

STRATEGIC APPROACHES OF INTERNATIONAL HOTEL CHAINS TO ENTER ON THE ROMANIAN MARKET

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On the Romanian market 23,9% of all accommodation structures are hotels. Among these 4% are belonging to international hotel chains which is a very small percentage. Almost all international hotel chains realized the potential of the market and that is why they intend to increase the number of hotels opened in Romania. Hotel chains attempt to control and dominate the market as result of an extremely dynamic and complex environment. The decision made by a hotel company to carry out its activity in a foreign country and the way to enter into the market can be motivated by many reasons. The paper analysis the presence of international hotel chains on the Romanian hospitality market and the strategies used to enter on the Romanian market compared with the global strategies. The paper used the comparison method to highlight different entry strategies used by international hotel chains when entering a foreign market. For data collection, the main method used was the observation of annual statistical reports with the support of international hotel chains. The first international hotel chain that came in Romania was InterContinental in 1971, but the majority entered on the Romanian market after 2000. In 2012 other chains announced the intension to penetrate this market. The study identifies strategies for penetrating the Romanian market by international hotel chains. The preferred penetration strategy on the Romanian market is management contract followed by franchise. Not least are highlighted comparative aspects of internationalization decisions taken by the chains in the world and in Romania, analyzing whether in Romania are predominantly used the same strategy as in most other countries or some specific strategies. International hotel companies want to entre on the Romanian market because they consider that in this area is need for hotels which belong to the luxury segment but also hotels that belong to the economy segment.

Keywords: hotel chain, penetration strategies, Romania hotel market

JEL Codes: L83

I. Introduction

According to the statistical data provided by the National Institute of Statistics, in 2010 was a total of 1246 hotels on the Romanian market; that means 23,9% of all accommodation structures from Romania. (Romanian Tourism. Statistical Abstract., 2011:21)

Among these, there are currently 48 hotels belonging to international hotel chains. At this moment, there are 18 international hotel chains on the Romanian market, namely: Golden Tulip, Best Western, Danubius Hotels, Hunguest Hotels, Ramada, Pullman, Novotel, Ibis, Howard Johnson, Radisson Blu, K+K Hotels, Hilton, DoubleTree by Hilton, JW Marriott, Crowne Plaza, Intercontinental, Starlight Suite Hotels and NH Hotels.

II. The presence of international hotel chains on the Romanian hospitality market

In 2010 were 1246 hotels on the Romanian market. From those 48 belong to international hotel chains, representing just 4% form all hotels that are present on the Romanian market. The rest, 96% are Romanian hotels (Fig. nr. 1).

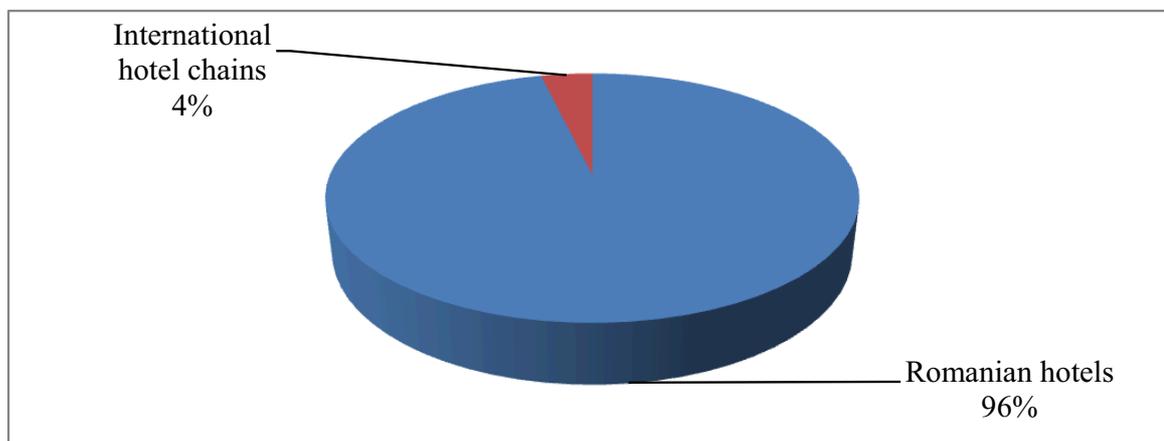


Fig. nr. 1: The presence of international hotel chains on the Romanian hotel market

Source: made by authors

Even, at this moment, the presence of international hotel chains on the Romanian market is very low. Almost all international hotel chains realized the potential of the market and that is why they have the following strategy: increasing the number of hotels that are in this country by opening hotels also in the province. Also, they want to penetrate the Romanian market with other brands that belong to the same international hotel group.

III. The international hotel chain evolution on the Romanian market

To understand the situation, is very important to analyze which was the international hotel chain evolution on the Romanian market. Table nr. 1 shows the penetration years used by the international hotel chains to get on the Romanian market. The first international hotel chain that came in Romania was InterContinental, in 1971, followed by the chains Hilton, Best Western and Crowne Plaza.

