CHAPTER 7

Competitive methods of multinational hotel companies in the new millennium (2000–2007)

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Introduction

Entering the new millennium, multinational hotel companies have been tremendously challenged by a very complex business environment. Consequently, they have been increasingly relying on a variety of competitive methods to compete with their global rivals. An in-depth review and summary of those competitive methods is likely to reveal the most recent changes occurring in the global hotel industry and indicate how the international industrial leaders react in an efficient way to gain sustainable competitive advantage. It is hoped that the results unveiled not only shed some light on the practical issues concerning industrial practitioners, but also provide useful contextual information that can be further examined by future researchers.

This chapter starts by reviewing literature relevant to several important concepts and explaining how they are interrelated, especially in the context of the international hotel industry. The second part of this chapter consists of a comprehensive in-depth content analysis and summary of major competitive methods employed by multinational hotel firms between 2000 and 2007. The chapter concludes with a brief comparison between the summarized results and the competitive methods used in the period 1995–1999 (Zhao, 2000). The relevant implications are also discussed.

Strategy and competitive strategy

Defining strategy

Since the 1960s numerous researchers have attempted to define "strategy." Chandler (1962) described strategy as the process of determining the organization's long-term goals and objectives as well as the process of adopting a course of action and allocating sufficient resources. Later scholars, such as Mintzberg and Waters (1985), contended that strategy was more a pattern of action resulting from whatever intended (deliberate) or unintended (emergent) strategies were realized, thus indicating that strategy could be something more than an explicit plan of action (Mintzberg, 1978). Incorporating both the intended and apparent manifestations of strategy in a dynamic and responsive sense and embracing a broad range of participants, Kerin *et al.* (1990) defined strategy as a fundamental pattern of present and planned objectives, resource deployments, as well as organizational interactions with relevant markets, competitors, and other environmental forces. Over a 40-year span of re-examination and redefinition, strategy has been regarded as the pivotal construct of the business-planning process and the critical mechanism used to align firms with their environments (Hitt and Ireland, 1985). The current literature on strategy is able to provide at least 10 separate schools of thought and a variety of definitions focusing on divergent perspectives (Fréry, 2006).

Overview of competitive strategy

Nowadays, firms throughout the world are being challenged by both domestic and global competitors. Thus competition is at the core of a firm's success or failure, and competitive strategy is at the heart of a firm's performance in the competitive environment. Competitive strategy is a firm's search for a favourable competitive position in an industry, and its objective is to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1985). The most significant theoretical foundation of competitive strategy was contributed by Michael Porter, who defined three generic strategies—Cost Leadership, Differentiation, and Focus—which are theoretically thought of as a means of establishing strategic group membership at the business level.

According to Porter (1980, 1985), cost leadership indicates that cost reduction becomes the major theme running throughout strategy. The emphasis of this strategy is efficiency. The firms using this strategy hope to take advantage of economies of scale by conducting continuous search for cost reductions in all aspects of the business. By using a differentiation strategy, a firm tries to be unique in its industry along some dimensions that are widely valued by buyers (Porter, 1985). The firm that hopes to maintain differentiation strategy needs to have strong R&D, marketing, and creativity skills as well as good communication with distribution channels and other business alliances. Quality, delivery, flexibility, and innovativeness are all operational objectives that are consistent or fit with differentiation-oriented strategies (Devaraj *et al.*, 2004). The focus strategy is different from cost leadership and differentiation in that it relies on choosing a narrow competitive scope within an industry (Porter, 1985). Firms using this strategy typically seek to gain a competitive advantage through effectiveness rather than efficiency. Porter (1985) also pointed out the two variants of focus strategy. In differentiation focus, firms' base focus on differentiation, targeting a specific segment of the market with unique needs not met by others in the industry, while in cost focus, firms have access to specialized production and operations equipment to save costs from smaller production lots or runs. Focus strategy can be used by a wide range of companies and is most effective when consumers have distinct preferences or competitors overlook the niche (David, 2002).

Despite initially having been given strong empirical support (Dess and Davis, 1984; Hawes and Crittendon, 1984; Miller and Friesen, 1986; Robinson and Pearce, 1988), Porter's generic competitive strategies were later challenged by a number of studies (White, 1986; Buzzell and Gale, 1987; Wright, 1987; Hill, 1988; Murray, 1988; Parnell, 1997; Proff, 2000). These researchers argued that the generic strategies lack specificity, lack flexibility, are limited. The particular conceptual limitations proposed by those researchers include the following: generic strategies are not mutually exclusive (Wright, 1987; Hill, 1988); generic strategies are not collectively exhaustive and thus are unable to describe the strategies adequately (Wright, 1987; Chrisman *et al*., 1988); and the appropriateness of Porter's simple notions of low cost and differentiation in the current corporate environment characterized by increased global competition and technological change is questionable (Mintzberg, 1988).

