



Do hotel chains improve destination's competitiveness?

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ABSTRACT

The paper investigates the impact of hotel chains' presence in a destination on their competitiveness through cross-section regression analysis of 116 countries. Results reveal that a destination's competitiveness is positively and significantly influenced by the number of affiliated hotels and rooms in affiliated hotels in the destination. The market share of hotel chains in a destination's hotel industry does not influence its competitiveness. Results further indicate that the general business environment (country's level of corruption and globalisation) has a positive and stronger impact on a destination's competitiveness than the presence of hotel chains. Destination management implications, limitations and directions of future research are also elaborated.

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1. Introduction

Destination competitiveness is one of the major research topics in the field of tourism (Botti, Peypoch, Robinot, & Solonadrasana, 2009; Crouch, 2011; Dorta-Afonso & Hernández-Martín, 2015; Dwyer, Mellor, Livaic, Edwards, & Kim, 2004; Dwyer & Kim, 2003; Enright & Newton, 2005; Ivanov & Webster, 2013b; Kayar & Kozak, 2010; Kozak, Baloglu, & Bahar, 2010; Mazanec & Ring, 2011; Mazanec, Wöber, & Zins, 2007). A destination's competitiveness is defined as "its ability to increase tourism expenditure, to increasingly attract visitors while providing them with satisfying, memorable experiences, and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural capital of the destination for future generations" (Ritchie & Crouch, 2003: 2). Therefore, competitive destinations perform well in the global tourism marketplace, attract more tourists, create favourable business conditions for the tourism companies, generate economic benefits for the local population and do all this in a sustainable way. Research has identified various determinants of destination competitiveness such as natural and cultural tourist resources, tourism infrastructure, tourism governance, country's openness and general business environment, and political stability, among others, which the World Economic Forum groups into the 14 pillars of the Travel and Tourism Competitiveness Index (TTCI) (WEF, 2013).

A destination involves various stakeholders like private sector tourism and hospitality enterprises (transportation companies, accommodation establishments, F&B outlets, attraction operators, etc.), tourism-dependent companies (retailers, taxis), government agencies,

non-profit organisations, tourists, local residents, and other entities that have an interest in tourism (Morrison, 2013). Each of these stakeholders has an impact on a destination's competitiveness. Airlines, cruise lines and other transportation companies, for example, assure the accessibility of a destination. Opening/closing of an airport/port in a destination, starting/cancelling flights to it, changes the transportation attractiveness of the destination and its competitiveness, influences the number of tourists that may visit the destination and the convenience of their travel (e.g. direct vs. connecting flights) (Chung & Whang, 2011; Farmaki & Papatheodorou, 2015). Tourists' experiences, interactions and satisfaction with accommodation establishments, F&B outlets, taxi drivers, retailers, local residents and public authorities in a destination influence their perceptions about and satisfaction with the visit to the destination as a whole and their repeat visit intentions (Jarvis, Stoeckl, & Liu, 2016; Meleddu, Paci, & Pulina, 2015). Therefore, the competitiveness of a destination would be the outcome of the combined actions of all its stakeholders.

This paper focuses on the impact of hotel chains' presence in a destination on its competitiveness. Dioko & So (2012: 555) state that "the precise effects on a destination arising from the entry or presence of internationally branded hotel chains are largely unknown but can be considerable" and this gap in the literature on hotel chains will be partially filled by this paper. Table 1 provides a non-comprehensive overview of the ways hotel chains influence the competitiveness of a destination on the basis of TTCI's pillars. First, a chains' presence increases the market visibility of hotels in a destination through their inclusion in chains' brand websites, global distribution systems (GDSs) and online travel agencies (OTAs) chains have contracts with (Ivanova & Ivanov, 2015). Hence, the more properties in a destination are affiliated, the more hotels are present in these websites, the greater the overall visibility of the destination, and its competitiveness. Second, chain

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Table 1
TTCI pillars of destination competitiveness and the role of hotel chains.

