

INTERNATIONAL GEOGRAPHIC DIVERSIFICATION OF SPANISH HOTEL CHAINS DURING THE CRISIS PERIOD

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1. INTRODUCTION

During the last years, tourism has been one of the engines of Spanish economy. In particular, the Spanish hotel industry has achieved a great worldwide recognition. The main Spanish hotel chains are in the top positions of world rankings (Hotels, 2015). In spite of the economic crisis, the Spanish hotel industry has grown strongly since the beginning of the current decade, both in number of hotels and beds. In addition, the Spanish hotel industry has experienced a spectacular growth in its degree of internationalization (Bridle, Driha, Ramon-Rodríguez and Scuderi, 2015).

The hotel industry is one of the most studied fields in tourism academic research (Corral, 2014; Lopez, 2010). In the case of Spain, many studies have focused on analyzing several topics of Spanish hotel chains from different perspectives. The analysis of growth strategies and, in particular, decisions on internationalization and diversification, have received increasing attention (Berbel & Ramirez, 2005; Claver, Andreu & Quer, 2006, 2007; Claver, Quer & Andreu, 2006; Driha & Ramon, 2011; Martorell, Mulet & Otero, 2013; Perez & Cazorla, 2002; Pla-Barber, León-Darder & Villar, 2011). Our paper falls into this research line, since it aims to analyze the overall trend followed by the most important Spanish hotel chains in terms of international geographic diversification during the past few years.

Despite the importance of internationalization strategies for the Spanish hotel industry, there are few studies that have analyzed its evolution, as noted Brida, Ramon-Rodriguez, Devesa Such-and Driha (2016). According to these authors, we can identify different stages in the process of internationalization of Spanish hotel companies that started in the 80s. In the 90s, internationalization was accelerating as a way to diversify risk and to respond to the crisis in the tourism industry. Spanish hotel companies expanded mainly in Latin America. This expansion was focused mainly on holiday hotels. Since 2000,

the maturity of the sun, sea and sand tourism, led companies to diversify into urban and business tourism. Thus, they expanded more in European destinations. In recent years, globalization has facilitated the incorporation of small and medium-sized enterprises as new competitors in international markets. However, there is still a high concentration of hotels abroad in the hands of the main Spanish hotel chains. Moreover, new emerging tourist destinations have arisen and they are becoming alternative targets. All these facts, together with the recent global economic crisis, have changed the geographical distribution of Spanish hotel chains abroad.

Therefore, the aim of our paper is to determine the level of internationalization and geographical diversification that Spanish hotel companies have achieved in recent years. In addition, we discuss the consequences in terms of firm profitability. We describe the evolution of the internationalization of Spanish hotel chains during the recent economic crisis period. We started our analysis at the beginning of the crisis, in 2008. The relationship between the international geographic diversification and other firm characteristics (such as firm's size and age) is also analyzed, thus providing insights that may be useful for future research.

To fulfill our purpose, first we made a literature review of the most important issues that have been addressed by prior studies on business diversification strategies. Then, we report our main empirical findings and we highlight the main contributions of our study.

2. FIRM DIVERSIFICATION STRATEGIES

From different theoretical standpoints, diversification strategies are considered one of the most important avenues for improving business performance. For this reason, many studies have analyzed the impact of this strategy on firm profitability (Berger & Ofeck, 1995; Bettis, 1981; Chen & Chang, 2012; Christensen & Montgomery, 1981; Lee & Jang, 2007; Montgomery & Wernerfelt, 1988; Pandya & Rao, 1998; Ramirez & Espitia, 2002; Rumelt, 1974, 1982; Sing & Gu, 1994).

However, differences in the design of the empirical analysis and variable measurements led these studies to obtain inconclusive results (Huerta & Navas, 2007; Benito, 2009). Most prior studies have addressed the issue of corporate diversification focusing on product or business diversification. However, as pointed out by Jiménez-Palmero and Benito-Osorio (2011), the concept of diversification can be considered from two perspectives: product and geographical. Our study focuses on the geographical dimension of diversification, following the line of Capar and Kotabe (2003) and Lu and Beamish (2004).