Evolution of competitive strategy theory

To address some of the above criticisms, researchers started to make efforts in developing alternative typologies of generic strategies. A very useful one was proposed by Mintzberg (1988), who distinguished *focus* from *differentiation* and *cost leadership*. He pointed out that the focus strategy defined the scope of a market domain based on the resource held by the firm, whereas the other two generic strategies reflected how a firm competes in the relevant market domain. He further argued that cost leadership did not provide an advantage by itself but had to result in below-average market prices to be a competitive advantage and hence had to be regarded as differentiation by price. Specifically, Mintzberg (1988) disaggregated Porter's differentiation strategy into differentiation by marketing image, product design, quality, support, and undifferentiation. Mintzberg's arguments were empirical supported by Kotha and Vadlamani (1995).

In response to the criticisms of generic strategies, the proponents of the combination strategy approach based their arguments not only on broad economic relationships but also on the evidence demonstrating how individual firms have identified such relationships unique to one or a small group of firms in an industry (Parnell, 2006). Following this logic, Bowman and

Faulkner (1997) noted the importance of value activity competitive strategies since buyers see price and not cost. They argued that sustainable competitive advantage is achieved by offering products or services that are perceived by customers to be better than those of the competition regardless of price, or to be equal to the competition but at a lower price, or to be better and cheaper.

Following the strategy-performance approach, Parnell (2006) presented a refined conceptualization of competitive strategy by integrating research founded on the resource-based view (RBV) of the firm and proposing value and market control as the two prominent overarching factors in business strategies. The refined market control-value framework includes five conceptual anchors: emphasis on value, emphasis on market control, moderate market control and value emphasis, strong market control and value emphasis, and lack of emphasis on either value or market control. The typology developed by Parnell (2006) incorporates Porter's original framework, follows the logic of the RBV, and is sensitive to recent changes in the competitive environment. Hence it represents a balance between the generalizability and parsimony typically associated with strategic group models and the specificity and completeness sought by proponents of the RBV.

Competitive strategy in the hotel industry in the new millennium

Practical challenges and academic studies

Although Porter's (1980) typology of competitive strategy is one of the theories most widely cited by academics and practitioners, it is debatable whether a single strategy will lead to sustainable competitive advantage (Helms *et al.*, 1997). This is particularly true for the international hotel industry in the new millennium. The complexity of forming and implementing competitive strategy has continued to increase. To a large extent this has resulted from the intensive competition in the international lodging market and the tremendous changes taking place in the global business environment in this period of time. Multinational hotel firms are challenged by the rapid development of information technology; changing demands from lodging consumers with various economic, cultural, and educational backgrounds; higher returns required by investors; increasing necessity for foreign expansion; and dramatic changes in global security and natural environment. In responding to these challenges, multinational hotel firms have applied a variety of competitive strategies, which have been recorded, analysed, and extended in the research works of contemporary lodging scholars.

A brief review of relevant literature reveals that beginning with the new millennium, a large amount of research has been conducted within the field of lodging competitive strategy, while extensive studies have focused on the areas of effective and efficient application of information technology, especially the Internet and data mining technology (Sigala *et al*., 2001; Magnini *et al*., 2003; Martin, 2004; Law and Jogaratnam, 2005); strategic human resource management (Tracey, 2003; Knox and Walsh, 2005; Wilton, 2006); service quality management (Keating and Harrington, 2003; Candido, 2005; Presbury *et al*., 2005); strategic relationship marketing, branding, and pricing as well as hotel revenue management (Yelkur and DaCosta, 2001; Lai and Ng, 2003; Cai and Hobson, 2004; Jain and Jain, 2005; Holverson and Revaz, 2006), and so on. Other studies are closely related to exploring the ownership patterns of the hotel industry (Dimou *et al*., 2003) or examining the application of a specific overall competitive strategy in the hotel industry (Crook *et al*., 2003). More recent studies are particularly concerned with the relationship between strategic behaviours and business performance. For instance, aiming to analyse the predictive validity of strategic groups and to determine which strategic behaviours have the most positive impact on hotel performance, Claver-Cortés *et al*. (2006) conducted a principal components factor analysis and found that if hotels are to achieve higher performance levels, they should preferably be medium or large sized, belong to a chain, increase their category, and base their competitive strategy on improvement and dimension. These studies have revealed significant insights into the contemporary competitive strategies employed in the hotel industry from both practical and academic perspectives. However, most of the studies confined the research domain at one functional level or within a specific geographic region; more comprehensive studies remain to be taken that can effectively upgrade the research generalizability and offer management implications from the overall industrial level.

Competitive strategy, competitive methods, and critical success factor

Before proceeding to the next section, it is paramount to compare and specify three important and interrelated concepts—competitive strategy, competitive method, and critical success factor (CSF).

Although strategic management literature does not provide a specific comparison of definitions between competitive strategy and competitive method, a slight difference does exist between these two concepts. While competitive strategy is a more comprehensive and academically oriented term that reflects the policies, rules, and methods firms employ to establish a profitable and sustainable position against the competitors in the industry, competitive methods are concrete actions taken or special resources used in the overall strategy development process in order to increase firm performance (Porter, 1980, 1985; Day and Wensley, 1988; Bharadwaj *et al*., 1993; Campbell-Hunt, 2000).

