed country status and OECD membership. The sample includes 116 countries. We find that the factors of country choice that prior literature has identified as important on micro (company) level, are not necessarily valid on macro (industry) level. Results show that on macro level the hotel chains' market presence is influenced significantly only by few factors – size of hotel industry, average capacity of hotels and geographic location of a country. Managerial implication, limitations and future research directions are also discussed.

**Key words:** hotel chains; market presence; locational factors; market entry; macroenvironmental factors; country-specific factors

## Introduction

Hotel chains are important players in the hotel industry and have attracted much research (Ivanova, Ivanov & Magnini, 2016). Panayotis (2014) estimates that hotel chains affiliate globally about 7.85 million (or 40%) of the 19.5 million hotel rooms. The recent acquisition of Starwood hotels by Marriott (December 2015) created the first hotel corporation that controls more than one million rooms and affiliates about 5% of the global hotel rooms supply. The market presence of hotel chains in the local hotel industry varies considerably by region and country. Komodromou (2013) reports that in 2013 in North America hotel chains affiliate 67% of the total hotel room supply, while in other regions it was much lower: 20% in Latin America, 23% in Middle East and Africa, 26% in Europe, and 28% in Asia-Pacific. In Central and Eastern Europe, the share of hotel chains in the total number of hotels and rooms in the country is often even less than 5% (Cosma, Fleşeriu & Bota, 2014; Ivanova, 2014; Ivanova & Ivanov, 2014; Niewiadomski, 2013). This paper aims to provide an explanation about the observed variations in the market presence of hotel chains by focusing on the country-specific factors that influence the choice of a destination for chains' expansion.

The expansion of a company involves the inevitable choice of a country where the expansion to take place. This may be the company's home country or a foreign country. The choice of a country is dependent on the simultaneous influence of numerous factors which the academic literature in international business and strategic management divides into two broad groups – firm- and country-specific

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factors. The firm-specific factors are within the control of the company and include its size, resources, corporate strategy, goals, product category, degree of internationalisation, international experience, ownership structure and other factors from the company's internal environment (Gazaniol, 2015; Huett, Baum, M., Schwens & Kabst, 2014; Jain, Lahiri & Hausknecht, 2013; Strange, Filatotchev, Lien & Piesse, 2009).

The country-specific factors include country's economy size, population, market potential, purchasing power of local population, labour and other production costs, level of economic/human/technological development, geographic location, political stability, taxation, import tariffs, legislation, local competition, culture, quality of infrastructure and other factors from company's external environment (Abdul-Aziz & Wong, 2011; Arregle, Miller, Hitt & Beamish, 2013; Alvarez, Sheng & Vaz, 2015; De Beule & Duanmu, 2012; Demirbag, Tatoglu & Glaister, 2010; Flores & Aguilera, 2007; Gauselmann, Knell & Stephan, 2011; Hayakawa & Tsubota, 2014; Head & Mayer, 2004; Nachum, Zaheer & Gross, 2008; Ojala & Tyrväinen, 2007; Sanjo, 2012; Spies, 2010). The country-specific factors are beyond company's control but they have to be taken into consideration in the country market selection process, because they influence the attractiveness of the country for investors and the entry mode to be used. The importance and the impact of the country choice factors largely depend on the industry the company operates in and its characteristics. Some industries (e.g. mining, oil drilling) are resource-bound so that the choice of a country to establish production facilities is determined by the availability of the respective raw materials in a country. Other industries (e.g. software development, pharmaceuticals) are knowledge intensive: the choice of a country to establish R&D facilities would depend on talent availability, while the choice of a country to sell the product would be influenced by its market potential. This paper contributes to the advancement of knowledge on country selection by focusing on the choice of host country (destination) by hotel chains.

The choice of a destination by hotel chains has some peculiar features resulting from the characteristics of the hotel industry: it is location-bound, capital intensive and, in difference to the goods and most services, it is the customer who travels to the destination to consume the tourist product, not vice versa. This makes the hotel industry very dependent on the macroenvironment factors in the destination and especially vulnerable to economic, political and ecological shocks that make the destination unattractive to tourists (Ingram, Tabari & Watthanakhomprathip, 2013; Ritchie, Crofts, Zehrer & Volsky, 2014). That is why, hotel chains expand predominantly by non-equity entry modes like management contract, franchise, lease, and marketing consortium (Cunill, 2006) that allow them to expand without the capital requirements for constructing/purchasing a hotel property and diminish the country risk faced by the chains. Additionally, non-equity modes facilitate chains' entry to/exit from destinations that are considered politically and/or economically unstable and partially mitigate the negative impact of the country-specific factors.

Prior research has acknowledged the importance of country-specific factors in the destination choice by hotel chains, but most of the papers deal with the analysis of the country-specific factors in the destination choice by particular hotel chains (e.g. Johnson and Vanetti, 2005, 2008) and only a handful of papers (e.g. Assaf, Josiassen & Agbola, 2015; Ivanov & Ivanova, 2016) provide more comprehensive multi-country studies on the topic that allow generalisability of their findings. This paper intends to fill this gap in the research literature by analysing the global market presence of hotel chains in 116 countries worldwide.

The rest of the paper is organised as follows: next section develops the theoretical framework and the hypotheses; Section 3 elaborates the methodology; Section 4 presents the findings, while Section 5 discusses the managerial and policy implications and concludes the paper.

# Theoretical framework and hypotheses development

## Theoretical framework of hotel chain expansion

Figure 1 depicts the theoretical framework for the study of hotel chain expansion. It has two levels: micro (company) and macro (industry) levels. The *micro* level includes the process of expansion of a particular hotel chain, while the *macro* level refers to the market presence of hotel chains in a country's hotel industry as a whole. The two levels are interlinked – the market presence of hotel chains in a country's hotel industry on *macro* level is the cumulative outcome of the numerous individual decisions on *micro* level. The process of chain expansion involves two parties – a hotel chain and a local partner hotel. From chain's perspective, four key decisions need to be taken during its expansion process: the decision to expand (internationalise), choice of a destination, choice of an entry mode (equity/non-equity) and choice of a partner hotel. From the perspective of the local partner hotel the decisions include: to be affiliated or stay independent, choice of a type of affiliation (i.e. modal choice) and choice of a partner chain. Hotel chain's expansion may take place in the chain's home country (domestic expansion, i.e. 'home' and 'host' countries overlap) or in a foreign country (usually referred to as 'internationalisation'). Hence, on *macro* level, some of the chain hotels in a country are affiliated to domestic while others – to foreign chains. The process of expansion is influenced by various home country-, host country-, firm-, product- and entry mode-specific factors that have an impact on the decisions taken by the hotel chain management team and the local hotel's managers/owners. The host country-specific factors can be divided into three groups on the basis of their link to the hotel industry to be discussed in the next section, namely: hotel industry-specific, tourism-specific and general business environment factors. In practice, different managers perceive the factors differently and put different emphasis on them, leading to different decisions. For example, some may be more concerned with the growth of tourism sector in the destination, others – with the level of corruption in it, while third may be less risk-averse and more willing to work in a country with unstable political and economic environment. Thus, the factors that influence the decision of a particular hotel chain to expand in a particular home country on *micro* level may not be significant for the hotel chains as a whole on *macro* level. The research on hotel chain expansion is nearly exclusively focused on its *micro* level and covers all four decisions outlined above: the decision of a particular chain to initiate the expansion process and its internationalisation (Brida, Driha, Ramón-Rodríguez & Scuderi, 2015; Niñerola, Campa-Planas, Hernández-Lara & Sánchez-Rebull, 2016; Rodtook & Altinay, 2013), destination choice (Johnson & Vanetti, 2005, 2008), entry mode choice (Alon, Ni & Wang, 2012; Contractor & Kundu, 1998, 2000; García de Soto-Camacho & Vargas-Sánchez, 2015; Leon-Darder, Villar-Garcia & Pla-Barber, 2011; Quer, Claver & Andreu, 2007; Rodriguez, 2002) and partner selection (Altinay, 2006; Brookes & Altinay, 2011; Ivanova & Ivanov, 2015a). There is a serious gap in the literature in regard to the *macro* level of hotel chain expansion research and only a few papers actually concentrate on it (e.g. Assaf et al., 2015; Ivanov & Ivanova, 2016; Niewiadomski, 2013; Pranić, Ketkar & Roehl, 2012; Zhang, Guillet & Gao, 2012). Their findings are elaborated in details in the next sections of the paper.

This paper contributes to the body of knowledge on hotel chains expansion by investigating which host country-specific factors have an impact upon the market presence of hotel chains on *macro* level. The reasons and readiness for internationalisation of hotel chains, the concrete motives for choosing a specific destination by the managers of a particular hotel chain, the choice of an entry mode and partner selection criteria go beyond the scope of this paper.

