Brand quality and internationality: Branded global chain hotels

Abstract
It is increasingly testing for individual hotels, even the well-run and famous ones, to compete and grow in the wider world market without having the underpinning and benefits of the global representation. Perhaps, this is why even the more notable establishments, join hotel chains or a global hotel management conglomerate. This paper focuses on the correlation between business performance of global chain hotels (GCHs) and quality and internationality of the brand they belong to. The quality of the brand is determined by these categories: luxury, upscale, midscale, economy and budget. The internationality of brand is expressed by the number of countries in which the brand operates and number of hotels worldwide the brand operates through agreed business model between the hotel and hotel chain. Hotel business performance is approximated by revenue per available room (RevPAR). This research showed that there was a positive, medium to strong relationship between business performance of branded GCHs and brand quality. There was a positive but weak relationship between branded GCHs business performance and the number of countries in which brand operated. On the other hand, there was no statistically significant relationship between branded GCHs business performance and the total number of hotels operating under the same brand worldwide.

Key words: hotel; hotel chain brand; performance

Introduction
Globalization and evolving trends have changed competitiveness and market rules on daily basis: the best global companies are now bigger, by buying-up competitors and completely changing how the business is done. Freidheim (1999, p. 23) states that all this lead to the creation of a wide network of corporate alliances, global coalitions of independent companies which by combining their own assets with aggressive mergers and acquisitions, generate revenues that are greater than the revenues of many sovereign countries. Equally, global companies orchestrate economic processes and trends at global level, whilst some sovereign countries are less and less able to actively participate in modeling its respective economic futures (Tipurić & Markulin, 2002, p. 2). Like in other enterprises, this too is also mirrored by the hotel sector with the creation of giant global hotel chains; and with no respite in sight. For example, the Cendant Corporation, which has more hotel beds than the whole Spain, serves as a proof of the economic, and social power of hotel chains, and just like other hotel chains, Cendant’s capacities exceed the capacities of many countries. Taking a leaf from the fast-food chain business model, hotel chains, by default, are characterised by focusing on strong growth, and portfolio increases through mergers and acquisitions (García-Almeida, Bernando-Vilamitjana, Hormiga & Valls-Pasola, 2011, p. 1645), while their brand(s) is one of the chains’ most important competitive factors. In fact, it’s the factor. Globalization demands competitiveness on the global market, and hotels’ prosperity demands integration into the global chain of values-vis-à-vis branding (Emilian, Țulea & Țală, 2009).

Sanela Vrkljan, Mato Bartoluci, Sanja Čižmar
It is estimated that about 60 per cent of all hotel capacities worldwide belong to hotel chains, although in Europe, this percentage is lower because hotel sector is mostly based on the tradition of small and medium family enterprises (Čižmar & Tomašević, 2011, p. 171). The European hotel chain market makes about 38 per cent of the total number of rooms in hotel industry in Europe (Otus Hotel Brand Database Overview Report: Europe, 2013, p. 1). Leidner (2004, p. 40) states that the share of hotel capacities that are a part of hotel chain with brand on the USA market amounts to 70 per cent. Čižmar and Tomašević (2011:157) claim that most global corporations can be found in the hotel industry. In today’s economic conditions, global hotel companies with their branded hotels, enjoy greater number of markets, whilst global competitiveness strongly influences the strength of such hotel brands (Čižmar, 2007, p. 156). According to the report Hotels 325 (Hotels July/August, 2015, pp. 24, 26, 28, 30) the share of the top ten hotel chains ranked by size according to the number of rooms in the top 200 hotel chains, was 54 per cent. The top ten hotel chains held more than half of all the rooms of the largest 200 chain hotels in the world. Such economic power of the leading global hotel chains, enables them to influence consumer behavior, tourism trends, and impact economic, and social trends.

In spite of the size and importance of the global hotel chains, there is sketchy evidence about the relationship between the brand and business performance of branded GCHs. Therefore, the aim of this research were to: (1) identify if the brand is a key competitive factor according to the opinion of experts in managing of global hotel chains and GCHs, (2) test the relationship between brand quality and branded GCHs business performance, and (3) test the relationship between the brand internationality and branded GCHs business performance.