Another important concept that is closely related to competitive strategy and competitive method is the CSF. CSFs refer to the factors that must be achieved if a firm's overall goals are to be attained (Brotherton, 2004). Brotherton and Shaw (1996) further noted that CSFs are combinations of activities and processes designed to support the achievement of desired outcomes specified by the company's objectives and goals, and CSFs are supposed to be actionable, measurable, and controllable by management. CSFs may be derived from the features of a company's internal environment and reflect the company's core capabilities and competencies (Berry *et al*., 1997). At the same time they are determined by the nature of a company's external environment (Boardman and Vining, 1996).

In the context of the hospitality industry, several scholars have contributed valuable works in comparing and distinguishing competitive method and CSFs. For instance, Olsen *et al*. (1998) proposed that strategy choices are invested in competitive methods and CSFs, while competitive advantages, as outcomes of investment in competitive methods, are not likely to be sustainable for a relatively long period of time since competitors tend to efficiently copy them, especially in the hospitality industry. Once the competitive methods are copied they evolve into CSFs and become the industrial benchmarks. From this evolutionary perspective, CSFs are defined as things that are necessary for hospitality firms to invest in if they aspire to compete within the industry (Olsen *et al*., 1998). These insights indicate that time in this case appears to be the most important factor distinguishing competitive methods and CSFs as innovative firms merely take advantage within the time period during which its competitive method is unique in the overall industry.

Competitive methods in the international hotel industry

In this section, the competitive methods employed by 15 multinational hotel firms (listed in Table 7.1) between 2000 and

Table 7.1 Major Multinational Hotel Chains Analysed in this Research

Corporate Chains	Rooms in 2006	Hotels in 2006
InterContinental Hotels Group	556,246	3741
Wyndham Hotel Group	543,234	6473
Marriott International	513,832	2832
Hilton Hotels Corp.	501,478	2935
Accor	486,512	4121
Choice Hotels International	435,000	5376
Best Western International	315,401	4164
Starwood Hotels & Resorts Worldwide	265,600	871
Global Hyatt Corp	140,416	749
TUI AG/TUI Hotels & Resorts	82,111	279
Sol Meliá SA	80,856	407
LQ Management LLC[a]	64,856	582
Interstate Hotels & Resorts	50,199	223
MGM Mirage	43,785	18
Shangri-La Hotels & Resorts	23,956	49

Source: Hotels (2007) Hotel's corporate 300 ranking. Hotels magazine. Available from: http://www.scribd.com/doc/210143/Hotels-corporate-300-ranking. Accessed on July 15, 2007.
[a] This was La Quinta Corp.

2007 are summarized and categorized through an in-depth content analysis research method. Information for the analysis of these companies was collected from Internet databases and e-magazines such as *Hospitalitynet.org*, *Hotelnewsresource.com*, and *Hotel-online.com*, as well as news and reports published on the companies' own websites. A total of 13,000 articles were collected, categorized, and analysed. This section concludes with a comparison of the similarities and differences between the competitive methods employed in the new millennium era with those methods used in the period 1995–1999.

Continuing information technology deployment

The rapid development of information technology has radically reshaped the basic structure of the overall hospitality industry by effectively transforming the nature of products, processes, companies, industries, and competitions in the industry (Cho and Olsen, 1998). Beginning with the new millennium, multinational hotel companies have been continually and increasingly using this driving force of change as the means of creating competitive advantage. Several key technological deployment areas are summarized as follows.

Customer-service oriented technology

Online Reservations From the middle of the 1990s major multinational hotel firms started to rush into the online era as the Internet was becoming one of the most important information sources and communication channels for international travellers (Hueng, 2003). The most significant symbols for this included the rapid application and improvement of online reservation service, the initial provision of in-room high speed Internet, and the inclusion of web-based entertainment programmes.

Beginning at the new millennium, all major multinational hotel firms had established advanced online reservation service either on their own website or through more centralized online travel agencies, such as Travelocity or Expedia. More efforts were put into system upgrading and feature adding. Several hotel chains developed enhanced personalized booking processes supported by the most updated technologies. Beginning in 2002, customers could request driving directions and locate 2200 Marriott International hotels along the route on the company's website. By the summer of that year, Marriott.com visitors had already used the maps and driving directions more than 13.5 million times, an average of 2.2 million times per month. In the same year, Marriott.com became the first hotel website to provide customers with simultaneous searching of availability and rates across an inventory of more than 2400 hotels. In 2003, InterContinental Hotels Group launched industry—leading website enhancement, enabling its Priority Club Rewards members to make reservations online by significantly reducing the number of steps it took to book a room, and by adding customer-directed features. In 2004, InterContinental launched its fully integrated Holiday Inn Chinese language website, allowing guaranteed reservations on the website even if the customer did not use a credit card. The improved web-based reservation system offered multinational hotel companies tremendous economic benefits. For instance, in the summer of 2005 revenues generated via Choice Hotels International's proprietary website, choicehotels.com, were up a total of 17% year-to-date over the same period in 2004.