Despite the enormous academic interest in hotel chains expansion, there is no uniform theory that explains comprehensively the hotel chain expansion process. Usually, the discussion is based on six analytical frameworks shown on Figure 1, namely: resource-based view, agency theory, transaction cost approach, eclectic theory, syncretic theory and partner selection approach. Each of these analytical frameworks focuses on one or few of the decisions related to the hotel chain expansion on *micro* level but they may be used to derive and analyse the factors that determine the hotel chains presence in a destination on *macro* level. That is why, before developing the research hypotheses we provide below a brief overview of each of these analytical frameworks.

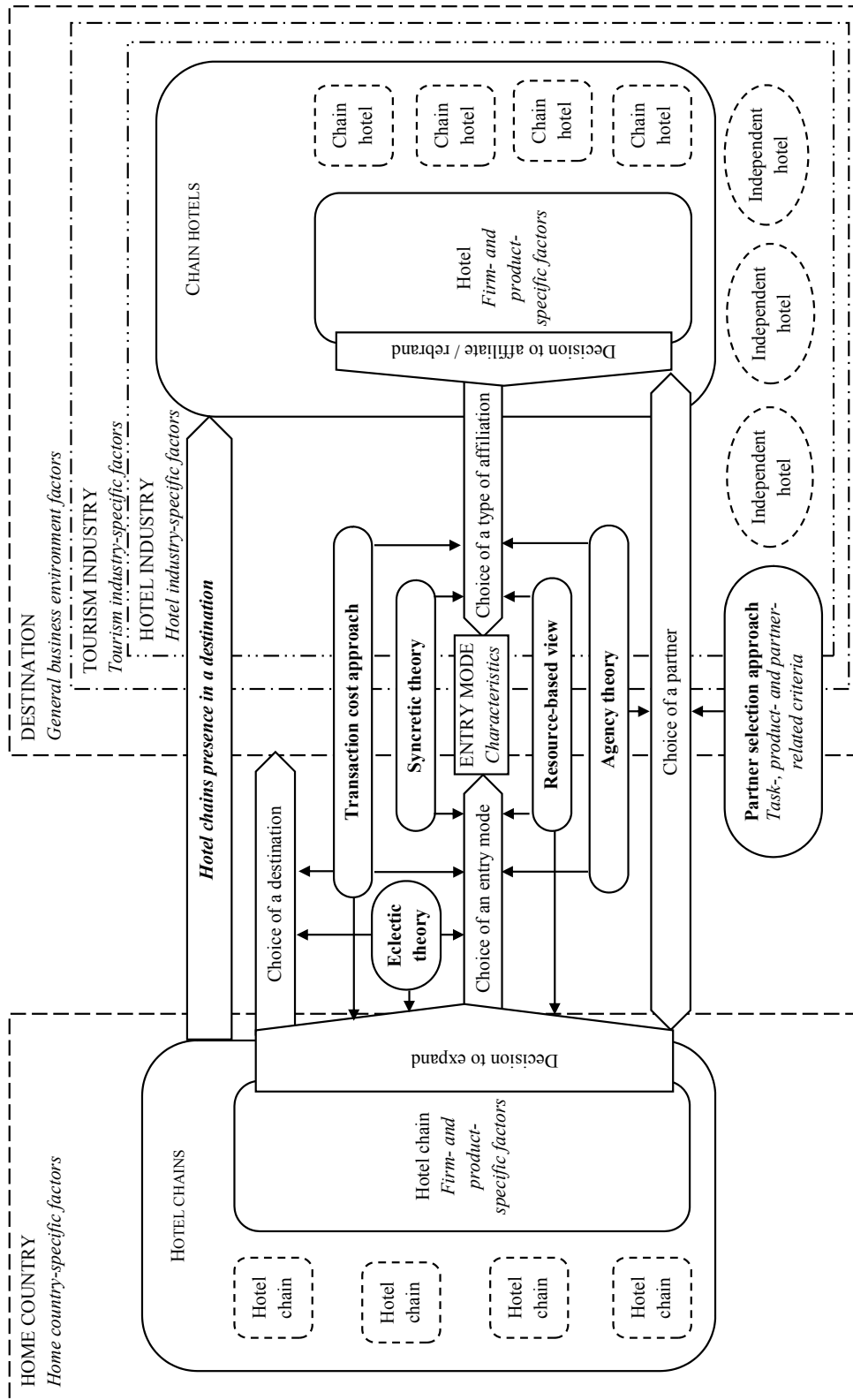
The *resource-based view* (Barney, 1991; Barney & Arikan, 2001) presents the firm as a bundle of resources which form the ground of its competitive advantage. The company achieves superior performance through the effective and efficient use of its internal valuable, rare, inimitable and non-substitutable resources for creating and applying unique capabilities and learning (Foss, 1996). Within the context of hotel chain expansion the resource-based view is adopted as an analytical framework with regard to the international expansion and choice of an entry mode (Choi & Parsa, 2012; Contractor & Kundu, 1998).

The *agency theory* (Eisenhardt, 1989) is used to analyse the 'principal-agent' relationships between the hotel chain and the member hotels. According to the theory, the 'principal-agent' relationship generates sources of potential conflicts due to three main reasons. First, both sides in the relationship have different and sometimes contradictory interests. Second, there is an asymmetry of information flow and the principal has less information about the operational issues taking place in the hotel than the agent itself. Third, the asymmetry of information leads to moral hazard faced by the principal who is never sure whether the agent is acting properly. The overcoming of the moral hazard requires additional costs for contractual and operational control incurred by the principal (Eisenhardt, 1989). Within the context of hotel chains expansion the agency theory is used in the analysis of the entry modes' characteristics and the partner selection process (e.g. Ivanova & Ivanov, 2015b; Panvisavas & Taylor, 2008).

The *transaction costs approach* (Williamson, 1981; Teece, 1986; Erramilli & Rao, 1993; Madhok, 1997) sets the efficient economic boundaries of the firm by evaluating the 'make or buy' decision it faces. The decision is based on the comparison of the transaction costs associated with the production and the purchase of the item. The transaction costs include: search and information costs (obtaining information about the market availability of the product, suppliers, prices, etc.), negotiation costs (drafting and signing of mutually agreeable contract), and contract enforcement costs (monitoring and control to assure that each party will fulfil its contract obligations and will not be involved in opportunistic behaviour) (see also Hollensen, 2014). The contract enforcement transaction costs are due to the asymmetry of information and moral hazard analysed by the agency theory. Within the context of hotel chains the transaction costs approach serves as a framework for the analysis of the decision to internationalise, the choice of a destination and of an entry mode (e.g. Chen & Dimou, 2005; Cho, 2005).

The *eclectic theory* uses "ownership-location-internalisation" (*OLI*) framework in order to analyse the internationalisation process of multinational corporations and hotel chains in particular (Dunning & McQueen, 1981; Dunning, 2000). According to the theory, a hotel chain located in one country will affiliate hotels in other countries if it has competitive or ownership (*O*) advantage over hotel chains and/or independent hotels in other countries and it is economically efficient to combine its assets with the factor endowments located (*L*) in those foreign countries (Dunning & McQueen, 1981, p. 202). A chain would choose to utilise its ownership advantages if only it boasts internalisation (*I*) advantages, i.e. it is more efficient for the chain to deliver the service by itself through high level of control types of entry modes like equity modes, management contract or lease.

Figure 1  
Theoretical framework of hotel chain expansion



The eclectic theory is more encompassing than the resource-based view, because the ownership advantages in the OLI frameworks are linked with the resources, competences, capabilities and learning within the organisation from the resource-based view. Furthermore, the transaction costs approach is reflected in the internalisation advantage in the OLI framework. Therefore, the eclectic theory incorporates both the resource-based view and the transaction costs approach. In the context of hotel chains this theory is adopted to analyse the initiation of the internationalisation process, choice of a destination and of an entry mode (Johnson & Vanetti, 2005, 2008).

The *syncretic theory* was developed by Contractor and Kundu (1998, 2000) in regard to the choice of an entry mode by hotel chains. It combines the agency theory, transaction costs approach and the resource-based view with emphasis on the intangible organisational capabilities and corporate knowledge. According to the theory, the choice of an entry mode depends on country-specific, firm structural, and firm strategy and control factors. The eclectic and syncretic theories overlap to a great extent: the locational advantages in the eclectic theory are transposed as country specific factors in the syncretic theory; the ownership and the internalisation advantages of the eclectic theory are mostly reflected in the firm specific structural factors and strategic and control factors in the syncretic theory. This theory has not been used outside the modal choice.

The *partner selection approach* focuses on the task-, product- and partner-related criteria used by the chain and the hotel when evaluating their partner (Altinay, 2006; Brookes & Altinay, 2011; Ivanova & Ivanov, 2015a, 2015c). According to Geringer (1991, p. 45) "task-related criteria refer to those variables which are intimately related to the viability of a proposed venture's operations regardless of whether the chosen investment mode involves multiple partners", e.g. competent employees and managers, their knowledge and skills. As product-related criteria we identify those characteristics of the hotel and the chain that are directly linked with the service delivery process: hotel's product, location, category, physical characteristics of the building, chain's product and product positioning. The partner-related criteria include those criteria, that are not directly linked to the hotel service but may have an impact on the relationship between the chain and its local partner hotel: organisational size (number of rooms, number of affiliated properties), corporate culture, image, financial performance, etc.

