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On the question of the formation of associations of hotel companies in the global hospitality industry

The hotel service industry plays an important role in society, providing opportunities for business meetings, meetings, conferences, as well as for recreation and entertainment. This trend of hotel development creates objective conditions for the so-called regional competition, which every year it becomes more noticeable: new resorts with inflated standards of service that makes the old tourism regions to improve their quality of service, as well as look for new ways of quality competition. For this reason the article discusses the main aspects of the development of hotel associations and the most famous and developed hotel brands in the market of hotel services. Special attention is paid to the integration processes in the global hotel market, forms of association of hotels as the franchise agreement, contract to manage, combination of franchising and contract to manage, an agreement to acquire a license, strategic marketing alliances. Questions of franchising system in the world hotel market are considered, and the structure of the model franchise payments for hotel companies are defined. In the article the advantages and disadvantages of franchising for the franchisor are highlighted.

Keywords: tourism, hotel services, hospitality industry, hotel companies, external factors, franchising, franchise, hotel chains, hotel brand.

Tourism – this is one of the most highly profitable and fast growing industries in the world economy, which has a stronger multiplier effect, than most other economic sectors. It directly or indirectly affects the 32 sectors of the economy (there are tour companies, all types of transport, hotels, catering systems, rest houses, sanatoriums, national crafts, national parks, and much more). Besides — it's every ninth workplace in the world production.

Currently, tourism took a giant leap to become one of the largest and most highly profitable sectors of the world economy. The growth of the total number of tourists has had a marked impact on the development of tourism infrastructure and its main component — the hospitality industry, striving to get its share of the business and trying to convince customers to purchase their hotel services. In international practice, the hotel industry is one of the most profitable.

This tendency of tourism development creates objective conditions for the so-called inter-regional competition, which every year becomes more noticeable: there are new resorts with excessive standards of service that makes the old tourist regions improve their quality of service, as well as to seek new quality ways of competition.

The positive economic impact of the hospitality industry at national and regional levels is the creations of new jobs, multiplier effect, contribute to national and regional income. It is impossible not to note the social impact of the hospitality industry, which includes: improving the living standards of the population, the preservation of cultural heritage; promote the establishment and support of museums, conservation and financing of cultural and historical monuments; gain a sense of pride of the population for their own culture and identity; providing opportunities for intercultural exchanges.

The hotel industry is transformed under the influence of various kinds of factors, which are formed as the external environment and internal processes. As Internal considered factors that affect the individual enterprise or the hotel industry as a whole. Factors, affecting the development of the hospitality industry, are divided into two groups — external and internal.

External factors such as the political situation in the world and a particular region (characterized by the stable development of the society), the demographic situation (migration, the growth of population), economic status (change in the standard of living), the technological environment (technology development), psychographic factor, and so on, influence. External factors are determined by exposure to the components of reality, is not related to the functioning of the hospitality industry. These include: political and legal, economic and financial, security, travel, culture, infrastructure - communications, population, trade, new and emerging technologies (Fig.).

