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INTERNATIONAL HOTEL BUSINESS: PROBLEMS AND PROSPECTS FOR DEVELOPMENT

The purpose of the article is to identify the latest trends in the development of international hotel business, to substantiate scientifically the approaches to solving problems and reducing the impact of negative factors, as well as to study the progressive experience of hotel companies and possibilities of its best application by national business, taking into account the specifics of the national socio-economic system. The conducted analysis of the economic performance of the global hotel market has shown that the active increase in the volume of services has led to a significant expansion of the material and technical base of hotel companies in both traditional and relatively new markets. A significant peculiarity of the hotel business in Ukraine is the small capacity of the hotels in comparison with international practice, but the paper grounds that this is not an unambiguous negative indicator. The considered approaches to the organization of management of international hotel business are valuable for domestic companies and may be the basis for further scientific studies aimed at determining reserves for improving the efficiency of hotel operation.

Key words: hotel industry, international economic relations, international hotel business, tourism, management, organization of tourist services

Formulation of the problem. The hotel business is characterized by dynamic development and now it became an important factor in the evolution of the world economic system. The effective functioning of the hotel industry in many countries, as well as in Ukraine, is an important prerequisite for intensifying international relations and integration into the world community. At the present stage, the tourist demand determines the processes of the territorial organization of hospitality. Changing organizational foundations, redistribution of domestic establishments by ownership forms led to positive changes in the branch structure, increasing their class and qualitative characteristics of the number fund, increasing the share of high class with the simultaneous expansion of the basic class, in the direction of modernization, compliance with current standards of service quality. However, to ensure the continued sustainable development of the national hotel business, it is necessary to study and apply the progressive experience of organizing hotel business in the leading countries and hotel companies.

Analysis of recent research and publications. A significant contribution to the research of the state of the hotel and tourism industry is made by such scholars as B. Gu, T. Y. Choi, R. Chu, J. Kandampully, R. Law, Q. Ye, D. Suhartanto, O. Sushchenko. However, the practice of organizing hotel services in the international market requires constant study and finding ways to improve them.

The purpose of the article is to substantiate and deepen strategic directions of international hotel business development, reveal shortcomings, and identify prospects.

Presenting the main material. Hospitality is an important element of infrastructure, an indicator of the social space within the city and cultural and business facilities. By its economic orientation, the hotel is a commercial production, which offers its products in the market in the form of a complex of services. The specificity of services, unlike material production, is that the performance of the service occurs with the direct contact of the consumer and the contractor; satisfaction of the service turns into the satisfaction of direct demand of the client; demand for hotel services is subject to seasonal fluctuations.

In the structure of the world hotel business, there are two directions of development: hotel chains and independent enterprises. Integrated business management is much more cost-effective in hotel business than managing independent hotels, which requires more skills than managing large hotels. This is due to the fact that enterprises that enter into large hotel chains generate much higher income and can hire qualified and higher-paid specialists of a narrow profile. Combining hotels under single management in the result gives tremendous benefits to both the property owners and their operators. The main advantage of a chain hotel is the reduction of overall costs, which in turn

allows chains to penetrate more international markets, expanding their reach. There are many factors behind the commercial success of chain hotels: from a consolidated booking system to centralized supplies. The advantage of companies that adhere strictly to their brand names is that the users of the services of one hotel chain clearly represent the quality of service and placement in the enterprise belonging to this network, regardless of its location. This allows advertising and making reservations long before opening a new hotel [6].

Small independent hotels require more management skills than larger ones. Independent hotel executives have weaknesses, often in marketing or finance, and therefore,

have to perform not only linear but also functional leadership. The management of independent hotels, if they want to maintain profitability, are obliged to implement more modern management systems and technologies, to use a flexible system of arrangement of staff, in which employees in the case of production need to go together.

There are more than 300 international hotel chains worldwide, ranging from small to several dozen properties to well-developed ones that include thousands of hotels. Hotels magazine [4] has published annual ratings of the largest hotel companies in the world (Fig. 1).