Wireless Communication and Application With the beginning of the new millennium, the most rapid technological development taking place in the international hotel industry was closely related to wireless communication and wireless network development. Mobile computing and communication devices such as wirelessly connected laptops, personal digital assistants (PDAs), web-enabled cell phones, and MP3 players have been used widely in organizations of all types worldwide (Gayeski and Petrillose, 2005). The adoption of wireless technology in the hotel industry dramatically enriched the service domain that can be provided to a variety of hotel customer groups and meanwhile enhance management efficiency.

Entering into the new millennium, multinational hotel firms increasingly have been launching their wireless-based applications and services. Five years after being the first hotel company to offer real-time access to its reservation system via the Internet in 1995, Choice Hotels International achieved reservations via the Palm VII and Palm VIIx handheld computers with wireless Palm.NetÂ® service at its Comfort, Quality, Clarion, Sleep, Econo Lodge, Rodeway Inn, and MainStay Suites brand hotels. In 2001, Bass Hotels & Resorts, a major brand of InterContinental Hotels Group, also launched comprehensive wireless services for locating hotels and making room reservations by working with Air2Web Inc. Before the end of 2001, Best Western entered the mobile commerce arena by launching the first phase of its wireless capabilities, allowing users of web-enabled phones, pagers, and PDAs to access Best Western information. In 2002 MGM Mirage became the first U.S. gaming company to offer wireless Internet access to several of its resort-casino websites, thereby allowing customers to book room reservations at six of the company's Las Vegas resorts, as well as access information about gaming, entertainment, dining, spas, golf, and other hotel services all via wireless devices, including web-enabled cell phones and PDAs. In 2004 the world's first wireless minibar network, an E-fridges wireless system with independent IP address that can avoid the cost and disruption of hard wiring, was installed in the Washington Willard InterContinental Hotel. In 2005 Global Hyatt Corp. launched its plan to make Hyatt the first company to offer a wireless solution in all of its guestrooms in the United States, Canada, and the Caribbean. By the year 2005, most major multinational hotel companies have been able to provide wireless Internet access and other wireless-based service to different customers.

Deployment of Entertainment Technology Adoption of modern technology for upgrading entertainment facilities has become a key strategy employed by different multinational hotel firms to attract both leisure and business travellers. In 2002, Choice Hotels International and On Command signed a 3-year agreement to market On Command's in-room video-on-demand, pay-per-view system to Choice Hotels' franchisees, which enables those small and middle Choice hotels to build revenue by providing a service that millions of guests enjoy in larger mid-scale and luxury hotel properties through On Command's MiniMate solution. Four years later, similar actions were taken between Hilton Hotels Corporation and global fitness equipment leader Precor for launching dynamic Fitness by Precor facilities at full-service Hilton, Doubletree(R), and Embassy Suites Hotels(R) in North America and at the Waldorf-Astoria in New York City. More recently, industrial attention has been focused on the development of the in-room digital high definition TV system. A pioneer practitioner is Marriott, which started in 2005 to roll out 50,000 sets of digital HDTV manufactured by LG Electronics over the next 4 years. The critical device that is connected with the television will be a connectivity panel, which offers ample power outlets to enable guests to connect laptops, PDAs, and personal entertainment devices, including DVD players, MP3 players, camcorders, and video games into the television.

Additionally, Plasma TV, integrated DVD playing systems, video games, and wireless pre-view systems have been widely established in the properties of primary multinational hotel firms to extensively enrich the entertainment experience of hotel customers.

Self-Service Facilities The most popular technology in this area is self check-in and check-out kiosks, which have been widely installed in the properties of Hilton, Starwood, and Hyatt. From the fourth quarter of 2004, Hilton began to provide web-based check-in for Gold and Diamond Hilton HHonors members. These password-protected online accounts permit guests to check into their hotel rooms in advance of arrival, regardless of how they made their reservation. Other hotel chains, such as InterContinental and Choice, also started the test procedures of the self-service facilities in their properties from 2005.

E-commerce Technology The continuing development of the Internet and relevant network technology enables multinational hotel firms to establish their own e-commerce platforms, not only for general hotel customers but also for internal customers and other stakeholders. For instance, Choice Hotels International developed a productive e-procurement system—ChoiceBuys.com—realizing $5 million in purchases in 2001—up from $700,000 in 2000. The system effectively enables more than 2800 Choice franchisees now using the system to purchase over 250,000 products available through the Internet. Beginning in 2000, Hilton worked with SkyMall to develop a "virtual mall" on Hilton's corporate website, allowing customers to make purchases from a wide array of SkyMall's premier merchandise. Both Hilton and SkyMall would promote the travellers' e-shop programme through newsletters and brochures, e-mails, direct mail campaigns, and other targeted communications to their respective customers. In 2004, InterContinental successfully integrated three dedicated Japanese language websites with its global hotel network, allowing for personalized end-to-end online transactions in Japanese.

Management and decision-making support technology

The advanced technology was not only deployed in the customer service direction, but also widely used by multinational hotel companies in management and strategic decision-making processes to improve operation efficiency, cost control, and marketing analysis, as well as add value. Several key technology deployments in management and administrative areas are summarized as follows.