To conclude, as indicated on Figure 1, the six analytical frameworks discussed above (i.e. resource-based view, agency theory, transaction cost approach, eclectic theory, syncretic theory and partner selection approach) are usually used for *micro* level analysis of hotel chains' expansion process. However, the market presence of hotel chains on *macro* level is the cumulative outcome of numerous decisions by corporate executives and managers on *micro* level. Therefore, these frameworks could be adopted to analyse the factors that determine the hotel chains presence in a destination on *macro* level and to develop the relevant research hypotheses.

## Hypotheses development

### *Measurement of hotel chains market presence*

In this paper market presence of hotel chains is measured by six variables (Table 1) differentiated on the basis of two criteria – statistical unit (hotels or rooms) and variable type (absolute number, relative share or ratio). These variables include:

- a) number of chain affiliated hotels in the country;
- b) number of rooms in chain affiliated hotels;
- c) affiliated hotels as percent of all hotels and similar accommodation establishments in the country;

- d) rooms in affiliated hotels as percent of total room supply in hotels and similar accommodation establishments in the country;
- e) number of affiliated hotels per 1,000 people of the local population, and
- f) number of rooms in affiliated hotels per 1,000 people of the local population.

Variables similar to variables *d* and *f* were used by Assaf et al. (2015) as well. The six variables are conceptually different. The number of affiliated hotels and rooms in affiliated hotels are widely used absolute measures of the presence of hotel chains in a destination and the global ranking of hotel chains is based on them (e.g. the Hotels' 325 ranking of the leading hotel corporations published annually by Hotels Magazine). However, they do not reflect the importance of hotel chains for the local hotel industry, because they disregard its size – e.g. a country with high number of affiliated hotels/rooms may have low share of affiliated hotels/rooms when the local hotel industry is very large, and vice versa. The two relative share variables (share of affiliated hotels and rooms in affiliated hotels in the total number of hotels/rooms in the country) measure the importance of hotel chains for the hotel industry but they do not give an indication about the size of the hotel industry that is controlled by chains – two countries with different number of hotels/rooms would have different number of affiliated hotels/rooms even though the share of affiliated hotels/rooms in them is equal. The two ratio variables (number of affiliated hotels and rooms in affiliated hotels per 1,000 people of the local population) measure the intensity of chains' presence in a destination. Additionally, the variables based on rooms (number of rooms and share of rooms in affiliated hotels) better reflect the significance of hotel chains than the variables based on hotels, because their take into account the size of the accommodation establishments. For the sake of simplicity, in this paper the two variables that measure the number of affiliated hotels/rooms are jointly referred to as "absolute market presence of hotels chains", the two variables that measure the share of affiliated hotels/rooms are referred to as "relative market presence of hotel chains", while the two variables that measure the number of affiliated hotels/rooms per 1,000 people of the local population are referred to as "market presence intensity". The distinction of the ways hotel chains market presence is measured is necessary, because the magnitude and the direction of country-specific factors' impacts vary, depending on the way market presence is measured. That is why some of the hypotheses developed below are differentiated for absolute and relative market presence of hotel chains and for market presence intensity.

Table 1  
Hotel chains market presence variables

		Statistical unit		Market presence type
		Hotels	Rooms	
Variable type	<i>Absolute number</i>	• Number of chain affiliated hotels	• Number of rooms in chain affiliated hotels	• <i>Absolute market presence</i>
	<i>Relative share</i>	• Share of affiliated hotels in the total number of hotels in the country	• Share of rooms in affiliated hotels in the total number of hotel rooms in the country	• <i>Relative market presence</i>
	<i>Ratio</i>	• Number of affiliated hotels per 1,000 people	• Number of rooms in affiliated hotels per 1,000 people	• <i>Market presence intensity</i>

### Hotel industry-specific factors

Hotel chains' presence in a destination would depend on the characteristics of the local hotel industry and the size of the hotel industry itself is the most obvious factor: the more hotels in a destination, the more potential partners to be affiliated to chains' networks. Therefore, we hypothesise that the absolute presence of hotel chains would be higher in destinations with larger hotel industries, leading to higher

market presence intensity as well. From a mathematical point of view relative market presence of hotel chains is inversely related to the size of hotel industry – the increase in the number of hotels in a destination decreases the relative share of affiliated properties given constant number of chain hotels in a destination. Additionally, in destinations with small hotel industries the chain affiliation of several hotels will have higher impact on chains' relative presence in them compared to destinations with large hotel industries. That is why we hypothesise that the relative market presence would be negatively related to the size of the local hotel industry. Furthermore, in the light of the partner selection approach and the resource-based view, the size of potential partner hotel determines whether it is attractive to hotel chains and the adopted type of affiliation (see for example Holverson & Revaz, 2006). Prior research has indicated that chains prefer larger properties, especially when management contract is used as entry mode, because they generate economies of scale, have the potential to serve more guests, generate more overnights, revenues and, ultimately, fees for the chains than smaller hotels with similar location, category and product (Ivanov & Zhechev, 2011; Ivanova & Ivanov, 2014). Additionally, in the context of agency theory, a larger property allows a hotel chain to use management contract as an entry mode, to appoint the general manager and other key positions in a hotel (e.g. marketing manager, revenue manager) and to exercise operational control on the property. That is why we hypothesise that hotel chains' market presence will be higher in countries with high average capacity of the accommodation establishments. The two research hypotheses related to the hotel industry-specific factors are:

- H1.1: The market presence of hotel chains is influenced by the size of country's hotel industry;
- H1.2: The market presence of hotel chains is positively influenced by the average size of hotels.

### *Tourism-specific factors*

The tourism-specific factors refer to the tourism sector as a whole, not only to the hotel industry in particular. Within the eclectic theory's "ownership-location-internalisation" framework (Dunning & McQueen, 1981; Dunning, 2000) these are part of the country-specific locational advantages that make a destination attractive for hotel chains expansion: size and growth of tourism; general infrastructure for tourism; availability and quality of hotel inputs, including human resources; government policy towards tourism; attitude of the local population to foreign tourists. According to the eclectic theory a destination is considered attractive for hotel chains when it has large and growing tourism industry, well developed tourism infrastructure, government support for tourism development, hospitable local population. Such destinations are competitive, attract tourists who generate revenues for the local hotel industry and make it attractive for entry of hotel chains. Therefore, we hypothesise that hotel chains presence is positively associated with the size and competitiveness of a destination. Prior research has highlighted the importance of some of these factors. For example, in their study of the locational investment choice in China of multinational hotel groups Zhang et al. (2012) find that the number of inbound tourists and the level of tourist spending are two of the primary factors determining hotel location selection. Assaf et al. (2015, p. 335) find that attractiveness of a destination to international hotel chains increases with the quality of transport infrastructure, growth of the tourism industry, the welcomeness of local people, and government expenditures on travel and tourism. On the other hand, in their research on the impact of the macroeconomic factors on the international expansion of US hotel chains Pranić et al. (2012) do not find evidence that the tourist flows from USA influence US hotel chains' presence in a country.

Looking again at the locational advantages of Dunning's eclectic theory, we see that they are mirrored in some the pillars of the Travel and Tourism Competitiveness Index (TTCI) published the World Economic Forum (WEF, 2013). For example, the TTCI includes pillars like policy rules and regulations,



safety and security, tourism infrastructure, human resources, that coincide or largely overlap with the locational advantages of the eclectic theory. Hence, the TTCI can be used as an indicator not only of destination's competitiveness but as a proxy of the combined influence of most of the eclectic theory's locational advantages as well.

Finally, destinations differ in terms of the importance of tourism to their economies. Some destinations (e.g. small island countries) are more dependent on tourism and the sector is one of the largest generators of incomes for the local population and contributor to country's GDP, while in others it has more peripheral development and is not considered a priority sector by policy makers. Tourism-dependent countries are forced to either diversify the structure of their economies or put all efforts to stay competitive on the tourist market. A tool to achieve the second option is affiliating local hotels to international hotel chains. Market visibility of local hotels is increased (Ivanov & Ivanov, 2015c) due to the image and recognition of hotel chains' strong brands that create customer confidence and loyalty (Cai & Hobson, 2004; Holverson & Revaz, 2006). Therefore, in tourism-dependent destinations local hoteliers may be more proactive than hoteliers in other countries and approach international hotel chains in order to affiliate their properties. As a result, market presence of hotel chains may be higher in destinations that are more dependent on tourism.

In the light of the above discussion the three research hypotheses related to the tourism-specific factors are:

- H2.1: The market presence of hotel chains is influenced by the size of country's tourism sector;
- H2.2: The market presence of hotel chains is influenced by country's dependence on tourism;
- H2.3: The market presence of hotel chains is influenced by country's tourism competitiveness.