**Hotel chain branding and hotel business performance**

Many authors have defined a hotel chain. A very simple definition is offered by Hayes and Ninemeir (2005, p. 24) who defined it as a group of hotels of the same brand name. Cerović, Pavia and Galičić (2005, p. 23) extend this basic definition with the guaranteed standards of operations. Čižmar and Tomašević (2011, p. 170) introduces geographical dimension when stating that the chain hotel is an organization that competes in the hotel industry, locally, nationally, regionally or internationally, and it consists a number of hotels of the same concept or theme. Pažić (1998, p. 52) definition focuses on its ownership and management structure - hotel chain is a range of hotels of the same name and the same standards in different places or in more countries, being the property of one company or with the franchise contracts and with a central reservations system. Thus, a more comprehensive definition of the hotel chain can be proposed. It consists of hotels integrated at an organizational, market and technological level into hotel corporation, which has recognizable market image and which operates on domestic and international tourist market with several developed brands or without brands (second tier).

Although definitions of hotel chains acknowledge the fact that the chain can operate domestically, the largest and most influential are international, that is, those that have international demand for products and services, international competition and international sales (Vrkljan 2016, p. 71). Most of the hotel consortia or hotel chains even carry in their names adjectives such as worldwide, international, hotels of the world, thus highlighting the global nature of their business politics and performance. Radosavljević (2008, p. 35), in his study of the hotel industry and globalization, identifies several external and internal factors that influenced the development of international hotel chains. External are related to the expansion of hotel service demand worldwide and to the need to speed up economic development of certain regions. Internal factors are related to the market and organizational aspect of business. Market aspect implies enhancement of the brand and quality assurance of services, while
organizational aspect implies the creation of a new organizational structure due to expansion of business internationally and diversification, that is, expansion of the range of services. Similarly, Lawrence (1999, pp. 18-19) points out the following motives for the growth and internationality of hotel chains performance: sales increase, geographic diversification, possibility of resource acquisition, primarily workforce (developing countries) and creating of the world recognized brands. The motivation for hotel chain growth is usually to increase its market share, take advantage from the economy of scale, access to new markets, efficient sales and promotions, real estate, etc. In the end, the main aim is business performance by maximizing profits.

A brand is one of the most significant trends of globalization and tourism. The brand is designed in order to assist the guests while differentiating from a variety of products and services, it reduces uncertainty in the product or service decision-making process (Olsen, Tse & West, 1998, p. 191). Offering a suitable or familiar name has great importance since it makes it easier to identify the service, guarantees certain quality – an element of hotel image, reduces price comparison, marks the name and quality of the service and a hotel as a product. The quality of a brand is the quality of a hotel that carries the brand’s name. For this reason, it can be concluded that the role of the brand is to enable easier product or service identification, which are perceived as the highest value for money. Since the brand is supposed to guarantee standards, quality, value and durability of product and/or service, it can be defined as a personalization of a product or service in the mind of a buyer, while offering quality assurance to a buyer. In order to justify the expense of administration and promotion, a brand should ensure the economy of scale from which its advantages arise. Typical economies of scale include reduced promotion expenses, since all the units benefit from brand promotion, as well as from reservation systems, purchase contracts, information systems and others (Kotler, Bowen & Makins, 2003, p. 318). Keller and Lehmann (2003, p. 27) conclude that one of the most valuable company assets is the intangible asset represented by the brand.

Although there is a lack of empirical evidence about the business performance of hotels belonging to the global chains, Medlik and Ingram (2002, pp. 67-68) claimed that the better business performance of branded chain hotels is due to the economy of scale and savings it brings. Indeed, Barros’s (2005) study of efficiency in the hotel sector, confirms this relationship of the economy of scale (number of rooms) and the performance. In addition, he finds a positive relationship between hotel performance and the quality expressed through the number of stars. On the other hand, Mathews (2000, p. 117) showed that the performance was mostly related to the international experience of hotel company and the country in which the hotel operates.

In addition to the economy of scale, it is believed that the brand of the global hotel chain is another important factor influencing GCHs performance. There is a widespread belief by investors that the superior return on investments is only possible with strong brand affiliation and top quality management (Corgel, 2002). Xiao, O’Neill and Mattila (2012, p. 122), examining the impact of several corporate strategies on the revenue and profit, found that brand affiliation had the greatest impact on hotels financial performance. However, there may be many mediating factors between the hotel brand, revenues and profits. Thus, the improved performance could also be due to better management introduced by the chains: Since travellers do not always have the possibility to return to the same hotel, the chance of tourists returning to the same hotel is low. Hotel chains by giving their hotels the same name create the possibility of travellers returning to their hotels (Ingram, 1996, p. 85). Dunning and colleagues (Dunning & Kundu, 1995; Dunning & McQueen, 1982) go a step further by arguing that the business performance of the global chain hotels is boosted through better knowledge about the international guests’ demands, better-trained staff, better management, reservation system and as
well as the strong brand name. Holverson and Revaz (2006) believe that the chain hotel’s superior performance is due to their ability to differentiate themselves from competition. Differentiation enables them to set higher prices and protects them from the price reduction pressures as the competition grows. Without downplaying the importance of differentiation, Becerra, Santaló and Silva (2013:71) pointed out that by being better, was more efficient than just being different, and the hotel chains help in quality improvements.

