

Andrea Kavarić / Silvana Đurašević

A Comparison of Tourist Arrivals Among Franchised Versus Independent Hotels: A Case Study from Montenegro

Abstract

The purpose of this article is to review the different influences of franchised hotels and independent hotels on tourist arrivals, length of stay, overnights, and generating markets of tourists to highlight differences between these two business concepts. The data for this study were obtained by MONSTAT, the Montenegrin statistical office, and combined with author calculations. Data are arranged in time series from 2009 to 2018. The analysis reveals significant differences between the influence of franchised hotels and independent hotels in terms of increased tourist arrivals, generating markets, length of stay, and consequently overnights. The findings of this study may support decision-makers in tourism to develop better strategies and action plans that are specifically important in small markets where a lack of space is evident.

Keywords: franchising, hotel, influence, small emerging markets, Montenegro

1. Introduction

Montenegro is one of the ex-Yugoslav republics. Since 2006, Montenegro has been independent, and historically it is possible to divide the development of Montenegrin tourism into three phases. The first phase is related to the opening of the first hotels with organized sales like the hotel "Plaza" Zelenika in 1902 (Madjar, 2002), the hotel Boka in 1908, and the Avala hotel in 1938 in Budva. In theory, scholars usually refer to this phase as one of intensive hospitality development. This phase was interrupted by WWII, but tourism in Montenegro recovered very quickly. The second phase of Montenegrin tourism, known in ex-Yugoslavia as mass tourism, began shortly after WWII, at the beginning of 1960. Many factors were facilitating this development. Montenegro's natural potential and its advantageous position on the Adriatic coastline led to the development of mass tourism since the 1960s (Bickeret et al., 2011). This period is marked as a high intense tourism development era on the Yugoslavian coast when the intensity of development was often compared to the development of the Spanish Costas (Gosar, 2007). In 1987 the number of visitors in the primary accommodation sector exceeded a million for the first time, and that year was considered the *golden year* of Montenegrin tourism (Ratkovic, 2009). Intensive tourism development was interrupted by political instability in 1991 when Yugoslavia started to fragment. The period from 1991 until the independence of Montenegro was not very favorable for tourism and was not often the subject of scientific papers. Bickeret et al. (2011), in their article, argue that there is a lack of up-to-date research in the case of Montenegro, and the current situation is almost unchanged. One of the primary goals of this paper is to contribute to the literature in hospitality, which strives to encourage researchers to investigate more the economic impact of hospitality.

Currently, Montenegrin tourism is in its third phase of development, known as sustainable tourism, and this period started after Montenegrin independence in 2006. Orientation towards sustainable development is reflected through Montenegrin policy documents, especially the Master plan for tourism development until 2020. Barring sustainable orientation of tourism development, the current period in Montenegrin tourism is marked as a period of intensive representation by international hotel chains. The first international hotel

Andrea Kavarić, PhD, Corresponding author, University Mediterranean - Faculty of tourism, Podgorica, Montenegro;
e-mail: Andrea.kavavic@unimediterran.net

Silvana Đurašević, PhD, Professor, University Mediterranean - Faculty of tourism, Podgorica, Montenegro;
e-mail: silvana.djurasevic@unimediterran.net

in Montenegro opened in 2003, the hotel Iberostar Bellevue in Budva, and until 2006 it was unique as a member of an international hotel chain (Djurasevic & Kavarić, 2017).

Intensive investment by international hotel chains in Montenegro started in 2014, and by 2018 arrivals exceeded numbers from the golden year of Montenegrin tourism for the first time. Nowadays, Montenegro is entering a new stage of tourism development, and this paper will explain the role of international hotel chains in Montenegrin tourism. How giant companies like international hotel chains influence arrivals, length of stay, and generating markets of tourists? Would Montenegro without them be able to exceed the *golden year*? To answer these questions, the remainder of this article is organized as follows. First, the current macroeconomic situation and tourism sector activity in Montenegro is presented. The subsequent section explains the methodology and presents the main study results. The article concludes with a discussion of study findings and research limitations.

2. Study background

Tourism demand trends were selected in this paper as crucial indicators of tourism development since the volume of tourism consumption depends on their volume, sources, and duration to a large extent, which is directly related to the success of the tourist destination. Research studies use different indicators of tourist destination success. Pearce (1997) argues that existing research studies and literature focus on the demand side and are more branding-oriented. In contrast, broader planning or development studies may incorporate various supply-side factors, thus centering around the competitiveness of tourist destinations. Unlike the author above, Otto and Ritchie (1996) consider that visitors are in charge of the success of a tourist destination and that their emotional experience of a tourist trip is crucial for the success of the tourist destination. The authors also point out that marketing techniques need to be used to measure the success of a tourist destination. In the context of this article, which focuses on the dynamics of tourist arrivals, generating markets, and the length of tourist stay in Montenegro, conditioned by the occurrence of international hotel chains, it could be said that his study analyzes marketing data at the macro level. Vital elements for tourist destination success encompass specific indicators such as, e.g., pricing (Dwyer et al., 2000), product offerings (Faulkner et al., 1999; Murphy et al., 2000), marketing (Buhalis, 2000), quality (Go & Govers, 2000), and membership (Donnelly & Vaske, 1997).