### *General business environment factors*

This group includes the factors that are not directly linked with tourism but form the general business environment in which firms operate in a particular country: e.g. the size of country's economy and population, level of economic and human development, corruption, openness, legislation, taxation, geographic location and others that are usually summarised as PESTEL factors (Witcher & Chau, 2010). The general business environment factors influence country's riskiness and attractiveness to local and foreign investors, the way businesses operate and the transaction costs faced by economic agents as a whole and hotel chains in particular (Cosset & Roy, 1991; Damodaran, 2015; De Villa, Rajwani & Lawton, 2015; Feinberg & Gupta, 2009; Wink Junior, Sheng & Eid Junior, 2011). Large economy size, greater globalisation of the country, higher economic wealth of local residents and levels of economic and human development of the country are associated with higher market potential and lower riskiness of the host country, making it attractive to hotel chains as well. For example, Assaf et al. (2015) find that the size of country's economy is positively related with the market presence of international hotel chains in the local hotel industry while Zhang et al. (2012) find a positive impact of the economic wealth of local population on chains' market presence. That is why, we hypothesise that the market presence of hotel chains is positively influenced by these factors. On the other hand, high levels of corruption increase the transaction costs of the economic agents (Cuervo-Cazurra, 2016) and make country's business environment unfriendly to investors. Therefore, we suppose that the relationship between the level of corruption and the market presence of hotel chains would be negative as found by Assaf et al. (2015). The impact of the population size depends on the way market presence is measured. Countries with larger populations, *ceteris paribus*, are more attractive to hotel chains due to their higher market potential: they generate more business and leisure tourism demand than countries with smaller populations. That is why we hypothesise that the population size is positively

linked to the absolute and relative market presence of hotel chains. However, when two countries have same number of chain affiliated hotels/rooms but different population sizes, mathematically the market presence intensity will be higher in the country with the smaller population. Hence, we hypothesise that the relationship between the population size and the market presence intensity is negative.

Country's geographic location needs to be considered as well. From tourism perspective, the geographical location of the country determines its climate, distance from tourist generating markets, perceived political stability and thus its attractiveness to both tourists and tourist companies. Its impact may be positive for some destination (e.g. they are close to main tourist generating markets) while negative for others (e.g. they are in politically unstable regions). In the context of hotel chains we see huge variations in the relative market presence of hotel chains: it is two or more times higher in North America than in other world regions (Komodromou, 2013). That is why this paper adopts the geographic location of a country as one of the variables influencing the market presence of hotel chains.

Prior literature on hotel chain's choice of a destination and of an entry mode has also identified other country-specific factors like cultural distance between the chain's home country and the host destination, tax level, foreign direct investments as percent of GDP, price competitiveness of local tourism/hotel industry, property rights, number of days necessary to start business, quality of human resources (e.g. Assaf et al., 2015; Contractor & Kundu, 1998, 2000; Martorell, Mulet & Otero, 2013; Rodriguez, 2002; Quer et al., 2007; Zhang et al., 2012). The logic for considering the cultural distance is that a hotel chain would be present in countries whose cultural profile is closer to the profile of its home country, because its managers would be familiar with the cultural environment for doing business there. However, in a recent paper Ivanov and Ivanova (2016) showed that cultural distance variable might be used only in the analysis of a specific entry decision by a specific hotel chain in a specific country, so that the cultural distance between the hotel chain's home country and the host destination could be calculated. On *macro* level cultural distance between hotel chains' home countries and host destinations cannot be calculated, because every host destination welcomes chains from various countries with different values of the Hofstede's cultural dimensions. That is why, in this paper cultural proximity between hotel chains' home countries and host destinations is not used in the regression analysis. Furthermore, the other mentioned factors are constituent elements of World Economic Forum's Travel and Tourism Competitiveness Index or UN's Human Development Index which are used in this paper. Therefore, they are implicitly considered in our research as well.

The choice of a destination is usually the first decision to be made after the hotel chain management team has decided to initiate the expansion/internationalisation process. The company has the choice of simultaneous and/or consecutive entry into several destinations (Cuervo-Cazurra, 2011) depending on its resources (resource-based view) after careful evaluation of the locational advantages of countries (eclectic theory). Hotel chains enter destinations that create favourable business environment for foreign investors due to legislation, taxation, market potential for chains' growth, and other factors listed above that lead to low potential transaction costs, especially contract enforcement costs (transaction costs approach). However, a hotel chain may enter a destination that is not so attractive but does so in order to achieve broader geographic coverage of countries in its portfolio, have presence in a particular region, or gain competitive advantage over other chains by offering a destination not offered by them (see also Moghaddam, Sethi, Weber & Wu, 2014) for a critique of the internationalisation motives as stipulated by the eclectic theory). Therefore, the internal strategic objectives and motives of a hotel chain on *micro* level play a role in the choice of a destination beyond the host country-specific factors.

On *macro* level these objectives and motives cannot be identified and therefore they are not included in the analysis below. Nevertheless, they may have significant impact in the destination choice by hotel chains and, hence, need to be subject to future research.

Ultimately, the research hypotheses related to the general business environment factors are:

- H3.1: The market presence of hotel chains is influenced by the size of country's economy;
- H3.2: The market presence of hotel chains is influenced by the size of country's population;
- H3.3: The market presence of hotel chains is influenced by the economic wealth of local population;
- H3.4: The market presence of hotel chains is influenced by country's level of globalisation;
- H3.5: The market presence of hotel chains is influenced by country's level of human development;
- H3.6: The market presence of hotel chains is influenced by country's level of corruption;
- H3.7: The market presence of hotel chains is influenced by country's level of economic development;
- H3.8: The market presence of hotel chains is influenced by country's geographic location.

All research hypotheses and the expected influence of the three groups of country-specific factors on the market presence of hotel chains are summarised in Table 2.

Table 2  
Research hypotheses

Country-specific factors influencing the market penetration of hotel chains	Research hypotheses	Expected influence by market presence type		
		a) Absolute market presence	b) Relative market presence	c) Market presence intensity
<b>Hotel industry characteristics:</b>				
• Size of the hotel industry	• H1.1: The market presence of hotel chains is influenced by the size of country's hotel industry	Positive	Negative	Positive
• Characteristics of the hotel industry	• H1.2: The market presence of hotel chains is influenced by the average size of hotels	Positive	Positive	Positive
<b>Tourism-specific factors:</b>				
• Size of tourism sector	• H2.1: The market presence of hotel chains is influenced by the size of country's tourism sector	Positive	Positive	Positive
• Importance of tourism for the economy	• H2.2: The market presence of hotel chains is influenced by country's dependence on tourism	Positive	Positive	Positive
• Destination competitiveness	• H2.3: The market presence of hotel chains is influenced by country's tourism competitiveness	Positive	Positive	Positive
<b>General business environment:</b>				
• Economy size	• H3.1: The market presence of hotel chains is influenced by the size of country's economy	Positive	Positive	Positive
• Population size	• H3.2: The market presence of hotel chains is influenced by the size of country's population	Positive	Positive	Negative
• Economic wealth of local population	• H3.3: The market presence of hotel chains is influenced by the economic wealth of local population	Positive	Positive	Positive
• Level of globalisation of the country	• H3.4: The market presence of hotel chains is influenced by country's level of globalisation	Positive	Positive	Positive
• Human development	• H3.5: The market presence of hotel chains is influenced by country's level of human development	Positive	Positive	Positive
• Corruption	• H3.6: The market presence of hotel chains is influenced by country's level of corruption	Negative	Negative	Negative
• Level of economic development of the country	• H3.7: The market presence of hotel chains is influenced by country's level of economic development	Positive	Positive	Positive
• Geographic region of the country	• H3.8: The market presence of hotel chains is influenced by country's geographic location	Positive or negative	Positive or negative	Positive or negative

## Methodology

The impact of the factors influencing hotel chains' market presence is investigated through cross-section regression analysis. Table 3 shows how the factors are translated into regression model variables and the respective data sources. The absolute values of the number of hotels and hotel rooms, average capacity, GDP, GDP per capita, tourism GDP, international tourism receipts, and international tourist arrivals are transformed into natural logarithmic form in order to avoid skewness of results in favour of countries with large tourism industries/economies/populations or with high GDP per capita. The final dataset includes 116 countries with available data for all variables (see Table 4). In 2013 these countries had 59,372 properties (or 98.14% of all chain hotels in the STR database) with 7,477,285 rooms (or 96.77% of all rooms in chain hotels in the STR database) that were affiliated to 603 hotel corporations. Therefore, the dataset could be considered as representative of the market presence of hotel chains on global scale. The descriptive statistics of the variables are reported in Table 5.

In order to guarantee the methodological consistency between the measurement of hotel chains presence in a destination and the size of its hotel industry, the models that use hotel-based dependent variables ( $\ln ChainHotels$ ,  $MS_{hotels}$  and  $MPI_{hotels}$ ) have as an independent variable the total number of hotels ( $\ln Hotels$ ), while the models with room-based dependent variables ( $\ln ChainRooms$ ,  $MS_{rooms}$  and  $MPI_{rooms}$ ) have as an independent variable the total number of rooms ( $\ln Rooms$ ).