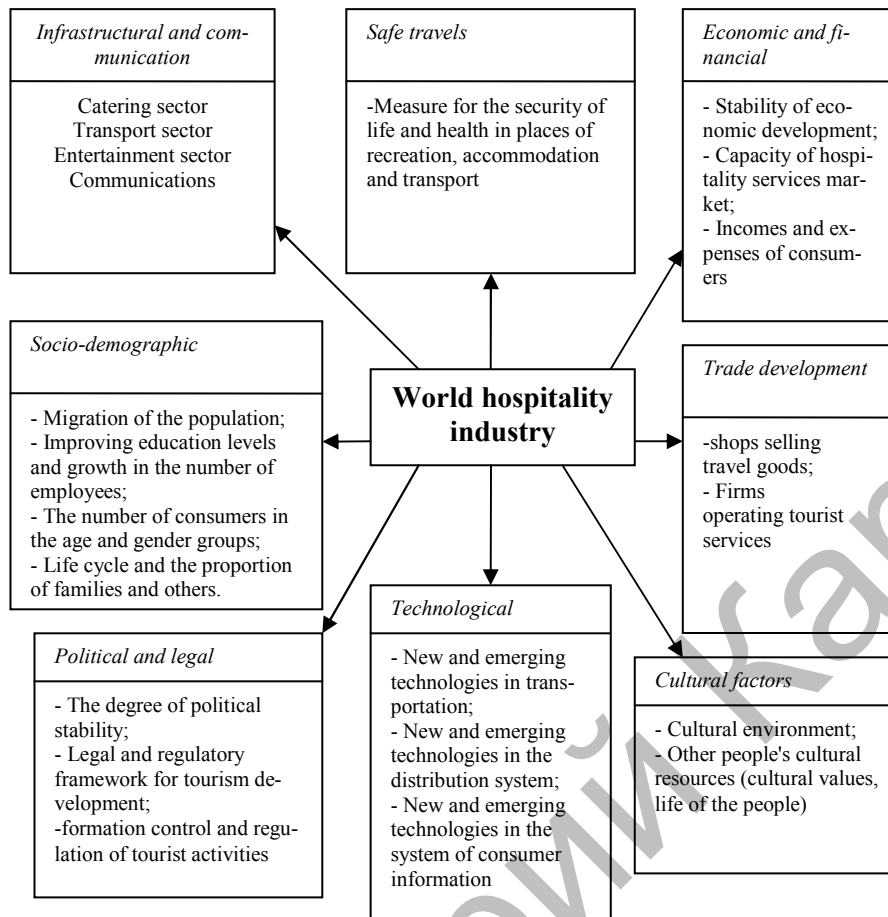


Figure. External factors of development of the hospitality industry (compiled by the author on the base of [1,2])

Summarizing, we can say that the direction of the global hospitality industry enterprises are dictated not only by the internal processes of industry, but also a number of external factors, so the determining factor in achieving success is the ability to adapt and understand new forms of market.

Among the methods of modern hotel enterprises can be distinguished, above all, the development of such a concept, as an extension. Moreover, the extension may be geographical and horizontal. Geographic expansion - a strategy in which the hotel enterprise (or enterprise catering business) increases the number of its managed objects in different geographical regions. Traditionally, it is as follows: first, the development of a particular region of the country, and then output to the national level, and eventually enter the international market. Development of hotel companies by horizontal expansion is done by extending the scope of its interests in the related activities (transportation, food, leisure, and so on.). Thus, the company Assor, in addition to hotels, has a network of travel agencies and catering, car rental company, and Hilton International is actively involved not only in the hotel business, but the gaming industry.

To date, researchers consider following forms of association of hotels in the chain, which may be different:

- buy hotels;
- the franchise agreement;
- contract to manage;
- combination of franchising and contract to manage;
- an agreement to acquire a license (patent);
- strategic marketing alliances.

Hotel Chain assumes combining several hotel companies in general business under the unified leadership and a trademark. The hotel chain is not a new phenomenon in the hotel business for over 50 years, there are hotels, managed from a single center. And if at first this method of manage has not been widespread, the rapid growth in the number of accessions to hotel chains, which began at the end of the Second World War is

still going on. Although the first hotel chain in the world has become a European chain of hotels Cesar Ritz, the further development of this phenomenon is usually associated with the American hotel industry (if in 1987, hotel chains combined 62 % of the total number fund the United States, 10 years later, this figure had risen to 75 %, and in the near future, experts predict that about 90 % of all of hotels will be included in one or another chain).

However, there is still confusion over the terms «hotel chain» and «group of hotels». According to the results of researches, most often in the «hotel chains» at the same time can be seen as a proper chain and the group while a «group of hotels» can be understood as a specific brand, possibly one of several belonging to a particular hotel chain. Largest hotel chains and brands are presented in Table 1 [3].

