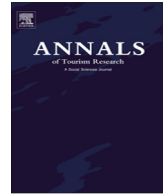




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Research Note

Market penetration of hotel chains: Does culture matter?

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National culture has received much attention in business, management and marketing literature, because it influences the way people think, feel, perceive, decide, act, behave (de Mooij, 2014; Hofstede, Hofstede, & Minkov, 2010; Minkov, 2011). In the field of hotel chains the cultural proximity between the chain's home country and the host destination is acknowledged as one of the country-specific factors influencing chain's decision regarding the choice of destination and entry mode (Assaf, Josiassen, & Agbola, 2015; Contractor & Kundu, 1998; Johnson & Vanetti, 2005; Martorell, Mulet, & Otero, 2013; Quer, Claver, & Andreu, 2007; Rodriguez, 2002). In theory, a hotel chain would invest in countries whose cultural profile (according to Hofstede's cultural dimensions) is closer to the cultural profile of its home country, because its managers would be more familiar with the cultural environment for doing business there than in other countries, thus facilitating chain's entry. Additionally, in the case of high cultural proximity between chain's home country and the host destination, chains would tend to prefer the high-risk equity to the low-risk non-equity entry modes and vice versa, although the empirical results on this are mixed: Rodriguez (2002) finds that cultural proximity significantly influences chains' entry modes decisions, while Martorell et al. (2013) do not find support for this hypothesis.

What we find as a gap in the hotel chains literature is the role of host country's culture in the market penetration of hotel chains on global scale (whereas market penetration is defined as the share of hotels and rooms in hotels affiliated to hotel chains in the total hotel/room stock in the country), or put in other words: *does host country's culture influence the level of market penetration of hotel chains in its hotel industry?* In order to answer this research question we gathered data on various country-specific factors and calculated the share of hotels and rooms in hotels affiliated to hotel chains for 132 countries. From these 65 countries had available data on four of Hofstede's cultural dimensions (power distance, individualism, masculinity, and uncertainty avoidance) and 78 had data for the other two dimensions (long-term orientation and indulgence) and they are used in the analysis. The country-specific factors, the respective variables and the data sources are presented in Table 1. The list of factors is derived from prior literature (Assaf et al., 2015; Dunning, 2000; Dunning & McQueen, 1981; Johnson & Vanetti, 2005; Pranić, Ketkar, & Roehl, 2012; Zhang, Guillet, & Gao, 2012, among

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Table 1

Concepts, variables, and primary data sources.

Factors	Variable	Abbreviation	Primary data source
<i>Dependent variables</i>			
Market penetration of hotel chains	Share of affiliated hotels in the total number of hotels in the country	MS_{hotels}	Authors' calculations based on STR reports on the number of affiliated hotels and hotel rooms, and the total number of hotels and hotel rooms
	Share of rooms in affiliated hotels in the total number of hotel rooms in the country	MS_{rooms}	
<i>Independent variables</i>			
National culture	Culture: Power distance Culture: Individualism Culture: Masculinity Culture: Uncertainty avoidance Culture: Long-term orientation Culture: Indulgence	Culture ₁ Culture ₂ Culture ₃ Culture ₄ Culture ₅ Culture ₆	Hofstede (2015)
Size of the hotel industry	$\ln$ Total number of hotels and similar establishments in 2013	$\ln Hotels$	World Tourism Organisation's Compendium of Tourism Statistics (2015), National Statistical Offices and/or Tourism Authorities
	$\ln$ Total number of rooms in hotels and similar establishments in 2013	$\ln Rooms$	
Characteristics of the hotel industry	$\ln$ Average capacity of hotels and similar accommodation establishments	$\ln Average$	Authors' calculations
Size of tourism sector	$\ln$ Tourism GDP in US\$ in 2013	$\ln TourGDP$	World Travel and Tourism Council
Importance of tourism for the economy	Share of tourism in country's GDP in 2013	$TourGDP\%$	Authors' calculations
Economy size	$\ln$ GDP in US\$ in 2013	$\ln GDP$	United Nations
Population size	$\ln$ Midyear population size in 2013	$\ln PPL$	United Nations
Economic wealth of local population	$\ln$ GDP per capita in US\$ in 2013	$\ln GDPcapita$	Authors' calculations
Destination competitiveness	Travel and Tourism Competitiveness Index 2013	$TTCI$	World Economic Forum
Geographic region	Dummy variable for Northern America	NA	Breakdown of world regions adopted from United Nations' classifications

others) and expanded by the authors (by adding the average capacity of hotels and similar accommodation establishments, and dummy variable for North America). The average capacity of the hotels determines the attractiveness of the properties to be affiliated to hotel chains. It has been argued that chains prefer hotels with larger capacity, especially when they apply management contract as an entry mode (Ivanov & Zhechev, 2011). The dummy variable denoting Northern American countries was added due to the much higher market penetration of hotel chains in that region than in the rest of the world (Komodromou, 2013).

Cultural distance may be used for the analysis of specific entry decision by specific hotel chain in specific country, so that the cultural distance between the chain's home country and the host destination could be calculated. On macro level, the host destination is entered by chains from various countries with different scores of the Hofstede's cultural dimensions. Therefore, on macro level, which is the level of analysis in this paper, the cultural distance between the hotel chains' home countries and the host destinations cannot be calculated. That is why in this paper we model the host country's culture by its scores on the six cultural dimensions by Hofstede and measure the impact of each of the dimensions on the level of market penetration of hotel chains. The level of market penetration is measured in two ways: as the share of affiliated hotels and as the share of rooms in affiliated hotels in the total number of hotels/hotel rooms in the country. Twelve regression models are developed in total:

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