Table 3  
Factors, variables, and primary data sources

Factors	Variable	Abbreviation	Primary data source
<b>Dependent variables</b>			
• Market presence of hotel chains	• $\ln$ Number of chain affiliated hotels	$\ln ChainHotels$	• Smith Travel Research database
	• $\ln$ Number of rooms of chain affiliated hotels	$\ln ChainRooms$	
	• Share of affiliated hotels in the total number of hotels in the country	$MS_{hotels}$	• Authors' calculations based on STR reports on the number of affiliated hotels and hotel rooms, and the total number of hotels and hotel rooms
	• Share of rooms in affiliated hotels in the total number of hotel rooms in the country	$MS_{rooms}$	
	• Number of chain affiliated hotels per 1000 people	$MPI_{hotels}$	
• Number of rooms in chain affiliated hotels per 1000 people	$MPI_{rooms}$		
<b>Independent variables</b>			
<b>Hotel industry-specific factors:</b>			
• Size of the hotel industry	• $\ln$ Total number of hotels and similar establishments in 2013	$\ln Hotels$	• World Tourism Organisation's Compendium of Tourism Statistics (2015), National Statistical Offices and/or Tourism Authorities
	• $\ln$ Total number of rooms in hotels and similar establishments in 2013	$\ln Rooms$	
• Characteristics of the hotel industry	• $\ln$ Average capacity of hotels and similar accommodation establishments	$\ln Average$	• Authors' calculations
<b>Tourism-specific factors:</b>			
• Size of tourism sector	• $\ln$ Tourism GDP in US\$ in 2013	$\ln TourGDP$	• World Travel and Tourism Council • World Bank • World Tourism Organisation's Compendium of Tourism Statistics (2015)
	• $\ln$ International tourism receipts in US\$ in 2013	$\ln TourRec$	
	• $\ln$ Number of inbound tourist arrivals in 2013	$\ln TourArr$	
• Importance of tourism for the economy	• Share of tourism in country's GDP in 2013	$TourGDP\%$	• Authors' calculations
	• International tourism receipts as percent of GDP in 2013	$TourRec\%$	• Authors' calculations
	• Inbound tourist arrivals as percent of population	$TourArr\%$	• Authors' calculations
• Destination competitiveness	• Travel and Tourism Competitiveness Index 2013	$TTCI$	• World Economic Forum

Table 3 Continued

Factors	Variable	Abbreviation	Primary data source
<b>General business environment:</b>			
• Economy size	• <i>Ln</i> GDP in US\$ in 2013	<i>lnGDP</i>	• United Nations
• Population size	• <i>Ln</i> Midyear population size in 2013	<i>lnPPL</i>	• United Nations
• Economic wealth of local population	• <i>Ln</i> GDP per capita in US\$ in 2013	<i>lnGDPcapita</i>	• Authors' calculations
• Level of globalisation of the country	• Composite globalisation index	<i>KOF</i>	• 2012 KOF Index of Globalisation
• Human Development	• Human Development Index (2013)	<i>HDI</i>	• United Nations
• Corruption	• Corruption Perception Index for 2013	<i>CPI</i>	• Transparency International
• Level of economic development of the country	• Least developed country dummy variable	<i>LDC</i>	• United Nations
	• OECD country dummy variable	<i>OECD</i>	• OECD
• Geographic region	• Dummy variables for geographic regions	<i>AF, AS, EU, LA, NA, OC</i>	• Breakdown of world regions adopted from United Nations' classifications

Table 4

**List of countries included in the analysis**

Argentina, Armenia, Australia, Austria, Azerbaijan, Bahrain, Barbados, Belgium, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Cambodia, Cameroon, Canada, Cape Verde, Chad, Chile, China, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Ethiopia, Finland, France, Gambia, Georgia, Germany, Greece, Guatemala, Guinea, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lesotho, Lithuania, Luxembourg, Macedonia, Madagascar, Malaysia, Mali, Malta, Mauritius, Mexico, Moldova, Montenegro, Morocco, Mozambique, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Oman, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Rwanda, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Suriname, Swaziland, Sweden, Switzerland, Trinidad and Tobago, Turkey, Ukraine, United Kingdom, United States of America, Uruguay, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

Table 5

**Descriptive statistics**

	Minimum	Maximum	Mean	Std. deviation
<b>Dependent variables:</b>				
<i>lnChainHotels</i>	0.00	10.32	3.56	2.11
<i>lnChainRooms</i>	3.69	15.04	8.62	2.14
<i>MShotels</i>	0.0008	0.5755	0.0722	0.1016
<i>MSrooms</i>	0.0074	0.7491	0.1994	0.1725
<b>Independent variables:</b>				
<i>lnHotels</i>	2.48	10.88	7.10	1.71
<i>lnRooms</i>	7.11	15.41	10.66	1.68
<i>lnAverage</i>	2.27	5.15	3.56	0.71
<i>lnTourGDP</i>	17.73	26.81	21.79	1.97
<i>lnTourRec</i>	14.35	26.09	21.62	1.95
<i>lnTourArr</i>	9.35	18.25	14.82	1.62
<i>TourGDP%</i>	0.0088	0.1951	0.0410	0.0320
<i>TourRec%</i>	0.0002	0.2754	0.0487	0.0555
<i>TourArr%</i>	0.0028	6.7903	0.6684	0.9216
<i>lnGDP</i>	20.62	30.45	25.19	2.05
<i>lnPPL</i>	11.46	21.03	16.17	1.72
<i>lnGDPcapita</i>	6.14	11.64	9.03	1.44
<i>KOF</i>	37.43	91.30	64.70	14.18
<i>TTCI</i>	2.61	5.66	4.19	0.69
<i>HDI</i>	0.37	0.94	0.73	0.15
<i>CPI</i>	18.00	91.00	48.09	19.37

Table 5 Continued

	Minimum	Maximum	Mean	Std. deviation
AF	0	1	0.22	0.42
AS	0	1	0.25	0.44
EU	0	1	0.31	0.47
LA	0	1	0.18	0.39
NA	0	1	0.02	0.13
OC	0	1	0.02	0.13
LDC	0	1	0.14	0.35
OECD	0	1	0.29	0.46

Note: Numbers rounded. In the dataset used in the analyses numbers were not rounded.

## Discussion of findings

### Bivariate correlations

Table 6 shows the bivariate correlations between the market presence variables and the continuous independent variables. Results indicate that hotel chains' market presence is positively correlated with most of the variables and the majority of these correlations are significant at  $p < 0.01$ . The share of tourism in country's GDP, the international tourism receipts as percent of GDP, the inbound tourist arrivals as percent of population and population size do not seem correlated with the share of affiliated hotels and hotel rooms, but are correlated with the two market presence intensity variables ( $p < 0.01$ ). On the other hand, population size is negatively related to the absolute market presence variables, not correlated with the relative variables, and negatively correlated with market presence intensity. The size of hotel industry is positively correlated with the number of affiliated hotels ( $p < 0.01$ ), number of rooms in affiliated hotels ( $p < 0.01$ ) and share of affiliated rooms ( $p < 0.05$ ), but not with the share of affiliated hotels.

Table 6  
Bivariate correlation results

	Pearson correlation					
	InChainHotels	InChainRooms	$MS_{hotels}$	$MS_{rooms}$	$MPI_{hotels}$	$MPI_{rooms}$
<b>Hotel industry-specific factors:</b>						
InHotels	0.727***		-0.026		0.115	
InRooms		0.883***		0.230**		0.216**
InAverage	0.312***	0.380***	0.654***	0.491***	0.169*	0.340***
<b>Tourism-specific factors:</b>						
InTourGDP	0.930***	0.945***	0.411***	0.441***	0.268***	0.305***
InTourRec	0.873***	0.886***	0.405***	0.459***	0.323***	0.385***
InTourArr	0.840***	0.862***	0.304***	0.357***	0.203**	0.256***
TourGDP%	-0.092	-0.052	-0.046	0.004	0.276***	0.375***
TourRec%	-0.195**	-0.157*	-0.030	0.016	0.246***	0.356***
TourArr%	0.054	0.069	0.157*	0.143	0.383***	0.495***
TTCI	0.725***	0.713***	0.391***	0.483***	0.606***	0.672***
<b>General business environment:</b>						
InGDP	0.894***	0.894***	0.418***	0.435***	0.200**	0.209***
InPPL	0.553***	0.560***	0.152	0.101	-0.225**	-0.275***
InGDPcapita	0.604***	0.596***	0.410***	0.495***	0.551***	0.623***
KOF	0.600***	0.589***	0.290***	0.380***	0.406***	0.494***
HDI	0.614***	0.609***	0.339***	0.415***	0.493***	0.561***
CPI	0.475***	0.439***	0.415***	0.477***	0.619***	0.665***

Notes: 1. N=116; 2. \*\*\* Significant at 1%-level; \*\* Significant at 5% level; \*Significant at 10% level.

