



EXPANSION OF INTERNATIONAL HOTEL CHAINS IN CENTRAL ASIA: REGIONAL SPECIFIC AND FURTHER DEVELOPMENT (MASTERS THESIS)

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ABSTRACT

The last few years have witnessed substantial growth in the number global hotel chains developing rapidly in multiple locations. As well as gaining worldwide presence, reputation, loyal clients and considerable profit, these hotel groups are pursuing success in extreme competitive environment, risky market dynamics and fluctuations by having access to different markets. This master's thesis aims at studying expansion of international hotel chains in Central Asia region focusing on analyzing some of the factors mainly driving or hindering expansion of brand hotels in this area. Furthermore, this research will investigate specific development strategies and initiatives of international chains in Central Asia. Applying mixed method research design, an online survey is conducted to gain in-depth primary data on mentioned research objectives.

The questionnaire is sent to the tourism and hospitality industry experts such as hotel managers, owners, tourism specialists and students in Central Asian countries. Additionally, secondary data is incorporated in order to thoroughly examine research questions and get wider image of topic being studied.

INTRODUCTION

Hotel industry plays vital role in global economy and transforming constantly to meet changing needs and preferences of consumers. The international hotel market has experienced substantial growth, evolution and transformation in the last few decades. Increased level of internationalization in the hotel industry has led to considerable transformation within hospitality markets and companies as well. This internalization is triggered by various factors such as rise in travel and tourism, globalization and economic growth. As new and emerging markets welcome increasing number of tourist year by year, world's renowned hotel companies continue to expand such new destinations to meet growing customer demand.

As well as driving revenue by operating in multiple locations, international hotel chains obtain global presence and cater to the needs of customers in an international scale. Hoteliers benefit by diversifying their portfolio in a global marketplace, where they also have opportunity to capitalize on the opportunities offered by evolving dynamics of hospitality industry. While trying to specialize in diverse markets, hotel chains have adapted themselves in prioritizing risk management successfully.

Central Asian market attracts international hotel brands to expand their footprint with its unique opportunities, rich cultural heritage and strategic location. The region represents evolving patterns in international hotel chain expansion within its territory in the next few years. Considering this progress, the current research is undertaken to investigate the expansion of international hotel firms in the region.

Significance and motivation. Even though expansion of international hotel firms in different locations has been subject to a number of research papers, there is a lack of literature on Central Asian region. Observing google scholar base, author found no article matching keywords "expansion" or "internalization" of hotel firms in relation to Central Asia. Identifying this gap, current research is developed predominately being motivated by the outcomes it can bring to the hospitality research area specifically within the scope of Central Asia. Thus, the main objective of this thesis is to bring new and updated information about expansion of international hotel chains in Central Asia. In particular, it aims to examine regional-specific characteristics of the region that influence hotel chains' expansion and service strategies, and further development goals as well. Aims and objectives. This study aims to investigate expansion of international hotel chains in Central Asia, focusing on location specific factors driving/hindering expansion of international hotel and influence of this expansion on regional development in the area. Besides, further development ways of foreign hotel firms in the region is supposed to be studied in the research.

Relying on this, the research questions in the follow are structured:

- *What factors mostly drive/hinder the expansion of international hotel chains in Central Asia?
- *How they can further develop in Central Asia?

Further objectives of the study include providing information for entrepreneurs and business professionals who are about to expand their businesses in Central Asia and proposing some implications for policy makers, contributing to the existing literature and research on internalization of hotel companies in Central Asia region. It also presents suggestions for future research on the topic.

Literature review.

