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Article

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Amfiteatru Economic Journal

Provided in Cooperation with:
The Bucharest University of Economic Studies

Suggested Citation: Cosma, Smaranda; Fleșeriu, Cristina; Bota, Marius (2014) : Hotel Chain's Strategic Options to Penetrate the Romanian Market, Amfiteatru Economic Journal, ISSN 2247-9104, The Bucharest University of Economic Studies, Bucharest, Vol. 16, Iss. Special No. 8, pp. 1352-1365

This Version is available at:
http://hdl.handle.net/10419/168897

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HOTEL CHAIN’S STRATEGIC OPTIONS TO PENETRATE THE ROMANIAN MARKET

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Abstract

The European hotel industry is dominated by small companies that own and operate a hotel. The rest of the market contains hotel chains. Most of the international hotel chains realized the potential of the market and that is why they intend to increase the number of hotels opened in Romania, but for the moment, only 3.5% belong to international hotel chains. The objectives of the study are identifying the level of attractiveness of Romania for international hotel chains, establishing the options of penetration chosen by them and the main influence factors upon the penetration on the market. The decision made by a hotel company to carry out its activity in a foreign country and the penetration strategy into the market can be motivated by many reasons. The study revealed that Romania ranks 24 out of 27 in terms of the opportunities of American international hotel chain that wants to enter the market. Analysing the 20 international hotel chains present on the Romanian market was found that the preferred penetration strategy is contract management. Research has indicated that the country of origin of the international hotel chain, chain size, the number of hotel stars belonging to a chain and the hotel establishment year has a statistically significant influence upon the strategy used to penetrate Romanian hotel market.

Keywords: strategic options to penetrate the market, international hotel chains, hotel market, cultural distance.

JEL Classification: L83, C46

Introduction

The global hotel market is dominated numerically by SMEs. However, though hotel chains do not represent a large number on the market, they possess a significant share.

The decision made by a hotel company to carry out its activity in a foreign country can be motivated by more than one objective: extension of sales, geographical diversification, supply of resources and labour, capitalising on its reputation, trademark and image, etc. (Tse and West, 1992).

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The option’s choice regarding the penetration method on a foreign market can be based upon the nature of the company products. Thus, the foreign market penetration strategy when the company offers services is not affected by the degree of risk, uncertainty of environment or specific activities as it happens in companies that produce goods. The former are more affected by aspects related to employees, behavioural uncertainty, confidence growth and specific activities (Brouthers and Brouthers, 2003, p. 1196). If we are talking about goods, presently, there are four strategies for penetrating a foreign market: export, licence, strategic alliance and direct foreign investment (Bradley, 2001, p. 281; Johansson, 2006, pp. 127-129). Services, however, can be grouped in two large categories: „hard services” and „soft services”. „Hard services” relate to services where production and consume can be separated. These services can be standardised and they can be mass-produced. ”Soft services” concern the services where production and consumption are simultaneous. Companies providing soft services use licensing (mainly franchise), direct foreign investments or their combination as main strategies of foreign market penetration (Ekeledo and Sivakumar, 2004).

Because the hotel industry is offering „soft services”, the approaches mentioned above are limited to: the franchise, the management contract, the cooperative agreements, consortia (for voluntary groups), joint venture, green field investment, a foreign hotel or hotel company take over (Cristureanu, 2006, pp. 320-324). Most frequently used strategies in hotel chains, mainly for very large ones, are the franchise and management contracts (Guillet, Zhang, Gao, 2011, p. 223).

In hotel companies, foreign market penetration is influenced by the extent of operational control regarding the new hotel acquired, the financial involvement and potentially assumed risk (Chen and Dimou, 2005; Lupu and Tăgu, 2006). Control is achieved in various directions: operational control and quality control, effected daily in every hotel; control of physical assets or property; control performed with expertise incorporated in routine company activities and control of encoded assets, such as global reservation systems and extent of international cognition of the brand (Contractor and Kundu, 1998).

In Romania, in 2012, 1,400 hotels were recorded of which 50 belong to international hotel chains (3.5%) (Institutul Național de Statistică, 2013).

The present paper aims at identifying the reasons for which Romania is still not seen as attractive enough for international hotel chains to invest, by any country with hotel chains which have penetrated other markets.