## Regression model results

Tables 7, 8 and 9 present the results of the six regression models. In general, adjusted R2 values show that the six regression models have very high explanatory power – they explain 93.2% (Model 2), 91.0% (Model 1), 75.6% (Model 6), 65.6% (Model 5), 64.6% (Model 3) and 58.3% (Model 4) of the variation of the respective dependent variable. The values of the F-statistics are all significant at  $p < 0.01$ , meaning that at least one regression coefficient in each model is statistically different from zero. The multicollinearity statistic (tolerance) revealed that the Europe dummy variable needs to be excluded from all six the regression models. In summary, the regression models results show that while most of the independent variables seem positively and significantly correlated with the six dependent variables (Table 6), only few independent variables have actually statistically significant impact on the variables that measure the market presence of hotel chains (Tables 7, 8 and 9).

Table 7  
Regression model results: Absolute market presence

Model variables	Model 1			Model 2		
	InChainHotels			InChainRooms		
Dependent variable:	Unstandardised coefficient	Standardised coefficient	t-value	Unstandardised coefficient	Standardised coefficient	t-value
(Constant)	-18.924		-8.012***	-14.135		-6.774***
<b>Hotel industry-specific factors:</b>						
InHotels	0.043	0.035	0.314			
InRooms				0.093	0.073	0.767
InAverage	0.090	0.031	0.461	0.264	0.088	2.786***
<b>Tourism-specific factors:</b>						
InTourGDP	0.173	0.162	0.513	0.398	0.366	1.331
InTourRec	-0.031	-0.029	-0.266	-0.113	-0.103	-1.081
InTourArr	0.285	0.219	2.982***	0.354	0.268	4.193***
TourGDP%	8.941	0.135	1.088	5.270	0.079	0.726
TourRec%	-0.894	-0.023	-0.243	1.432	0.037	0.441
TourArr%	-0.148	-0.065	-1.455	-0.183	-0.079	-2.026**
TTCI	0.900	0.293	2.563**	0.742	0.239	2.390**
<b>General business environment:</b>						
InGDP	-0.408	-0.396	-0.268	0.423	0.405	0.314
InPPL	0.883	0.720	0.582	-0.156	-0.126	-0.116
InGDPcapita	1.038	0.707	0.688	0.125	0.084	0.094
KOF	-0.006	-0.041	-0.488	-0.001	-0.009	-0.121
HDI	-3.509	-0.244	-1.565	-4.325	-0.297	-2.183**
CPI	0.005	0.042	0.601	0.001	0.011	0.178
AF	0.105	0.021	0.278	0.101	0.020	0.301
AS	-0.221	-0.046	-0.925	0.000	0.000	0.002
LA	-0.068	-0.012	-0.248	0.111	0.020	0.456
NA	1.305	0.081	2.543**	1.056	0.064	2.329**
OC	0.768	0.048	1.573	0.555	0.034	1.286
LDC	-0.527	-0.086	-1.667*	-0.466	-0.075	-1.669*
OECD	-0.014	-0.003	-0.060	-0.043	-0.009	-0.205
<b>Excluded variables</b>						
EU	Collinearity Statistics: Tolerance			0.000		
<b>Model summary</b>						
R	0.963			0.972		
R Square	0.927			0.945		
Adjusted R Square	0.910			0.932		
Standard Error of the Estimate	0.633			0.560		
ANOVA F (N=116, df=93)	53.985***			72.267***		

Notes: N=116; \*Significant at 10%-level; \*\* Significant at 5%-level; \*\*\* Significant at 1%-level.

Table 8

## Regression model results: Relative market presence

Model variables	Model 3			Model 4		
	$MS_{hotels}$			$MS_{rooms}$		
Dependent variable:	Unstandardised coefficient	Standardised coefficient	t-value	Unstandardised coefficient	Standardised coefficient	t-value
(Constant)	-0.814		-3.610***	-2.163		-5.207***
<b>Hotel industry-specific factors:</b>						
lnHotels	-0.032	-0.533	-2.427**			
lnRooms				-0.128	-1.242	-5.308***
lnAverage	0.039	0.274	2.083**	0.044	0.180	2.309**
<b>Tourism-specific factors:</b>						
lnTourGDP	0.004	0.078	0.125	0.004	0.043	0.063
lnTourRec	0.007	0.142	0.658	0.014	0.158	0.677
lnTourArr	-0.006	-0.098	-0.676	0.012	0.109	0.689
TourGDP%	-0.145	-0.045	-0.184	1.335	0.247	0.924
TourRec%	0.290	0.158	0.825	0.366	0.118	0.565
TourArr%	0.012	0.109	1.239	-0.012	-0.062	-0.643
TTCI	-0.024	-0.159	-0.701	0.048	0.191	0.776
<b>General business environment:</b>						
lnGDP	0.235	4.733	1.615	0.305	3.616	1.137
lnPPL	-0.195	-3.312	-1.349	-0.192	-1.920	-0.721
lnGDPcapita	-0.183	-2.599	-1.273	-0.163	-1.364	-0.616
KOF	-0.001	-0.190	-1.133	0.001	0.072	0.394
HDI	-0.275	-0.398	-1.285	-0.675	-0.575	-1.712*
CPI	0.002	0.330	2.352**	0.002	0.186	1.225
AF	-0.002	-0.009	-0.058	0.044	0.108	0.666
AS	-0.001	-0.002	-0.023	0.015	0.039	0.366
LA	-0.005	-0.020	-0.196	0.030	0.067	0.620
NA	0.234	0.302	4.784***	0.284	0.215	3.146***
OC	0.054	0.070	1.163	0.086	0.065	0.998
LDC	-0.028	-0.094	-0.914	-0.055	-0.111	-0.995
OECD	-0.006	-0.029	-0.287	-0.033	-0.088	-0.798
<b>Excluded variables</b>						
EU	Collinearity Statistics: Tolerance			0.000		
<b>Model summary</b>						
R	0.845			0.814		
R Square	0.714			0.663		
Adjusted R Square	0.646			0.583		
Standard Error of the Estimate	0.0605			0.1114		
ANOVA F (N=116, df=93)	10.532***			8.316***		

Notes: N=116; \*Significant at 10%-level; \*\* Significant at 5%-level; \*\*\* Significant at 1%-level.

Table 9

## Regression model results: Market presence intensity

Model variables	Model 5			Model 6		
	$MPI_{hotels}$			$MPI_{rooms}$		
Dependent variable:	Unstandardised coefficient	Standardised coefficient	t-value	Unstandardised coefficient	Standardised coefficient	t-value
(Constant)	-0.047		-1.052	-7.960		-1.897*
<b>Hotel industry-specific factors:</b>						
lnHotels	-0.002	-0.200	-0.921			
lnRooms				0.057	0.042	0.236
lnAverage	-0.006	-0.224	-1.725*	0.049	0.016	0.259



Table 9 Continued

Model variables	Model 5			Model 6		
Dependent variable:	MPI <sub>hotels</sub>			MPI <sub>rooms</sub>		
	Unstandardised coefficient	Standardised coefficient	t-value	Unstandardised coefficient	Standardised coefficient	t-value
<b>Tourism-specific factors:</b>						
lnTourGDP	0.000	-0.002	-0.003	-0.599	-0.518	-0.998
lnTourRec	0.002	0.207	0.974	0.303	0.259	1.444
lnTourArr	-0.002	-0.184	-1.278	-0.295	-0.211	-1.740*
TourGDP%	0.242	0.382	1.570	42.496	0.596	2.911***
TourRec%	-0.037	-0.101	-0.536	-5.202	-0.127	-0.796
TourArr%	0.003	0.115	1.324	0.370	0.150	2.041**
TTCI	0.012	0.409	1.823	0.720	0.218	1.153
<b>General business environment:</b>						
lnGDP	0.010	1.058	0.366	3.545	3.185	1.309
lnPPL	-0.010	-0.815	-0.337	-3.072	-2.324	-1.140
lnGDPcapita	0.001	0.087	0.043	-1.733	-1.096	-0.647
KOF	-0.001	-0.532	-3.214***	-0.041	-0.255	-1.832*
HDI	-0.063	-0.453	-1.485	-9.693	-0.625	-2.432**
CPI	0.000	0.084	0.605	0.024	0.200	1.720*
AF	-0.009	-0.176	-1.200	-0.854	-0.157	-1.269
AS	-0.010	-0.213	-2.208**	-0.735	-0.140	-1.729*
LA	-0.012	-0.229	-2.323**	-0.813	-0.138	-1.667*
NA	0.048	0.313	5.028***	4.977	0.286	5.457***
OC	0.016	0.105	1.778*	0.997	0.057	1.149
LDC	0.000	-0.005	-0.053	-0.136	-0.021	-0.242
OECD	0.006	0.142	1.423	0.225	0.045	0.538
<b>Excluded variables</b>	Collinearity Statistics: Tolerance					
EU	0.000			0.000		
<b>Model summary</b>						
R	0.849			0.896		
R Square	0.722			0.803		
Adjusted R Square	0.656			0.756		
Standard Error of the Estimate	0.0119			1.1254		
ANOVA F (N=116, df=93)	10.958***			17.191***		

Notes: N=116; \*Significant at 10%-level; \*\* Significant at 5%-level; \*\*\* Significant at 1%-level.

