



IMPACT OF LEADING HOTEL CHAINS ON HOTEL INDUSTRY

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Abstract:

The global hotel industry has witnessed profound transformations in recent decades, largely driven by the expansion and consolidation of corporate hotel chains. This study examines the multifaceted impact of corporate hotel chains on the global hotel industry landscape, with a specific emphasis on the Asia-Pacific (APAC) region, where growth has been particularly pronounced. This research delves into the complex dynamics of supply and demand shifts from the traditionally well-developed markets such as the USA and Mediterranean to the APAC and Middle East region. Corporate hotel chains have significantly reshaped the global hotel landscape, influencing market concentration, pricing strategies, and service standards. This study employs a comprehensive analysis of industry data and case studies to elucidate the mechanisms through which these chains have exerted their influence. It evaluates the advantages and drawbacks of their presence, considering factors such as economies of scale, brand recognition, and their ability to cater to diverse customer segments.

Keywords:

market dynamics, market concentration, APAC region, market segmentation, hotel branding.

INTRODUCTION

In the landscape of the global hotel industry, the pervasive influence of corporate hotel chains has been a defining force in recent decades. This academic study delves into the multifaceted impact of these chains on the industry, with a particular focus on the remarkable growth experienced in the Asia-Pacific (APAC) region. Against the backdrop of evolving market dynamics, this research scrutinizes the complex interplay between corporate hotel brands and the traditional hospitality sector. This study serves as a gateway to understanding how corporate hotel chains have transformed market structures, pricing strategies, and service standards on a global scale, while also illuminating the distinct shifts in supply and demand patterns from the Western world to the burgeoning APAC region.

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LITERATURE REVIEW

Strategies of hotel chains

Hotel management companies (hotel chains) are dominant players in the hotel market. Their business model is based on corporate agreements enabling them to open new hotels all over the world with minimal capital investments. Through these contracts, they offer knowledge and experience to investors along with exclusive right to use their name in exchange for fees that are regulated by contracts. These fees are the main source of income for the hotel chain that has been lately invested in further development.

The main goal of hotel chains is to gain as much market cover as possible. Market segmentation is the main strategy used in the purpose of putting (grouping) in clearly defined subsets with similar characteristics (Popesku, J., Gajić, J., 2020). For a market segment to be profitable, it has to fulfill the following conditions: internal homogeneity, external heterogeneity, operability and availability. The main variables for segmentation are psychological, demographic, behavioral and geographical.

Each market segmentation consists of 3 main steps:

- identification of different profiles of consumers and grouping them into segments,
- evaluation and choice of specific market segment, and
- forming marketing strategy.

Branding of hotel service

Branding is a direct result of market segmentation. As hotel service is intangible, branding contributes to overcoming this component. There are 3 conditions for every brand: it has to be recognizable, has to have some significance for customers and expected quality and they have to be loyal. Loyalty is key that makes a difference on the market (Dulawat, S.S. 2010). By giving a name, colors and visuals to service, hotels are creating a bond with their guests, and bring their offer closer to them.

This is the sole reason why the biggest hotel chains are investing most of their funds in creating different brands that will target different market segments with the sole purpose of providing them with unique services created especially to meet their needs.

METHODOLOGY

The article aims to identify key business models of hotel chains that enabled their international development with minimal investments. In order to collect data, we analyzed academic literature and research reports related to the hotel industry, international hotel chains, their strategies and market structure. The research was conducted on the ten biggest hotel corporations based on their market share. The main method was the comparison of collected data for the purpose of presenting results and conclusions reached during the research.

The main goal of the research is to determine whether or not (and in which way) the changes on the market structure of the ten biggest hotel chains occurred in the last 10 years.



RESULTS

Figures and Tables

Figure 1. 10 largest hotel corporations. (figure caption).

Rank 2021 (2011)	10 largest hotel corporations			
	Hotel corporation	No. of rooms (2021)	No. of rooms (2011)	Change in % 2011-2021
1 (2)	Mriott Int. (SAD)	1.446.600	643.196	124,80%
2 (9)	Jin Jiang Int. (Kina)	1.239.274	193.334	541%
3 (3)	Hilton (SAD)	1.065.413	633.238	68,25%
4 (1)	IHG (Velika Britanija)	885.706	658.348	34,53%
5 (4)	Wyndham (SAD)	810.051	613.126	32,12%
6 (5)	Accor (Francuska)	777.714	531.714	46,27%
7 (20)	Huazhu Group (Kina)	753.296	73.600	923,50%
8 (6)	Choise (SAD)	575.735	497.205	15,79%
9 (46)	BTG Hotels (Kina)	475.124	22.767	1.986,90%
10 (8)	Best Western (SAD)	348.070	311.894	11,60%

Source: Hotels 225, (link: <https://library.hotelsmag.com/july-august-2022/page-32>)

Figure 1 shows the ranking of the ten largest hotel corporations measured by number of rooms. In the last 10 years half of them, mainly originating from the USA, managed to retain their market position. However, there is an evident increase in the presence of corporations from China. This proves that a rapid growth of China's economy is directly infecting the hotel market.

The estimated number of guests rooms in 2021 was around 17.5 million (Statista, 2023), which means that almost half of all hotel rooms in the world were operated by the ten largest hotel chains. Global hotel corporations are for sure dominant in the hotel market. They are spreading their network all over the world, secluding their presence in different markets. Security guaranteed by strict standards is what makes hotel chains and their brand stand out in the hotel market.

CONCLUSIONS AND DISCUSSION

Global economic and technological advancements have exerted a direct and substantial influence on the burgeoning demand for tourism, consequently propelling the expansion of the hotel industry. Before the Covid-19 pandemic, the tourism and hotel industry accounted for 10% of global GDP (International Monetary Fund, 2020). Its worth was estimated at 1,52 trillion \$. Although this number dropped due to restrictions during the lockdown, the hotel industry keeps showing signs of fast recovery.

Over the past two decades, the confluence of social and industrial prosperity has catalyzed a discernible shift in global power dynamics from the Western hemisphere to the Eastern regions. Notably, while the concept of hotel chains originated in the United States, recent years have witnessed the rapid ascent of numerous Chinese hotel corporations (UNWTO, 2023), many of which now occupy esteemed positions within the Top 10 hotel corporations globally.

Evidently, the APAC region is progressively ascending to a preeminent position within the world market. The United States has encountered challenges in keeping pace with the growth of the Chinese economy, underscoring the inexorable emergence of Asia and the Pacific as new pivotal global markets.



Recognizing this transformative trend, numerous corporations have strategically redirected their developmental endeavors toward these burgeoning regions. A striking illustration of this burgeoning potential is exemplified by China's largest hotel corporation, Jin Jiang International, which has achieved a remarkable growth rate exceeding 500% in the number of rooms within a span of fewer than ten years, now ranking as the second-largest hotel chain globally.

Drawing from meticulously collected data and the outcomes of this comprehensive research, it is judicious to assert that China is actively orchestrating the formation of a new economic epicenter poised to challenge the dominance of the United States on the global stage. This profound transformation is underscored by the increasing alignment of hotels with the preferences of Chinese guests, epitomized by the tailored service offerings of IHG's Hualuxe brand. Consequently, European corporations are increasingly gravitating toward Eastern investors, thereby recalibrating their global connections away from the West and channeling their energies toward the burgeoning markets of Asia and the Pacific. If this trajectory persists, it is conceivable that future collaborations between Europe and China will burgeon, reshaping the global economic landscape.

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