

FRANCHISING AS A MODEL OF BUSINESS AND HOTEL DEVELOPMENT IN THE PROCESS OF MARKET GLOBALIZATION

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Abstract

The paper presents the structure of three hotel concerns operating in the European market, which has been formed over recent years due to their foreign expansion. At present, the global hotel market is occupied by both international hotel chains and autonomous hotels, for which the concept of franchising can be a suitable mode of operation. The most frequent presentation of the hotel business development is based on a dualistic approach: one involves bridging a development gap (the so-called development divergence), and the other involves the process of improving the position that an organization occupies in the environment (Machaczka, 1988). The globalization process in the modern economy leads to the internationalization of businesses. The aim of this paper is to present a model of business and hotel business development through franchising. The determinants of expansion and globalization factors are defined by the critical analysis of the literature. The corporate globalization model is analyzed, and the concept of offensive development and business expansion are indicated, which results from the application of franchise in the asset-light business model. In addition, the paper presents hotel concerns which employ this type of model of development and expansion into new markets.

Keywords: *globalization, expansion, franchising, business model, hotel concern.*

1. Introduction

Contemporary economic reality and increasing competition oblige businesses to search for a new method of market engagement. Consequently, hotel chains choose multiform activities to protect themselves against losing their prevailing competitive position to the benefit of their rivals. Thereupon

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corporations have the option of selecting one of the three variants: local market development, internationalization (expansion into international markets), or a defensive strategy (consolidation of the current position without further growth and development).

Franchising is a model of business and hotel business development, which wins the recognition of businesses in terms of both local and international operation. This kind of model provides a specific concept of operating on the market. Smith, Binns and Tushman (2010, p. 49) present a business model as a scheme of how a business configures a set of strategic choices relating to markets, customers, value propositions, organizational structure, competence, culture processes, and measures to create value and then capture it.

In addition, “a business model is considered to be a special management tool that enables a business to be perceived as a system from the angle of strategic management” (Sztorc, 2016, p. 68). The growing interest in franchising is particularly evident in developing countries. The Polish market is a good example, where 95 systems operated in the year 2000, and in 2016 -1170. Analogically, the number of franchising outlets in 2000 was 20,661 and in 2016- 71,000 (PROFIT System 2016).

Franchising makes it possible to create a positive image, build a reputation of a business on the market, and raise brand recognition. It also affects the possibility of benefiting from the synergy effect by means of creating a standardized hotel chain, as a result of applying strategic, capital and organizational potential of the cooperating partners.

Maintaining a high position on the market, and thus the development potential of autonomous hotels, makes it possible to cooperate with concerns that have strong capital and a strong position on the market. A modern business model based on franchising creates a distinctive economic bond that allows it to enhance the competitive position of an autonomous hotel.

2. The core of modern globalization

Despite its versatility, the concept of globalization has not been explicitly defined. There is no common viewpoint in the literature of the subject; therefore it is not an easy task to formulate an accepted definition. Most authors characterize this phenomenon fragmentarily because of its complex, multi-dimensional and interdisciplinary nature. Apart from the different perspectives or scope of research, particular terms refer to sui generis an identical area. In particular, it should include sustained unification of operation at the level of the economy, industry and organization, intensification of the consolidation processes between entities, the establishment of a common global economic system, creation of international products, services and

activities, an autonomous transfer of intangible, and financial and human resources between countries.

Selecting one definition that would holistically treat globalization is a relatively difficult decisional task.

Nonetheless, it is possible to define the issue conventionally as “the process of creating a liberalized and integrated world market of goods, services and capital and the development of a new international institutional order that fosters the production, trade and financial flows of the whole world” (Kołodko, 2001, p. 1). Transnational corporations are also important in developing world economic globalization (in the literature of the subject they are defined interchangeably as multinational, international, super-national, and global). According to Liberska (2002, p. 96), globalization is accomplished by extending and deepening the interdependence between countries, regions due to increasing international flows and the activity of transnational corporations, resulting in new qualitative links among firms, markets, and economies.

Thus, it must be stated that globalization incorporates the principal, highly diversified and developed stage of internationalization in the organization operation, which develops at three levels: global economy, sectors, and businesses. Therefore, globalization is “a specific case of internationalization of economic entities” (Gorynia, 2007, p. 51). It is a key step in internationalization, which pertains to the perception of a “global village” as a common market where unprecedented growth has taken place and a significant intensification of relations between states, determined by reciprocal transfers of capital, technology, knowledge, entities, people and products/services (globalization determinants make its position constantly grow in the world economy). According to Levitt (1983, pp. 19-20), corporate expansion contributes to perceiving the international market as a global village). In this paper, internationalization is broadly understood as a process of increasing corporate engagement in international activities (Welch & Loustarinan, 1988, pp. 87-99). This kind of mechanism leads to combining and concentrating on markets through internationalization of production, and undertaking activities within the scope of marketing –mix as well as applying global strategies of development and operation by corporations.

Therefore, it is advisable to analyze the globalization procedures owing to which we can distinguish the consecutive stages of evolution and determine their characteristic features. Figure 1 illustrates the four basic dimensions in the development of globalization processes.