In this respect, the research goals are implementing the model proposed by Aliouche E. H. and Schlentrich U. (2009) to identify the level of attractiveness of Romania for international hotel chains, establishing the options of penetration chosen by them and the main influence factors upon the penetration on the market. The model proposes more factors to be considered, but their complexity could lead to too large amplitude of the present study. It is for this reason that in this paper only a selection of the factors will be discussed and considered as significant. However, the general results accuracy is not affected by the reduction of the number of factors involved.

The model proposed by the two authors which was tested on the Chinese market is applied for the first time on the hotel market in Romania.
1. Strategic options to penetrate the international hotel market

Literature offers many pieces of research with respect to this topic and many authors approached it.

Chen L. Y. considers this penetration decision as influenced by external factors related to the target market, the internal factors, i.e. company resources, competences and competitive advantages as well as its strategic objectives, where the objectives aimed at by penetrating the target market should also fit (Chen, 2007, p. 244). Tao G. distinguishes the factors affecting the foreign market penetration decision as belonging to three categories: external environment factors, internal environment factors and strategic objectives. In each category are considered more component elements. In the group of external environment factors are included: the country risk (Erramilli and Rao, 1993), political and economic instability (Sharma, 2002), the economic development level and direct investment level in local economy (Graf, 2009), location familiarity (Hill, Hwang, Kim, 1990), location benefits (Tatoglu and Glaiser, 1998), uncertain demand (Tsai and Cheng, 2002), market potential (Sharma and Erramilli, 2004), competition volatility (Hill, Hwang, Kim, 1990), competition intensity (Tsai and Cheng, 2002), competition means (Anderson and Coughlan, 1987), host country investment policies (Deng, 2003), institutional reform (Myer, 2001), proper infrastructure (Sharma, 2002) and cultural differences (Palenzuela and Bobillo, 1999).

Among internal environment factors, one comprises: company size (Erramilli and Rao, 1993), export intensity/foreign dependence (Palenzuela and Bobillo, 1999), export volume (Bello and Lohtia, 1995), in-country experience (Deng, 2003), international experience (Anderson and Gatignon, 1986), brand name and reputation (Deng, 2003), avoidance and individualism/collectivism (Mansumitrchai, Minor, Prasad, 1999), demand of services and product differentiation (Tatoglu and Glaiser, 1998), international benefits (Tatoglu and Glaiser, 1998), sale size (Bello and Lohtia, 1995), active specification (Tsai and Cheng, 2002), value of company know-how (Madhok, 1993), lack of know-how (Anderson and Coughlan, 1987), maturity (Anderson and Gatignon, 1986), classification of the product (Ekeledo and Sivakumar, 1998), intensity of research and development (Sun, 1999), technology update (Domke-Damonte, 2000) and resource deficit (Pak, 2002). Strategic objectives contain: national differences (Hill, Hwang, Kim, 1990), scale economies (Contractor and Kundu, 1998), global concentration (Kim and Hwang, 1992), global synergy (Domke-Damonte, 2000), global strategic motivation (Tsai and Cheng, 2002), construction and learning capacity (Makino, Lau, Yeh, 2002), knowledge transfer/exploitation capacity (Makino, Lau, Yeh, 2002), market potential use, rapid penetration of the market and global competitiveness achievement (Pak, 2002) (Tao, 2004, pp. 42-43). Aspects mentioned earlier show the wide range of opinions regarding the factors taken into account for foreign market penetration.

Pan Y. and Tse D. K. consider market penetration as influenced by more categories of factors: those specific to the company, those typical of the industry and those specific of the country. Based on such factors, the modalities through which market penetration occurs are divided into: equity-based and non equity-based. “Equity-based” includes own operations and joint venture, while “non equity-based” includes contract agreements and export (Pan and Tse, 2000).

Brouthers uses the principle of gradual approach, from simple to complex, and the classification of penetration strategies is based on criteria such as: the commitment degree, risk, control and potential profit (Brouthers, 2002).
In 2009, Aliouche E. H. and Schlentrich U. proposed a model for international hotel companies to penetrate foreign markets. The model takes into account opportunities and risks as well as other factors in the microenvironment which are valuable for the internationalisation process (Aliouche and Schlentrich, 2009). The model has three tiers: macroenvironment assessment, microenvironment assessment and selection of optimal variant to enter the foreign market.