Table nr.1: The years used by the international hotel chains to penetrate the Romanian market

Hotel chain	The penetration year on the Romanian market
Intercontinental	1971
Hilton	1996
Best Western	1997
Crowne Plaza	1998
JW Marriott	2000
Danubius Hotels	2001
Ibis	2001
Hunguest Hotels	2002
Howard Johnson	2004
NH Hoteles	2005
Golden Tulip	2005
Ramada	2005
Novotel	2006
K+K Hotels	2006
Radisson Blu	2008
Pullman	2009 (from 1994 Sofitel)
Starlight Suiten Hotels	2009
DoubleTree	2011
Hampton	Starting 2012

Source: made by authors

The other international hotel chains entered on the Romanian market after 2000. It can be seen, that those chains came on this market, step by step, almost each year had a new entrance. Also, in 2010, no international hotel chain entered on the Romanian market. But 2011 brings another opportunity for other hotel brands or the old international chain development. In 2012 other chains announced the intension to penetrate this market.

Strategies used in Romania based on the number of hotel chains present on the Romanian market

The strategies used by international hotel chains are different. The hotel chain takes into account the specific of each hotel chain, but also the advantages taken into consideration when a chain wants to penetrate a foreign market.

From all 18 hotel chains, which are on the Romanian market the most part of them are using the same penetration strategy for all the hotels. Exceptions are Hilton Hotel (is using franchise and management contract) and NH Hotels (uses management contract and leased contract). Fig. nr. 2 shows the strategies used by international hotel chains, which are present on the Romanian market.

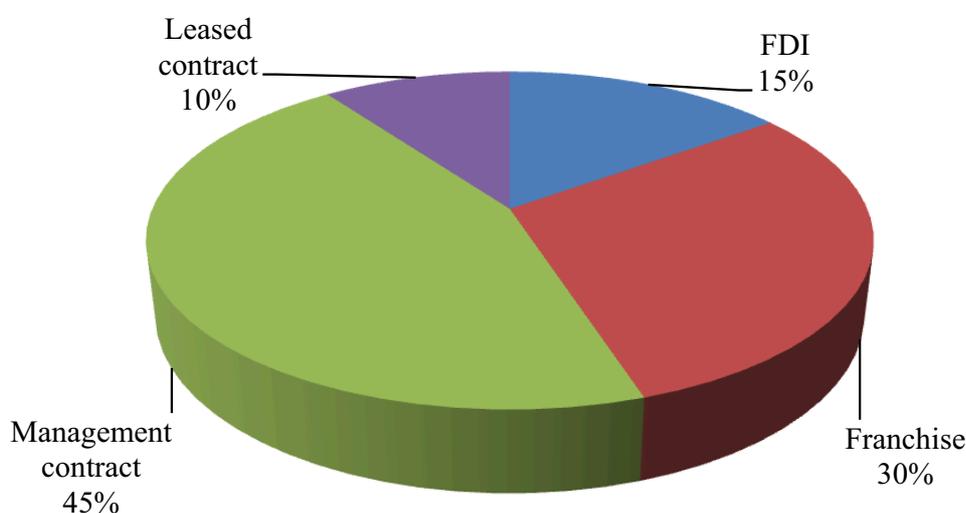


Fig. nr. 2: Strategies used by international hotel chains, which are present on the Romanian market (% number of international hotel chains)

Source: made by authors

The international chain strategies used in Romania, compared with the global strategies

The most part of international hotel chains are using also in Romania the predominant strategies. From 18 international hotel chains, which are present on the Romanian market, twelve are using in Romania the same predominant strategy of the chain and six chains are using a different strategy (Table nr. 2).

Table nr. 2: The use of predominant strategy also in Romania

	<i>Predominant strategy into the world</i>	<i>Strategy used in Romania</i>
<i>Golden Tulip</i>	Franchise	Franchise
<i>Best Western</i>	Franchise	Franchise
<i>Ramada</i>	Franchise	Franchise
<i>Howard Johnson</i>	Franchise	Franchise
<i>Radisson Blu</i>	Management contract	Management contract
<i>Pullman</i>	Management contract	Management contract
<i>Novotel</i>	Leased contract	FDI
<i>Ibis</i>	Leased contract	Management contract
<i>Hilton</i>	Franchise	Management contract/Franchise
<i>DoubleTree by Hilton</i>	Franchise	Management contract
<i>JW Marriott</i>	Management contract	Management contract
<i>Crownw Plaza</i>	Franchise	Management contract
<i>Intercontinental</i>	Management contract	Management contract
<i>Danubius Hotels</i>	FDI	FDI
<i>NH Hoteles</i>	Leased contract	Leased contract/ Management contract
<i>K+K Hotels</i>	FDI	FDI
<i>Hunguest Hotels</i>	FDI	Franchise
<i>Starlight Suiten Hotel</i>	Management contract	Leased contract

Source: made by authors

IV. Conclusions

Even at this moment, in Romania, the number of international hotel chains is not significantly; but this situation will be changed in the future. International companies want to entre on the Romanian market because they think that in this area is need for hotels which belong to the luxury segment but also hotels that belong to the economy segment. On the Romanian market, are expected also other hotel companies: Kempinsky, Hyatt, Four Seasons, Sheraton or Leading Hotels of the World, trough private properties but also affiliations, franchise or management contract.

The most important challenges, that the hoteliers must consider, are the high costs to construct the property, the growing costs with workforce and utilities and the unpredictable costs for land acquisition. Also, a big opportunity, that the new international hotel chains have to enter on the market, is the lack of quality services into the secondary cities from this country.

Romania becomes an interesting country for the big international hotel chains, given by the fact that many companies have relocated their production here. This thing is very good and important for the Romanian tourism, because the international hotel chains that are already on this market and those that are not yet in Romania, will want to invest in this country, in the capital but also in the province.

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