The figure above shows that the main symptom of individual stages of the globalization process is the transfer of responsibility for creating development circumstances from countries to global organizations. On the other hand, the integration phenomenon is the main globalization factor. The integration

proceeds at three levels: macro, mezzo, micro and extends its scope over larger and larger geographical areas. As a consequence, complex interdependencies that shape congeneric and subordinated global structures are formed between the organizations concurring in the process of global integration.

When analyzing this kind of phenomenon, it should be emphasized that it is connected with the emergence of multinational corporations.

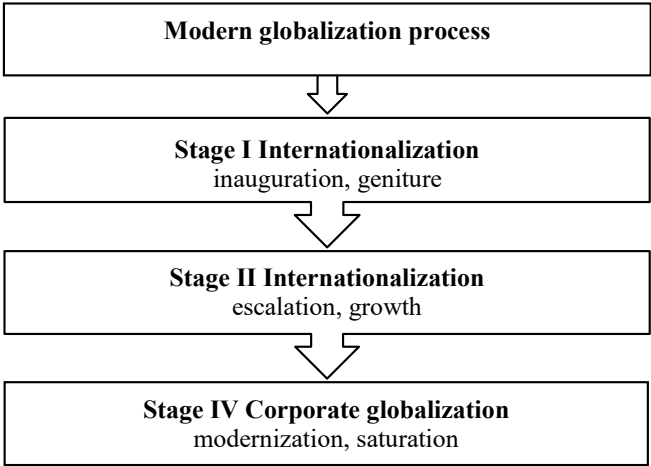


Figure 1. Four stages of globalization processes development

Source: the author’s study on the basis of Blomstermo & DeoSharma (2003, p. 31), Wiedersheim-Paul, Olson & Welch (1978, p. 48), Ozimiewicz & Michałowski (2013), Flejterski & Wahl (2003), Gorynia & Jankowska (2008).

Thus the so-called corporate globalization is the indication of the fourth wave of globalization within the economic approach (Rosińska, 2009). It consists of an offensive development of international organizations, which owing to expansion strategies develop their operations on new, usually capital, markets (direct foreign investment-DFI) or non-capital (e.g., outsourcing, franchising, transferring license). The international expansion means “every type of activity undertaken by a business beyond the country’s borders, which consists of expanding its business activities” (Stawicka, 2013, p. 72). For the purpose of this paper, the issue will be considered from the perspective of the fourth stage of corporate globalization.

3. Transnational corporations as the entities of the corporate globalization process

According to international companies, the process of corporate globalization indicates a specific concept of managing an organization, defined as management in global environment. It also means targeting world markets and focusing on a global production factors. Corporate globalization is presented in the literature of the subject from the perspective of a multidimensional border-crossing process of expansion of transnational corporations, whose scope is determined by the maximization of profits. The progressive increase in the role and importance of transnational corporations is the effect of the analyzed procedure (Marzęda, 2007). As a result of this process, Doz and Hamel (2006) indicate further determinants in the development of global businesses, namely entering the so far inaccessible markets, the realization of the so far unexploited potential for growth and profits as well as competitive advantage. In addition, they believe that globalization is a concept different from the pre-existing forms of national and international competition.

An analysis of the corporate globalization model allows us to distinguish three dimensions: static, dynamic, and systemic. According to the first approach, it involves a number of events caused or related to the operations of transnational corporations, both on a micro scale (with reference to the very corporations) and macro scale (as compared to the entire world economy). The dynamic direction is set by the border-crossing process of corporate expansion. On the other hand, the systemic approach results from the so-called transnational practices, which relate to the stages of crossing borders and involve three areas: economic, political, cultural and ideological. The transnational corporations are the basis of this approach (Marzęda, 2007). Thus, from the organizational level globalization sets the concept of organization management in a global environment. It is focused on international markets and competition and employs global factors of production (Kutschker & Schmidt, 2011). According to the standpoint presented, globalization is a corporate strategy in a sustainable manner conditional on the global economy and global recovery.

Corporatism expresses the fourth phase of globalization, generally understood as the operation of organizations in many countries while maintaining their subsidiaries which are controlled by the headquarters (Stoner & Freeman, 2001). In addition, global corporations operate within diverse structures (inter alia chains) of international scope, which is created depending on the adopted strategy. Individual businesses within a particular corporation, to a certain extent, report to the supreme management and control system.

In the literature on the globalization of the hospitality industry, there is also no common definition of the hotel corporation. This term has various meanings, including hotel concern, hotel chain, hotel group, and hotel system. The essence of corporatism can be thoroughly presented by indicating specific and distinctive features differentiating transnational corporations from other organizations. Their principal characteristic is the global decentralization of operations, resources, units fulfilling their tasks in order to employ the right conditions of production and adapt more favorably to the diverse market circumstances.

Thus, among the key features of international corporations are: “complexity, sovereignty, geographical dispersion, creation of knowledge, global effectiveness, integration, specialization, networking, flexibility and arbitration” (Zorska, 2007, pp. 96-98). Because of these determinants, global businesses are considered to be a specific model of organization operations in the global economy.