Macroenvironment helps target countries ranking on the basis of the opportunities/risks criterion. The opportunity of a market is the mathematical average of scores found in market assessment, with regard to size, purchase capacity and actual growth of gross domestic product. Risk is found from the mathematical average of the scores regarding political, economic and legal risks. Events, political and economic, leading to risk increase and loss of interest of a foreign company in a country concern armed conflicts, rebellions, civil conflicts, revolts, expropriations, nationalisations, devaluing and taxes (Erevelles, Horton, Marinova, 2005; Rothaermel, Suresh, Steensma, 2006). Legal regulations and policies in the host country can expose foreign company to high risks (Fladmoe-Lindquist K., 1996). Foreign governments can discriminate foreign companies with respect to price, taxes, property, profit repatriation, lack of property protection (Fladmoe-Lindquist K., 1996). Distance represents the arithmetic average between the cultural and geographic distances. The cultural milieu determines both the complexity and risk of extension in a foreign country (Altinay and Miles, 2006). In general, companies favour the extension in countries with similar culture to the country of origin (Rothaermel, Suresh, Steensma, 2006; Alon, 2006, p. 93). The geographic distance can increase the risk of international expansion as the administration in locations placed at large distances can become a challenge (Alon, 2006, p. 93). Once the macroenvironment assessment results are found and potential markets are ranked, the microenvironment of the selected markets comes to analysis. Here, factors typical for the country in question for the industry and company are included. Factors specific for the country relate to: the extent and quality of local infrastructure, capital availability and cost, availability, level and cost of labour, availability and cost of real estate, quality of supplies, etc. Industry-specific factors under scrutiny contain: the size, number and fame of competitors, presence or absence of local competition, industry structure, etc. Company-specific factors concern: the company size, human, financial and organisational resources, international experience, basic competences, perceived competitive advantages, brand recognition, growth strategies in use, risk tolerance, internal market saturation degree, etc. (Aliouche and Schlentrich, 2009). After target markets are defined, the most suitable method for entry in the selected market is to be chosen.

2. Research methodology

This exhaustive research about the international hotel chains present on the Romanian market aims to identify and to analyse the strategic penetration options on the market, but also the reasons why their presence is reduced yet. For investigations it was used exploratory and descriptive research. Authors obtained data through hotel chains annual reports and websites analysis, statistical data and published studies.

In the first part of the study, an analysis of the macroenvironment in the European Union was performed to identify the attractiveness and potential of Romania in comparison with other Member States. For market opportunity, the authors used an indicator including the
size of the population (number of potential consumers) and gross domestic product/capita (the purchase capacity of the potential consumers). The indicator market opportunity was built on the arithmetic average of the positions held by countries, considering the two variables specific for each of them and the results were ranked. Market risks include economic, political, legal and regulation-related risks. The country risk indicator, created by Euromoney, is used to find the political and economic risks (Cosset and Roy, 1991). The indicator of the political and economic risks is formed from the weighted average of nine dimensions related to risk: political risk (25%), economic performance (25%), debt indicators (10%), debt in default or rescheduled (10%), credit ratings (10%), access to bank finance (5%), access to short-term markets (5%), access to capital markets (5%) and forfeiting (5%). The higher the score, the better the country position; 100 represents a perfect score (Aliousche and Schlentrich, 2009).

According to World Bank’s Ease of Doing Business Index, where the most significant legal and regulation-related risks are investigated, countries are given a position between 1 and 155, where 10 criteria are taken into consideration: the easiness in starting a business, receiving construction permits, receiving electrical energy, property or estate records, credit reception, protection of investors, tax payment, trade beyond borders, building contracts, insolvency solutions. Risk-related scores are used to rank countries for this aspect.

The indicator for the distance refers to the cultural and geographic distances. The geographical distance is calculated from the country of origin to the host country. The calculations in the present paper are based on the premise that the international hotel chain originates from the United States of America. The cultural distance is calculated using an indicator starting from the cultural differences established by Hofstede (Hofstede, 2001). The dimensions considered are the distance power, individualism, masculinity and incertitude avoidance. Hofstede found indices for every dimension mentioned. Using Hofstede’s indices and a formula generated by and Singh, we calculated the cultural distance between the United States of America (taken as an example of foreign country) and another country, with the equation:

$$CD_j = \sum_{i=1}^{4} \left( \frac{\left( \frac{I_{ij1} - I_{ij2}}{V_i} \right)^2}{4} \right)$$  \hspace{1cm} (1)

where $I_i$ represents the cultural distance indicator $i$ from country $j$; $V_i$ represents the variation of dimension $i$; $u$ indicates the country of origin (the United States of America) and $CD_j$ is the cultural distance between the United States of America and country $j$ (Kogut and Singh, 1988).