According to 2017 results, Marriott International became the absolute leader in the number fund, which,

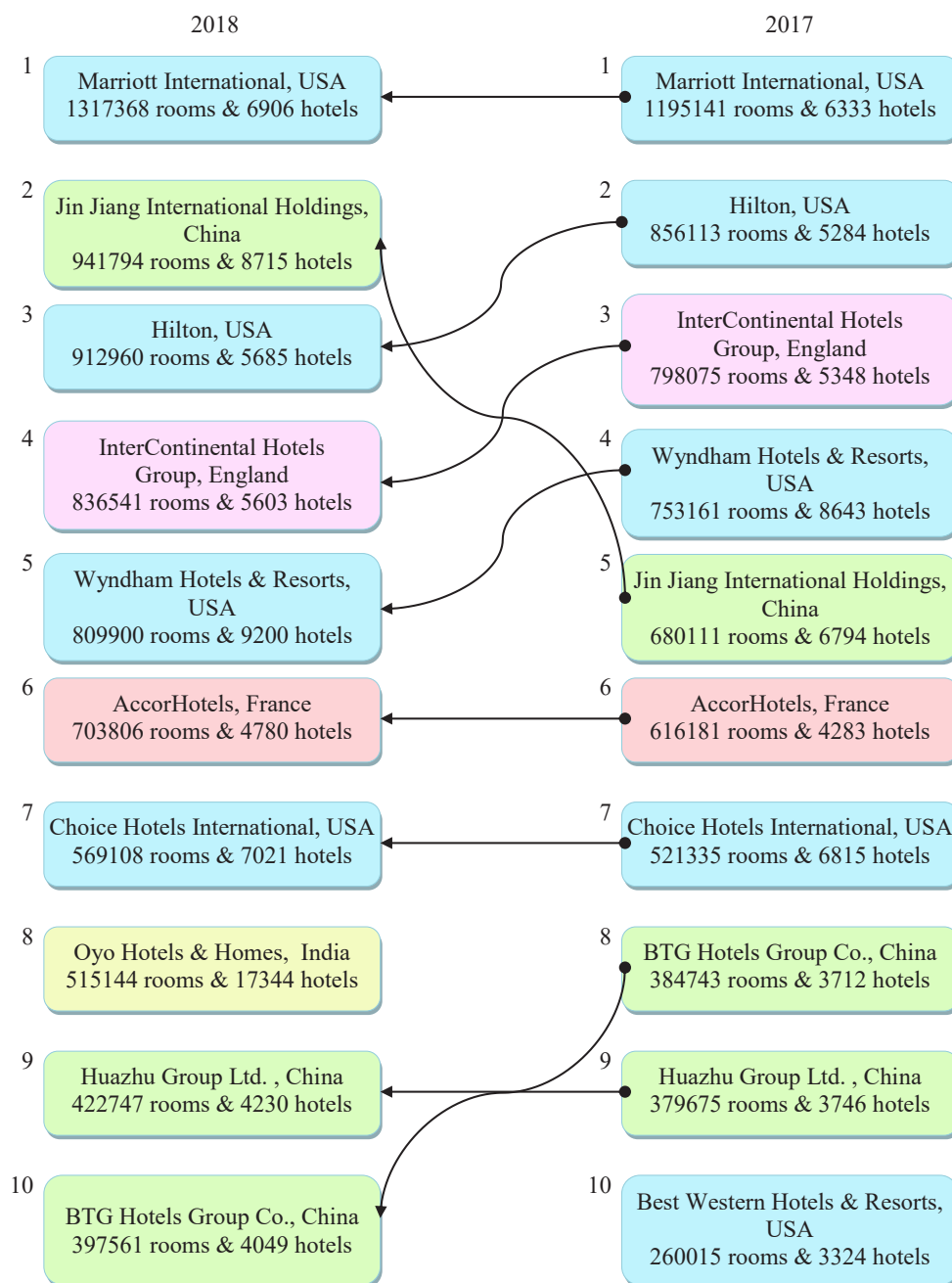


Figure 1. Changes in world top 10 hotels & resorts companies

after joining Starwood Hotels & Resorts, controls more than 1 million rooms. However, Chinese companies are becoming increasingly important in the global hotel market, already competing with the largest Western hotel chains in terms of a number of facilities.