Additionally, this paper examines three segments related to the movement of visitors, which include the volume of tourist arrivals in the destination, the length of stay of tourists, and the country of origin of tourists to determine the relationship between tourism activity and the occurrence of international hotel chains on the Montenegrin market. Could international hotel chains be one of the competitive factors when it comes to small or developing countries? Ritchie and Crouch (2000) disagree that destination success may depend on individual indicators, but that destination success depends on multiple variables and advocates a holistic approach to destination success. Bornhorst et al. (2010) explain that the evaluation of destination success must be addressed through input and output variables, comparative and competitive advantages, and measured from the viewpoints of all stakeholders involved in the tourism system. Dwyer et al. (2000) presented the "demand" variable position in their integrated destination competitiveness model. A review of existing research reveals many examples of demand and demand forecasting studies in developed tourism countries, but there is a lack of research on these topics in developing countries. According to Song and Li (2008), the USA, UK, and France are the most popular researched countries as both destinations and countries of origin. Australia, Spain, Hong Kong, Korea, and Mainland China are investigated frequently as tourist destinations, whereas Germany and Japan are generally regarded as key source markets for international tourism. Overall, the USA and Western Europe, as traditional international tourism markets, still attract considerable attention in recent empirical research. When it comes to the hotel industry, Krupskyi et al. (2014) define competitiveness as a set of attributes and hotel characteristics that influence the consumer's perception and help him make a final decision in favor of the particular enterprise. According to World Tourism Organization (UNWTO,

2018), Southern Mediterranean Europe recorded the highest growth in tourism activity, with a 5% increase in visitors and an 8% increase in consumption with a growing trend. Since Montenegro belongs to this region and has a short history of international hotel chains operating in its small economy, it is suitable for this study. Montenegro's European commitment, NATO membership, and leading position among non-EU countries from the region and its long tourism tradition, exceptional tourism resources, and international hotel chains make Montenegro an ideal research setting for analyzing the impact of global hotel chains on destination competitiveness and success. Lee (2020) argues that destinations that want to have a vibrant and robust tourism industry that can improve economic health (p. 22) should rely on a growing hotel industry. He further states that inverse demand and demand functions usually use the theory of demand to identify a set of variables as the critical determinants of each indicated function. The same logic is used by Ivanova et al. (2016), who highlight hotel chains as essential players in the hotel industry that have attracted much research attention. But despite the increased interest of researchers in this topic, the relationship between hotel chains versus independent hotels has not received considerable attention so far.

2.1. Macroeconomic indicators of Montenegrin tourism

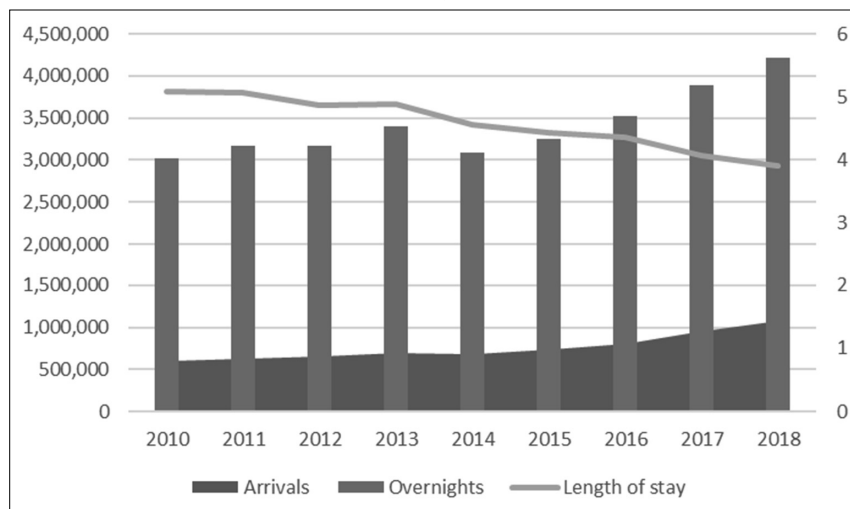
Intensive tourism development in Montenegro started in the former Yugoslavia, where Montenegro, besides Croatia, was a key generator of demand for tourism services. Dubrovnik (Croatia) and St Stefan (Montenegro) were the key trademarks of Yugoslav tourism. The development of Montenegrin tourism was significantly slowed down and weakened by the adverse political factors that resulted in the breakup of the ex-state of Yugoslavia. The breakup of Yugoslavia ends the period of mass tourism in Montenegro, and tourism policymakers started turning to sustainable tourism. The years associated with the beginnings of sustainable tourism were the years when the first strategic documents in sustainable development and tourism of the independent state of Montenegro were adopted, i.e., 2006 to 2008. Intensified activities of international hotel chains on the Montenegrin market began in the period mentioned above. For that reason, these years were chosen as the temporal frame for this study. The leading macroeconomic indicators selected for analysis are tourist arrivals on an annual basis, overnight stays, average tourist stay, and the structure of generating markets.