TTCI Sub-index	Pillar	Role of hotel chains
Travel and tourism regulatory framework sub-index	1. Policy rules and regulations	<ul style="list-style-type: none"> ✓ Lobbying with public authorities ✓ Raising awareness about necessary legal changes
	2. Environmental sustainability	<ul style="list-style-type: none"> ✓ Chainwide programmes for environmental sustainability and climate change
	3. Safety and security	<ul style="list-style-type: none"> ✓ Activities focused on the safety and security of hotel guests are incorporated in chain's service operation manual
	4. Health and hygiene	<ul style="list-style-type: none"> ✓ Hygiene standards part of chain's service operation manual
	5. Prioritisation of travel and tourism	<ul style="list-style-type: none"> ✓ Lobbying with public authorities ✓ Increasing destination's market visibility and popularity
Travel and tourism business environment and infrastructure sub-index	6. Air transport infrastructure	<ul style="list-style-type: none"> ✓ Strategic alliances between hotel chains and airlines
	7. Ground transport infrastructure	<ul style="list-style-type: none"> ✓ Partnership with local ground transport/taxi companies to serve hotel guests
	8. Tourism infrastructure	<ul style="list-style-type: none"> ✓ Coherent quality of the hotel product and the service process ✓ Effective and efficient service process ✓ Brand image ✓ Provision of various payment option
	9. ICT infrastructure	<ul style="list-style-type: none"> ✓ Introduction/upgrade of ICTs in member hotels
	10. Price competitiveness in the travel and tourism industry	<ul style="list-style-type: none"> ✓ Application of various pricing revenue management techniques
Travel and tourism human, cultural, and natural resource sub-index	11. Human resources	<ul style="list-style-type: none"> ✓ Staff training ✓ Partnership with education institution ✓ Staff transfer/rotation among member hotels ✓ Knowledge sharing
	12. Affinity for travel and tourism	<ul style="list-style-type: none"> ✓ Working with local suppliers ✓ Increasing local population's awareness about the benefits of tourism
	13. Natural resources	<ul style="list-style-type: none"> ✓ Popularisation of destination's natural resources on the websites of the chain ✓ Sponsorship of protection/valorisation activities
	14. Cultural resources	<ul style="list-style-type: none"> ✓ Popularisation of destination's cultural resources on the websites of the chain ✓ Sponsorship of protection/valorisation activities
	15. (Climate change) ^a	<ul style="list-style-type: none"> ✓ Chainwide programmes for environmental sustainability and climate change

Source: Authors' own elaboration.

^a Climate change is proposed TTCI pillar, but not included in the calculations of the index, due to data constraints (WEF, 2013: 5).

affiliation improves the image of hotels due to a chain's brand recognition thus improving their competitiveness and the attractiveness and the competitiveness of a destination as a whole. Furthermore, a chain's presence may serve as an indicator for other transnational corporations about the business environment in a country. When numerous hotels in a destination are affiliated with international chains this might signal to other companies that the business environment is favourable and investor-friendly. Additionally, hotel chains have training programmes for employees and managers, and internship programmes for students (Masadeh, 2013), thus contributing to the quality of human resources in the local hotel industry, which is one of the pillars of TTCI. When some of the employees leave the chains and go to work in other hotels in the destination, their professional knowledge, skills and competences may be lost for the chains and their properties, but not for the destination's hotel industry as a whole which actually benefits from their expertise (Gu, Ryan, & Yu, 2012). Therefore, the greater presence of hotel chains in the destination would have positive influence on the quality of human resources in its hotel industry and its competitiveness. Finally, chains are usually among the first hotel companies which introduce the latest information and communication technologies (Ozturk & Hancer, 2014).

In light of the above discussion, this research note empirically investigates whether the market presence of hotel chains in a tourist destination influences its competitiveness on the global tourism marketplace.

2. Methodology

The impact of hotel chains' presence in a destination on its competitiveness is identified through a series of 12 regression models. Table 2 presents the concepts and variables in the regression models and the respective primary data sources.

Destination competitiveness is modelled with the World Economic Forum's Travel and Tourism Competitiveness Index (WEF, 2013) similar to previous studies (Ivanov & Webster, 2013b; Kayar & Kozak, 2010; Lee, 2015; Mazanec & Ring, 2011; Webster & Ivanov, 2014). Although the TTCI is subject to criticisms (Wu, Lan, & Lee, 2012), it is currently the most important source of measures of destination competitiveness on a global scale. The market presence of hotel chains within a destination is modelled by four variables: the number of hotels affiliated with hotel chains, the number of rooms in affiliated hotels, the share of affiliated hotels in the total number of hotels, and the share of rooms in affiliated hotels in the total number of rooms in the country. Transparency International's Corruption Perception Index (CPI) and the KOF Swiss Economic Institute's Globalisation Index (KOF) are used as variables representing the general business environment in the country, its level of corruption and openness/globalisation, which make the country attractive to investors. Geographic dummy variables of world regions are used in order to capture any geographic variations in competitiveness. Dummy variables denote a country's status as least developed or as a member of OECD in order to see whether the level of development of a country influences its travel and tourism competitiveness. The absolute values of the number of affiliated hotels/rooms, the total number of hotels/rooms, GDP, tourism GDP, GDP per capita, and midyear population size are in natural logarithmic form in order to avoid skewness of results in favour of countries with large economies (USA, China, Japan, etc.), large populations (China, India, etc.), high GDP per capita (Luxembourg, Qatar, Norway, etc.), or large tourism/hotel industries (USA, France, Spain, Germany, China, etc.). The descriptive statistics of the variables are presented in Table 3. The final data set includes 116 countries listed in Table 4 for which data are available for all the variables in the regression models. In 2013 these countries had 59,372 affiliated properties (or 98.14% of all affiliated hotels in the Smith Travel Research (STR) database) with 7,477,285 rooms (or 96.77% of all rooms in affiliated hotels in the STR database). Therefore, the dataset could be considered as representative of the market presence of hotel chains on global scale. The specific regression models are:

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