Using Kogut and Singh’s equation, a multidimensional formula was developed to estimate the cultural distance between the two countries (Morosini, Shane, Singh, 1998) with relationship:

$$CD_j = \sqrt{\sum_{i=1}^{4} (I_{ij1} - I_{ij2})^2}$$  \hspace{1cm} (2)

where $CD_j$ represents the cultural distance of country $j$; $j$ means country, 1-cultural dimension; $I_{ij1}$ represents the score of cultural dimension of the first country, according to Hofstede and $I_{ij2}$ is the score of the cultural dimension of the second country, also according to Hofstede. For the calculation of the cultural distance between the United States of America and the European Union, the multidimensional formula was used.
The score for the distance indicator was used to rank countries, in this criterion. After market opportunities, market risks and distance were investigated, the final score and ranking of markets were computed. The final score represents the weighted average, of the positions of the countries function of market opportunities (representing 50%), political and economic risks (20%), legal risks and regulation-based risks (20%) and distance (10%).

The second part of the research identifies the profile of Romania and the profile of the Romanian hotel industry. In the microenvironment, one investigates the features of the host country (the features of Romania), the features of the industry (the hotel industry in Romania) and the features of the company wishing to penetrate on the foreign market. As the third aspect mentioned above is typical for every individual hotel chain, we decided to investigate the first two aspects.

In the last part of the study, with the results found in the second part, the presence of the connections between the influential factors and the method to penetrate the Romanian hotel market is tested. For testing purposes, the following factors were taken into consideration: the country of origin of the international hotel chain, the size of the international hotel chain, the capacity of every hotel belonging to the international hotel chain, the number of stars of every hotel belonging to the international hotel chain, the year in which the international hotel chain penetrated in the case of every hotel and the year in which the international hotel chain was established.

For a faithful statistical analysis, 50 hotels in Romania belonging to international hotel chains as well as 19 international hotel chains present on the market were taken into account. The strategies of penetration used by international hotel chains to enter the Romanian market, namely the franchise, direct foreign investment, management contract and leasing contract, were analysed in this study.

As the variables used are category nominal qualitative variables, the Phi coefficient, Cramer V and Fisher test were used as statistical analysis instruments and the software used was SPSS.

The following work hypotheses were made:

H$_1$: The foreign market penetration strategy is not influenced by the country of origin, the geographical zone/region of origin of the international hotel chain.

H$_2$: The foreign market penetration strategy is not influenced by the size of the international hotel chain.

H$_3$: The foreign market penetration strategy is not influenced by the capacity (number of rooms) a hotel belonging to an international hotel chain has.

H$_4$: The foreign market penetration strategy is not influenced by the number of stars a hotel belonging to international hotel chain has.

H$_5$: The foreign market penetration strategy is not influenced by the year of establishing the international hotel chain.

H$_6$: The foreign market penetration strategy is not influenced by the year in which an international hotel chain penetrated a certain market.
Hypotheses $H_1$, $H_2$, $H_3$, $H_4$, $H_6$ were tested in the 50 hotels in Romania belonging to international hotel chains, while hypotheses $H_1$, $H_5$ in the 20 international hotel chains existing on the market.

3. Results and discussions

Using the model set forth by Aliouche and Schlentrich (2009), the paper shows the investigation results of the Romanian hotel market in a European context, pointing out its attractiveness for the international hotel chains. In the first part of the paper, the three aspects of the macroenvironment proposed in the model were analysed: market opportunities, market risks and distance (Figure no. 1).

![Figure no. 1: Market ranking according to macroenvironment](image)


From the 27 European Union countries until the first half of the year 2013, the German market provides most opportunities for a foreign company. Germany is followed by France, Holland and Great Britain. Latvia is placed last, offering the fewest opportunities. Romania is situated in this category on position 18.

For the political and economic risks, Luxembourg is the country in the European Union with the smallest economic and political risks. Romania is situated on the opposite side.
For the legal and regulation related risks, Denmark holds the first position with the smallest risks of this type, followed by United Kingdom, Ireland and Finland. Romania, Italy and Greece occupy the last positions. Malta is not included here and consequently, it is considered that the lack of data for Malta is the consequence of an unattractive legal and regulatory environment that can place this country on the last position.