The 'golden year' of Montenegrin tourism is considered to be 1987, when, for the first time, more than one million tourists stayed in primary accommodation (Ratkovic, 2009). When talking about this year, the aspect of tourist generating markets mainly refers to domestic tourists. In 1987, the ratio of domestic and foreign tourists was 69% versus 31% in favor of domestic tourists. When it comes to domestic tourists, guests from the Republic of Serbia had the largest share of 63%, followed by Montenegro at 11% and other ex-Yugoslav republics at 26%. Foreign tourists who visited Montenegro from the middle to the end of the 80s dominantly came from Germany 34%, Great Britain 15%, Italy 5%, and France 3%. In the reporting period, the average tourist stay in Montenegro was 8.5 days. Domestic tourists stayed on average eight days in the continental part of the country while staying for nine days on the coast. The situation with foreign guests was slightly different, and their average stay in Montenegro was 9.5 days or ten on the coast. In the structure of accommodation capacities in 1987, Montenegro had 146,378 beds, out of which 30,825 beds in basic accommodation and 115,554 in complementary accommodation (Ratkovic, 2009). Thirty years later, in 2018, Montenegrin tourism succeeded in repeating the result of 1987, as an independent tourist destination with about 400 hotels with a capacity of about 18,000 rooms or 41,844 beds (Ministry of Sustainable Development and Tourism, 2018). The following chart overviews the ratio of overnight stays, tourist arrivals, and average tourist stay at the destination from 2010 to 2018.

Tourism is one of the key branches of the strategic development of Montenegro. In line with the S3 Smart Specialization Strategy, health and sustainable tourism are included among the critical strategic branches of the country's development. The country's commitment to tourism development is also reflected in the fact that in 2006 the hospitality sector had a share of 4.9% in the country's GDP and was in ninth place by the type of activities that participate in creating GDP. After 11 years, in 2017, the accommodation and food sector

participate with 8.8% in GDP and is in the third place of activities that make up the GDP of Montenegro, just behind the trade and construction sector. In the last seven years, the number of employees in Montenegro, closing with 2017, increased by 12.7% and recorded an average annual growth of 1.8%. The contribution of hotels and restaurants to total employment was 6.7% in 2010 and 8.2% in 2017, corresponding to an increase of 1.5 percentage points. Employment in the hospitality industry has been growing steadily since 2010 at an average annual rate of 5.2%, which shows that employment in the hospitality sector is growing at a significantly higher rate than total employment.

Figure 1
Tourism arrivals, overnights and length of stay in collective accommodation in Montenegro from 2010 to 2018



Source: MONSTAT.

In Montenegro, the primary employment generator is the trade sector, followed by public administration, hospitality, education, manufacturing, health, social protection, etc. In the first five activities, there is only one production activity, and according to official MONSTAT data, this is the only activity that records a decline in the number of employees. Service activities are, in fact, a strategic branch of development of the Montenegrin economy that the development of production activities must support to ensure the multiplication of revenues and the sustainability of the financial system.

Apart from arrivals, length of stay, and overnight stays, the key indicators of tourism impact on the destination are tourist consumption and the multiplication of the effects of tourism in the destination. However, due to a lack of statistical data, these indicators were not included in this study. It is interesting to note that the average tourist retention in Montenegro has been in constant decline since 2010 and that the other two monitored indicators have constantly been increasing since 2014. From the aspects of tourists' generating markets, the situation is somewhat similar to that of 1987 when domestic tourists from Montenegro generated 11% of turnover in basic accommodation capacities, while the share of domestic guests in basic accommodation was 11.71% in 2018. When it comes to foreign tourists, most overnight stays were generated by tourists from Russia (18.16%), Serbia (16.25%), France (6.6%), Poland (4.6%), and other European countries (6.8%). Several significant changes have occurred regarding demand from foreign markets between these periods. The share of Russian tourists increased from 6% to 16% compared to the 80s, the share of tourists from the Serbian market decreased by 3,634,334 nights (author's calculations based on Ratkovic, 2009 and MONSTAT), the share of tourists from the French market increased by 3.6%, and those from Poland by 1.6%, while the participation of other European countries fell from 17.6% to 6.8%.

2.2. Brief overview of the Montenegrin hospitality sector

Montenegro is divided into three regions: the southern, central (where the capital is located), and the northern region. All three areas are characterized by varying degrees of economic and social development. The northern region, although territorially the largest, is the least developed, while the central and southern regions are significantly more developed and characterized by much more favorable economic and social conditions. When it comes to the tourism and hotel industry, the most developed is the southern coastal region. The central region is less developed in terms of the volume of tourist infrastructure, but it has a lesser impact of seasonality on the destination, unlike the southern region. According to the latest data, the Ministry of Sustainable Development and Tourism has officially categorized 415 hotels or basic accommodation facilities in Montenegro. The total capacity of the basic accommodation is 18,761 rooms or 41,844 beds. Based on available data and calculations obtained, the average hotel in Montenegro has 37 rooms, seven apartments, and 100 beds.

