CORPORATIONS IN TOURISM

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Abstract: *The tourist industry is characterized by the active involvement and the dominant role played by multinational and transnational corporations. A large number of competitors, difficulties in achieving differentiation and high fixed costs in the construction of new hotels influenced the intensifying competition in the hotel industry. Some of these strategies include the development of new products through the appreciation of technological developments, diversification of supply through the development of multiple brands, creative marketing program to meet the potential demand. The growth of international tourism is a significant potential for the growth and development of hotel chains.*
Keywords: *corporations, tourism, hotel chains.*

Introduction

As with other services in tourism, the role of transnational companies is also very important. They contribute significantly to the international exchange via tourism through highly developed activities in transport, hotel industry, agency and other tourism business. The nature of these transnational corporations allows many smaller companies from many countries to be included in the international trade of tourism services, through appropriate systems of sales and reservations, contractual arrangements and other forms.

The basic enterprises in the tourism sector - transport, hotel industry, restoration, agency and others - provide basic (transportation, accommodation, food), as well as other services and thus absorb the consumption of foreign and domestic tourists. Some companies, such as tour operators, travel agencies, transportation companies and others directly organize and direct the demand towards tourist destinations and other service providers in the tourism industry. Therefore it is inevitable that developments in the tourism market reflect the operations of all the related companies and organizations. Tourist consumption creates a basis that determines economic and organizational activities of these companies, their market orientation and overall development in modern conditions (Čačić, 2010).

Market relations in tourism and the position of hotel companies

With the rise of tourism movements that increasingly take on global features, there is a growing number of subjects involved in the tourism market, in order to respond to increasing requests from tourist demand. In addition to the changes in tourist demand, there has been a change in the structure of tourist needs. The increase in the standard of living is reflected in the massive tourist movements as well as in the increase in tourist spending, and thus the revenues generated from tourism. Not only is the tourist travel characterized by high mobility of their participants on a voluntary basis, but nowadays there are regular cross-border business travels, as well as extended breaks during which they combine work and leisure. The same can be said for traveling for the purpose of medical treatment and education. The changes and progress in transport technology and the adoption of modern regulations on travel (facilitating procedures for foreign travels), lead to bringing closer some categories which were, earlier, entirely different, such as tourism and labor migration (Peng, 2004; Shenkar, 2004). Similarly, the rate at which people can traveltoday in a given time period greatly influenced the expansion of short foreign trips for leisure. Previous generations of people could only realize, in the same period of time, domestic movements and foreign travel, if it comes to people living in border areas.

Tourist demand is influenced by all the changes that are now taking place in the tourism market. Today's tourists are experienced travelers. Their increased experience, flexibility, adaptability and independence generate the demand towards better quality with special emphasis on the element of "value for money" (Pavlic, 2004).

The relationship between the supply and the demand in tourism is determined by their characteristics that are clearly manifested in the functioning of the market. These characteristics of both subjects are very specific and they actually determine all the characteristics of the tourism market. Starting from a much expresseddemand elasticity and the samesupply inelasticity, then to other characteristics that are constantly manifested in the market trends and relationships (Čačić, 2010). It is certain then that all of those complex relations and changesare refracted through the operations of companies, organizations and destinations in tourism and they make it very specific and complex as well.

Modern tourism operates in the conditions of complex international business environment. Firstly, the environment of the tourist sector is essential for the operations of a certain company and it consists of competitive companies, suppliers, consumers and other stakeholders of the tourist process (government agencies, non-governmental organizations, groups of interest, etc.). Besides, a certain tourist company and its direct sector environment are influenced by many factors of macro environments. These factors - changes in international regulations, new transport technologies, economic and demographic trends - are critical determinants of future opportunities and risks, depending on how they affect costs, demand and market competitiveness of certain companies (Hall, 2005).

The competition in the tourism market is, in recent times, becoming stronger and stronger - not only among the countries of a region, but also between regions globally. An increasing number of existing and new destinations fight for tourists. The emergence of new destinations causes an increase in supply, which results in a reduction of prices. This has a negative impact on SMEs. Tourist offer got in a situationwhere it needs to adapt to market demands, offering lower prices for higher quality. Besides, SMEs in the process of globalization cannot establish sufficient control of costs. Due to their size, they can achieve a relatively small profit, so they cannot be in a position to become competitors based on prices. When compared with large hotel chains, airlines and tour operators, such entities are not able to take advantage of the globalization process.