The evidence presented here shows that the affiliation with the brands of global hotel chains should have a strong, positive influence on hotels business performance. However, a question arises whether or not brand factors such as its quality and internationality (number of hotels of the same brand worldwide and number of countries in which the brand operates), have any influence on the business performance of branded GCHs. Therefore, the three specific questions have guided this study: (1) is the brand a key competitive factor according to the opinion of experts in managing of global hotel chains and GCHs, (2) what is the relationship between brand quality and branded hotels business performance, and (3) what is the relationship between the brand internationality and branded hotel business performance.

Methodology

To test the proposed relationships, two-fold research approach was adopted, combining qualitative and quantitative methods. Qualitative methodology was conducted using the Delphi method with a panel of 20 experts: ten hotel managers from global chain hotels, with experience in hotel management at two or more tourism destinations (countries), from which at least one was from the European Mediterranean, and ten development directors and regional directors of global hotel chains. The international experience and brands of hotel chain were identified within the five most important competitive factors of, both, GCHs and global hotel chains.

A survey methodology was used for quantitative research. Three variables were selected to measure business performance - occupancy, average daily rate (ADR) and RevPAR, as they are the most often used indicators of hotel business performance. For testing the proposed relationship, RevPAR was used as the most reliable indicator. The occupancy rate and ADR are less reliable because they are impacted by factors such as seasonality, conference capacities, products and services offered, pricing policy and such, which may lead to wrong conclusions about hotel business performance. However, for the robustness of the analysis, the relationship and strength of correlation with occupancy and ADR was also tested.

It is important to note here from the outset there is not a single world, or European, formal hotel classification that would prescribe standard categorization criteria, that is, the star-ranking of hotels differs from country to country and it is entirely subjective. Arguably, the quality standards of hotel chains is not determined by number of stars, but brands classed from budget to luxury. All hotels of the same brand of the hotel chain guarantee standard quality, regardless of the country in which the hotel is located (Avelini Holjevac, 1998, p. 72). Therefore, in this research the brand quality was defined by the following categories: luxury, upscale, midscale, economy and budget. Luxury is the highest category, that is, it implies the highest brand quality, while budget implies the lowest brand value. The data were gathered through a questionnaire. Data that refer to the number of brand hotels and the number of countries in which a brand operates were also gathered through a questionnaire, but combined with data from the global hotel chains websites. The support data from secondary sources was necessary since sales directors, as respondents, were often unaware how many hotels their brand operates and the number of countries in which their brand does business. However, they had information about the whole hotel chain with all the brands.
The population of the study consisted of global chains that fulfilled several criteria. Firstly, the chain had to be present on at least two continents and in at least twenty-five countries. Additionally, for inclusion in study, criterion of hotel chain operating in Croatia was included, and only hotel chains that operated in Croatia were included in this study. The following hotel chains and consortia fulfilled these criteria: Hilton Hotels & Resorts, Carlson Rezidor, Kempinski, Meliá Hotels International, Marriott International (including Starwood Hotels & Resorts Worldwide), Best Western International and Leading Hotels of the World. The consortia were included, as with the services they offer to their members and their global recognition and power they are perceived as hotel chains. In addition, hotel consortia transacted in many franchise and management agreements in recent years, so it was considered justifiable to include them in this research. In total, 757 hotels that fulfilled the criteria participated in the study from four chosen countries in the European Mediterranean as one of the strongest tourism regions: Croatia, Italy, Spain and Turkey. According to the Tourism Competitiveness Index, Spain was ranked first, Italy eighth, Croatia thirty-third, and Turkey forty-fourth (World Economic Forum, The Travel and Tourism Competitiveness Report 2015). Therefore, the countries with different levels of tourism competitiveness, along with different stages of destination maturity were covered. The investigative set encompassed 26 hotels from Croatia, 307 hotels from Spain, 110 hotels from Turkey and 314 hotels from Italy. Special attention was paid to make sure that all global chains from this set were represented according to the brands with which they operated in the selected four countries.