4. Methodological concept

The objective of the research was to present the model of hotel business development through franchising. The presentation of the resources of the hotel chains owned by the concerns: InterContinental Hotel Group (IHG), Marriott International (MI) and Hilton Worldwide (HW) were the determinants for exploration.

The key determinants of business model, development and expansion into new markets from a global perspective were identified on the basis of observations over time. The subject, purpose and nature of research were taken into account when selecting the sources of research material. The research material consisted of statistical data and information from trade reports. Moreover, theoretical and analytical considerations were based on critical literature review and case study methods. Elements of this kind were the essence of the discussion of the business model adopted by the concerns, which resulted from expansion and franchising. The studies also involved an analysis of secondary data, the results of which made it possible to conclude the choice of franchising as a method for developing global hotel concerns.

5. Employing franchising in the context of globalization of the hotel market

Globalization of hospitality industry by entering new markets of hotel corporations, lack of balance in the environment and the ever-increasing competition in the hotel services sector make hotel businesses look for new

opportunities for development and growth and remaining on the market. International concerns in the travel and catering industry usually employ development concepts involving: franchising, managerial contracts, strategic alliances, joint ventures, leasing, mergers, and acquisitions. The choice of the way of operating depends on the business model adopted by the organization (Čerović, 2002, p. 14).

The franchise system is defined as the process of selling goods and services, (and sometimes technology as well), conditional on the direct cooperation of independent entities-the franchisor (the concept owner) and the franchisee. The franchisor provides a set of management procedures and guidelines for the franchisee. The essence of franchise consists in “giving the right and imposing the obligation of running a hotel business in line with the concept developed by the franchisor” (Sztorc, 2010, p. 94). Franchising indicates not only the method of dynamic expansion and development but also an alternative way of financing economic initiatives and the system for enhancing professional activation (Golawska-Witkowska, Rzeczycka & Mazurek-Krasodomska, 2014).

The attractiveness of the franchise system is indicated by the fact that this form of development is used by 73% of hotels operating in the global market. In the United States, 81% of hotel concerns run this type of business (McKenney, 2016, pp. 11-13). They are currently expanding into new markets in Asia and Europe, where they are developing through franchising. On the European market, this type of hotel growth is still underdeveloped. The largest number of hotel franchise chains operates in Germany, Great Britain, France, Italy and Spain. On the other hand, on the Polish market and in Eastern European countries the franchise system remains at an early stage of development (Sztorc, 2010). The determinants of a franchise business operating in any industry are to a large extent identical and consist in implementing the concept of development through territorial expansion without the involvement of investment capital. From the perspective of a hotel, concern franchising is a tool for executing a designated growth concept, generally by increasing the accommodation capacity.

The situation is due to the territorial expansion into individual target markets as well as selecting a suitable accommodation facility that is ready to join the global network.

Provided it is considered by the franchisor as a hotel with an appropriate position against its competition (Nohria & Kosar, 2010, p. 103). Three of the largest hotel concerns (Table 1) were selected for further analysis: IHG, Hilton, Marriott. Their development through franchising in the European countries was presented.

Table 1. The largest hotel concerns in the years 2007-2016

| Hotel concern name | Number of hotels/Years | | | | | | | | | |
|------------------------|------------------------|------|------|------|------|------|------|------|------|------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Marriott International | 2999 | 4186 | 3178 | 3545 | 3718 | 3800 | 3916 | 4175 | 4424 | 5974 |
| Hilton Worldwide | 3000 | 3265 | 3265 | 3671 | 3843 | 3966 | 4115 | 4322 | 4556 | 4922 |
| IHG | 3949 | 4186 | 4438 | 4437 | 4480 | 4602 | 4653 | 4840 | 5032 | 5099 |
| Wyndham Hotels Group | 6544 | 7043 | 7043 | 7207 | 7205 | 7342 | 7485 | 7645 | 7812 | 8254 |
| Choice Hotels | 5570 | 5827 | 5827 | 6142 | 6178 | 6725 | 6340 | 6300 | 6423 | 6486 |

Source: the author's study on the basis of Hotels 325 (2007, p. 4), Hotels 325 (2008, p 3), Hotels 325 (2009, p. 6), Hotels 325 (2010, p. 5), Hotels 325 (2011, p. 5), Hotels 325 (2012, p. 8), Hotels 325 (2013, p. 7), Hotels 325 (2014, p. 12), The Wins of Change 325 Hotels (2016, p. 27).

Among the hotels listed in Table 1, the largest increase in hotels in the years 2007-2016 was noted by Marriott at 2975, followed by Hilton-1922, Wyndham-1710, IHG-1150, Choice-916, and Accor-71. The development of the hotel chains through franchising on the European market will be presented based on a profile of the largest number of hotels in the franchise system (Table 2).