Under the influence of the globalization process, horizontal integration in the hotel industry is expressed, and what is highlighted is the tendencyof hotel companies to implement international business standards and establish a recognizable image in the global tourism market. Hotel companies are among the most important economic authorities in the field of tourism. Their business functions are in large part related to the overall business in tourism and between them and other companies, relations, without which the modern market cannot function, are established. Thus, large hotel corporations emerge and they seek to constantly enrich and further shape the offer, which positively affects the establishing of additional values when it comes to tourist demand. This leads to the inclusion of hotel corporations in a chain of value that function as a single system of related activities and contents intended to achieve additional value in tourism.On the global tourism market, tourist demand is becoming more demanding, and only large corporations can provide all-inclusive and differentiated services to different segments of tourist demand.

Hotel corporations entering into a new market, that is, in a country where they had not been present, firstly follow the requirements of segments (consumers) who are their main clients in the home and other countries where it already operates (Čačić, 2010). Such is, for example, the segment of business travelers, and its requests for hotel service in a particular country where a hotel corporation will arrive. So it has to apply the segmentation of the market and make decisions about brands that it will develop for specific segments. The development of tourism and the overall market in a certain country, systemic conditions that exist for the operations of foreign companies in it and many other factors will influence the decision of hotel corporations to invest capital, and to provide its presence in the market through other forms (e.g. franchising). The intention of a hotel company is to always provide services for target groups (segments) of its customers in terms of quality and prices of services they expect.

Entering a new market means that these conditions for hotel companies will be recognized and acknowledged. Among them, it must grant the appropriate relationships that already exist in that market, and respect the behavior of all relevant stakeholders - the state, other hotel companies, i.e. competitors, suppliers, tour operators and travel agencies, and many other companies and institutions. The hotel company will obtain all of this information about these participants before entering the market of a certain country. But equally important is the information about the international environment of a specific market (specific country), especially when it comes to sources of demand, that is countries that foreign visitorscome from. This opens up a whole series of complex relationships in the market and the hotel company, namely its management, has to make optimal decisions about every detail of the business policy if it wants to achieve more profitable results and greater overall success in the market.

Hotel chains

International hotel chains have been very closely involved in the process of internationalization and globalization of business over the last few decades, with a strong tendency to keep this trend in the future. At the same time, they are a significant factor in the inclusion of small and generally domestic (national) hotel companies in the international business and through appropriate arrangements as well as the development of certain brands in certain countries or regions.

The term "chains" figuratively and very well describes their organizational structure and functioning.First, the term "chain" is linked to permanency, which reminds us of the stability and strength of the organization. Second, every link in the chain (organizational units in different countries) is equally important for the whole chain and it is completely irrelevant which one is the first link, and which one is the last (it does not matter in a closed chain, that is in the organizational unity of the company). This emphasizes the unity of the organization and the contribution of each of its units, as well as the uniformity of operations based on standards that are binding for all units orlinks (hotels) in the chain (Čačic, 2010).

The initial phase of the development of hotel chains is characterized by connecting a small number of hotel facilities in a narrow spatial environment, which becomes the phase of regional expansion and the creation of national and international hotel chains. The famous hotel owner from the USA, Conrad Hilton, is considered to be the founder of the system operating on the principle of a hotel chain. The establishment of this system began by buying the first hotel in Texas in 1919, which was later joined by many other hotels. However, only after World War II, a more intensive development of hotel chains takes place in terms of growth of objects, and therefore the territorial expansion. To become a successful hotel company, they have three options:

1. international orientation and expansion into new geographical areas;

2. orientation through the national or regional market by creating appropriate strategies;
3. filling of a market niche (Radosavljević, 2008).

Since the mid-80s, there have been significant changes in the ownership of international hotel chains. It was a difficult period for small independent hotels to survive in the market. The growth of hotel chains has been influenced by: the growth on the basis of the franchising system, greater use of contract management and the need for cooperative growth. The expansion of hotel chains can be explained by the desire to provide the economies of scale. At the end of the 90s, more than 60% of hotels in the United States belonged to a chain. In the USA, Europe and Canada, it is estimated that there are about 3,000 hotel groups with at least 10 hotels in the chain.