Geographic diversification has been analyzed by several research studies over recent years. Many of these prior studies focused on analyzing the influence of international diversification on business performance. However, as in the case of product diversification, there is no consensus on whether companies with a higher level of international diversification obtain higher profits.

Despite the large amount of literature on corporate diversification, research dealing with this strategy in the hotel industry is still scant. Only a few studies have analyzed trends in the diversification strategies of this sector and the implications for corporate profitability. Among them, it is worth mentioning the studies of Chen and Chang (2012)

and Lee and Jang (2007), who analyzed the relationship between diversification, risk and business performance of hotel firms in Taiwan and the United States, respectively. The findings of these studies suggest that the profitability of hotel companies is associated with the degree of diversification. More precisely, they report that the most diversified hotel companies are those with a greater stability in their results.

Moreover, most studies analyzing the relationship between international geographic diversification and corporate profitability focused on companies belonging to manufacturing industries. Hence, there are not specific research studies dealing with companies from service industries in general and from the hotel industry in particular. Therefore, this paper tries to fill this research gap by analyzing the international geographic diversification of Spanish hotel chains and its relationship with firm profitability.

3. METHODOLOGY

We employed secondary data sources in order to obtain the information for our empirical research. Our sample covers the 61 Spanish hotel chains with more international presence in 2014, according to the ranking published annually by *Hosteltur* magazine.

We analyzed the evolution in the geographic diversification of these companies during the period 2008-2014, reviewing the annual rankings published by *Hosteltur*. In addition, to complete the information of the companies included in the sample, we also used the *Hostelmarket* yearbook (2015) and the SABI (System Iberian Balance Analysis) database.

We used bivariate analysis based on nonparametric techniques, performed with the SPSS statistical package (version 22). Specifically, we used the Spearman's rho correlation coefficient, the Mann-Whitney U test and the Kruskal-Wallis (Chi-square) test.

4. RESULTS AND CONCLUSIONS

Since 2008, the number of rooms abroad of Spanish hotel chains has increased every year, with the exception of 2012, when there was a significant drop of about 6,000 rooms. However, in 2013 the data show a recovery. In 2014, the number of rooms increased over the previous year in 4,000 rooms (around 2%).

As for the percentage of these rooms abroad on total rooms by hotel chain, there has been a decrease, considering the whole period. In 2014, 36% of the rooms of Spanish hotel chains are located abroad, this percentage being 39% in 2008, at the beginning of the economic crisis. Moreover, the average number of countries where companies are present has decreased during the period, reaching in 2014 an average of 4 countries.

The Caribbean has been the main destination of Spanish hotel chains during all the years covered by our sample. This target region has experienced the highest growth in the number of rooms, with an increase of more than 8,000 rooms during the period. Meanwhile, Europe, the Mediterranean area and the rest of America have experienced a decrease in the number of beds since 2008, although in 2014 there has been a slight increase compared with the previous year. It is also noted that Africa and Asia have been other growing destinations, nearly doubling the number of rooms compared with

2008, although a downward trend is shown since 2012. By country, Mexico, Dominican Republic, Cuba, Germany, Italy, USA, Tunisia, Netherlands, Croatia and Brazil are the top ten destinations of Spanish hotel chains abroad.

The statistical analysis confirms that there is no relationship between geographic diversification and economic profitability of Spanish hotel chains in 2014. Besides, we could not confirm that there is an area of internationalization leading to a higher profitability. We only obtain that those companies whose main area of internationalization is the Caribbean, have higher profitability than companies whose main area is the rest of America.

On the other hand, the relationship between geographic diversification and firm-specific variables, such as size and age, turns out to be positive and significant. Hence, the largest and oldest Spanish hotel chains are those with a higher level of international geographic diversification.