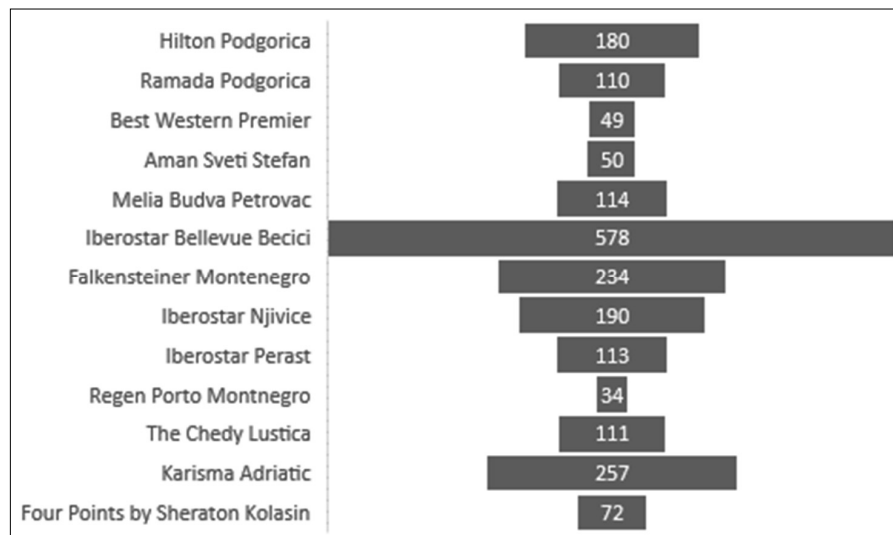
Furthermore, the average hotel in Montenegro belongs to the small hotel category, it is categorized as a four-star hotel, and it has a slightly larger number of apartments than is usual for hotels of this capacity. The average size of the building significantly changed compared to 2011, when the average hotel in Montenegro had 58 rooms, 136 beds and was categorized with three stars on average. There is a trend of capacity reduction in favor of the quality of hotel accommodation, which is aligned with the emphasis placed on sustainable tourism development. One of the basic postulates of sustainability in the hotel industry is the construction of hotel facilities tailored to the destination's spatial characteristics with a significant emphasis on service quality. Lack of space, limited market, and adequate tourist infrastructure have led to this trend, whereby hoteliers try to make up for the lack of capacity and revenues by improving the quality of hotel services.

In line with the differences in the economic development of the Montenegrin regions, there are also significant differences in volume and quality of hotel accommodation across regions. As in economic and social development, the northern part is the least developed in terms of hotel capacities. 14% of the country's total accommodation facilities are located in the north. The central region also has 14% of the country's accommodation capacities, but unlike the northern part, the structure of the accommodation capacity in terms of quality is significantly more favorable. The most favorable accommodation structure is in the country's southern region, where 72% of the total accommodation capacities are located in terms of the number of hotel facilities. Regarding the number of rooms and apartments, the coastal region makes up 84.6% of the total accommodation capacities or 15,874 accommodation units, out of which 13,349 rooms and 2,525 apartments. Furthermore, 85% of all rooms and 84% of apartments in Montenegro are in the coastal region.

Apart from the number of hotel facilities, their level of quality is essential for destination success, which is in Montenegro marked by stars (1 to 5 stars). Out of 19 five-star hotels, 16 are located in the coastal region. Likewise, hotels with four stars (112), three stars (107), two stars (53), and one star (12) are dominantly located in this region. The coastal region is also the most attractive for international hotel chains. Nine branded hotel chains operate there: Iberostar (3 hotels), Aman, Falkensteiner, Melia, Karisma Adriatic, The Chedy, and InterContinental hotel group. 59 basic accommodation facilities operate in the country's central region, out of which 44 are in the capital town. This region has a total of 1,705 accommodation units, out of which 1,369 rooms and 309 apartments. The capital has 80% of the total accommodation units in this region (1,115 rooms and 262 apartments). There are four branded hotels in Podgorica, i.e., Ramada (Wyndham hotel group), Best Western Premier, Hilton, and Centre Ville (H mark). International hotel chains are the least present in the northern region, with only one branded hotel, i.e., Four Points by Sheraton (Marriott International), located in the winter ski center of Kolasin. The northern region of Montenegro covers 52% of the total territory of the country, and 56 hotel facilities with a total capacity of 1,120 accommodation units, out of which 949 rooms and 171 apartments. Although this region covers the territory of 11 municipalities, accommodation capacities are predominantly located in two municipalities, i.e., Kolasin and Zabljak, which

are considered the capitals of winter and mountain tourism of the country. As many as 48% of all accommodation in this region is in the mentioned municipalities. Interestingly, despite the tourist attractions and opportunities for the development of elite tourism in the north of Montenegro, no five-star hotel has yet been opened in this region. There are 13 four-star hotels, making 23.2% of the total hotels in the region, 26 three-star hotels, and 16 two- and one-star hotels. Overall, most hotels operating in Montenegro are three- or four-star hotels. When it comes to international hotel chains, they are dominantly categorized with four and five stars (Figure 2).