The Hotels has been ranking the largest hotel business companies since 1971 when the list of Service World International 100 was headed by Holiday Inns Inc. with its +1,293 hotels and 182,513 rooms – at the time it was the largest hotel chain in the world, with a capitalization of around \$ 1bn in the US.

For the first time in 2017, Marriott International has managed to cross the 1 million mark, but the company was aiming for even higher results, with many competitors including Hilton Worldwide and several emerging Chinese companies. In 2018, Marriott International, with more than 1.3 million rooms, is the number one leader in volume. Jin Jiang International Holdings, which moved up from 5th place in the previous year’s ranking, came in second place. Hilton Worldwide, with more than 900,000 rooms in 5,685 hotels, InterContinental Hotels and Wyndham Hotels & Resorts, showed lower rates of room growth, down one rating.

Analysis of the main offices’ geographical location shows that (Fig. 2) out of the 300 largest hotel companies in the world, 116 companies are registered in the USA, 37 companies are located in China; among the European countries Spain has most registered hotels (23), while England has 11 and Germany has 10.

Headquarters of 11 companies are based in Japan, Singapore embraces 8 companies, Thailand embraces 6 companies, 5 companies are registered in Australia, Canada, France, and India, 4 companies are in Brazil, 3 companies are registered in Austria, Cuba, Korea, Mexico, Norway, Sweden, and Turkey, 2 companies in Africa, Greece, Indonesia, Ireland, Italy, Malaysia, Portugal, United Arab Emir-

ates, 1 company in Barbados, Croatia, Cyprus, Denmark, Egypt, Finland, Hungary, Israel, Netherlands, Panama, Poland, Russia, South Africa, Switzerland, Venezuela, Vietnam. None of the Ukrainian hotel service companies has been ranked in the top 300 largest hotel companies in the world, with a total of 45 countries in the 2018 ranking.

Oyo Hotels & Homes is the number one hotel company with over 17,000 hotels. The top five also include Wyndham Hotels & Resorts (9,200 hotels), Jin Jiang International Holdings Co. Ltd. (8,715), Choice Hotels International (7,021), Marriott International (6,906 hotels).

For 30 years in foreign markets successful independent hotel enterprises have been those who fulfilled the following conditions: the trademark must be easily recognizable; the product/service should be perceived as being the best in quality and price; the quality and standards of the product must be easily maintained; demand should ensure competitiveness, support for advertising and administrative costs. The hotel chain, as practice shows, is the most effective way of doing business in the hotel business. There are several popular forms of hotel affiliation, such as [7]: franchising; management contracts; hotel consortia mergers. The most consolidated and strong are considered integrated hotel chains, consisting of enterprises – full members. However, worldwide recognition and widespread use of hotel chains have come from franchising. The franchise agreement provides for the rental of the trademark.

The hotel company gives the companies the right to conduct their own business under its name but only on a single standard. It assists the franchisee in the business performance and controls it in order to maintain its reputation. In addition to branding, the parent organization gives the company a tried and tested method of doing business, advises and assists in the training of staff, and also undertakes the conduct of an advertising company. The franchisee is obliged to provide the client with a set of branded