There has been several studies and articles on the expansion of international hotel firms, and several theories were developed researchers. Most of the studies were undertaken focusing on internalization strategies, locational strategies and many other factors. Regarding specifically Central Asia region, no research has been found on google scholar on the expansion of international hotel firms. However, researches have been undertaken by several authors in the context of different locations and regions. Within the context of South-Eastern Europe, a thorough research has been conducted on the territorial expansion of branded hotels in South-Eastern countries by comparing the number hotel chains' properties (Petrovic et al., 2013). Ayazlar (2015) examines expansion of international hotels in Turkey within the scope of Dunning's eclectic paradigm. Johnson and Vanetti (2005) developed in-depth study

on locational strategies of hotel firms in Eastern-Central Europe relying on eclectic paradigm, which examined hotels' perspectives of ownership advantages, locational advantages and internalization advantages when expanding to the region. Furthermore, determinants of market presence of hotel chains were studied under host countries' country-specific factors such as size of hotel industry, average capacity of hotels, size of tourism sector, importance of tourism for the economy, population size, economy size, wealth of population, level of globalization, destination competitiveness, human development, geographic location, least developed country status and OECD membership (Ivanov & Ivanova 2017). Besides, the glocalization of international hotel firms was studied highlighting the importance of adapting to local culture of a country where hotel chains expand. The broad concept of the term "glocalism" is given a thorough explanation, specifically in global hotel industry.

The glocalization refers to the adaptation of international companies to the local culture and environment of the location where they expand their businesses, incorporating cultural elements with firm's products or services, adapting to local market and business environment. The study stresses that glocalism provides hotel firms competitiveness among other competitors as offering special guest experience aligning with location specific tastes and preferences makes the hotel service special and unique.

Internalization of hotel firms has been discussed by various authors and several theories have been introduced on this subject. Those frameworks cover all important factors that companies consider in order to effectively organize global expansion and enter markets successfully.

METHODOLOGY

In this research, mixed method approach has been applied in order to examine research questions and explore main objectives of the study. Mixed research design includes elements of both quantitative and qualitative data.

Purposive sampling technique is found to be an appropriate sampling method. Study participants are consisted of hotel managers/owners/experts based on Central Asia is. Their contact is found on social media platforms such as LinkedIn, Telegram and Facebook and invited to participate in the research. Hotel managers of international hotel chains in the region and local hotel specialists, hotel owners and managers represent the participants of the research.

For accumulating primary data, online surveys formulated containing elements of both quantitative and qualitative research. In the quantitative part of the questionnaire, multiple choice questions are structured, while in the qualitative part of the survey, open ended questions are established. Surveys are structured on google forms and delivered to respondents through social media platforms like LinkedIn, Instagram, Telegram and Facebook. And secondary data consists data derived from internet sources, journals, periodicals, magazines, official websites and existing literature

Results And Discussion

Major factors driving the expansion of international hotel chains in Central Asia

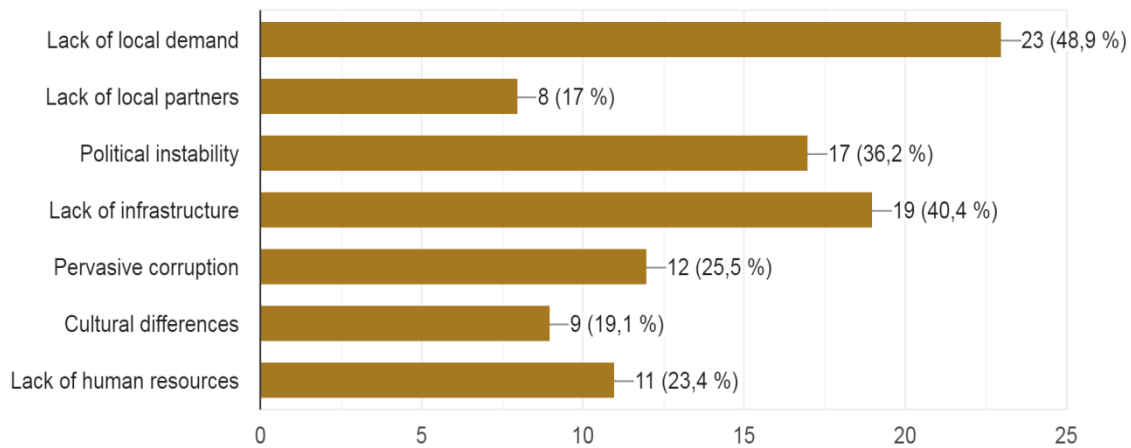
	Very important	Important	Unimportant	Very unimportant
Growing demand	57,1%	31,0%	7,1%	-
Growing tourism	55,8%	41,9%	2,3%	-
Infrastructure	64,1%	33,3%	-	2,6%
Quality labour	51,2%	36,6%	12,2%	
Government regulations	45,2%	45,25	9,5%	-
Political stability	52,4%	42,95	2,45	-
Growth in economy	50,0%	45,0%	5,0%	-
Market size	62,5%	37,5%	-	-