Figure 2
Number of rooms and apartments in branded hotels in Montenegro



Source: Authors according to Categorization report for 2018 (www.gov.me).

Based on author calculations, hotels in international hotel chains in Montenegro have 160 accommodation units on average, which is three times more than the capacity of independent hotels in Montenegro, which on average have 45 accommodation units. The total capacity of branded hotels in Montenegro is 2,252 rooms, representing 12% of the total accommodation capacity in Montenegro. Unlike the share of capacity at the room level, the percentage of branded hotels in the total number of hotels in Montenegro is only 3.3%.

2.3. Study hypotheses

Taking into account the significant changes and continuous growth of both tourist arrivals and overnights over the last decade in Montenegro (except for the global economic crisis years), and the significant parallel increase in the capacity of international hotel chains on the Montenegrin market, this study aims to analyze the relationship between international hotel chains capacity and tourism activity in Montenegro.

H1: There is a significant, positive relationship between international hotel chains capacity and the number of tourist arrivals in Montenegro.

H2: There is a significant, positive relationship between international hotel chains capacity and the number of tourist overnights in Montenegro.

Moreover, considering that Montenegro is strategically committed to the development of sustainable tourism, which implies the efficient and effective use of resources, it is of utmost importance that, through increasing the quality of tourism services, the country can achieve economic, environmental, and social sustainability. Considering the limited space of the destination and its carrying capacity, it is evident that Montenegro is not a destination that could accommodate large numbers of tourists and support their intense fluctuation.

Therefore, Montenegro needs to strive to attract and retain high-income guests and create conditions for extending the stay of tourists at the destination. Since Montenegro has been experiencing a constant trend of decreasing tourist arrivals since 2006, this study intends to explore whether international hotel chains and guests who are their target markets could reduce the impact of this trend and extend the length of tourist arrivals at the destination.

H3: There is a significant relationship between international hotel chains capacity and the length of tourist stay in Montenegro.

According to available data, important generating markets for Montenegrin tourism have changed significantly in the last decade compared to the 1980s. In the previous 30 years, Montenegro has made a significant step forward in the strategic orientation of the destination. Over the past decade, Montenegro has been intensively abandoning mass tourism which is still present on the market. This transition also meant entering some new markets and new business formats. Therefore, this study focuses on the relationship between international hotel chain capacities and changes in tourism activity from individual generating markets in this transition period to reveal positive or negative changes in tourist demand from certain generating markets. The generating markets for this study were selected based on data availability and the importance of the market for Montenegrin tourism.

H4: There is a significant relationship between international hotel chains capacity and the volume of tourist arrivals from important generating markets (i.e., Serbian, Russian, Montenegrin, British, French, Ukrainian, Bosnian, and other European and non-European markets).

3. Methodology

Before presenting descriptive statistics and results of hypotheses testing, it appears helpful to explain the sources of data and the statistical method used. This study focuses narrowly on the hospitality industry. All data focus only on tourists who visit Montenegro and stay in basic accommodation. This study uses multiple regression to investigate the impact of more than ten independent variables related to the influence of international hotel chains on macroeconomic indicators of Montenegrin tourism. To increase the sample size, this study uses a pooled time regression of eight years (2010-2018). Data for dependent variables were extracted from two different sources of secondary data. For this research, two databases were created. One database contained official state data collected by MONSTAT, and the second one according to official state reports about the performance of the hotel industry in Montenegro created by Horwath Consulting (both authors of this study were members of the team conducting the market study). For hypotheses testing, annual and monthly data from 2008 to 2018 were used.

Two types of independent variables were used. One dependent variable is the number of international hotel chain hotels in Montenegro in the last ten years. As a control variable, the number of independent hotels for the previous ten years has been used. Due to significant differences between samples of dependent and control variables, a variable representing the number of rooms was used instead of the number of hotels. As mentioned previously, hotels managed by international hotel chains are three times bigger than independent hotels, thus using this variable creates a more balanced ratio between control and dependent variables. Regressions were run on both levels (i.e., number of hotels and rooms). As dependent variables, this study used (i) annual and monthly arrivals and overnights of tourists (over the past eight years), (ii) the length of stay in the same period, and (iii) arrivals of tourists from different generating markets over at least six years (depending on availability of data). Logarithmic data were used for statistical reasons.

4. Results

Table 1 provides descriptive statistics for the sample, with correlations between tested variables. The number of international hotel chains' rooms annually had the highest correlation (0.974; $p < 0.000$) with overnights

in the capital city Podgorica. Moreover, the results show that independent hotels' rooms have no statistically significant correlation with arrivals in Podgorica ($p=0.351$). VIF values were further checked to confirm that there is no threat of multicollinearity invalidating this study's findings.