The largest world hotel companies

Table 1

№	Company name	Number of hotels/ rooms	Country	Major hotel chains (brands)
1	Cedant Corporation.	6344/532 284	USA	«Ramada Hotels», AmeriHost Inn, Days Inn, Howard Johnson, Knights Inn, Ramada Inn, Super 8, Travelodge
2	Inter Continental Hotels Group	3741/556246	United Kingdom	Holiday Inn, Intercontinental, Hotels and Resorts, Crowne Plaza Hotels and Resorts, Hotel Indigo, Staybridge, Suites, Candlewood Suites, Priority Club Rewards.
3	Marriott International	2775/502089	USA	Fairfield Inn, Renaissance Hotels and Resorts, Countyard, Residence, TownePlace Suites
4	Accor	4121/486512	France	<u>Mercure</u> , <u>Novotel</u> , <u>Sofitel</u> , Switch Hotels, Ibis, Etap, Formula 1, Red Roof, Motel 6, Studio 6.
5	Hilton Hotels Corporation	2901/497738	USA	Conrad Hotels, Doubletree, Embassy Suites Hotels, Hampton Inn, Hampton Inn and Suites, Hilton Hotels, Hilton Garden inn, Homewood Suites by Hilton
6	Choice Hotels International	5897/481131	USA	Quality Inn, Choice Hotels, Comfort Inn, Comfort Suites, Quality, Sleep Inn, Clarion, MainStay Suites, Suburban Extended Stay Hotel, Econo Lodge, Rodeway Inn brand hotels.
7	Best Western	4195/315875	USA	<u>Best Western Hotels</u>
8	Starwood Hotels and Resorts Worldwide	871/ 265598	USA	Sheraton Hotels & Resorts, Westin Hotels & Resorts, The Luxury Collection, St. Regis, W и Four Points Hotels by Sheraton, Le Meridien
9	Carlson Companies Worldwide	945/147 129	USA	Regent International Hotels, Radisson Hotels & Resorts, Park Plaza Hotels & Resorts, Country Inns & Suites By Carlson and Park Inn hotels.
10	<u>Hyatt Hotels & Resorts</u>	733/141011	USA	The Grand Hyatt Hotels, The Park Hyatt Hotels, Hyatt Resorts, Hyatt Regency Hotels.
11	Kempinski	62/499 165	Germany	Kempinski
12	Golden Tulip Hospitality Group	230/27 300	The Netherlands	Golden Tulip Hospitality

Currently, the countries with developed market economies increasing number of enterprises operating in the franchising agreement. According to official reports, this system has been used in more than 70 countries. The popularity of franchising, explains the efficiency of operation and high stability of the newly formed business enterprises. According to the firm Mr. Doors Home Inc, in the United States after 5 years on the market survive only 23 % of private enterprises, and after 10 years they still only 18 %, while among the companies that have adopted franchising, after 5 years decays only 8 out of 100 enterprises, and 10 years - only 10.

The term «franchise» is formed from the English «*franchising*» – «right, privilege». The term «franchise» – from the French «*franchise*», which means «favor, privilege». In fact, these terms are equivalent, and differences in spelling are due to peculiarities of the pronunciation.

In the modern sense of the franchise - an agreement on the terms of joint venture between the company and the dealer. Essentially for the hospitality industry, franchising is a form of hotel management, through which the owner can enter into a large chain / having known trademark. It should be noted that the hotel, part of the chain, not necessarily franchises, while any franchised hotel chain is automatically included in.

Franchisor (the franchisor) provides in framework contract (franchise agreement) legally protected right to engage in certain business activities, as well as assistance in organizing these activities, training, implementation and management fee to the franchisee (franchisee). Franchise product may vary from brand to the right to use the full package of services provided by the franchisor. That is the franchisor undertakes in relation to the franchisee, protects it and trust him, instead demanding to follow the rules of the contract.

Currently, about 80% of the hotels in the chain are on the franchising (Table 2).

Table 2

Combining hotels in a chain on franchising conditions

Hotel chain	Country	Hotels	Number of hotels in the chain on franchising conditions	Percentage of hotels franchising of total
<i>Cendant</i> (until the end of the 1990s. called <i>Hospitality Franchise System</i>)	USA	6455	6455	100
<i>Marriott International</i>	USA	2099	1168	55,6
<i>Accor</i>	France	3488	672	19,3
<i>Choice Hotels International</i>	USA	4392	4392	100
<i>Hilton Hotels Corp.</i>	USA	1895	1492	78,7
<i>Starwood Hotels and Resorts Worldwide</i>	USA	738	313	42,4
<i>Carlson Hospitality Worldwide</i>	USA	716	682	95,3

Note. This work's data [4,5].

The mechanism of franchising in the hotel industry and public catering refers to the business franchise.

Franchise agreement (franchise) - it is a contract, which reflects the business environment and given charge for the use of the brand, the size of the license fee, the assessment of the advertising budget, methods of accounting and reporting procedures, performance standards, the validity of the agreement and other parameters. The costs of franchising may depend on earnings, which is scheduled to get out of the deal. The profit depends primarily on the characteristics of the brand, the range of service and provided programs for support.