To collect data, a close-ended questionnaire was used. In accordance with the selected countries, the questionnaire was available in Croatian, Italian and Spanish, while in Turkey the study was carried out in English. Questionnaire was completed by sales managers and distributed via e-mail. As data collected was considered as being business sensitive and not readily disclosable, sales managers were firstly contacted via phone to explain the purpose of the study and to assure them about the confidentiality of their responses. In total, there was 196 responses, or a response rate of 38 per cent.

For data analyses, a descriptive statistical analysis was conducted, which gave an insight into the structure of brand quality variables. For hypothesis testing, a correlational analysis was used (Pearson correlation coefficient, Spearman correlation coefficient). Although the variables were measured on the scale to give the advantage to Pearson coefficient, it was necessary to fulfill the assumption of normal distribution of performance indicators. Using Kolmogorov-Smirnov and Shapiro-Wilk statistical tests on normal distribution for business performance indicators, the null hypothesis testing normal distribution was rejected. Therefore, the advantage was given to the Spearman correlation coefficient values. For measuring strength of correlation coefficients Petz’s (1997) recommendations were followed, where coefficients between 0.20 and 0.40 was considered to show weak relation, between 0.40 and 0.70 medium and higher than 0.70 a strong relation. Analysis was conducted with the SPSS statistical software (Statistical Package for the Social Sciences).

Results and analysis
As noted earlier, prior to the quantitative research, a qualitative investigation was conducted using the Delphi method, which as per experts’ opinion identified the international experience and brands of global hotel chains within the top key competitive factors of GCHs and global hotel chains. These were: quality of employees, loyalty programs, location, social networks, distribution channels, and value for money.

Of the 196 hotels included in the quantitative research, 96 of them belonged to the luxury brand, 59 of them belonged to the upscale brand, 29 of them to the midscale brand and 7 of them to the
The researched hotels were occupied 173 days on average and the achieved average daily rate was 193€.

In accordance with the main research questions, three hypothesis were tested. The first hypothesis states that the brand quality is positively correlated with branded GCHs business performance. The values for brand quality were ranged from 1 for the budget to 5 for the luxury category. It was expected that the higher the brand value will lead to the better performance indicators, expecting positive correlation coefficients.

The results of correlation analysis, presented in Table 1, highlights the Spearman correlation coefficient p-value as being lower than 0.01 for all the business performance indicators (occupancy, ADR and RevPAR). One can reasonably conclude therefore, that there were statistically significant positive relationship between brand quality and the three performance indicators, hence, the first hypothesis was confirmed. On the other hand, there was a weak relationship between brand quality and occupancy, and an average to high relationship of brand quality, with two remaining performance indicators. Thus, it can be argued that the higher the brand quality, the higher the business performance of GCHs expressed by RevPAR.

Table 1
The results of correlation analysis between brand quality and performance indicators (N=196)

<table>
<thead>
<tr>
<th>Brand quality</th>
<th>Occupancy</th>
<th>ADR</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman correlation coefficient</td>
<td>0.338</td>
<td>0.704</td>
<td>0.608</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td>&lt;0.001</td>
<td>&lt;0.001</td>
<td>&lt;0.001</td>
</tr>
</tbody>
</table>

The second correlation tested was between the GCHs business performance and the brands’ international experience measured by the number of hotels operating under the same brand of the global chain worldwide, vis-à-vis the following hypothesis: International brand experience defined by the number of hotels worldwide is positively correlated with branded GCHs business performance. An assumption was made that branded hotels would perform better, if the number of hotels operating under the same hotel brand of a global hotel chain, was greater. Therefore, a positive correlation between observed variables was expected.

Table 2
The results of correlation analysis between international brand experience expressed by the number of the hotels worldwide and performance indicators (N=196)

<table>
<thead>
<tr>
<th>International brand experience expressed by the number of the hotels worldwide</th>
<th>Occupancy</th>
<th>ADR</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman correlation coefficient</td>
<td>0.109</td>
<td>-0.111</td>
<td>0.028</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td>0.064</td>
<td>0.061</td>
<td>0.346</td>
</tr>
</tbody>
</table>

The results (Table 2) showed that between the total numbers of hotels operating under the same brand worldwide and branded GCHs business performance indicators, that there was no statistically significant correlation. Thus, the second hypothesis was rejected. These results were contrary to the expectations since all hotel chains strive to increase the number of hotels that operate under their brands. Thus, one can argue that while the hotel chain business performance might get better with the greater number of hotels that the chain operates, it may not have an effect on the individual hotels within the chain. This is an important finding for hotels seeking to join the global hotel chain because whilst hotel chains might often use the number of its hotels as its competitive advantage in negotiations, it is important for the hotels seeking to join that hotel chain to understand that the number of hotels that the chain
operates with, does not have a bearing on the individual hotel business performance, which seem like a logical outcome.