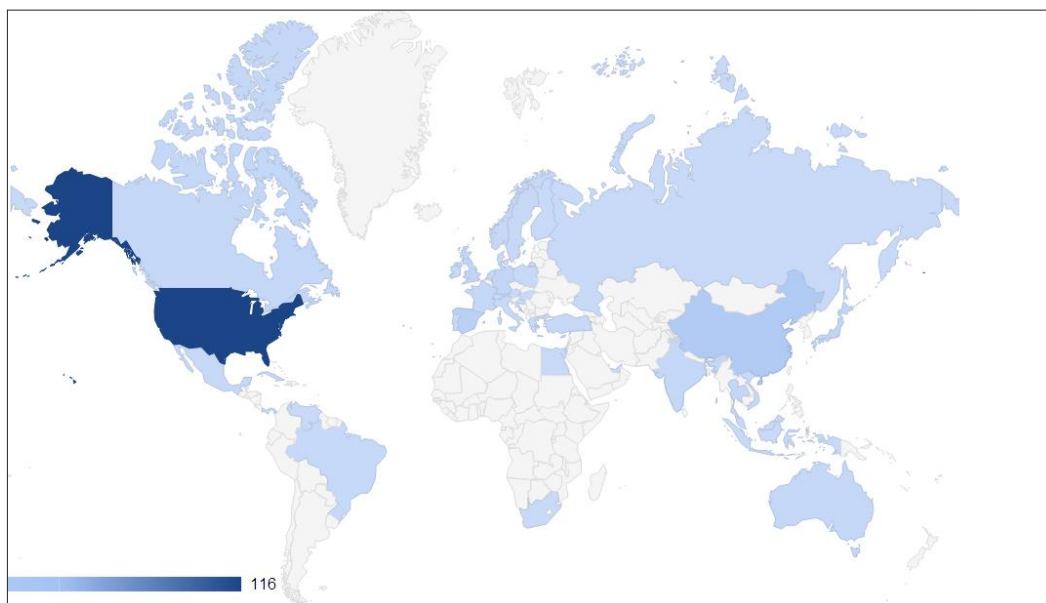


Figure 2. The density of the headquarters of the largest hotel companies in the world

quality services. He pays the company an entrance fee and regularly makes additional payments.

It should be noted that the franchise system is used more often than contract management in hotel chains. Unqualified world leader among franchisors in 2018, as in the previous year, is Wyndham Hotels & Resorts, which franchise operates 8,717 hotels worldwide. Also, most common are the Wyndham Hotels & Resorts franchises (8,717 hotels), Jin Jiang International Holdings Co. Ltd. (7,257 hotels), Choice Hotels International (7,021 hotels), Hilton (4,925 hotels), and Marriott International (4,735 hotels) [4].

A less common option for joining hotel chains is to sign a management contract. The management contract is concluded between the owners of the hotel and a company specializing in hotel management – the operator. The hotel owner transfers his business to professional management and undertakes not to interfere with the management process but continues to bear all the running costs, as well as financial and operational risks. The other party, the operator, receives a guaranteed remuneration for management [8]. There are two types of companies that provide hotel management services. Most represent hotel chains (networks) that carry out the management of their members. The second type includes independent companies that provide management services to different hotel networks. The leaders among hotel management companies in 2018 were Huazhu Group Limited, which managed 3,309 hotels under relevant management contracts, Qingdao Sunmei Group Co. (2,352 hotels), AccorHotels (2,275 hotels), Dossen International Group (2,247 hotels), Marriott International (2,020 hotels).

The largest hotel brand in the world in 2018 was recognized by Holiday Inn Express [4] as owned by InterContinental Hotels Group. There were 2,726 hotels with a total number of 279,516 rooms under this brand. The world's most common brands are Hampton Inn by Hilton by Hilton (250,310 in 2,433 hotels), Holiday Inn Hotels & Resorts by InterContinental Hotels Group (233,852 in 1,251 hotels), Homeinn by BTG Hotels Group Co. (229,586 rooms in 2,246 hotels), HanTing Hotel by China Lodging Group (220,646 rooms in 2,283 hotels). Among the 50 most famous hotel brands 8 are owned by Marriott International: Marriott Hotels, Courtyard by Marriott, Sheraton, Fairfield by Marriott, Westin Renaissance Hotels, Four Points and SpringHill Suites by Marriott, with a total of 865,856 rooms in 4,275 hotels that exceeds InterContinental Hotels' leader level. Although the company has two brands in the list of the 50 most famous hotel brands: Crowne Plaza Hotels & Resorts and InterContinental Hotels & Resorts, the aggregate figure is only 468,965 rooms in 3,359 hotels.

The world leader in the number of objects in direct management [4] is China Lodging Group. Marriott International came in second place. Also, TOP-5 includes AccorHotels and two other Chinese companies – Shanghai Jin Jiang International Hotels and BTG Homeinns Hotels Group. Western companies, which started worldwide expansion much earlier than their Asian competi-

tors, are world leaders in geographic reach. Only 10 Chinese companies are listed in the TOP-10 hotel companies worldwide.