The table represents major location specific factors in driving the expansion of international hotel chains in Central Asia. The factor with high response rate is level of infrastructure with 64,1 percent. If the quality of infrastructure (physical, transport, internet, technology and etc.) is favorable in the destination, it is regarded as a primary advantage for business entities. As well as being the most focal point, infrastructure level is considered very unimportant factor interestingly. Due to the the fact that chains possess strong brand recognition, the infrastructure might be less critical for a hotel firm which believes to attract huge number of guests regardless of location’s infrastructure development.

Secondary major determinant of expansion is the market size in the area perceived important by the participants. This is probably because of existence of several major markets and cities such as Samarkand, Bukhara, Almaty, Astana, Tashkent and more. These locations offer unique tourism opportunities and market with wide range of tourism facilities. The growth in tourism industry is thought to be very important by 55,8 % of respondents. Tourism development of home countries is significant in terms of reflecting tourism welcomeness of the communities, and development opportunities with growing number of visitors. The next vital factor is political stability of Central Asian countries. Stable political environment has always been immensely crucial for successful hotel operation as unstable political atmosphere prevents any tourism sector from progress, that is why it is considered to be one of the most significant determinant. Quality labor makes up 51% of responses with a bit lower rate than

other factors mentioned above, but higher than growth in economy and government regulations. Skilled workforce means a lot for chain hotels, in particular, availability of qualified labor force in host countries where the company is expanding holds special significance as hiring workers outside the country might cost higher comparing to hiring local ones. This factor is perceived to be unimportant 12% of survey participants, where the reason behind this can be hotel chains' possessing high-quality training programs that cover all necessary knowledge and experience which local candidates can gain.

Figure 1. Major factors hindering expansion of international hotel chains



It is commonly known in internalization studies that some factors may hinder international firms entering specific locations. In the context of international hotel in Central Asia, the figure above presents the major factors specific to the region. Mostly, lack of demand prevents expansion of foreign hotel firms highlighting the importance of customer demand. The lack of demand for those chains may create considerable threat for hotel owners and managers.

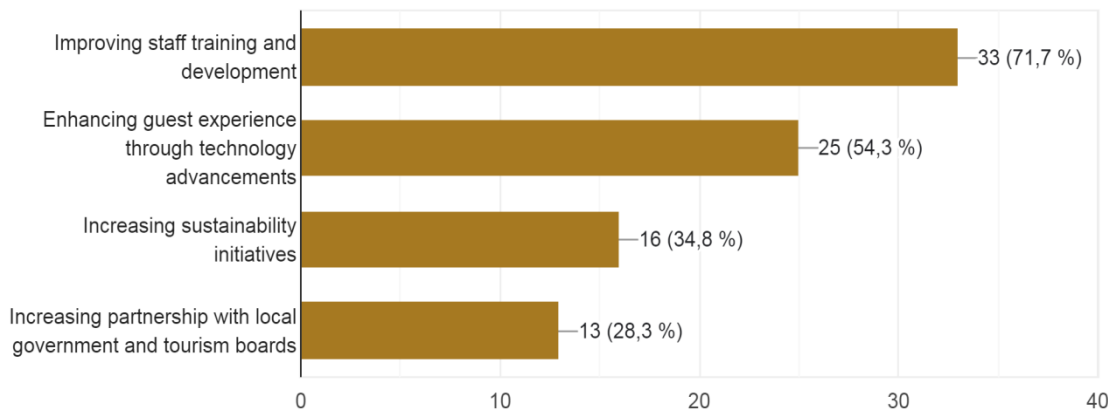
The second important factors in this regard according to the results, is the lack of infrastructure. For both tourists and business operators, development in infrastructure is a primary focus while traveling or operating a business. If the level of development in infrastructure is low, this may lead to unfavorable perception about the region.