The results of linear regressions are reported in Table 2. The four hypotheses were tested through 14 linear regressions (H4 was tested using eleven regressions for each generating market, including the domestic market).

Overall, five regression models proved statistically significant. H1 indicates that international hotel chains are positively related to tourist arrivals in Montenegro, which is supported by the results of ($p=0.000$; $B=1.025$; $R^2=0.946$). H2 proposed that international hotel chains have a statistically significant positive influence on tourist overnights in Montenegro, which is also supported by the analysis ($p=0.000$; $B=0.933$; $R^2=0.959$). Conversely, the analysis did not provide empirical evidence for the validity of H3 ($p=0.305$). H4 was tested for each region individually. Among 11 tested markets, only three cases confirmed the statistical significance of the impact of international hotel chains on the generating markets of tourists. In two cases, the impact of international hotel chains on the arrivals of tourists from these countries was negative (i.e., Serbia, Ukraine; $p=0.022$; $b=-0.909$; $R^2=0.682$; $p=0.018$; $b=-0.604$; $R^2=0.890$, respectively). A positive influence of international hotel chains on generating markets was observed only for tourists from other European countries, apropos, in case of emergence of tourists from new emitting markets ($p=0.000$; $b=0.670$; $R^2=0.906$).

Table 1
Correlations between tested variables

		ID	LNArrivals	LNOver-nights ^{total}	LNOver-nights ^{hotel}	LNLengthof-stay	LNHC	LNHCrooms	LNIndependent-hotels	LNIndependent-hotelsrooms
ID	Pearson correlation	1	.987**	.985**	.963**	-.659	.965**	.928**	.764*	-.497
LNArrivals	Pearson correlation	.987**	1	.993**	.987**	-.636	.960**	.940**	.807*	-.416
LNOvernightstotal	Pearson correlation	.985**	.993**	1	.965**	-.708*	.933**	.901**	.744*	-.430
LNOvernightshotel	Pearson correlation	.963**	.987**	.965**	1	-.539	.955**	.957**	.885**	-.384
LNLengthofstay	Pearson correlation	-.659	-.636	-.708*	-.539	1	-.526	-.462	-.039	.282
LNHC	Pearson correlation	.965**	.960**	.933**	.955**	-.526	1	.986**	.831*	-.415
LNHCrooms	Pearson correlation	.928**	.940**	.901**	.957**	-.462	.986**	1	.867**	-.212
LNIndependenthotels	Pearson correlation	.764*	.807*	.744*	.885**	-.039	.831*	.867**	1	.167
LNIndependenthotelsrooms	Pearson correlation	-.497	-.416	-.430	-.384	.282	-.415	-.212	.167	1
	N	9	9	9	9	9	9	10	8	10

Note: * = significance level of 0.01; ** = significance level of 0.05.

Besides the fact that this is the first study focusing on the influence of hotel chains on Montenegrin tourism, other specificities that make it difficult to check the robustness of the results are related to the characteristics of the Montenegrin market (i.e., small economy, extremely attractive for tourism, non-EU country, located in Europe, using € as an official currency, and it economically belongs to developing countries). It is difficult to find a comparable country, with eventually some similarities to Malta, although these countries are at different levels in terms of economic development.

Table 2
Results of the regression models

Independent variables	Dependent variables	Sig.	B or Beta	VIF	Model sig.	R ²	Adjusted R	Durbin-Watson
LNHCRooms	LNArrivals ¹	.000	1.025	1.278	0.000	0.946	0.927	2.096
LNHOTRooms		.149	-.719	1.278				
LNHCCLRooms	LNOvernights ²	.000	.933	1.278	0.000	0.959	0.945	2.353
LNHOTRooms		.048	-.881	1.278				
LNHCRooms	LNlengthofstay ³	.305			0.565			
LNHOTRooms		.600						

Table 2 Continued

Independent variables	Dependent variables	Sig.	B or Beta	VIF	Model sig.	R ²	Adjusted R	Durbin-Watson
LNIHCRooms LNHOTRooms	LNRussia ⁴	.366 .558			0.626			
LNIHCRooms LNHOTRooms	LNMNEtourists ⁵	.351 .320			0.241			
LNIHCRooms LNHOTRooms	LNSerbia ⁶	.022 .261	-.909 1.987	1.177 1.177	0.018	0.682	0.592	1.743
LNIHCRooms LNHOTRooms	LNFrance ⁷	.755 .424			0.709			
LNIHCRooms LNHOTRooms	LNItaly ⁸	.603 .873			0.799			
LNIHCRooms LNHOTRooms	LNUkraine ⁹	.018 .855	-.604 -1.127	1.133 1.133	0.037	0.890	0.816	2.748
LNIHCRooms LNHOTRooms	LNGB ¹⁰	.218 .047			0.107			
LNIHCRooms LNHOTRooms	LNBH ¹¹	.279 .726			0.497			
LNIHCRooms LNHOTRooms	LCzechRepublic ¹²	.722 .231			0.442			
LNIHCRooms LNHOTRooms	LNGermany ¹³	.751 .251			0.363			
LNIHCRooms LNHOTRooms	LNOtherEuropean countries ¹⁴	.000 .905	.670 .057	1.177 1.177	0.000	0.906	0.879	1.510