### Hotel industry-specific factors: Hypotheses 1.1-1.2

The values of the regression coefficients indicate that while the size of the hotel industry does not have statistically significant impact on the absolute market presence (Models 1 and 2) and the market presence intensity (Models 5 and 6), the share of affiliated hotels/rooms (Models 3 and 4) is negatively influenced by the total number of hotels ( $p < 0.05$ ) and hotel rooms in the country ( $p < 0.01$ ). This means that the presence of hotel chains is more tangible in countries with smaller hotel industries. This is expected, because small island destinations have only several tens of hotels and similar accommodation establishments; therefore, the affiliation of several of them to hotel chains would boost the share of affiliated hotels and hotel rooms in country's hotel industry. Furthermore, in a country with large hotel industry many hotels/hotel rooms need to be affiliated to hotel chains in order to generate tangible presence of hotel chains in the destination. Therefore, we find support for Hypothesis 1.1 for the relative market presence, but not for the absolute market presence and its intensity. Findings reveal that destinations with larger hotels have greater market presence of hotel chains. The regression coefficient of the average capacity variable is positive and statistically significant in three of the models ( $p < 0.01$  in Model 2 and  $p < 0.05$  in Models 3 and 4), positive but not significant in two models and negative with low level of significance in Model 5 ( $p < 0.10$ ). That is why we find support for Hypothesis

1.2 for the relative market presence, partial support for the absolute presence, and no support for the market presence intensity.

### *Tourism-specific factors: Hypotheses 2.1-2.3*

Regression results reveal that the tourism-specific factors have no impact on the relative market presence (Models 3 and 4). On the other hand, some of the tourism-specific factors have influence on the number of affiliated hotels and rooms (Models 1 and 2) and the market presence intensity (Models 5 and 6). The higher number of tourist arrivals is positively associated with the number of affiliated hotels and rooms ( $p < 0.01$  in Models 1 and 2), indicating that destinations that attract more tourists have more hotels and rooms in hotels affiliated to hotel chains. However, the other two variables that measure the tourist industry size do not have statistically significant coefficients, meaning that the results provide only partial support for Hypothesis 2.1 for the absolute market presence but not for the other two types.

In general, we find that the presence of hotel chains in a destination is not influenced significantly by country's dependence on tourism. From the three variables measuring the country's dependence on tourism only two are significant in only two of the models: international tourists as percent of population is negatively linked with the number of rooms in affiliated hotels (Model 2,  $p < 0.05$ ) and positively linked with the number of rooms in affiliated hotels per 1,000 people of the local population (Model 6,  $p < 0.05$ ), while the higher tourism GDP is also associated with the *MPIrooms* (Model 6,  $p < 0.01$ ). Therefore, Hypothesis 2.2 is not supported for the absolute and relative market presence, and partially supported for the market presence intensity.

Finally, we see that destination's competitiveness is positively associated with the number of affiliated hotels and rooms ( $p < 0.05$  in Models 1 and 2), meaning that more competitive tourist destinations are more attractive for hotel chains and more hotels/rooms are affiliated (Models 1 and 2), although this does not necessarily lead to greater share of affiliated hotels/rooms in the local hotel industry (Models 3 and 4) and more intensive market presence (Models 5 and 6). Therefore, Hypothesis 2.3 is supported for the absolute market presence only, and not for the relative presence and presence intensity.

### *General business environment factors: Hypotheses 3.1-3.8*

In regard to the factors of the general business environment regression results reveal that the economy size, population size and the economic wealth of local population have no impact on the six dependent variables. Therefore, we reject Hypotheses 3.1, 3.2 and 3.3 for all market presence types. In regard to the level of globalisation, we find that this factor does not influence the absolute and the relative market presence of hotels chains (Models 1-4). However, the regression coefficient of the level of globalisation is significant in Model 5 ( $p < 0.01$ ) and Model 6 ( $p < 0.10$ ) but they have the opposite sign than the hypothesised sign in Table 2. Therefore, we reject Hypothesis 3.4 for all three types of hotel chains market presence. The Corruption Perception Index is significant only in Model 3 ( $p < 0.05$ ) and Model 6 ( $p < 0.10$ ), but in all six models it has the expected positive sign, meaning that countries with higher score on *CPI* (i.e. lower level of corruption) have greater number and share of affiliated hotels/rooms. Nevertheless, considering the nonsignificance of the regression coefficient in four of the six models, Hypothesis 3.6 is only partially supported for the relative market presence and market presence intensity, and it is not supported for the absolute market presence.

Looking at the impact of country's level of economic and human development we see some peculiar results. All regression coefficients of *HDI* and *LDC* and four of the six coefficients of the *OECD* dummy variable are negative, meaning that the market presence of hotel chains is lower in countries with high

score on HDI, in LDC and OECD countries. Moreover, the HDI regression coefficient is significant at  $p < 0.05$  in Models 2 and 6 and at  $p < 0.10$  in Model 4. Hence, we do not find support for Hypothesis 3.5 for all three market presence types. On the other hand, the regression coefficient of OECD is not significant in all six models, while the regression coefficients of LDC have very low significance at  $p < 0.10$  in Models 1 and 2 only. That is why we find only partial support for Hypothesis 3.7 for the absolute market presence and no support for it for the relative presence and the presence intensity.

Finally, Tables 7, 8 and 9 reveal that geography does play a very important role in the market presence of hotel chains: countries in Northern America have more affiliated hotels/rooms (Models 1 and 2,  $p < 0.05$ ), higher share of affiliated hotels/rooms (Models 3 and 4,  $p < 0.01$ ) and greater market presence intensity (Models 5 and 6,  $p < 0.01$ ) than the rest of the world. The coefficients of the other geographic dummy variables are not significant in models 1-4. In regard to the market presence intensity, regression results reveal that it is lower in countries in Asia and Latin America and the Caribbean ( $p < 0.05$  in Model 5 and  $p < 0.10$  in Model 6). Therefore, Hypothesis 3.8 is supported for all three types of market presence.

Table 10 summarises the answers to the research hypotheses by market presence type. The support to the research hypotheses is based on the expected signs of the regression coefficients as hypothesised in Table 2.

Table 10  
Answers to research hypotheses

Research hypotheses	Answers by market presence type		
	a) Absolute market presence	b) Relative market presence	c) Market presence intensity
<b>Hotel industry-specific factors:</b>			
• H1.1: The market presence of hotel chains is influenced by the size of country's hotel industry	Not supported	Supported	Not supported
• H1.2: The market presence of hotel chains is influenced by the average size of hotels	Partially supported	Supported	Not supported
<b>Tourism-specific factors:</b>			
• H2.1: The market presence of hotel chains is influenced by the size of country's tourism sector	Partially supported	Not supported	Not supported
• H2.2: The market presence of hotel chains is influenced by country's dependence on tourism	Not supported	Not supported	Partially supported
• H2.3: The market presence of hotel chains is influenced by country's tourism competitiveness	Supported	Not supported	Not supported
<b>General business environment:</b>			
• H3.1: The market presence of hotel chains is influenced by the size of country's economy	Not supported	Not supported	Not supported
• H3.2: The market presence of hotel chains is influenced by the size of country's population	Not supported	Not supported	Not supported
• H3.3: The market presence of hotel chains is influenced by the economic wealth of local population	Not supported	Not supported	Not supported
• H3.4: The market presence of hotel chains is influenced by country's level of globalisation	Not supported	Not supported	Not supported <sup>a</sup>
• H3.5: The market presence of hotel chains is influenced by country's level of human development	Not supported <sup>a</sup>	Not supported <sup>a</sup>	Not supported <sup>a</sup>
• H3.6: The market presence of hotel chains is influenced by country's level of corruption	Not supported	Partially supported	Partially supported
• H3.7: The market presence of hotel chains is influenced by country's level of economic development	Partially supported	Not supported	Not supported
• H3.8: The market presence of hotel chains is influenced by country's geographic location	Supported	Supported	Supported

Notes: Support to the hypotheses according to the hypothesised signs of the regression coefficients in Table 2; <sup>a</sup>Regression coefficient is significant but with the opposite sign than hypothesised in Table 2.

## *Discussion of results*

The findings confirm previous studies' results that hotel chains prefer hotels with high capacity (Ivanov & Zhechev, 2011; Ivanova & Ivanov, 2014) and that the characteristics of property's building (one of which is the number of rooms/capacity of the hotel) play an important role in the decision of hotel chains to affiliate properties (Ivanova & Ivanov, 2015a). Hotels with large number of rooms could generate more overnights and revenues than smaller properties with similar characteristics (category, location, and product) and hence are more attractive to hotel chains. We also find that the absolute presence of hotel chains (number of affiliated hotels/rooms) is positively influenced by the number of international tourist arrivals, similar to the results of Zhang et al. (2012), but contrarily to Pranić et al. (2012) who do not find such relationship. We think that the reason for this dissimilarity is due to the different scope of hotel chains in the two samples: our sample is based on all hotel chains included in the STR reports, while Pranić et al. (2012) focus only on US chains.