Table 2. The number of hotels within franchise system (2007-2016)

| Hotel concern name | Years/number of hotels | | | | | | | | | |
|-------------------------------|------------------------|------|------|------|------|------|------|------|------|------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Marriott International | 1922 | 2079 | 2229 | 2391 | 2467 | 2553 | 2672 | 2882 | 1116 | 4012 |
| Hilton Worldwide | 2463 | 2774 | 2936 | 3135 | 3205 | 3312 | 3420 | 3608 | 3857 | 4175 |
| InterContinental Hotels Group | 3392 | 3585 | 3623 | 3783 | 3832 | 3934 | 3955 | 4096 | 4219 | 4267 |
| Wyndham Hotel Group | 6544 | 7016 | 7089 | 7177 | 7192 | 7293 | 7425 | 7585 | 7727 | 8254 |
| Choice Hotels International | 5570 | 5827 | 5921 | 6142 | 6178 | 6243 | 6340 | 6300 | 6423 | 6510 |

Source: the author's study on the basis of Hotels 325(2007, p. 8), Hotels 325 (2008, p. 10), Hotels 325 (2009, p. 13), Hotels 325 (2010, p. 2), Hotels 325 (2011, p. 10), Hotels 325 (2012, p. 14), Hotels 325 (2013, p. 13), Hotels 325 (2014, p. 11), The Wins of Change 325 Hotels (2016, p. 23).

In the years 2007-2016 there was an increase in the number of hotels operating as a franchise in the concerns Wyndham, Choice, IHG, and Hilton. In the last decade, the hotel market in Europe has undergone significant changes. They consisted primarily in the disposal of tangible assets of hotels, whose requirements differed from the quality standards of a particular chain, and

its modernization was unprofitable and costly. Therefore, most global hotel concerns employ a form of leasing or sell hotels, in order to focus exclusively on management contracts or franchise. The funds acquired from them are used to finance the expansion into foreign markets with new hotel chains. This kind of policy was initiated in the 1990 and is called *asset-light business*. It is based on the idea of running hotels in facilities owned by external investors. As a result, via this model, concerns are able to extend their product range by launching other hotel brands. Low capital absorption makes the corporation much more agile, and thus resistant to market fluctuations. Concentration on the key competence, i.e., hotel services, contributes to increasing the competitiveness of the network on the market. As a consequence of this process, the concern will be able to guarantee a more profitable return on the investment for its shareholders. This type of model is implemented by IHG, which is focused on strengthening the resources of the brands offered, achieving economies of scale and maximizing hotel profits. In 2016, the concern had 5099 hotels with 754,265 rooms, which were owned by eleven hotel chains operating in four market segments (IHG, 2016, p. 51): 1. Luxury: InterContinental Hotels & Resorts, HUALUXE Hotels and Resorts; 2. Upscale: Hotel Indigo, Even Hotels, Crowne Plaza Hotels & Resorts; 3. Mid-scale: Holiday Inn, Holiday Inn Express, Holiday Inn Resort, Holiday Inn Club Vacations; 4. Extended stay: Staybridge Suites, Candelwood Suites.

In 2016 IHG owned eight hotels, i.e., fewer than 1%, 824 were managed and 4267 signed franchise contracts (InterContinental Hotels & Resorts, 2017, p. 77). Thus, it should be stated that the expansion and development of new hotels are carried out primarily through franchising. This situation is indicated by a growing structure of facilities each year, where franchised and managed hotels dominate. On the other hand, accommodation chains that are individually owned or leased constitute a small volume (Table 3).

Table 3. Hotel chains of the IHG concern according to the asset-light business model in the years 2014-2016

| Hotel network/market | Number of hotels/business model | | | | | | | | |
|------------------------------|---------------------------------|-------------|-------------|------------|------------|------------|-----------------------|----------|----------|
| | Franchising | | | Management | | | Ownership/ Leasing | | |
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| United States | 3477 | 3511 | 3596 | 217 | 286 | 287 | 5 | 5 | 6 |
| InterContinental | 27 | 27 | 26 | 22 | 23 | 22 | 1 | 1 | 1 |
| Kimpton Hotels & Restaurants | - | - | - | - | 66 | 63 | - | - | - |
| Crowne Plaza | 170 | 168 | 153 | 11 | 12 | 12 | - | - | - |
| Hotel Indigo | 36 | 35 | 41 | 3 | 3 | 4 | - | - | - |