Note:

¹ Total arrivals in Montenegro by years (2009-2018), ² Total overnights in Montenegro by years (2008-2018), ³ Average length of stay by years (2008-2018), ⁴ Number of Russian tourist arrivals by years (2008-2018), ⁵ Number of Montenegrin tourist arrivals by years (2008-2018), ⁶ Number of Serbian tourist arrivals by years (2008-2018), ⁷ Number of French tourist arrivals by years (2008-2018), ⁸ Number of Italian tourist arrivals by years (2008-2018), ⁹ Number of Ukrainian tourist arrivals by years (2008-2018), ¹⁰ Number of Great Britain tourist arrivals by years (2008-2018), ¹¹ Number of Bosnian tourist arrivals by years (2008-2018), ¹² Number of Czech Republic tourist arrivals by years (2008-2018), ¹³ Number of German tourist arrivals by years (2008-2018), ¹⁴ Number of Other European tourist arrivals by years (2008-2018).

5. Discussion and conclusion

International hotel chains have been present in the Montenegrin market for 13 years. Their more intense presence began in 2014 when the number of international hotel chains has been steadily increasing. The increase in capacity is significantly larger as international hotel chains have considerably higher capacity than independent hotels in Montenegro. In terms of quality and brands of international hotel chains, only top chain brands operate in Montenegro, as there are no budget brands on the market. Out of the ten largest hotel chains in Montenegro, five of them operate as follows: Hilton, Wyndham H&R, Marriott International, Best Western H&R, and InterContinental hotels group (325 Ranking special report, 2018). This paper aimed to investigate the relationship of international hotel chain business on key performance indicators of the hotel industry in Montenegro, which is eager to be explained through four hypotheses, one of which was confirmed through several individual hypotheses. Linear regression results confirmed hypotheses H1 and H2. The results show that the variable IHC rooms positively impacts the growth of tourist arrivals in Montenegro (significance level of 0.01). The regression analysis confirmed that if the independent variable IHC rooms changes by 1%, tourist arrivals in Montenegro will increase by 1.025% (Sig. $p = 0.000$, $b = 1.025$). This means that another ten hotel units of international hotel chains would annually bring 20,000 new guests to Montenegro. Conversely, the results indicated that the number of rooms in independent hotels did not significantly affect tourist arrivals in Montenegro. A similar situation was observed in the case of H2. However, the relationship between international hotel chains and overnight stays in Montenegro is less intense compared to the impact of IHC on tourist arrivals. According to the regression analysis, if the independent variable LNIHC rooms (Total number of rooms in hotels that belong to international hotel chains) rises by 1%, overnights would increase by 0.93% ($p = 0.00$; $b = 0.93$). If the variable LNHOT (Total number of rooms in independent

hotels) increases by 1%, overnights in Montenegro decrease by 0.88% ($p = 0.048$; $b = -0.88$). Regarding LN Overnights (Total overnights in Montenegro), both tested variables are statistically significant. However, changes in the LNIHC Rooms variable positively impact the overnight stays in Montenegro, whereas the LNHOT Rooms variable has a negative impact. This finding supports H2, i.e., the increase in the number of independent hotel accommodation capacities is negatively related to overnight stays in Montenegro.

Regarding tourist arrivals, results are as expected because international hotel chains (IHC) are key players in the tourist market, with strong sales channels and a loyal customer base. In line with this, it was assumed that IHCs would positively impact tourist arrivals. Conversely, this study did not assume an impact of IHCs on overnight stays. Since it is a category that hoteliers do not significantly influence, these are decisions made by tourists independently influenced by many factors that operate in the emitting and receptive region. However, the regression analysis showed that IHCs have a statistically significant positive impact on overnight stays in Montenegro. With each increase in IHC capacity of 1% (23 rooms), overnight stays in Montenegro would increase by 10,230 nights annually or 855 nights per month. In contrast, the regression analysis showed that an increase in the capacity of independent hotels of 1% (about 160 rooms) impacts the reduction of overnight stays by about 9,500 annually. The results indicate a lack of competitiveness of independent hotels predominantly oriented towards markets in the region. They are unable to adequately cope with the impact of the upcoming demand for private accommodation. Independent hotels have significantly higher costs than short-term rentals due to a wider range of services and generally higher quality. However, they lack brand strength and strong images compared to IHCs, which places them in highly demanding pricing decisions, that would differentiate them from private accommodation and make them competitive towards IHCs at the same time. The same analysis was conducted for the capital as a micro-destination to test the robustness of the obtained results. The same results were obtained with significantly stronger IHC impact intensities. However, the negative impact of independent hotels on the overnights in Podgorica was not confirmed in this case. This result indicates that in Podgorica, as the only micro-destination in Montenegro that does not 'suffer' from the significant influence of seasonality, different market hotel conditions prevail. Perceived service quality, tourist satisfaction, and continuous monitoring of tourists' needs are vital determinants of the IHC business that underpin H1 and H2.