International associations of independent hotels are distributed mainly in Europe. Founded in 1928, The Leading Hotels of the World brings together the world's most luxurious hotels. Initially, it consisted of only 38 hotels, in 2018 their number exceeded 390. Among them are both historic grand hotels and modest private properties in 82 countries. The main thing that unites them is the high standards of service and hospitality, which are prerequisites for joining the association. In May 2013, Kharkiv SuperiorGolf & SpaResort was included in this association.

The Radisson hotel chain, which introduced two new hotels in 2011–2012, is the most widely represented in the Ukrainian hotel market. As the opening of most of the hotels of the international chains was timed to the held in Ukraine international football championship. Almost 50% of these hotels opened in Kyiv, where the final game of the Euro 2012 Championship was planned and held. After the championship in 2017, the management company Rezidor Hotel Group opened only one 3-star hotel in the historic centre of Kyiv (the investment project began in 2012). Attractive regions for international hotel chains are Kyiv (78% of hotels are located), the Carpathian region.

At the same time, the hotel market of Ukraine has three of the most developed national hotel chains: Premier Hotel, which has operated since 2000 and now unites hotels in 7 cities of Ukraine: Premier Palace (Kyiv), Dniester (Lviv), Star (Mukacheve), as well as the Kharkiv Palace specially built for Euro-2012; Reikartz, since 2003 has more than 25 hotels in Dnipropetrovsk, Zaporizhzhia, Kirovohrad, Kryvyi Rih, Lviv, Mykolaiv, Kharkiv, Transcarpathia; Royal Hospitality Group, which has started on the Ukrainian market since 2005 and has a network of more than 15 modern European level hotels. Overall, the number of hotels and resorts in Ukraine has been declining since 2014, and in 2018 alone, according to official data [3], has increased by 14.68%, reaching 4,719 entities. (Fig. 3).

At the same time, the quality indicators of the hotel business have improved, in particular, the number utilization rate has almost doubled (from 13.36 in 2014 to 23.35 in 2018) However, only 0.96 (or 20.02%) increase in the number load rate was due to the increase in the number of guests and 3.84 (or 79.98%) was achieved by reducing the number of rooms. The sleeper rate in 2018 was 0.68. Foreigners accounted for only 13% of the total number of guests, the average length of visits of foreigners is lower than the length of stay of Ukrainians: 2.09 and 2.52 nights on average respectively.

A significant difference between the hotel business in Ukraine is the small capacity of the hotels. Thus, the average number of rooms in a hotel in 2018 was 50 rooms, significantly varying by region from 30 in the Kherson region to 63 in Chernivtsi and 88 in Kyiv. For comparison with best international practice, it is possible to note Marriott International (USA) average number of hotel