| Hotel network/market | Number of hotels/business model | | | | | | | | |
|--------------------------------|---------------------------------|------------|------------|------------|------------|------------|-----------------------|----------|----------|
| | Franchising | | | Management | | | Ownership/ Leasing | | |
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| EVEN Hotels | - | - | 1 | - | - | 1 | 2 | 2 | 3 |
| Holiday Inn | 751 | 745 | 705 | 17 | 18 | 16 | 2 | 2 | 1 |
| Holiday Inn Express | 2059 | 2084 | 2136 | 1 | 1 | 1 | - | - | - |
| Holiday Inn Resorts | - | - | 22 | - | - | - | - | - | 1 |
| Holiday Inn Club Vacations | - | - | 22 | - | - | - | - | - | - |
| Staybridge Suites | 171 | 181 | 195 | 26 | 26 | 26 | - | - | - |
| Candelwood Suites | 261 | 269 | 293 | 61 | 61 | 61 | - | - | - |
| Other | 2 | 2 | 2 | 76 | 76 | 81 | - | - | - |
| Europe | 565 | 599 | 615 | 81 | 43 | 47 | 1 | 0 | 0 |
| InterContinental | 7 | 7 | 8 | 22 | 22 | 23 | 1 | - | - |
| Crowne Plaza | 70 | 73 | 78 | 13 | 10 | 11 | - | - | - |
| Hotel Indigo | 15 | 16 | 17 | 2 | 2 | 3 | - | - | - |
| Holiday Inn | 241 | 272 | 274 | 43 | 8 | 8 | - | - | - |
| Holiday Inn Express | 225 | 223 | 229 | 1 | 1 | 2 | - | - | - |
| Holiday Inn Resort | - | - | 1 | - | - | - | - | - | - |
| Staybridge Suites | 5 | 6 | 7 | - | - | - | - | - | - |
| Others | 2 | 2 | 1 | - | - | - | - | - | - |
| Asia, Near East, Africa | 50 | 53 | 52 | 201 | 202 | 217 | 2 | 2 | 2 |
| InterContinental | 7 | 7 | 7 | 59 | 58 | 60 | 1 | 1 | 1 |
| Crowne Plaza | 10 | 10 | 9 | 59 | 58 | 62 | - | - | - |
| Hotel Indigo | - | - | - | - | 1 | 2 | - | - | - |
| Holiday Inn | 22 | 24 | 21 | 62 | 63 | 54 | 1 | 1 | 1 |
| Holiday Inn Express | 9 | 10 | 10 | 15 | 17 | 22 | - | - | - |
| Holiday Inn Resort | - | - | 3 | - | - | 11 | - | - | - |
| Staybridge Suites | - | - | - | 3 | 3 | 3 | - | - | - |
| Other | 2 | 2 | 2 | 3 | 2 | 3 | - | - | - |
| China | 4 | 4 | 4 | 236 | 236 | 273 | 1 | 1 | 0 |
| InterContinental | 1 | 1 | 1 | 31 | 32 | 37 | 1 | 1 | - |
| HUALUXE | - | - | - | - | 2 | 3 | - | - | - |
| Crowne Plaza | - | - | - | 73 | 70 | 76 | - | - | - |
| Hotel Indigo | - | - | - | 5 | 5 | 5 | - | - | - |
| Holiday Inn | 2 | 2 | 2 | 71 | 70 | 73 | - | - | - |
| Holiday Inn Express | 1 | 1 | 1 | 54 | 54 | 68 | - | - | - |
| Holiday Inn Resorts | - | - | - | - | - | 6 | - | - | - |
| Other | - | - | - | 2 | 3 | 5 | - | - | - |

Source: the author's study on the basis of (IHG, 2017, p. 10), InterContinental Hotels & Resorts (2015, p. 18), InterContinental Hotels & Resorts (2016, p. 42), InterContinental Hotels & Resorts (2017, p. 37).

As can be seen from the table above and Figure 2, the development of the IHG concern on the European market is achieved through franchising of mid-scale hotel chains, usually two or three- star-hotels: Holiday Inn and Holiday Inn Express. The other facilities are distinguished by competitive prices owing to a limited range of services they provide. On the European market operate 622 hotels owned by the IHG concern, 615 of them operate as franchise chains (Figure 2).

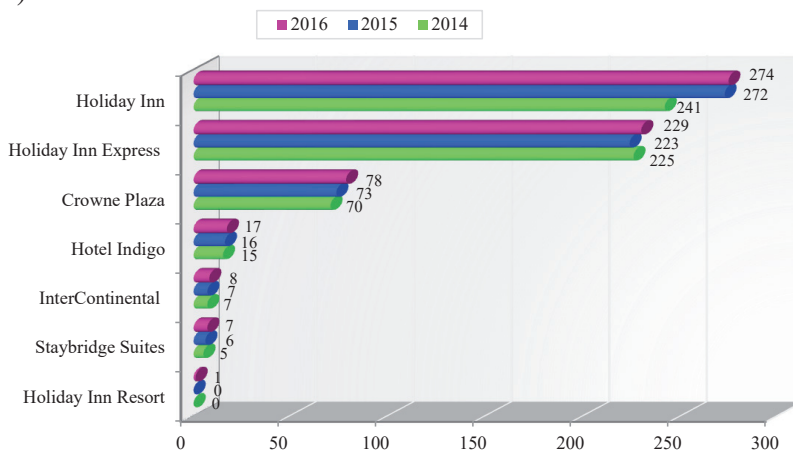


Figure 2. The number of hotels owned by the franchise chain of the IHG concern in Europe (2014-2016)

Source: the author's study on the basis of IHG (2017, p. 56), InterContinental Hotels & Resorts (2017, p. 78).

Another corporation employing franchising as a strategy for expansion into new markets is Marriott International. It currently has 5756 accommodation facilities of varying standard and scope of services, which are located in 120 countries of America, Asia, Europe, Near East and Africa. It has 28 hotel brands in the following market segments (Marriott International Inc., 2017, pp. 108-110): 1. Luxury: JW Marriott, STRegis, The Ritz-Carlton, The Luxury Collection, Bulgari Hotels & Resorts, W Hotels, Edition; 2. upper upscale: Marriott Hotels, Sheraton, Delta Hotels, Marriot Executive Apartments; Westin Hotels & Resorts, Le Meridien, Autograph Collection Hotels, Renaissance Hotels, Tribute Portfolio, Gaylord Hotels; 3. upscale: Courtyard Marriott, Four Points by Sheraton, Springhill Suites Marriott, Residence Inn Marriott, AC Hotels Marriott, aloft Hotels, element by Westin; 4. upper mid-scale: Protea Hotels, Fairfield Inn & Suites, Towne Place Suites Marriott, moxy Hotels.