Customer Relationship Management System (CRM) In 2001, Starwood Hotels & Resorts Worldwide increased investment in the CRM project of Unica's Affinium to seamlessly integrate with other CRM systems and to provide its worldwide marketing team with an easy-to-use tool for creating targeted campaigns that can be customized as needed. Others, like Shangri-La, integrated its CRM solutions in the facilities of a regional reservation centre in Asia. In the new millennium era, a variety of CRM solutions are employed in the major multinational hotel companies at both the operational and business level functioning as key instruments for gaining competitive advantages.

Improvement of Property Management System The property management system (PMS) is not a new application in the hotel industry. However, the most up-to-date features of the PMS, including its ability to be tuned with other systems on the local properties, have become critical for creating competitive advantage. Several multinational hotel companies have taken the steps. In 2001, Choice completed the roll out of a "last room" sell function at more than 2400 hotels, allowing synchronization of the hotel's PMS with the Choice 2001 central reservations system. In 2004, Multi-Systems Inc. (MSI) and Best Western International Inc. implemented the two-way interface based on the Open Travel Alliance (OTA) specifications, which enabled MSI's WinPM PMS and the Best Western Central Reservation Systems to integrate and establish seamless connectivity. A year later, Holiday Inn started to test a reception kiosk that has a real-time interface to the MICROS

OPERA PMS using MICROS OPERA Web Services as the communication tool.

Database Marketing and Data Mining Database marketing is the act of applying databases to the marketing paradigm (Baker and Baker, 1995; Fairlie, 1995), thereby contributing to customer profiling in market segmentation and new customer prospect identification (Mayer and Lapidus, 1998). In the new millennium, multinational hotel companies have increased their investment to develop a more comprehensive database system that can effectively integrate both an online interface with a database management system on an enterprise-wide platform.

A more advanced relationship-management-oriented technology is data mining, which is a largely automated process that uses statistical analyses to sift through massive data sets to detect useful, non-obvious, and previously unknown patterns or data trends (Magnini *et al.*, 2003). Several multinational hotel practitioners, including Wyndham, Choice, and InterContinental, have worked with industrial technology partners to develop relevant solutions.

Revenue Management System According to the study results revealed at the fourth Hospitality Sales & Marketing Association International (HSMAI) Revenue Management Strategy Conference held in June 2007, 43% of the hotel respondents used an automated revenue management system and 75% were satisfied or very satisfied with their systems. In 2002, Six Continents Hotels launched an integrated technology solution— HIRO—as the new revenue management system, replacing arcane coding with a Windows/Internet look and feel via a graphical user interface that makes it faster and simpler to use. Marriott's One Yield revenue management system helps over 1700 Marriott hotels maximize top-line revenue and enhance inventory decision-making processes.

Yield Management and Cost Control System In addition to a revenue management system, Starwood implemented the new company-wide yield management system in 2001. Similar technological solutions, which focused on capacity control for short-term and medium term, can be found in Interstate Hotels & Resorts and Wyndham Hotel Group.

International expansion and market occupation

In order to increase the overall market share, since entering into the new millennium, multinational hotel firms have taken tremendous steps to continue their global expansion plans. Best Western International announced that it would offer more than 4000 hotels around the globe in 2000. While Homewood Suites by Hilton invested in property development in North America, another mid-priced brand of Hilton, Hilton Garden Inn, continued to introduce new properties in European countries such as Germany and Italy in 2006. Other industrial practitioners, such as InterContinental, Marriott, Choice, and Starwood, all exclusively made their own expansion and growth plans. Specifically, four primary competitive methods were employed: mergers and acquisitions, management contract and franchise, joint ventures with strategic partners in emerging markets, and strategic alliances or partnerships.

Merger and acquisition

Over the past 7 years, major mergers and acquisition transactions in the billions took placed in the international hotel marketplaces, as illustrated in Table 7.2.

To fulfil the expanding plan, multinational hotel firms have been increasingly including special business divisions in their targets of acquisition. For instance, in 2005 TUI AG acquired CP Ship to seek business synergy. In 2006 Cendant purchased Orbitz for $1.2 billion. In 2007 Wyndham Vacation Ownership acquired the sales and marketing business and the physical assets and contractual rights associated with privately held Activities-4-Less, a Maui-based vacation ownership sales and marketing operation in Hawaii.

Table 7.2 International Hotel Industry Mergers and Acquisitions 2000–2007

Year	Company Acquiring	Company Acquired	Value
2000	MGM Grand	Mirage Resorts	$4.4 billion
2005	MGM Mirage	Mandalay Resort Group	$7.9 billion
2005	The Blackstone Group	Wyndham International	$3.24 billion
2005	TUI AG	CP Ships Limited	$2 billion
2005	Marriott International	CTF Holding Ltd.	$1.452 billion
2005	Hilton Hotel Corporation	Hilton International	GBP 3.3 billion
2006	The Blackstone Group	La Quinta Corporation	$3.4 billion
2006	Host Marriott Corporation	Starwood Hotel Portfolio	$4.23 billion
2006	Royal Bank of Scotland Plc	JV of Marriott with Whitbread	$1.69 billion
2007	The Blackstone Group	Hilton Hotels Corporation	$26 billion

Management contract and franchise

The management contract is still a popular means of business expansion widely employed by multinational hotel firms over the past 7 years. It was also a widely used entry mode for penetrating emerging markets. For instance, in 2004 InterContinental signed nine management contracts with Chinese industrial practitioners at one time. Marriott has planned to increase its hotel portfolio in India to 21 properties by 2010, all of which will be run under long-term management contracts. The franchise is another popular method applied by multinational hotel firms to expanding business. However, more firms such as Starwood focus on value creation rather than increasing new franchising contracts. Marriott substantiated its strategy for processing new franchise programmes: "growing selectively with the best operators is more important than growing fast."