Finally, third hypothesis; that the international brand experience measured by the number of countries in which a brand operates is positively correlated with GCHs business performance, was tested. It was assumed that hotels would perform more successfully if the number of countries where their brand was represented, was greater. A positive correlation was expected between the independent and dependent variables. The results (Table 3) indicate that the brand experience was not related to the occupancy rate. There was however, a positive but weak correlation, with ADR and RevPAR. As there was a positive and statistically significant relationship between the international brand experience, that is the number of countries in which the brand operated, and RevPAR, this hypothesis was accepted. As it was the case with the number of hotels worldwide (second hypothesis), hotels negotiating agreements with the chains should be aware that their business performance will be minimally affected by the chains’ international business experience in terms of number of countries in which their brands operated.

Table 3
The results of correlation analysis between international brand experience expressed by the number of the countries in which the brand operates and performance indicators (N=196)

<table>
<thead>
<tr>
<th>International brand experience expressed by the number of the countries in which the brand operates</th>
<th>Occupancy</th>
<th>ADR</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman correlation coefficient</td>
<td>0.086</td>
<td>0.307</td>
<td>0.227</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td>0.114</td>
<td>&lt;0.001</td>
<td>0.001</td>
</tr>
</tbody>
</table>

Discussion and concluding remarks

One of the main aims of this research was to test whether or not there was a positive correlation between business performance of hotels within the hotel chains and brand quality (luxury to budget) and international brand experience expressed by the number of hotels that the brand operated worldwide, and by the number of countries in which the brand was represented. Geographically, the sample included select hotel chains operating in the European Mediterranean - Croatia, Italy, Spain and Turkey.

The results of the study confirmed that the relationship between chain hotel’s business performance and the brand quality was significantly positive. That is, the high quality GCHs of the luxury brands within the chains, achieved higher RevPAR. In practical terms, this means that the owners/managers of hotels seeking to join a hotel chain, should invest in higher quality products and services to meet the customer expectations who use high quality brands, thus realizing higher return on investment through higher RevPAR. However, it is important to stress that achieving a higher RevPAR may not always guarantee a high return rate on investments. This is due to high costs, however, evidence so far, is to the contrary.

The attractions of a hotel chain; a leverage in negotiations with individual hotels, is the chains’ international experience expressed by the number of hotels worldwide and the international experience derived from the number of countries where the chain operates. If a hotel joins chains with greater international experience, it was expected that the individual hotels within the chain will perform better. However, this may only be partially true. The number of countries where chains’ brand was represented, had only a weak positive relationship with the GCHs RevPAR, while there is was no significant relationship between GCHs RevPAR and the brands’ international experience expressed through the number of hotels managed by chain. This finding ran contrary to the findings of previous studies.
where it was argued that the factors such as economy of scale influence the chain hotel performance, was beneficial to the hotels within the chain. The economy of scale expressed by the number of hotels under the same brand or number of countries in which brand operates therefore, should attribute to the strength of brand. In addition, the economy of scale should provide to the hotels better knowledge of international guests’ demands, the benefits from central reservation system and access to global distribution systems (hereinafter: GDS), benefits from joined promotion, better purchasing power, and such. Excepting brand quality expressed by a brand name, the correlation of all other factors should be tested individually to the business performance of GCHs. This is because hotel chains rarely own the hotels they manage, but they manage them via a formal business arrangement such as a management contracts, a franchise, lease, etc. This may indicate a mismatch in expectations between hotel owners and hotel chains since the hotel owners often try to hold on to independence when it comes to costs and revenues. In addition, the GDS is necessity in global market, but not considered as a positive necessity, by the hotels, since it requires a high commission for each reservation.

This study, of course, has had some limitations. For example, the hotels that operated in Croatia as a criterion for inclusion in the study, limited the number of global chain hotels. The scope of the study also posed understandable limitations due to the sensitivity of data being collected, however, at the same time, opening avenues for further research. For example, a follow up study could use a quasi-experimental design that would compare business performance of independent hotels versus hotels belonging to the global chains. Another interesting option would be to investigate, subtle, differences in the way global chain hotels’ brands differ and change in different geographic locations and markets; such as the Banyan Tree hotel chain, or the Shangri-La, not to mention the ever growing cruise-ship hotels.

References
Corgel, J. B. (2002). A hotel investment is only good as its local market! Real Estate Issues, 27(2), 64-66.

Received: 02/01/2017
Accepted: 20/10/2017