The distance from the United States of America places Great Britain, Ireland and Germany on the first three positions, the farthest countries in the European Union being Romania, Lithuania and Cyprus.

As a final result, the most attractive country where an American international hotel chain could open a hotel is Germany. United Kingdom and Holland rank second, respectively third. Romania ranks 24th, together with Malta, in the market hierarchy. Letonia and Bulgaria sit on the last two positions.

The second part of the research focuses upon the definition of the profile of Romania from the viewpoint of tourism and hotel industry. Concerning economic progress, Romania has undergone lately a very slow economic development due to lack of governmental efficiency, a poor infrastructure, political unrest, and changes in the laws and regulations for tourism. The evolution of GDP for the last five years shows a slow increase, though economic and financial crisis also affected Romania in this time. GDP increased from 2007 to 2011 with about 32.8%.

In the year 2011, the contribution of tourism industry to GDP was 1.4%. An estimate of the tourism contribution to GDP until 2022 mentions figure 1.8%. In 2011, tourism generated 184,500 direct jobs, i.e. 2.2% of the overall number of employees. For the year 2022, the prognosis speaks about 233,000 jobs in tourism (WTTC, 2012). Though the number of Romanian and foreign tourists fluctuates every year, there is a demand to maintain it and even to give it an ascending trend. From the point of view of the hotel industry, it is important to specify that between 1994 and 2000, the number of hotels in Romania was constant (between 811 and 817), but after 2000, the number has increased constantly, so in 2012 there were 1400 hotels. Concerning the number of stars, it is visible that until 2000, the number of 2* hotels was increasing, but after 2000 3*-4* hotels increased mostly. Beginning with 2006, the number of 2* hotels begins to diminish. Hotels with 1* are also defined by a descendent trend (Institutul Național de Statistică, 2007; 2012; 2013).

Compared to foreign multinational hotel companies, the Romanian companies are relatively small and immature (Kiyindou and Tăgu, 2008). International hotel groups penetrated the Romanian market but in small numbers. In 2012 on the Romanian market were 20 international hotel chains. The first international hotel chain how penetrated the Romanian market was InterContinental in 1971. Until 2000, in Romania were just four international hotel chains. Between 2001 and 2005 other seven new hotel chains came on this market, and the rest penetrated the market after 2006. International hotel companies mostly possess 4* hotels (Cosma and Fieșeriu, 2010, pp. 367-373).

The analysis concerning the cities where international hotel chains are present shows that they are open to places with a population over 100,000 inhabitants. Exceptions are cities like Miercurea Ciuc and Sovata, where Hungarian hotel chains are present (and where the major population is Hungarian). In cities like Gura Humorului, Resita and Zalău, the Best Western group holds a hotel in franchise.
Hotel Chain’s Strategic Options to Penetrate the Romanian Market

The priority of the hotel industry was, for a time interval, to develop hotels ranging among the international standards. Important events also contributed to the inauguration of hotels belonging to international hotel chains (for instance: in Sibiu – in 2007, when Sibiu was nominated European Cultural Capital).

The last part of the study was dedicated to testing the connection between various influential factors and the method used to penetrate the hotel market from Romania. Studies of the penetration strategies on the foreign market used by the international hotel chains show that in Romania, the predominant strategy used by the chains (73.68%), coincides with the strategy used by every hotel chain in the world. Exceptions are some hotels that belong to the international hotel chains: Novotel, Ibis, Hilton, DoubleTree, Hampton by Hilton, JW Marriott, Crowne Plaza, NH Hotels, Hunguest Hotels and Starlight Suites Hotels (Cosma and Fleșeriu, 2010, pp. 367-373).

The research continues with finding the connections between the criteria defined and the penetration strategies put to work. The analysis of the 50 hotels in international hotel chains revealed that: hypotheses $H_1$, $H_2$, $H_4$ were rejected, and $H_3$, $H_6$ were accepted (Table no. 1).