Particular attention was paid to the trend of contemporary tourists tending to reduce the length of their stay at the destination to have more trips during the year (H3). Still, the results did not confirm this hypothesis. Furthermore, H4 required the establishment of multiple individual models to investigate the impact of IHCs on selected generating markets for Montenegrin tourism. Out of over ten tested markets, only three results were statistically significant. The results revealed a negative impact on arrivals from the Serbian and Ukrainian markets, and a positive impact on arrivals from other generating markets in Europe. The result indicated that if the quantity of accommodation facilities managed by international hotel chains in Montenegro increased by 1%, the percentage of tourists from the Serbian market staying in Montenegrin hotels would decrease by 0.909%. If IHC capacity increased by 23 rooms, arrivals of tourists from the Serbian market would decrease by about 3,500 annually. The situation with the Ukrainian market is somewhat more favorable, and according to the results, an increase in the capacity of 23 rooms would lead to a decrease in tourist arrivals in hotels by about 330 tourists annually. As part of the models for testing H4, the only positive impact of IHCs was observed with regard to other generating markets in Europe. The results show that additional 23 rooms would bring 0.67% new tourists, that is, 4,900 tourists who stay at Montenegrin hotels annually. This finding could be explained by the general tendency of decreasing visitor numbers from the Serbian market, the increase in the prices of hotel accommodation in Montenegro, which is largely conditioned by the arrival of IHCs, and the fact that Montenegro is a 'second home' destination for many Serbian tourists. The impact of the phenomenon of 'second home destination' is also one of the reasons why the rise in hotel accommodation prices has led tourists to buy their own real estate or make them stay in private accommodation. During the economic boom, immediately after gaining independence, Montenegro was a popular destination for tourists

from the Russian and Ukrainian markets as a 'second home destination.' The economic activities from that period directed towards the production of housing units are being felt today as consequences for the hotel industry. The impact of IHCs on new emitting markets is encouraging since Montenegro has aspirations to expand its existing markets and expand its offer. At the same time, the presence of IHCs facilitates Montenegro's penetration into new markets. Hypothesis H4 has not been confirmed since more than half of the tested individual hypotheses have not been supported. Still, the findings obtained are highly significant and may aid help decision-making at the level of national tourism policy. Based on all the obtained results, some of the key findings are:

- International hotel chains have a positive impact on the total number of tourist arrivals in Montenegro, and that their presence in the country's offer generates significantly higher demand than independent hotels;
- International hotel chains have a positive impact on the total number of tourist nights in Montenegro. Still, at the same time, the length of stay of tourists in Montenegro decreases significantly, thus indicating that the number of repetitive visitors is rising. IHCs base their business on loyalty programs, which further supports this assumption;
- International hotel chains enable Montenegro's tourism to penetrate some new European markets and distance them from traditional regional markets, which puts independent hotels in an unenviable position. The intensity of IHC promotion and support in regional markets is declining, leading to a change in the country's overall promotional strategy which tends to enter new markets. This significantly complicates the position of independent hotels, which cannot compete with international chain hotels in new markets. At the same time, they have to invest additional resources aimed at maintaining positions in declining markets.
- IHC and independent hoteliers do not cooperate to improve the joint offer, and independent hoteliers, under pressure from IHCs, have chosen regional markets as the main target. This situation in terms of supply is not a good option for the Montenegrin hotel industry. Additional efforts are needed to improve the quality and capacity of independent hotels to make them more competitive, thus significantly enhancing the overall offer of destinations.

This paper has implications for both research and practice. Since there are no theories or models that explain the impact of IHCs on small countries, this study could serve as a starting point in constructing respective theories. The paper has also important implications for the Montenegrin economy, as it sheds light on the relationship of competitiveness at the enterprise level, which ultimately affects the competitiveness of the destination. Thus, the conclusions and hypotheses tests in this article could assist decision-makers in creating strategic documents.

6. Limitations and future research

This research has several limitations that need to be mentioned. This type of research is conducted for the first time in Montenegro, and the operating histories in terms of the business length of the two concepts subject to analysis significantly differ. Another challenge was the sample size since there was a ratio of 401 independent hotels versus 14 international chain hotels. However, this ratio is substantially more favorable in terms of capacity than the number of hotels. Finally, a limitation of this study is that other important demand drivers were not included as controls in the regression models, but the focus was only on independent hotel versus international chain hotel capacities. Future research could introduce controls to make the model and comparison more robust. Future studies may also examine the impact of IHCs and independent hotels on other dependent variables such as, e.g., hotel revenues, average occupancy, operating costs, or employee personal income.

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