Marriott International hotels use the asset-light business model which is usually based on franchise and management. A small part of hotel chains own properties belonging to the concern (Table 4).

Table 4. Hotel chains of the Marriott International concern according to the business model in the years 2014-2016

| Hotel network/market | Number of hotels/business model | | | | | | | | |
|---|---------------------------------|-------------|-------------|------------|------------|-------------|-----------------------|----------|-----------|
| | Franchising | | | Management | | | Ownership/ Leasing | | |
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| America | 2543 | 2822 | 3030 | 694 | 719 | 701 | 0 | 0 | 25 |
| Marriott Hotels | 185 | 199 | 208 | 129 | 133 | 130 | - | - | 4 |
| JW Marriott | 8 | 10 | 10 | 25 | 14 | 15 | - | - | - |
| Renaissance Hotels | - | 51 | 57 | 33 | 28 | 26 | - | - | 1 |
| Autograph Collection Hotels | 34 | 51 | 58 | 1 | 3 | 3 | - | - | - |
| Delta Hotels and Resorts | - | 11 | 12 | - | 26 | 25 | - | - | - |
| Gaylord Hotels | - | - | - | 5 | 5 | 5 | - | - | - |
| The Ritz-Carlton | - | 1 | 1 | 38 | 39 | 39 | - | - | - |
| The Ritz-Carlton Resi- dence | - | 1 | 1 | 30 | 31 | 34 | - | - | - |
| EDITION | - | - | - | - | 2 | 2 | - | - | - |
| EDITION Residence | - | - | - | - | 1 | 1 | - | - | - |
| Courtyard | 582 | 631 | 673 | 276 | 276 | 256 | - | - | 19 |
| Residence Inn | 534 | 571 | 601 | 107 | 111 | 114 | - | - | 1 |
| Fairfield Inn & Suite | 703 | 744 | 807 | 4 | 5 | 5 | - | - | - |
| Spring Hill Suites | 282 | 303 | 322 | 29 | 30 | 31 | - | - | - |
| Towne Place Suites | 215 | 249 | 278 | 17 | 15 | 15 | - | - | - |
| AC Hotels by Marriott | - | - | - | - | - | - | - | - | - |
| Moxy Hotels | - | - | 2 | - | - | - | - | - | - |
| The other continents | 251 | 202 | 898 | 453 | 464 | 1091 | 80 | 0 | 46 |
| Marriott Hotels | 40 | 37 | 43 | 140 | 143 | 150 | - | - | 4 |
| JW Marriott | 4 | 3 | 6 | 40 | 49 | 45 | - | - | 1 |
| Marriott Executive Apart- ments | - | - | - | 27 | 28 | 28 | - | - | - |
| Renaissance Hotels | 28 | 26 | 25 | 53 | 53 | 50 | - | - | 3 |
| Autograph Collection Hotels | 19 | 31 | 36 | 3 | 3 | 3 | 5 | - | - |
| The Ritz-Carlton | - | - | - | 47 | 50 | 50 | - | - | 2 |
| The Ritz-Carlton Resi- dence | 1 | - | - | 9 | 8 | 8 | - | - | - |
| The Ritz-Carlton Serviced Apartments | - | - | - | 4 | 4 | 4 | - | - | - |
| EDITION | 1 | 1 | - | 1 | 1 | 1 | - | - | - |
| Bulgari Hotels & Resorts | 1 | 1 | 1 | - | - | 2 | - | - | - |
| Bulgari Residences | - | - | - | 2 | 1 | 1 | - | - | - |
| Courtyard | 57 | 44 | 54 | 66 | 69 | 75 | - | - | 3 |

| Hotel network/market | Number of hotels/business model | | | | | | | | |
|------------------------|---------------------------------|------|------|------------|------|------|-----------------------|------|------|
| | Franchising | | | Management | | | Ownership/ Leasing | | |
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| Residence Inn | 18 | 2 | 2 | 6 | 5 | 5 | - | - | 1 |
| Fairfield Inn & Suites | 18 | 1 | 2 | 1 | 3 | 7 | - | - | - |
| AC Hotels by Marriott | 4 | - | - | 1 | - | - | 75 | - | - |
| Protea Hotels | 59 | 55 | 51 | 53 | 47 | 36 | - | - | 10 |
| Moxy Hotels | 1 | 1 | 4 | - | - | - | - | - | - |
| Sheraton | - | - | 220 | - | - | 216 | - | - | 9 |
| Westin | - | - | 99 | - | - | 113 | - | - | 3 |
| Le Méridien | - | - | 27 | - | - | 78 | - | - | - |
| Luxury Collection | - | - | 44 | - | - | 51 | - | - | 3 |
| W Hotels | - | - | - | - | - | 46 | - | - | 3 |
| St. Regis | - | - | - | - | - | 34 | - | - | 3 |
| Tribute Portfolio | - | - | 10 | - | - | 2 | - | - | 1 |
| Four Points | - | - | 163 | - | - | 61 | - | - | - |
| Aloft | - | - | 91 | - | - | 23 | - | - | - |
| Element | - | - | 20 | - | - | 2 | - | - | - |

Source: the author's study on the basis of Marriott International (2015, p. 107-111) Marriott International (2016, p. 87-90), Marriott International (2017, p. 116-121).