### Table no. 1: Statistical results regarding the 50 hotels belonging to international hotel chains

<table>
<thead>
<tr>
<th></th>
<th>Country of origin</th>
<th>Geographical area</th>
<th>Chain size</th>
<th>Number of stars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Franchise</strong></td>
<td>USA (p&lt;0.001)</td>
<td>Central Europe (p=0.030)</td>
<td>&lt;100 rooms (p=0.004)</td>
<td>3*-4* (p=0.02)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>North America (p&lt;0.001)</td>
<td>&gt;500 rooms (p=0.002)</td>
<td></td>
</tr>
<tr>
<td><strong>Direct foreign investment</strong></td>
<td>Hungary (p=0.002)</td>
<td>Central Europe (p&lt;0.001)</td>
<td>&lt;100 rooms (p=0.002)</td>
<td>2* (p=0.009)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Management contract</strong></td>
<td>France (p=0.002)</td>
<td>North Europe (p=0.004)</td>
<td>-</td>
<td>3*-4* (p=0.032)</td>
</tr>
<tr>
<td></td>
<td>USA (p=0.046)</td>
<td>North America (p=0.046)</td>
<td>-</td>
<td>5* (p=0.007)</td>
</tr>
<tr>
<td><strong>Leasing contract</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Source: calculation made by the authors*

One can notice that the country of origin of the hotel chain represents an important criterion that affects the penetration strategy of a foreign market. The study shows that American investors mainly prefer franchise as the foreign market penetration strategy, followed by the management contract. As for Hungary, it is evident that investors in this country prefer direct foreign investment. For France the investors prefer the management contract as the penetration strategy chosen.

Results also show that what was defined for the USA is also valid with respect to the geographical area from which the international hotel chain originates. Thus, though investors from North America are interested in implementing various and more penetration strategies, when they actually penetrate a foreign market they still choose the franchise. In the case of Central Europe, direct foreign investment represents the favoured strategy by...
the investors looking in this area and then franchise comes second. In North Europe, the management contract holds the first place regarding entry strategies.

Regarding the size of the international hotel chain are made the following affirmations: the preference for direct foreign investment belongs to small size hotel chains (hotel chains possessing less than 100 hotels). The large international hotel chains (with over 500 hotels) prefer franchise as a selective penetration strategy.

The number of stars implicitly includes segments of specific consumers and the strategy is also influenced by this aspect. Thus, 2* hotel strategy is mainly the direct foreign investment, while for 3* - 4* hotels, franchise is preferred and in the case of 5* hotels, the management contract is more often met.

The analysis of the 20 international hotel chains present in Romania took into account the following factors: the chain country of origin, the geographical area of origin and the year in which the hotel chain was established. Hypotheses \( H_1, H_2 \) were rejected here (Table no. 2).

### Table no. 2: Statistical results for the 20 international hotel chains present in the Romanian market

<table>
<thead>
<tr>
<th></th>
<th>Country of origin</th>
<th>Geographical area</th>
<th>Year of establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise</td>
<td>USA (p=0.034)</td>
<td>North America</td>
<td>&lt;1960 (p=0.034); 1960-1990 (p=0.046)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(p=0.034)</td>
<td>inverse correlation</td>
</tr>
<tr>
<td>Direct foreign investment</td>
<td>Hungary (p=0.048)</td>
<td>North Europe</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Austria (p=0.048)</td>
<td>(p=0.005)</td>
<td></td>
</tr>
<tr>
<td>Management contract</td>
<td>France3 (p=0.034)</td>
<td>Central Europe</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(p=0.005)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>North Europe</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(p=0.43) inverse correlation</td>
<td></td>
</tr>
<tr>
<td>Leasing contract</td>
<td>Austria (p=0.049)</td>
<td>South Europe</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Spain (p=0.004)</td>
<td>(p=0.004)</td>
<td></td>
</tr>
</tbody>
</table>

*Source: calculation made by the authors*

The hotel chains from USA prefer the franchise as a foreign market penetration strategy. The investors in Hungary and Austria favored direct foreign investments. The investors from France have as favoured management contract as by investors. The leasing contract as a penetration strategy is preferred by hotel chains in Spain. Investors in North America area prefer to enter on the market through franchise. As for Central Europe, the management contract represents the preferred strategy. In North Europe, the preferred strategy of the investors is the direct foreign investment, while Southern Europe favours the leasing contract.

Concerning the establishment year of the international hotel chain, one can see that before 1960, the franchise was mainly used by hotel companies, while between 1960 and 1990 this strategy is less and less used. For the following timeframe, no other correlations were found.
Conclusions

The present study implements the model proposed by Aliouche and Schlentrich (2009). The paper takes into consideration only a selection, considered significant by the authors, of the factors presented in the model for the analysis of the macroenvironment but the final results accuracy is not disturbed by the selection.