A large number of competitors, difficulties in achieving differentiation, the cost of the construction of new hotels and high fixed costs have affected the intensifying competition in the hotel industry. Adapting to the new rules of the global market, hotel companies develop new growth strategies. Some of these strategies include the following:

1. the development of new products - technological developments offer new ways to build business concepts of hotel companies, particularly in the automation of operational activities
2. diversification of supply through the development of multiple brands - hotel chains are starting to diversify their business by expanding into new markets and introducing new brands in response to the increased competition in this area
3. complementing the product offer - many hotel chains are linked with airlines and other companies in order to complete the offers
4. creative marketing program to meet the potential demand
5. the growth of international tourism - a significant potential for the growth of hotel chains
6. the growth of franchising as a possibility of expanding hotel chains in new markets (Milićević, 2013).

Factors that influenced the development of international hotel chains are external and internal. External relate to the demand expansion of hotel services in the world and the need to accelerate the economic development of certain regions. Internal factors relate to the market and organizational aspect of business. Market aspect involves strengthening the brand and guaranteeing quality services, while organizational involves creating a new organizational structure for business expansion on an international scale and diversification, that is, the expansion of the range of services.

Renowned journal called Hotels, which is also the messenger of the International Hotel and Restaurant Association with headquarters in Geneva (IHRA) for many decades, ranks,among other things, the world's largest hotel chains in the world and tracks all relevant changes in their business. According to the methodology of Hotels, the hotel chains are divided into two types:

1. corporate chains
2. voluntary chains / associations (Čačić, 2010).

It should be noted that until 1997, the journal Hotels followed Management Companies as a type of international hotel chains. These are highly qualified companies that manage different brands of corporate hotel chains, or their parts, then their own brands, as well as independent hotels, which do not have their brand. These companies manage hotels in the interests of the owner based on management contracts, establishing their responsibility for the professional management of the hotel, ensuring quality and achieving revenue, profit and other business objectives with or without a guarantee agreed with the owner of the hotel, or proprietary company (Milićević, 2013). A good part of these companies has a share capital in the hotels of other companies they manage. That, and the fact that between the former three forms of international hotel chains numerous integrations occurred - buying and selling, networking - led to their compression into these two groups, except that the list of corporate chains now included the management companies and investment funds (trusts) for investment in real estate (REIT - Real estate Investment Trust) as well as several voluntary chains (consortiums) which have changed its status at the methodology of Hotels (Čačić, 2010).

Corporations

A corporation is one of the basic types of the business organization, which is formed by joiningthe capital of its members in accordance with the corresponding national law. Therefore, corporations are capital companies and as a legal entity they are separate from its owner (Čačić, 2010). Owners have limited responsibility for the corporations, or companies (only for the assets invested in the company, and not their own property), and managers are responsible for the operating results in the market. The ownership is divided into transferable shares or shares in the capital that can be sold without affecting the company's operations.

Corporate hotel chains are identified by a strong brand or brands of the hotel, or by a well-known trade name. Hotel chains with well-known and prestigious hotel brands can finance its business operations more cheaply when compared to those with weaker brands or those without a well-known brand.Large hotel chains achieve their comparative advantages using economies of scale, but also with the possibility to, in an environment where technology is changing rapidly and frequently, invest in technological modernization of their hotels. Independent hotel ownersfind it very difficult to confront these giants, unless they conduct business in certain smaller market segments, market niches.

Corporate hotel chains have recorded high growth rates in previous decades and significantly increased the capacity under their control. In the market, there has been a pronounced polarization of a small number of hotel corporations whose business impact is, in its true sense, global and of a large number of small corporations which usually seek growth potential in the domestic market with the tendency of later geographical expansion in the region.

Hotel brands

Hotel corporations "are identified by a strong brand or brands hotels, or by a well-known trade name" (Čačić, 1995). In the literature, the definition of the brand often given is the one by the American Marketing Association which defines a brand as a “name, term, symbol, design, or combination thereof, which helps identify the goods or services of a seller or a group of sellers and differentiate between competitors” (Kotler and Keller, 2006). Tulin said that "brands may represent a certain level of quality, so that satisfied customers can easily reselect the product" (Tulin, 1998).