Going further, our findings do not confirm some of the other prior studies as well. For example, we do not find support to Assaf et al. (2015)'s results that country's economy size has high statistically significant impact on international hotel chains' market presence – the GDP regression coefficients reported in Tables 7, 8 and 9 are positive in five of the six models, but they are not significant. The reason for this outcome might be the different explanatory variables of both researches. For example, in this paper we use the aggregated value of TTCI while Assaf et al. (2015) uses several of its constituent elements (e.g. quality of local labour, transport and internet infrastructure, property rights, and tourism and travel welcomeness) instead of the aggregated index. Furthermore, we consider some hotel industry- (average capacity of hotels, size of the hotel industry), tourism- (importance of tourism for the economy) and general business environment factors (per capita GDP, population size, and geographic location), which factors and their respective variables are not used in Assaf et al. (2015). Another reason might be the different sources of data used in both researches. Assaf et al. (2015) use the STR reports as the source of all hotel statistics (total number of rooms and number of rooms in affiliated hotels). In this paper we use the STR reports for data about the number of chain affiliated hotels/rooms while the UN World Tourism Organisation's Compendium of Tourism Statistics provide the data about the total number of hotels/rooms in a country. The STR reports are very comprehensive and provide excellent coverage of affiliated hotels/rooms in a multitude of countries, but they fall short in terms of the total number of hotels/rooms in a country. For example, the STR census report for Bulgaria for 2013 includes 535 hotels with 62,187 rooms, while the National Statistics Institute of the country reports 2,953 hotels with 302,433 rooms (NSI, 2013). If one uses only the STR data to calculate the share of affiliated hotels and hotel rooms in the country, the relative market presence of hotel chains in Bulgaria would be inflated nearly 4-5 times. Therefore, the STR reports are excellent data source for affiliated hotels, but regarding the total number of hotels/rooms the UN World Tourism Organisation's Compendium of Tourism Statistics and the statistical databases of individual countries provide more comprehensive coverage. The latter should be used when measuring the size of hotel industry, which is the basis for calculating the share of affiliated hotels/rooms in the total number of hotels/rooms in a country.

Finally, findings show that the market presence of hotel chains is lower in countries with higher Human Development Index (Models 2, 4 and 6). This result was counterintuitive. We supposed that hotel chains would prefer countries with better developed human resources, but this does not seem to be the case. We think that this outcome is not a consequence of the chains' preferences towards countries with lower level of human development, but of the stimulation of entrepreneurship, the quality of

education and standard of living in countries with high HDI. These factors probably motivate the hotel owners in countries with high HDI to operate independently, distribute the hotel product via online travel agencies and not to search for the protective umbrella of a hotel chain's brand, in contrast to hotel owners in countries with low HDI who may need the expertise and brand image of chains to be competitive. In any case, further research needs to investigate in more details the relationship between the level of human development of a country and the willingness of local entrepreneurs to affiliate their properties to hotel chains.

## Conclusion

### Contribution

This paper contributes to the advancement of knowledge in the field of host country selection by investigating the host country-specific factors that influence the market presence of hotel chains on global scale. The paper shows that most of the factors, which the prior literature identifies as important for the market entry decision on hotel chain level, do not remain valid on *macro* level. The paper further expands the host country selection criteria by evaluating the role of various hotel industry-, tourism- and general business environment factors that have not received attention in prior literature on the locational factors of hotel chains: e.g. average size of the hotels, population size, human development index, and geographic location of the country.

### Managerial and policy implications

From managerial perspective findings show that on macro (industry) level the hotel chains' market presence is influenced significantly only by few factors – the size of hotel industry, the average capacity of hotels and the geographic location of the country. The size of the hotel industry is negatively related to the relative market presence of hotel chains, while the average capacity of hotels has positive impact on it. Although the concrete reasons for internationalisation of hotel chains and their entry into specific destinations might be quite diverse (Rodtook & Altinay, 2013), at the end of the day on macro level only few factors actually have statistically significant impact on their market presence in a destination. Our findings show that hotel chains' market presence does not depend on country's level of economic and human development, population and economy sizes, dependence on tourism or openness, while destination's competitiveness and the size of country's tourism industry have effect only on the absolute market presence of hotel chains. What we find is that hotel chains enter large and small countries, large and small economies, rich and poor countries, countries that are very open to foreign investors and countries with a very low level of globalisation, countries with diverse levels of corruption and dependence on tourism. Therefore, it seems that hotel chains are mostly looking for global presence of their brands rather than paying attention to specific country characteristics. Considering that chains expand mostly by non-equity modes (Cunill & Forteza, 2010), the financial risk associated with a chain's entry into a country is actually transferred to its local partner. It is true that, in the context of agency theory, the non-equity modes increase the marketing and operational risks for the chain, because they decrease the level of control exerted by the chain and thus increase its transaction costs (Contractor & Kundu, 1998). Nevertheless, in practice the chain can decrease these risks by using detailed service operations manuals, regular staff training for its local partner hotels (Masadeh, 2013), appointing the hotel general managers (in management contract), service quality reviews, etc. Therefore, the prevailing non-equity expansion modes facilitate hotel chains' entry into destinations with very diverse characteristics and levels of development, even in countries with high

level of corruption, political instability and/or low level of development, where opening a joint-venture or fully owned subsidiary would not be considered worth the risks. This raises the question whether some hotel chains enter particular countries in search of expansion opportunities and greater choice of destinations for their customers, or because they follow their own globalisation agendas to achieve wider geographic coverage of their market presence while paying little attention to the country-specific factors of the destinations they entered. Some chains might even apply what we name 'tokenism' entry strategy – a chain enters a particular destination in order to have minimal market presence in it (e.g. one or two hotels in the capital and/or a major city/resort) without the intention to increase its presence, but does this in order to widen the geographical scope of the countries it is present in. In any case, our data do not allow us to provide or not support for this conjecture, which should be subject to future research.

Finally, within the broader context of global marketing and international business studies (Daniels, Radebaugh & Sullivan, 2015; Hitt, Li & Xu, 2015; Hollensen, 2014; Wild & Wild, 2015) our findings reveal that while on company level country's characteristics (like populations size, economy size, openness, wealth of population, etc.) may influence the choice of a company to enter it or not, on industry level some of these characteristics may not have a significant impact. In other words, these factors play greater role in the choice of a country market on *company level* (depicted as the choice of a destination on Figure 1), while on *industry level* as a whole their impact on the market presence of hotel chains is negligible. This is because different companies consider different factors when they choose a destination to enter and put different importance to these same factors, leading to different decisions and strategies. What drives the choice of a destination for one company is not necessarily valid for another company.

## Limitations and future research

The research is not without limitations. The main limitation is that it is based on cross-section analysis with data for one year only. The authors acknowledge that panel data would provide better results, because they would allow identifying the temporal changes in the market presence of hotel chains and the short- and long-term impacts of the factors. Unfortunately, the authors found it challenging to obtain reliable time-series data on most of the variables, especially on hotel statistics, for many countries. As already mentioned in the discussion, although the STR reports provide detailed data about the number of affiliated hotels/rooms and the total number of hotels/rooms in a country, they may not be considered reliable in regard to the total number of hotels/rooms for many countries. Furthermore, the statistical authorities of many developing and transition countries do not publish regularly hotel/tourism statistical data, have omissions in the longitudinal data or even change the data collection methodology and the statistical definitions, hence making the time-series data incompatible. For example, Bulgarian National Statistics Institute changed its definition of hotels and similar accommodation establishments in 2012. As a result, the number of accommodation establishments in the country fell from 3,776 in 2011 to 2,758 in 2012 (or 26.96% drop!), but this decrease was only on paper and due to the reclassification of over a quarter of the accommodation establishments. This means that the data prior to 2012 are not methodologically compatible with the more recent data. Similar problems can be reported for other countries as well but their detailed discussion goes beyond the scope of this paper.

Future research might overcome the above limitation by focusing on the dynamics of hotel chains' market presence provided the availability of reliable statistical data. Furthermore, future research might shed light how the market presence of hotel chains in a country influences its competitiveness and level

of globalisation, i.e. does market presence of hotel chains in a country improve its competitiveness on the global tourism market and does it stimulate the openness of the country. Additionally, future research may answer the question whether some hotel chains apply 'tokenism' entry strategy. Future research may investigate the role of country's level of human development and the willingness of local entrepreneurs to affiliate their properties to hotel chains. Finally, future research might be directed towards global analysis of the factors that have an impact upon the market presence of other tourist companies, like restaurant chains, travel agencies, and transportation companies.

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