Joint venture with strategic partner

Since the beginning of the new millennium, multinational hotel firms have been increasingly forming joint ventures with strategic partners to employ their location-bound assets and mature service and production resources, especially in the emerging markets, such as China, India, and Russia. In 2006, Hilton Hotels Corporation started to create a joint venture company in India with DLF Limited, one of India's leading real estate developers. The project would eventually develop and own 75 hotels and service apartments over the next 7 years. In 2004, TUI entered into the Russian market by forming a joint venture with Mostravel, one of Russia's leading tour operators for trips to Turkey and Egypt.

Strategic alliance

In the new millennium, multinational hotel companies use strategic alliance as an important method to gain competitive advantage. A variety of strategic goals for forming strategic alliances include acquisition of new technology, such as Bass Hotels & Resorts with Lastminute.com; supporting a cross-industry marketing programme, such as InterContinental with AeroMexico Airlines, Japan Airlines, South African Airways, Arabian Airlines, and Air China; enjoying the benefits of business integration across different locations, such as Le Meridien with Nikko Hotels; developing long-term projects, such as MGM Mirage with Peel Holdings PLC, and MGM Mirage with

Pequot Tribal Nation; creating special services to stakeholders, such as Ritz-Carlton Club with The African Collection Choice and with the accounting management consulting firm Grant Thornton LLP; and creating special function for environmental protection, such as Choice with Green Seal.

In light of expanding business in the new market, apart from forming joint venture with important local practitioners—multinational hotel firms also took steps in creating strategic alliance with other investors to penetrate emerging markets. For instance, in 2001 Best Western entered into a strategic alliance with the Korean Group, Business Group for Hospitality, to develop hotels in South Korea. In 2006 Hilton, RREEF, and private equity firm H&Q Asia Pacific together created the alliance intending to introduce more than 20 focused service hotels across China.

Stakeholder relationship management

In order to successfully compete in the international hotel industry, multinational hotel firms have been increasingly allocating resources in relationship management with critical stakeholders—customers, employees, and business partners.

Customer relationship management

Supported by enhanced technology, hotel firms developed and modified a variety of customer loyalty and customer retention programmes. For instance, Six Continents Hotels Inc. competed for increased customer loyalty by continually enhancing and modifying its Priority Club Rewards programme as well as bringing in strong industrial partners for strategic planning and redesigning all of Priority Club Worldwide collateral. In 2004 this programme became the world's largest hotel loyalty programme for the overall InterContinental Hotels Group. Similar point-based guest loyalty programmes can also be found in Marriott, Choice, Hyatt, and many other hotel chains.

Employee relationship management

Apart from a variety of training and development programmes carried out in the hotel industry, multinational hotel companies have launched a range of employee incentive and employee care programmes to improve management–employee relationships as well as boost employee morale and productivity.

For instance, the central management rules of Choice Hotels are to institute policies and practices that can help employees reach their personal goals. Choice has found that incorporating work-life initiatives into organizations is a valuable talent recruitment and retention tool. Choice's interesting work, good benefits, collegial staff, stability, employee development, and community involvement make it a very attractive place to work. Marriott continually received honours for its diversity efforts, especially its support for black workers. Six Continents has continually increased the investment in employee incentive schemes since 2001.

Business partner relationship management

Multinational hotel firms paid special attention to developing a positive relationship with their franchisees, alliances, and associated travel agencies. Choice introduced an incentive for development of the brand that netted a potential $130,000 rebate for Sleep brand franchisees in 2000 and launched a new fee structure greatly enhancing ease of entry into the Rodeway Inn system in 2005. In 2001 Choice launched a corporate realignment project designed to provide sharper strategic focus on delivering value-added services to franchisees. MGM Mirage and Mashantucket Pequot Tribal Nation (MPTN) entered into a strategic alliance agreement in 2006 that was more focused on long-term collaboration, a wide range of technology support and cross-marketing opportunities, enabling the foundation of a substantial alliance relationship. To enhance the relationship with travel agencies, Best Western hotels in cities throughout the U.S. sponsored the evening sessions as well as provided refreshments for Town Hall Meetings for U.S. travel agency owners in 2001. Supported by the modern web technology, Hilton started to offer exceptional Travel Agency Commission Processing and an online resource for agencies to track their incoming and outgoing commissions as well as process future meeting-planner commissions, at www.tacsnet.com from 2006.