According to russian experts, the contract is being developed by the franchisor and it protects its interests, so franchisees must be at the signing of the contract to pay attention to the following points:

- completeness: any agreement reached between the franchisor and the franchisee, should be fixed and reflected in the contract;
- period of validity: as a rule, the franchisee is interested in long-term cooperation, so it should be possible to automatic renewal of the contract for the same or more favorable conditions for him or the provisions of, providing for the expiration of the original term of the contract of its pre-emptive right in front of other franchisees to enter into a new agreement;
- territory: for the franchisee is desirable that the contract has been provided the opportunity to expand the market;
- restriction of competition can be reflected in the contract by transferring activities that are competing for the franchisor;

– control of the buyer of the franchise in the interests of the latter must be clearly identified in the contract: the frequency of inspections, reporting, notification of the inspection, and so on..;

– minimum requirements for establishing "norms" of effectiveness (a certain percentage of load, ADR - an average room rate, quality of service, and etc.), which should be achieved within a certain time; otherwise, the franchisor may terminate the contract or cancel the exclusivity. Franchisee shall make every effort to mitigate these conditions;

– payments under the contract. The cost of most franchised programs and joining is 6-8 % of revenue, depending on the specific contract, and up to 10 %, if we include all the expenses caused by the franchise relationship [5].

All contributions can be divided into the original franchisee of funds (equity or debt), which are characterized by long-term investment, and periodicals, which are treated as current in accordance with the terms of the contract. In general, the contributions to the franchise include:

– initial payments (entrance fee) is usually the minimum amount of such payment or fixed or calculated depending on the size of the room stock, or both. Entry fee — this is the initial cost of a franchise organization, which usually take into account the following management services provided by the franchisor: assistance in selecting the location of the enterprise, if necessary — transport, staff training, management, financing agreements with banks, relations with the press and PR, technical and legal support, and others;

– royalty payments: the amount of money that the franchisee pays the franchisor for the right to use its trademark. Similar payments provided for new entrants hotel chain. Traditionally, it is a percentage of the income generated from the hotel (1-6,5 %);

– payment of the patent (license): the amount that the hotel pays for confirmation of his right to use the trademark of the company (use of a patented production technology, inventions, commercial and other information);

– the costs of marketing and promotion: most franchisor or organizers of chains have re-joined in support of market research and / or promoting their services. The cost of such support usually ranges from 1 to 4% of the annual income of the hotel;

– representation expenses (the organization of presentations and sales): as a rule, these sales are included in the cost of marketing and promotion, but sometimes they are assigned to the affiliate members;

– payments for the use of booking systems;

– other costs.

Russian researchers E. Saak., M.V. Yakimenko note following examples of franchise payments for a number of hotel companies (Table 3) [4].

Table 3

The structure of the model franchise payments for hotel companies

Hotel Company	The entrance fee	Annual fee (royalty free)	Annual contributions to marketing	Connection fee to the reservation system
1	2	3	4	5
<i>Accor</i>	2,000 francs per room	4 % of the gross income from sales of accommodation services	2 % of gross income from sales of accommodation services	The amount is not fixed and is about 30 francs for a reservation of one night
<i>Holiday Inn</i>	\$ 400 per room (minimum of \$ 30 000.)	4 % of the gross income from sales of accommodation services	A fixed annual fee, 2-3 % of the gross income from the sale of accommodation services	The price includes the cost market research and promotion
<i>Marriott International</i>	\$ 300 per room	4 % of the gross income from sales of accommodation services by 1 % from sales of food and beverages	1.5 % of revenue	\$12.5 for the backup operation

1	2	3	4	5
<i>Radisson SAS Hotel</i>	Approximately \$40 000	3 % of the gross income from the sale of accommodation services	2.5 % of the gross income from the sale of accommodation services	\$ 11 for backup operation

Typically, a wide range of circumstances listed in the contract, the franchisor grants the right to early termination of the contract. If possible, the franchisee must reduce it to a minimum, and also to fix their own right to early termination of contract.

According to experts, there are many advantages and disadvantages of franchising for the franchisee (Table 4) [4].