The Marriott International concern expanded the franchise hotel chain in the years 2014-2016 in Asia, Europe, Near East and Africa by 647 facilities. This situation is connected with the acquisition of the Starwood Hotels & Resorts concern, which operated mainly in the European market. Hilton Worldwide is another example of concern which operates globally and employs franchising as its development strategy.

Currently, they have 14 hotel chains which offer services in 4820 hotels located in 104 countries for the following market segments (Hilton Worldwide, 2017, pp. 32-36): 1. luxury: Waldorf Astoria Hotels & Resorts, Conrad Hotels & Resorts; 2. upper upscale: Hilton Hotels & Resorts, Curio a Collection by Hilton, Embassy Suites by Hilton; 3. upscale: DoubleTree by Hilton, Hilton Garden Inn, Homewood Suites by Hilton; 4. upper mid-scale Hampton by Hilton, Home 2 Suites by Hilton, Canopy by Hilton; 5. timeshare: Hilton Grand Vacations.

The hotel chains of the Hilton concern, which employ the asset-light business model to expand into global markets are presented in Table 5. On the other hand, Figure 3 illustrates hotel chains operating in the European market. **Table 5.** Hotel chains of the Hilton concern operating on global markets between 2014-2016

| Hotel network/market | Number of hotels/business model | | | | | | | | |
|----------------------------------|---------------------------------|-------------|-------------|------------|------------|------------|-------------------|-----------|-----------|
| | Franchising | | | Management | | | Ownership/Leasing | | |
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| America | 3193 | 3714 | 3974 | 258 | 248 | 243 | 55 | 60 | 56 |
| Waldorf Astoria Hotels & Resorts | 1 | 1 | 1 | 12 | 9 | 10 | 2 | 4 | 4 |
| Conrad Hotels & Resorts | 1 | 1 | 1 | 4 | 3 | 4 | - | - | - |
| Hilton Hotels & Resorts | 192 | 192 | 197 | 64 | 63 | 59 | 26 | 28 | 28 |
| Curio-A Collection by Hilton | 4 | 15 | 26 | 1 | 1 | 1 | - | 1 | 1 |
| DoubleTree by Hilton | 265 | 291 | 306 | 32 | 32 | 32 | 11 | 11 | 10 |
| Embassy Suites by Hilton | 164 | 178 | 186 | 45 | 37 | 36 | 10 | 10 | 10 |
| Hilton Garden Inn | 278 | 597 | 629 | 8 | 11 | 12 | 2 | 2 | 2 |
| Hampton by Hilton | 1915 | 2004 | 2103 | 57 | 61 | 60 | 1 | 1 | 1 |
| Homewood Suites by Hilton | 329 | 360 | 391 | 30 | 27 | 27 | - | - | - |
| Home2 Suites by Hilton | 44 | 72 | 129 | 1 | 1 | - | - | - | - |
| Other | - | 3 | 5 | 4 | 3 | 2 | 3 | 3 | - |
| Europe | 110 | 143 | 176 | 98 | 102 | 95 | 74 | 72 | 71 |
| Waldorf Astoria Hotels & Resorts | - | - | - | 4 | 4 | 4 | 2 | 2 | 2 |
| Conrad Hotels & Resorts | 1 | 1 | 1 | 2 | 2 | 2 | 1 | 1 | 1 |
| Hilton Hotels & Resorts | 27 | 28 | 31 | 54 | 57 | 44 | 71 | 69 | 68 |
| Curio-A Collection by Hilton | - | 1 | 2 | - | - | - | - | - | - |
| Canopy by Hilton | - | - | 1 | - | - | - | - | - | - |
| DoubleTree by Hilton | 41 | 56 | 74 | 13 | 11 | 12 | - | - | - |
| Embassy Suites by Hilton | - | - | - | - | - | - | - | - | - |
| Hilton Garden Inn | 17 | 27 | 32 | 18 | 18 | 20 | - | - | - |
| Hampton by Hilton | 24 | 30 | 35 | 7 | 10 | 13 | - | - | - |
| Homewood Suites by Hilton | - | - | - | - | - | - | - | - | - |
| Home2 Suites by Hilton | - | - | - | - | - | - | - | - | - |
| Near East, Africa | 5 | 5 | 5 | 57 | 64 | 67 | 7 | 7 | 7 |
| Waldorf Astoria Hotels & Resorts | - | - | - | 3 | 3 | 3 | - | - | - |
| Conrad Hotels & Resorts | - | - | - | 2 | 2 | 3 | 1 | 1 | 1 |
| Hilton Hotels & Resorts | 1 | 1 | 1 | 44 | 45 | 45 | 6 | 6 | 6 |
| Curio-A Collection by Hilton | - | - | - | - | - | 1 | - | - | - |
| DoubleTree by Hilton | 4 | 4 | 4 | 7 | 9 | 9 | - | - | - |
| Embassy Suites by Hilton | - | - | - | - | - | - | - | - | - |
| Hilton Garden Inn | - | - | - | 1 | 5 | 6 | - | - | - |