Development of new product and services

New products and services deployment

Offering new products and services has always been a competitive strategy in the international hotel industry. A wide range of creative hospitality products and services were developed over the past 7 years. In 2002 Six Continents Hotels made available

21-Day Advance Purchase Rates and last-minute travel deals through Weekend WebSavers. Marriott launched the new service "PrintMe Networks," enabling guests to print from a guest room to a hotel printer via their personal PCs. Holiday Inn developed the "Best Breaks" rate as a complement to its award-winning "Best-4-Breakfast" menu in 2003 and introduced low-carb breakfast "Low-Carb InspirationsTM" in 2004. The "Total Trip Pricing" service was launched by Marriott in 2006, allowing potential guests to calculate room rate plus applicable taxes, surcharges, and any fees before guests completed reservations.

Innovation in service concept

In response to intensive competition, multinational hotel firms have been increasingly focused on offering new and innovative features to customers so as to establish competitive advantages. In 2000 Sheraton started to create the "home style" hotel rooms particularly for business travellers in the properties across the U.S. The new "Grand Bed" debut in 2004 provided guests staying in Hyatt hotels with more luxurious, comfortable, and novel experiences. Hyatt Place hotels also feature the Gallery, an innovative welcoming arrival area where guests are personally greeted by the Gallery Host, a dynamic new position in the hospitality industry that encompasses everything from guest check-in to giving personal tours of the hotel. In 2007, Hilton launched two new hotels in the U.K., reflecting the company's move towards "new look" contemporary and design-led lifestyle.

Engaging in research practice

In order to provide substantiated support for service and product innovation, some multinational hotel firms have taken the initiative of organizing or sponsoring business-related research and studies. As part of a strategy to better meet the needs of the growing ranks of women business travellers, InterContinental and Crowne Plaza Hotels and Resorts in 2000 formed a Travel Advisory Council under the aegis of the Project Future initiative to bring together female business leaders to address gender-specific issues as they relate to the travel experience, and to help recommend possible new products and service offerings. Best Western combined the customer research function with its powerful online applications. La Quinta also based its new Return Guest loyalty programme on comprehensive research regarding programme members, hotel guests, and general managers. In order to identify how guests combine work and leisure activities while travelling, Hilton Garden Inn conducted extensive research which led to the new hotel concept of "personal business."

Change of business structure

In order to catch up or even play the leading role in the fast-paced and frequently changing business environment, an increasing number of multinational hotel firms conducted business re-engineering and restructuring.

Spin-offs of peripheral assets

To enhance the operation efficiency and financial return on asset, many hotel companies continued to spin off their non-core strategic assets. In 2000, Starwood announced the agreement to sell the Desert Inn for $270 million. In the same year, to reduce debt incurred from acquisition, MGM Grand Inc. sold approximately $13 million in assets that consisted predominately of paintings from the collection at the former Bellagio Gallery of Fine Art. As part of the continuation of its strategy of continuing to grow its management and franchise businesses and reduce asset ownership, InterContinental Hotels Group disposed of approximately £500 million of hotel assets in 2004. Marriott also made efforts to sell its senior living services. Similar spin-off strategy was also applied by Starwood, Hilton, etc.

Reshaping organization structure

Shaping organization structure is another strategy widely used by multinational hotel firms for improving management and operation efficiency. Creation of a new business division, decentralization, and integration took place in many hotel enterprises.

In 2000, La Quinta Inn decentralized its operation organization and Starwood established Starwood Vacation Ownership to further integrate its vacation ownership subsidiary and further capitalize on the synergies between Starwood and its vacation ownership division. Aiming to improve efficiency and streamline cost, InterContinental Hotels Group unveiled the shape of the new organization in Asia Pacific in 2003. This included an integrated sales and marketing focus, to extend brand leadership across the region and consistently drive revenue, demand

and system delivery across IHG's hotels portfolio. In order to make the production and marketing of holidays more efficient, TUI moved the holiday production of the airtours brand from Frankfurt to Hanover and merged its tour operation and distribution activities into a single powerful marketing entity in 2006.

Naming critical personnel

To improve management operation and working team productivity over the past 7 years, multinational hotel firms frequently named new core management personnel or changed personnel. The concerned positions were concentrated on functions such as IT, marketing, and strategic management. New chief management positions were also added in accordance with the specific company's strategy. For instance, 10 new Regional Vice Presidents of operations were added in La Quinta Inn in 2000.

Marketing initiatives and campaigns

To successfully compete in the fast-moving business environment and effectively communicate with the target market and customer, multinational hotel firms applied a variety of marketing strategies.

Special promotion programme

Many multinational hotel firms launched different promotion campaigns aimed at targeting specific customer groups. Best Western's "Summer Adventure," Choice's "Fee Gas" campaign, and Holiday Inn's "Big Sale" were all successful cases of special sales promotions that took place in the hotel industry. To promote the brand image as an ideal upscale hotel choice for small-to mid-sized business meetings, Crowne Plaza rolled out the logo "The Place To Meet," combining three key components and representing a completely unique and powerful positioning for Crowne Plaza in the meetings segment. Shangri-La Hotels & Resorts launched a Female Executive Traveler Program in 2003, with the aim of providing the female business traveller with further convenience and comfort during her stay.

