



HOW TO CREATE SOCIAL VALUE WITHIN THE INTERNATIONAL HOTEL INDUSTRY. HOTEL CHAIN CASE STUDY

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Abstract *This paper presents the hotel business as part of the tourism market, which, globally, is in a continuous process of development by increasing the number of properties. The paper is based on the analysis of the factors that support this statement and that bring the hotel business among the most dynamic businesses today. People travel for various reasons, whether for business or personal purposes – most often for relaxation. The methodology used was that of an almost exhaustive research of both types of tourism that are growing, supported by globalization. Companies open offices in various countries, entrepreneurs find business opportunities even in the most remote places. Social values are those elements like dignity, bodily integrity, property, wealth, kindness, generosity, tolerance, respect for the elderly, goodwill, honesty, cheerfulness, seriousness, job well done, which, in the mentality of a community, are considered important, and are treasured as such. All of them are found in the hospitality industry!*

Key words:

Hotel chains,
Tourism, Tourism
business

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L83, M16, F55

Introduction

According to World Tourism Organization (WTO) statistics reported on the web (www.world-tourism.org), international travel and its service components continue to be a leading multi-billion dollar global industry. Owing to tourism's fast paced and far-reaching impact, many information professionals encounter questions involving one or more sectors of travel.

With billions people using it, social media around the world it has become one of the most explored communication channel any industry ought to ignore. Because most social media marketing tools are free of charge there is an outlook that there is not any real cost to broadcast business messages using the same platform. But the fact is you invest time, energy, and your reputation in your social media efforts – so it should be wisely used. Hotels chains in different parts of the world are affected differently depending upon the local situations. So, *depending upon the location* that somebody intends to rent a hotel room in, the price may be the same, may have gone up or may have decreased in the past year. The tourist needs to shop around for the best prices. But even then, depending upon what else the client plan to include in its stay, there can be added fees beyond the taxes. Especially if the tourists are staying in a mid to high end motel or hotel that caters to business clientele or specialized tourist groups.

Hoteliers should remove barriers between technology, marketing and operations to unlock growth. Greater

integration between business and IT priorities vital to speed hotel growth in the next years.

Methodology of research

The methodology used was that of an almost exhaustive research of both types of tourism that are growing, supported by globalization, and social media implementation. In our investigation are involved several variables (Occupancy rate, Average Daily Rate, Revenue per Available Room). A variable is a characteristic that does vary among members of the group. Unfortunately, variables were a bit difficult to define, without using the word variable. One way to approach this is to contrast a variable with its opposite, a constant (here the constant taken into consideration was the hotels rooms). For our purposes, a constant is some characteristic that does not vary among the members of a group we wish to study. Another issue surrounding the definitions of variables is the question of measurement. Even if the variable itself is defined quite specifically, it is also important to be specific about the way in which it will be measured. As a method of measurement it was used the comparison to other variables.

1. Forms of hotel property

At the beginning, hotels operated individually, being poorly visible to potential customers. Later on, hotel owners started expanding their activity overseas, founding the international hotel chains.

Today, there are three forms of properties belonging to the chains: owned, managed or franchised.

The hotels fully owned by hotel chains belong to them from the building to the employees. These properties are ever fewer due to high maintenance costs, which render them unprofitable.

As far as management contracts are concerned, the owner of a hotel that has potential decides to transfer its operation to an international chain, which will bring its management, standards and know-how. The owner is not involved in the operation of the hotel, but he can decide with regard to the moment when the building should or should not be refurbished etc.

The franchised properties are widely spread throughout the world. Local tourist companies, which own hotels,

decide to apply for a franchise in order to be better known on the market, to have access to a wider and first-rate platform so as to handle and attract a large number of guests. The business is managed by the local company with its own resources, but according to the rules and standards imposed by the franchise.

2. Hilton's Worldwide Operations

In keeping with the figures in the 2013 report posted by Hilton Worldwide on the site of the Security and Exchange Commission, the hotels under management contract and franchise (Table 1) registered growths with both the average and the occupancy rates.