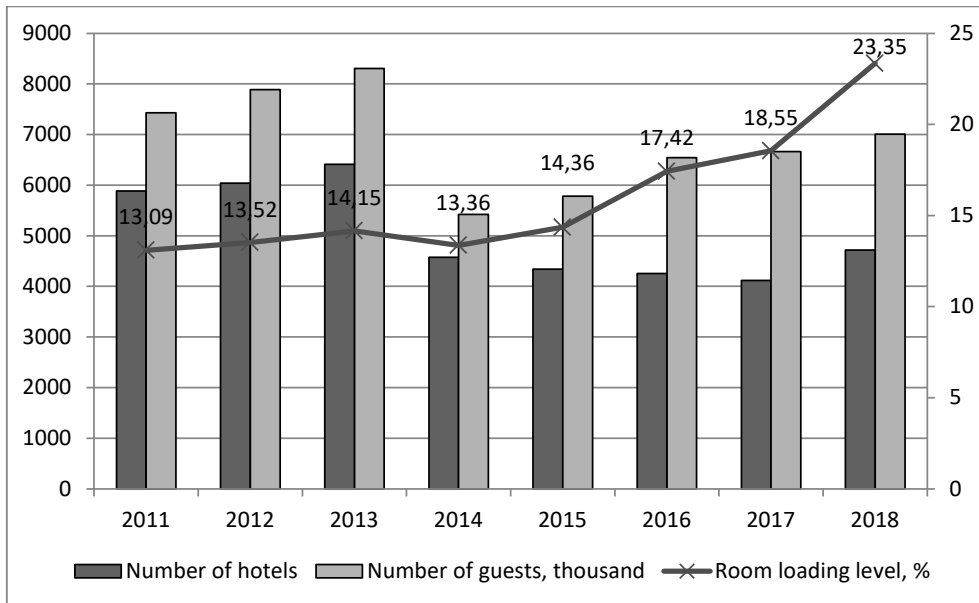


Figure 3. Dynamics of the hotel and resorts activity in Ukraine

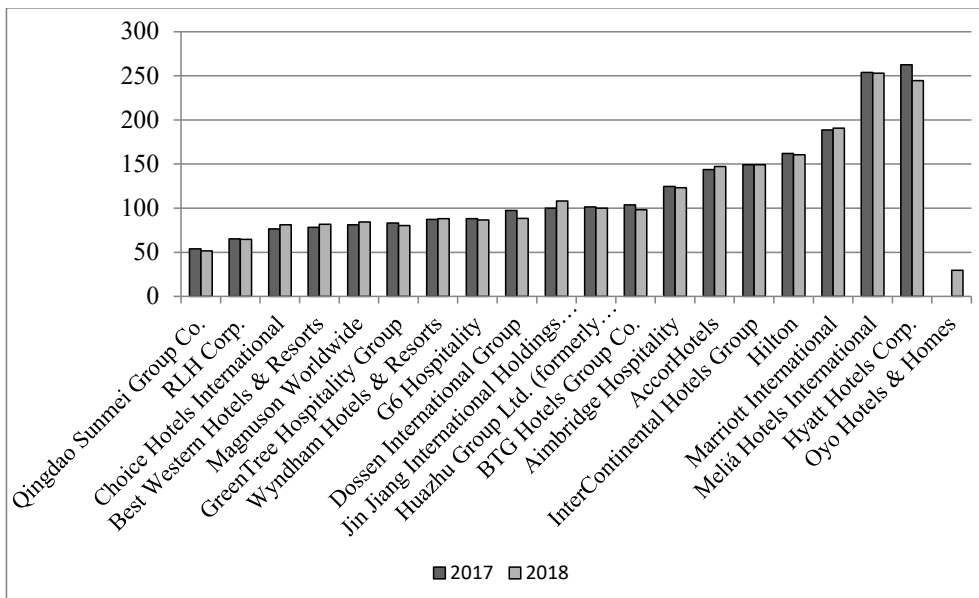


Figure 4. An average number of rooms in a hotel of 20 world top companies

rooms exceeding 190 and Jin Jiang International Holdings (China) – 108 rooms (Fig. 4). However, this is not an unambiguous negative indicator but only a characteristic of the specifics of the national market. Oyo Hotels & Homes (Gurugram, India) for example has recently joined the 2018 ranking of 300 hotels due to the successful niche market choice: specializing in small hotels (less than 30 on average).

Analysing the national hotel chains, we can conclude that PremierHotel and RoyalHospitalityGroup are located in the largest cities of Ukraine and the most attractive regions for tourists, such as Kyiv, Kharkiv, and Western Ukraine. And the hotels of the Reikartz network are also targeting areas of Ukraine where the flow of tourists is

insignificant. This eliminates competition and increases the number of customers.

The international practice has shown that the combined management of hotel business is more economically efficient than managing independent hotels. The unification of hotels under single management in the result gives a significant effect to both the owners of the objects and their operators. The main advantage of a hotel in the chain is the reduction of overall costs, which allows the hotel chains to increase their competitiveness and intensively penetrate the international markets by expanding their range. Studies conducted by British experts have shown that when you combine hotels in chains, the profitability of one room is on average 7 times higher than in independent hotels. That

is why the creation of hotel chains is gaining in popularity every year. At the same time, there is a tendency in the international hotel market to increase specialized hotel enterprises.