Following the analysis of the macroenvironment in the European Union, it is visible that the market in Germany is the most attractive for a foreign company. It is followed by France, Holland and Great Britain. Romania is ranked 18 concerning the opportunities provided. Concerning political and economic risks, Luxembourg is on the first place with the smallest risks. Romania is situated on the opposite side. The indicator for legal and regulation risks gives Romania the lowest positions in the European Union, together with Greece and Italy, while Denmark is on the top. Concerning distance, compared to the United States of America, Great Britain, Ireland and Germany are at the top, while Romania, Lithuania and Cyprus are on the last positions. For this indicator, one has to mention that if another country is taken as a reference point, the results change significantly. As a final result, Germany is the most attractive country for an American international hotel chain to open a hotel. Romania ranks only 24th, together with Malta, in the final ranking of markets. Bulgaria and Letonia are on the last positions.

The analysis of the microenvironment has revealed that the tourism industry has a reduced contribution to the gross domestic product in Romania (only 1.4%), though potential of growth is present. The analysis of the hotel industry shows, after 2000, an annual increase of the number of hotels, so that in 2012, there are 1,400 hotels in Romania, most of 3*.

From the 1,400 hotels, 50 belong to the 20 international hotel chains present on the Romanian market. They belong to 14 international hotel groups. International hotel companies usually possess 4* hotels, mostly situated in Bucharest.

The predominant strategies for penetrating foreign markets used by international hotel chains coincide to the strategy used to penetrate the Romanian market, in a proportion of 73.68%.

The Romanian market penetration strategies, for the 20 international hotel chains, are the franchise (27.27%), management contract (45.45%), direct foreign investment (22.73%) and leasing contract (4.55%). For the 50 hotels, the penetration strategies chosen are the franchise (56%), management contract (28%), direct foreign investment (14%) and leasing contract (2%).

With the results obtained, the presence of connections between the influence factors and the method of penetrating the Romanian market was tested. Thus, four of the hypotheses were rejected and two of the hypotheses were admitted.

It was proved that hypothesis “H1: The foreign market penetration strategy is not influenced by the country of origin, the geographical zone of origin of the international hotel chain” is rejected, meaning that the country of origin of the international hotel chain influences statistically significantly the type of strategy chosen.

The second hypothesis “H2: The foreign market penetration strategy is not influenced by the size of the international hotel chain” was also rejected, meaning that the size of the international hotel chain also influences statistically significantly the strategy of foreign market penetration.
The third hypothesis “H₃: The foreign market penetration strategy is not influenced by the capacity (number of rooms) a hotel belonging to an international hotel chain has” was confirmed, showing that the number of rooms in a hotel does not affect the penetration strategy selected.

The fourth hypothesis “H₄: The foreign market penetration strategy is not influenced by the number of stars a hotel belonging to international hotel chain has” was rejected, too, showing that the number of hotel stars has a statistically significant influence upon the type of strategy chosen to penetrate the foreign market.

The fifth hypothesis “H₅: The foreign market penetration strategy is not influenced by the year of establishing the international hotel chain” was also rejected, so that one can state that the hotel establishment year has a statistically significant influence upon the foreign market penetration strategy used.

Last but not least, the sixth hypothesis “H₆: The foreign market penetration strategy is not influenced by the year in which an international hotel chain penetrated a certain market.” was confirmed showing that the year in which the penetration on a certain foreign market does not affect the penetration strategy used. This study is valuable because it forms the starting point for developing a useful instrument for hotel companies wishing to penetrate a foreign market.

The present study is the first attempt to understand why the international hotel chains entered on the Romanian market and which are the strategic options used to penetrate the market.

The importance of this study exists because it is the starting point for the creation of an instrument that is useful for those hotel companies who wish to enter into a foreign market. Also, the hotels from Romania, which belong to a chain have the possibility to know each other much better and to use and to capitalize the study results, regarding the macroenvironment analyse or the comparative analyse, about the criteria taken into consideration to enter on a foreign market. This information can help them to analyse if they have chosen the right penetration strategy and also if they have chosen the right business partner. The study reveals new research perspectives regarding the identification of other criteria used by international hotel chains when choosing the penetration strategies for a foreign market and verifying them statistically or shaping the correlation between the types of penetration strategies used on the Romanian market compared with those used on similar markets.

References