Table 1. Hilton Worldwide Statistical Operations Report for 2013

	Year ended 31.12.2013	Variance (2013 vs. 2012)
Occupancy rate	71.90%	1.40%
ADR (average daily rate)	\$130.68	3.30%
RevPAR (revenue per available room)	\$94.04	5.30%

Source: U.S. Security and Exchange Commission - www.sec.gov

These results reflected continuous investments in service quality, even during the difficult times of the 2008 crisis, when the company preferred to keep expenses at a rather high level (not sacrificing the quality of the services provided to its guests), but

sacrificing part of the profit (Table 2). This strategy consolidated even more its position on the market, promoting itself as a reliable business partner for the franchise and management contract segments.

Table 2. Hilton Worldwide Financial Statements for 2013

	2013	2012	2011	2010	2009
Total Revenues (mil. \$)	9735	9276	8783	8068	7576
Total Expenses (mil. \$)	8633	8176	7808	7515	7427
Operating Profit (mil. \$)	1102	1100	975	553	149

Source: U.S. Security and Exchange Commission - www.sec.gov

In the past, in each newly opened property, the hotel company brought its legacy to the new country – the same service quality, the same operating standards and rules, and, sometimes, even the same recipes for its own restaurants. The name of the hotel chain and its products became ever more familiar to the guests who chose them to the detriment of the local individual hotels which they did not trust.

Even nowadays, tourists choose the hotels based on the same reasons. Or rather not?

Thanks to the sustained development of technology, of the internet and, last but not least, of the communications means, the boutique hotels have by far more opportunities to promote their product and to attract more guests, most of the time “stealing” them from the hotel chains.

The management of an individual hotel is generally cheaper than that of a hotel owned by a chain. The investment needed to open such a hotel is smaller; there is a higher flexibility in using various suppliers, at more competitive prices, unlike the hotel chains, which impose certain standards and certain suppliers, often more expensive than the local ones.

Moreover, considerable amounts are saved by not paying periodical management or franchise fees. All this money either goes to the owner's pocket or is invested in better accommodation facilities for the guests, which more than often are even better than those of a hotel chain.

Thus, in the 21st century, the boutique hotels become one of the most important threats to the international hotel companies.

Despite all this, starting from their strengths, most of the international hotel chains come with intelligent strategies to overcome these threats and to ensure a sustained long-term development.

3. Accepting Social values in Tourism Industry

Social values are those elements like dignity, bodily integrity, property, wealth, kindness, generosity, tolerance, respect for the elderly, goodwill, honesty,

cheerfulness, seriousness, job well done, which, in the mentality of a community, are considered important, and are treasured as such.

The norm is a standard pattern of behaviour that is considered normal in a society or a customary situation or circumstance, or a required level of achievement. Here are some known conceptsⁱ on social values and norms:

Box 1 Concepts on social values and norms

1. Norm	6. Legal norms
2. Social norm	7. Social values
3. Technical norms	8. Resemblances and differences between moral norms and legal norms
4. Law	9. Role of norms in social life
5. Moral norms	10. Democratic institutions and practices

- Norm –rule, mandatory provision, enforced by law or use. There are several categories of norms.
- Social norms – indicate types of behaviour, the conduct required by society: what should or should not be done, what one must, may or may not do under

- various circumstances: outside, in the family, at school, on a visit, at the office etc.
- Greeting – the elementary norm of communication in society.

Keeping in mind all these concepts on social values norms, could be determined the value grouping criteria, as follows:

Box 2 Value grouping criteria

<p style="text-align: center;"><i>Value validity</i></p> <ul style="list-style-type: none"> • relative values; • absolute values; • subjective values; • objective values. 	<p style="text-align: center;"><i>Value quality</i></p> <ul style="list-style-type: none"> • positive values; • negative values; • own values; • effect values.
<p style="text-align: center;"><i>Value subject</i></p> <ul style="list-style-type: none"> • economic; • ethical; • legal; • political. 	<p style="text-align: center;"><i>Psychic faculty source of values</i></p> <ul style="list-style-type: none"> • sensitive, • sentimental • cognitive
<p style="text-align: center;"><i>Reasons of values</i></p>	<p style="text-align: center;"><i>Object</i></p>
<p style="text-align: center;"><i>Applicability</i></p> <ul style="list-style-type: none"> • individual, • social, • cosmic, • elementary • ideal. 	<p style="text-align: center;"><i>Other categories of values</i></p> <ul style="list-style-type: none"> • economic values • legal values • political values • ethical values • historical values • esthetical values • religious values

Thus, the hotel chains remain an important pawn on the global tourism market, managing to maintain their leading position in point of revenues per available room and to be a long-standing commercial force. These hotel companies will always come with new and viable strategies in their attempt to maintain their supremacy on the market, being the first choice of both tourists and investors.