Conclusions. Thus, the development of hotel chains as a new form of transnationalization of capital leads to the fact that a wide network of branches of one-of-a-kind hotels, which are scattered throughout the world, has

become the backbone of stable functioning of multinational companies, which in turn reinforce the tendencies of globalization and transnationalization of the world economy. The main tasks of the national hotel business should be to create competitive advantages and increase competitiveness, to search for new ways of development, to update its own policy, taking into account the progressive experience of the most successful hotel companies in the world.

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МІЖНАРОДНИЙ ГОТЕЛЬНИЙ БІЗНЕС: ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РОЗВИТКУ

Готельний бізнес є основною ланкою туристичного обслуговування, і завдяки міжнародним трендам зростання мобільності населення планети, отримує потужну платформу для зростання як в кількісному вимірі та і за своєю значущістю для культурного та соціально економічного розвитку світової спільноти та окремої країни. Більшість країн світу активно підтримують розвиток готельного бізнесу, отже зрушення на світовому та регіональних ринках послуг тимчасового розміщення вимагають постійного наукового вивчення, узагальнення, аналізу та опрацювання. Стаття має на меті виявлення останніх тенденцій у розвитку міжнародного готельного бізнесу, наукове обґрунтування підходів до вирішення проблем та зменшення впливу негативних чинників, а також вивчення прогресивного досвіду організації готельної справи та механізмів його застосування на вітчизняних підприємствах з урахуванням специфіки національної соціально-економічної системи. Для досягнення поставленої мети в процесі дослідження використовувались такі методи: теоретичне узагальнення – для уточнення розуміння готельного бізнесу; статистичний аналіз – для вивчення, групування та порівняння емпіричних даних з метою дослідження тенденцій розвитку готельної справи; аналізу і синтезу, системного підходу – для визначення раціональних управлінських методик організації надання готельних послуг. В результаті дослідження виявлено, що готельні компанії Індії та Китаю демонструють швидкі темпи зростання завдяки впровадженню інноваційних підходів до організації готельної справи, які можуть успішно застосовуватися в Україні. Істотною відмінністю готельного бізнесу в Україні є мала місткість готелів, проте значення цього показнику не є однозначним негативним індикатором. Позитивним явищем для вітчизняного бізнесу є зростання якісних показники функціонування, зокрема коефіцієнт завантаження номерного фонду зріс майже вдвічі. Однак, таке досягнення отримано більшій мірі за рахунок зменшення кількості номерів. Отже, вітчизняний бізнес потребує інноваційних змін шляхом впровадження управлінського досвіду зарубіжних компаній, що можливо шляхом залучення українських підприємств до світових готельних мереж. Розглянуті підходи до організації управління міжнародного готельного бізнесу мають суттєву практичну цінність для вітчизняних підприємств і можуть стати базою для подальших наукових досліджень спрямованих на визначення резервів підвищення ефективності функціонування закладів тимчасового розміщення.

Ключові слова: готельна індустрія, міжнародний готельний бізнес, туризм, менеджмент, організація туристичного обслуговування.

**МЕЖДУНАРОДНЫЙ ТУРИСТИЧЕСКИЙ БИЗНЕС:
ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ РАЗВИТИЯ**

В статье освещены современные тенденции развития международного гостиничного бизнеса, научно обоснованы подходы к решению проблем и уменьшения влияния негативных факторов, сдерживающих развитие гостиничного дела в Украине, а также проанализирован прогрессивный опыт организации гостиничного обслуживания лучших компаний мира и предложены механизмы его применения на отечественных предприятиях с учетом специфики национальной социально-экономической системы. В целом подтвержден вывод, что отечественный бизнес нуждается в инновационных изменениях путем привлечения украинских предприятий к мировым гостиничным сетям. Рассмотренные подходы к организации управления международным гостиничным бизнесом могут стать базой для дальнейших научных исследований по выявлению резервов повышения эффективности функционирования учреждений временного размещения.

Ключевые слова: гостиничная индустрия, международный гостиничный бизнес, туризм, менеджмент, организация туристического обслуживания.