Since brands include the establishment of a consistent quality system, the brands themselves become synonymous with a certain level of qualityfor the consumers. This is especially important in the international hotel business, because the questions of the categorization of hotel facilities are not solved in a unique way in different countries, so there may be significant differences in the level of quality and price of services, within the same declarative category of a hotel facility. Consumers get the guarantee of a certain level of quality just by choosing a hotel brand since in the context of corporate hotel chains, a whole set of standards is established and it is unique and mandatory for all hotels that operate under that brand.

As the benefits of branding in the hotel industry, the following are listed:

- shortens the usual search route for information;
- overcomes the problems of services’ intangibility;
- enables the consistency of quality;
- reduces the risk when buying
- contributes to a more precise market segmentation (Zečevic and Aleksić, 2009).

The hotel corporations develop one or more hotel brands under which all the hotels that are under control of a given hotel corporation operate. The hotel brands are developed for different consumer segments. “By introducing more brands, hotel companies ofinternational character differentiate their service program to the needs of a large number of segments, mainly for tourist and business travels” (Čačić, 2010).

Large hotel companies that are actively involved in tourism are trying to impose products of standardized brands on global markets. The needs and preferences of customers around the world are becoming universal, but also specialized. Most hotel chains set certain standards that guarantee consumers a unique quality of service in all hotels of a certain chain especially when it comes to a particular brand that has defined standards of business processes, building hotels, arranging rooms, restaurants and other contents and are designed for a specific target group of consumers. A hotel brand does not imply the necessary standardization in design, because due to market demand, many chains started adapting their facilities to the local culture and environment.

Each of the hotel chain has built or acquired a certain hotel brand in order to use it to position itself at the appropriate market segment and cater to consumers in a better way than the competition and thus achieve the greatest competitive advantage in the market -a loyal consumer. Since one of the basic characteristics of tourist demand is its heterogeneity, hotel companies use different segments of consumers to approach different combinations of marketing mix, recognizable as various hotel brands.

Building a recognizable hotel brand is one of the motives for the internationalization of business and further expansion. In the marketing strategies of the hotel groups, the intention of hotel brands to create customer loyalty is easily visible. As international tourist traffic grows, the competition between the various hotel chains and hotel brands intensifies. When travelers from developed countries, where most hotel chainscome from, travel abroad, many of them prefer to use the services of brands they know. This is logical because they recognize the level of service quality, and prices that can be expected. This brand is then known to the people in developing countries who also often use the services of these hotel brands when traveling because they become familiar with the standards of quality and prices of these brands.

It can be said that large hotel chains have their operations in many countries. The presence in the appropriate number of countries is elementary, and it is also an important indicator of the portfolio of corporate chains. The biggest corporations have the highest degree of the internationalization of business. This is understandable, because they have builttheir dimensions through growth and development on an international scale.

Large corporate hotel chains are characterized byglobal expansion and focusing on the international business. There is a large number of countries in which they appear as hotel operators, and where, through a variety of ownership and non-ownership forms,they develop their brand. This reflects their internal strategic goals and visions as well as a prominent tendency to operate globally and achieve the optimum in a broad and complex structural travel and tourism market.

In the brand strategy, "international" and "national" brand developments may vary. The international brand strategy is based on developing hotels only at specific and as a rule more quality locations in different countries, with the purpose of international travel. Markets with a larger number of countries are preferred instead of those of a larger number of objects in one country. The international brand strategy is used by hotel chains that are characterized by high quality services (Radosavljević, 2008).

The national brand strategy is more oriented towards the segments of the middle and lower levels of income and used by the hotel companies that want to attract primarily domestic demand, located in those countries. The "national" brand strategy requires a better understanding of the overall economy of a given country, business conditions and other essential elements.

Methods of growth and development of hotel corporations

Hotel chains can be spread through direct investment or through some form of contracting. Although, hotel corporations more often choose a franchise contract or management contract as a way to expand its business and achieve additional profit. In some cases it is the only way.

A franchise contract represents the dominant mode of expanding the business of the world's largest hotel corporations. Generally "franchise contract is a permanent contract that is based on a system of cooperation between independent entities, where one of them (the franchisor) gives another (franchisee), with compensationpayment, the right to use its trade name, logo, external appearance or other protected rights as well as his technical and business experience in its operations, under very specific conditions, with the obligation of the other party to operate according to the system of organization and operations of the provider, whereby the franchisor provides help, advice, education for the franchisee and thus exercises the control." (Draškić, 1998).