One of the most important and indisputable characteristics of a top hotel chain is its vast experience on the international hotel markets. Along the years, they have learned from the various situations they had to cope with, and most of the chains have managed to develop sound policies, rules and best practices which make sure that all their properties all over the world and all their employees provide the same service quality to all

their guests. The guests come to know this aspect, get familiarised with the products and services of the respective brand, and that is why they will choose that chain whenever they travel in the world, thus avoiding the unpleasant surprises made sometimes by the boutique hotels.

Another characteristic that gives the international hotel chains the certainty of a long-term business operation is related to human resources. From this point of view there are various human resource management approaches and policies.

Results and their interpretation

First of all, most of the hotel chains (Hilton, Intercontinental, Accor etc.) employ a management staff rotation policy at international level. Thus, the Operations Managers, the General Managers and others are rotated every three to five years among the hotels all over the world. Although at a first glance this measure may seem unjustified, since a manager should know well the market in the country where his hotel operates, in fact, this measure is highly beneficial for the business. The managers come with new approaches, avoiding monotony and finding new ways of challenging the market.

Likewise, Revenue Management Consolidated Centres have been set up in recent years which provide support to several hotels of the same brand, thus sparing numerous Revenue Manager positions within the respective hotels. These centres monitor the market, the competition, the room rates, and based on their analyses develop smart room selling strategies, maintaining the

best ratio between the revenue per occupied room and the hotel occupancy rate.

Last but not least, particular stress is laid on employee training through traditional as well as online courses providing the newcomers and the employees interested to develop their career with an impressive number of modules meant to help them in acquiring new abilities or in consolidating the ones they already have.

The swaps of experience within the hotel chain facilitate the assimilation of new techniques, allow the employees to make their own opinions and encourage them to share these opinions with all team members, resulting in higher work profitability and efficiency.

As far as costs are concerned, a hotel chain has the necessary strength to negotiate contracts on a local or even global level with various suppliers (ex. mattress suppliers, toiletry suppliers, cleaning products suppliers, IT equipment and soft suppliers etc.). Considerable amounts of money are thus saved while the quality of the purchased products is higher than of the local manufacturers.

Another characteristic of the top hotel chains is the reservation platforms they operate. They allow making reservations in all the properties of the respective chain. In 1948 Hilton was the first company that launched a multi-hotel reservation system, the predecessor of the present powerful online reservation engines. These high-performance systems permit room reservations, being, at the same time, integrated platforms that even include banking operations (ex. reservations guaranteed by credit cards, advance payments for reservations etc.).

Table 3. Top 5 global hotel companies, by number of rooms as at 01.01.2013

Place	Group	Hotels	Rooms
1	IHG	4602	675982
2	Hilton Worldwide	3992	652378
3	Marriott International	3672	638793
4	Wyndham Hotel Group	7342	627437
5	Choice	6198	497023

Source: www.hospitalitynet.org

Globally, there are several big hotel groups that have the tendency to lay hands on ever more properties under franchises or management contracts. A list of the most important companies of this kind was published by HospitalityNet on 1 January 2013, mentioning IHG, a British company as the biggest hotel chain of the world with over 4,600 properties and more than 675,000 rooms. With a significant growth of the number of hotels opened annually, all the companies included in this top (Table 3) reported growing figures every year, proving their capacity to attract new tourists.

Conclusions

This paper identified new development trends on the hotel market, some derived from old bases, others being brand new concepts. However, all of them pursue guest satisfaction; the facilitation of the services provided internationally, the involvement of ever more individuals in social and economic development and consolidation processes. An attempt was made, by means of various approaches, to initiate a project with new elements less detailed so far within tourism themes. We tried to

highlight the importance of new concepts and to bring to the readers' attention the history of older ones.

The hotel industry, as an economic, social and geographic process, will therefore continue to change, always requiring new approaches, new directions and constant adjustments to high-tech elements. One may easily note from this paper that the hotel industry has adapted itself to the other components of society trying to grow alongside them and complement them.

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