Table 4

The main advantages and disadvantages of franchising for the franchisee

Advantages	Disadvantages
1. A sense of security through the use of proven and reliable information systems	1. Franchise payments for compensation which requires an increase in average prices and downloading
2. Obtaining an internationally recognized brand that has a reputation in the market	2. Loss of identity
3. Connecting to a regional / international reservation systems	3. Loss of freedom of action, related to the need to comply with established standards
4. Professional support of the head office in market research and sales operations; advice of financial experts	4. The risk of bankruptcy of the parent company, which resulted in further work will be impossible
5. Ability to use someone else's experience in the implementation and application of new systems and technologies	5. In the event of termination or expiration of the contract is necessary to retrofit the hotel
6. Professional support of the head office in the training programs	
7. Savings from centralized wholesale supply with discount	

As shown by the research, hotel chains dictate the standard of service that is becoming international; chains have extensive experience and compete with local businesses; contribute to the development of regional economies; repurchase and reconstruct hotels. All this contributes to the further development of integration processes in the hospitality industry.

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Д.М. Усенова

Әлемдік қонақжайлық индустриясында қонақ үй кәсіпорындарының бірлестіктерін қалыптастыру мәселесі

Қонақ үй индустриясы іскерлік кездесулерді, жиналыстарды, конференцияларды, сонымен қатар туристерге демалыстарын өткізуге жағдай жасай отырып қоғам өміріне едәуір әсер етеді. Қазіргі заманда жылдан жылға қонақ үй индустриясының даму тенденциялары аймақтық бәсеке дамуына объективті жағдайлар жасап келе жатыр: жоғары сапалы қызмет көрсететін жаңа курорттар пайда болды, осыдан карап басқа да орналастыру құралдары қонақ үй қызметтерінің сапасын жоғарлатуға және басқа да жаңа сапалы бәсеке әдістерін іздестіру жолында. Сол себепті мақалада қонақ үй ассоциациялардың негізгі аспектілері және әлемде ең танымал дамыған қонақ үй брендтері қарастырылған. Әлемдік қонақ үй қызметтері нарығында қонақ үйлерді басқарудың қонақ үй қауымдастығы, франшиза келісімдерін басқару туралы келісімдер, франчайзинг және басқару келісімдердің үйлесуі, лицензияны алу туралы келісім, стратегиялық маркетингтік альянстар түріндегі басқару формалары қарастырылады. Дүниежүзілік қонақ үй шаруашылығындағы франчайзинг жүйесі зерттелген, қонақ үй компаниялары үшін франчайзингтік төлемдер үлгісінің құрылымы анықталған. Сонымен қатар автор франчайзер үшін франчайзингтің артықшылықтары мен кемшіліктерін бөліп көрсеткен.

Клт сөздер: туризм, қонақ үй шаруашылығы, қонақ үй индустриясы, қонақ үй кәсіпорындары, сыртқы факторлар, франчайзинг, франшиза, қонақ үй желілері, қонақ үй бренді.

Д.М. Усенова

К вопросу формирования объединений гостиничных предприятий в мировой индустрии гостеприимства

Гостиничная индустрия услуг играет важную роль в жизни общества, предоставляя возможности для проведения деловых встреч, совещаний, конференций, а также для отдыха и развлечений. Тенденции развития гостиничной индустрии создают объективные условия для развития региональной конкуренции, которая с каждым годом становится все более заметным: появляются новые курорты с высоким уровнем сервиса, что стимулирует остальные средства размещения улучшать качество обслуживания, а также искать новые способы качественной конкуренции. По этой причине в статье рассматриваются основные аспекты развития гостиничных ассоциаций и самых известных и развитых гостиничных брендов на рынке гостиничных услуг. Особое внимание уделяется интеграционным процессам на мировом рынке гостиничных услуг, таким формам управления гостиниц, как ассоциации гостиниц, соглашения о франшизе, договор на управление, сочетание франчайзинга и договора на управление, соглашение о приобретении лицензии, стратегические маркетинговые альянсы. Рассматриваются вопросы системы франчайзинга на мировом гостиничном рынке, определена структура модели франчайзинговых платежей для гостиничных компаний. В статье выделены преимущества и недостатки франчайзинга для франчайзера.

Ключевые слова: туризм, гостиничные услуги, гостиничная индустрия, гостиничные предприятия, внешние факторы, франчайзинг, франшиза, гостиничные цепи, гостиничный бренд.

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