Political instability does not allow any branch of tourism to proceed in most cases. International hotel chain sector is not an exception in this regard. Hotel revenue predominantly dependent on occupancy rates, and this rate is not fulfilled if level of tourist arrivals decreases as a result of unstable political condition of the destination, that is why branded companies are hesitant to enter such locations.

Corruption causes considerable threat for foreign hotel investors not only in Central Asia, but also another parts of the world. Corruption Perceptions Index (CPI) of 2023 reports "troubling picture" of Central Asian countries (Myrzabekova and Prokic, 2024), that may hinder opening of new properties of world's leading brands. In the survey result, 25 % of response defines pervasive corruption as one of the crucial point.

Lack of human recourse in hindering expansion of hotel firms in Central Asia region comprises 23,4% response out of total, meaning the shortage of labour might be of reasonable importance. Cultural differences and lack of local partners present slightly neutral response rates

Figure 2. The most important factors for hotel chains’ successful development in Central Asia?



In most of respondents’ point of view, the most important factor for international hotel groups successful development in Central Asia is improving staff training and development (71,75). Indeed, staff training improvement ensures promising future development for brand companies. Trained and skilled staff is the number one requirement for international groups for maintaining successful operational efficiency.

The second important factor for further development is enhancing guest experience through technology advancements. This factor has become primary focus for chains to reach increased level of customer satisfaction and revenue. Guest expectations related to technology integration continues to evolve, that is why following this trend define successful further development patterns.

Increasing sustainability initiatives also play vital role in shaping successful further development goals of a hotel chain. In fact, international hotel groups should give special attention to sustainable actions as they are large enterprises that can be a pattern for another smaller organization in prioritizing sustainability.

Even though increasing partnership with local government and tourism boards possess slight lower response rate,it can be another successful way of further development for international firms.

CONCLUSION AND RECOMMENDATIONS

In tourism and hospitality, expansion of international hotel firms in different locations is one of the most under researched topic (Niewiadomski 2015). Internalization of these branded hotel groups has been studied on the basis of regions such as Central Eastern Europe, Africa and many countries. However, in the context of Central Asia region, the current thesis takes initial steps to investigate expansion of foreign hotel companies in the area.

Main findings of the study reveal that the expansion of international hotel firms in Central Asia is mainly driven by level of infrastructure, market size and in tourism. The more

infrastructure, market and tourism growth, the more these brand companies tend to run their operations in the region. In fact, market size and infrastructure ensures business growth opportunities and thus ensuring perpetual revenue generation for the hotel company.

Major factors hindering this expansion mainly consist lack of demand, lack of infrastructure development and political instability. The primary factor considered by hotel firms when entering markets is the level of demand, thus in the region it can be major factor of preventing expansion of international hotel chains if there is a low rate of demand. Infrastructure ensures effective business operation in destinations, low levels of development in infrastructure may hinder business to expand in the region. Political instability also causes considerable threat for hotel business owners.

Further development patterns of international hotel chains are composed of investment in staff training, sustainability activities and technology advancements integration.

Recommendation. Hotel industry practitioners can obtain information on current trend in international hotel industry in Central Asia, specifically can learn about the market as a whole. As for entrepreneurs who want to enter Central Asian market and do not have a broad information, results of this research can be a valuable instrument when expanding their businesses in Central Asia. These findings might be invaluable in choosing appropriate entry mode and a type of hotel to establish (luxury, Budget etc), and location (urban, scenic rural, cultural). The hotel chains in region may have a better understanding of their role in the overall tourism and hospitality development of Central Asia, and the importance of setting further development goals aligning with sustainability. There may arise some policy implications for tourism organizations as well, that they can define business environment in the area and enhance development strategies in locations where some factors may hinder international firms to expand their businesses.

Having conducted this study in the context of Central Asia, it can be proposed several implications for the further research. Studies in the future can focus on analyzing particular country or city/town in Central Asia as each of the markets may have distinct features and attributes in terms of expansion of international hotel chains. Investigations can also be carried out based on a single brand company to generate more thorough and in depth exploration on chain hotels' operations in certain locations. As for primary data collection, representatives of headquarters of international hotel chains in this region can be targeted and there can be obtained more broader data.

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