| Hotel network/market | Number of hotels/business model | | | | | | | | |
|----------------------------------|---------------------------------|-----------|-----------|------------|------------|------------|-------------------|----------|----------|
| | Franchising | | | Management | | | Ownership/Leasing | | |
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| Hampton by Hilton | - | - | - | - | - | - | - | - | - |
| Homewood Suites by Hilton | - | - | - | - | - | - | - | - | - |
| Home2 Suites by Hilton | - | - | - | - | - | - | - | - | - |
| Asia | 12 | 13 | 20 | 113 | 130 | 154 | 8 | 7 | 7 |
| Waldorf Astoria Hotels & Resorts | - | - | - | 2 | 2 | 2 | - | - | - |
| Conrad Hotels & Resorts | 1 | 1 | 2 | 11 | 11 | 14 | - | - | - |
| Hilton Hotels & Resorts | 8 | 8 | 7 | 59 | 68 | 77 | 8 | 7 | 7 |
| Curio-A Collection by Hilton | - | - | - | - | - | - | - | - | - |
| DoubleTree by Hilton | 2 | 2 | 2 | 35 | 41 | 45 | - | - | - |
| Embassy Suites by Hilton | - | - | - | - | - | - | - | - | - |
| Hilton Garden Inn | - | - | - | 6 | 8 | 16 | - | - | - |
| Hampton by Hilton | 1 | 2 | 9 | - | - | - | - | - | - |
| Homewood Suites by Hilton | - | - | - | - | - | - | - | - | - |
| Home2 Suites by Hilton | - | - | - | - | - | - | - | - | - |

Source: the author's study on the basis of Hilton Worldwide (2015, pp. 102-107), Hilton Worldwide (2016, pp. 131-135), Hilton Worldwide (2017, pp. 51-56).

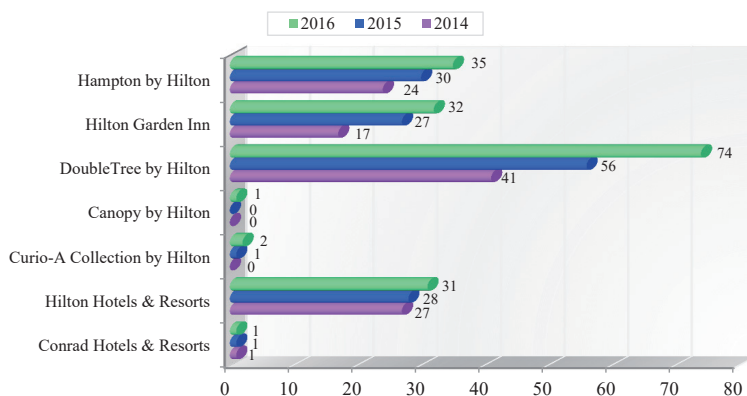


Figure 3. Number of hotel networks of the Hilton concern in Europe (2014-2016)

Source: the author's study on the basis of Hilton Worldwide (2017, pp. 64-69).

As can be seen from Table 5 and Figure 3, the Hilton concern increases its assets each year through management contracts and new facility locations.

The expansion into European market involves mainly facilities with upscale and upper midscale standard.

6. Conclusions

The discussion presented in the paper supports the conclusion that franchising is a business model leading to the development of hotel concerns in a globalized market environment.

The expansion of an organization through franchising seems to be one of the most beneficial solutions to concerns that currently have a national franchise system. This kind of situation results from their experience in operating by employing this kind of development concept.

Under global market conditions, the fundamental principle of developing a franchise system abroad is to own a suitable and extensive accommodation base in your home country. The internationalization of operations provides hotel concerns with a competitive advantage in the global market by offering new opportunities for growth. Moreover, franchising facilitates international expansion as it allows the exclusion of certain determinants that impede access to foreign markets. The research shows that franchising is a proven method of development and expansion of the global hotel chains.

On the basis of the research of the global hotel corporations including IHG, Marriot, and Hilton, it is important to note that the development of franchise hotel chains is part of a competitive struggle which makes it possible to gain market share in less time than by building their facilities. The analysis of the indicated concerns supports the conclusion that the current trend in their development is the diversification of hotel brands and the dynamic growth of hotels operating in the economic market segment. As a result of the research, it should be recognized that the internationalization of business by means of franchising makes it possible to gain new markets of operation owing to expansion into new segments, where the demand for hotel services of the analyzed hotel chains is still unsatisfied.

The market operation of concerns is one of the strategic areas of management analysis, which is most often associated with the concept of expansiveness and development. Therefore, it seems necessary to conduct research into this subject in the long-term perspective. Thus, further consideration should be given to whether the business model resulting from franchising has the potential to transform itself in the longer term into one of the key strategies for development of global hotel concerns.

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