In the hotel industry, the franchisor entitles the franchisee to use its name, brand, logo, provides him with specific skills and business techniques, includes the offer of that hotel in its booking system, which has a "gateway" to the global distribution systems, and towards the Internet, and in the form of internet portals through which bookings can be made available upon request. The franchisee must meet the required quality service standards to even enter the system,he/she must pay compensation to the franchisor and mustn't disclose confidential business information (Spasić, 2003). Hotel companies with the most recognizable and most popular brands may impose the strictest standards that a hotel must meet to do business under that brand name, and at the same time demand a high price that the recipient has to pay. The structure of compensation that the recipient has to pay comes down to: initial fee you payonce (royality) which is paid as a percentage of revenues, the fee for using the booking system and fees for various promotional activities of the company.

Management contract

In addition to the franchise contract as a method of business expansion of hotel chains, in practice,a management contract is often used and it represents a "flexible way of transferring knowledge and skills to companies abroad in exchange for determinedcompensation" (Spasić, 2003). Practically, the hotel owner hires a company of operators which will be the agent responsible for the management of the hotel in a professional manner (Čačić, 2010). The owner provides the land, building, furniture, equipment, working capital and retains full legal and financial responsibility. The company operator (agent) pays, on behalf of the owner, all costs (the ownership and operation costs) from the cash flow generated through work or the business operations, but retains its management fee. Allgenerated funds are returned to the ownerthrough this. In a classic case of this contract, a management company generally does not invest any capital nor assumes the risk.

Voluntary chains (associations)

Voluntary chains or associations usually base their activity on providing the service of global marketing and booking for independent hotels and corporate chains, particularly those of national character. An alternative, and often used, name for them is "consortium" but with respect to the activities described the name "marketing hotel groups" presents them well too (Čačić, 2010). Basically it is a voluntary association of independent hotel groups or national chains which are looking for an international clientele and join through these activities in the processes of globalization of hotel business.

Conclusion

Under the influence of tourism which recorded continuous expansion on an international scale, stronger processes of internationalization of hotel corporations business emergeas well as a strong polarization on a small number of hotel corporations whose business impact is, in the true sense, global and the large number of small corporations that usually seek their growth potential in the domestic market with the tendency of later geographical expansion in the region. The processes of expanding their operations are carried out in different forms, and each company selects a method of its further expansion according to their business interests.

The biggest hotel corporations are truly global in every aspect. In their portfolio, they have several hotel brands, with thousands of hotelsand hundreds of thousands hotel rooms in a lot of countries. As a result of past development, a small number of giant corporations with big business influence and a large number of smaller hotel chains became crystal clear.Although there is a relatively small number of large international hotel chains, they have great importance in the overall hotel business, they are the ones who dictate relations in the market. Previous experiences have shown their great importance for the development of tourist destinations. The hotel corporations have different development strategies, using different methods of growth.

Hotel chains with well-known and prestigious hotel brands can finance its business operations more cheaply when compared to those with weaker brands or those without a well-known brand. International hotel chains with many of its globally recognized hotel brands bring another dimension to hotel offers. Their concentration on touristically developed and attractive markets has been noticed, and with the feedback in the sense that their presence once again affected stimulatory on the further development of tourism.

Large hotel chains achieve their comparative advantages using economies of scale, but also with the possibility to, in an environment where technology is changing rapidly and frequently, invest in technological modernization of their hotels. Independent hotel owners find it very difficult to confront these giants, unless they conduct business in certain smaller market segments, market niches.Hotels that are members of a particular hotel chain enjoy certain advantages over independent hoteliers through accessible sources of capital and the use of concentrated expert knowledge and experience.

The formation of international hotel chains is affected by external and internal factors that are related to the initial objectives of their business. Any further development brings both qualitative and quantitative changes that significantly determine the business as well as the development itself. The advantages that a hotel chain has doing business as an international chain is the basis of further expansion of regular international business activities of hotel companies. In order to take advantage of the market, clear and appropriate objectives of companiesare set.

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