Co-promoting with marketing partner

Multinational hotel companies have increasingly taken advantage of co-promoting supported by strategic business partnerships. For instance, partnering with Diners Club International, InterContinental launched the Diners Club Double Weekend Options promotion across 20 InterContinental Hotels and Resorts in 14 countries in Asia Pacific in 2003. In the summer of 2006, Embassy Suites Hotels worked as the official hotel partner of Build-A-Bear Workshop to support the Find-A-Bear ID Program.

Brand repositioning

Brand repositioning is the strategy taken by multinationals to alter or maintain the brand image portrayed to consumers. This involves manipulating the marketing programme and organizational processes to maintain or improve the equity of a brand (Aaker, 1991). It has been a widely used competitive method in the international hotel industry in the new millennium. In 2004, Cendant Corporation's Hotel Group launched a multimillion-dollar repositioning of its Ramada brand aimed at improving overall product quality, guest experience, and value. This action was designed to ensure its future growth and competitiveness in the mid-market segment. Staring in 2002, Starwood has put a comprehensive plan into force to upgrade the Sheraton brand. This has included a number of key elements—better beds, new room design, renovation of flagship, new prototype, tougher standards, and brand clean-up. The re-ignition of the Hilton brand flagship programme has effectively enhanced the profile and customer loyalty to the company.

Image advertising campaign

Multinational hotel firms have increasingly focused on using concentrated advertising campaigns as means of promoting company image. Choice's "Thanks for Travelling" advertising programme in 2001 significantly promoted its image, especially after the "9–11" attack. In 2004, Hilton launched its "Take Me To The Hilton" image campaign aimed at positioning Hilton as the number one solution to some of the most commonly voiced concerns among modern-day travellers. It combined fresh imagery with straightforward text. In the summer of 2006, in order to increase its visibility in emerging markets around the globe, Hyatt launched an ambitious TV and print advertising campaign that included an image-building television commercial and a series of three print ads that accentuated the versatility of Hyatt properties catering to high-end meetings business.

Internet marketing

The Internet was also increasingly used by multinational hotel firms as an important marketing channel. Hiltonjourneys.com, the online element of the new Hilton campaign, received international accolades from two sites honouring the best in creative content on the Internet, especially for its great role in the campaign of "Travel Should Take You Places" launched by Hilton Hotels Corporation in 2006. Both Best Western and InterContinental reported strong Internet marketing outcomes and improved functioning of their Internet marketing team. Marriott won the 2006 Internet Advertising Competition judged by the panel of The Web Marketing Association.

Effective pricing

Although discount pricing is not an innovative strategy for gaining competitive advantage, it was still widely used by many multinational hotel firms. In order to effectively target the baby boomer group, Choice launched a promotion programme in 2000, allowing travellers 50 years of age and older to receive a 10% discount at all Choice hotels and travellers 60 years of age and over to receive a 20–30% discount at participating hotels. Beginning in 2002, All AAA members received a minimum 10% discount off regularly published room rates at Best Western hotels due to the joint marketing agreement between Best Western and AAA. In 2005, franchisees of Travelodge were deeply encouraged to tap into discount pricing, rebate opportunities, and the potential for free equipment in the company-wide "ultimate value equation" programme.

Quality consistency and improvement

Being a repeat business, hotel service requires a high level of quality consistency. Therefore, pursuing continuous quality improvement can help multinational hotel firms achieve customer satisfaction, gain advantages over competitors, and increase profitability. Several competitive methods were employed by multinational hotel firms centring on maintaining quality consistency and achieving quality improvement.

Investing in human assets

The investment in human assets centred on a series of education, training and career development programmes launched in the hotel industry. Since 2002 MGM Mirage has employed a diversity education programme as a key factor in helping create a unified company vision and a culture of shared values between its employees from different backgrounds. By 2005 more than 1200 employees had completed Diversity Champion workshops—an industry-training first that fused leadership, diversity, and professional development during intense classroom instruction. Also, in 2005, Best Western International launched its Best Western Certified Manager Program and Best Western Learning Series for the owners and managers of its North American hotels. Shangri-La Hotels and Resorts, China's largest luxury hotel group, opened Shangri-La Academy to centralize employee training near Beijing. It features progressive training methods that focus on critical thinking, problem-solving and empowerment.

Property renovation

Many multinational hotel firms continued their property innovation projects in the new millennium to enhance brand image and to meet changed customer requirements. Sheraton started its $350 million, 2-year renovation programme in order to make the brand consistent and friendlier to families and business travellers. InterContinental started to invest $1 billion refurbishing major InterContinental properties around the world in 2002. Since the beginning of the new millennium, large renovation projects have also taken place in the individual properties of Choice, La Quinta, Best Western, and Marriott, etc.

Upgrading service standards

Many multinational hotel firms also upgraded their service standards to match increased customer needs and changed competitive environment. For instance, Best Western launched the new quality initiatives concentrating on the establishment of parallel-service-standards enhancement with a simplified design-evaluation process worldwide. To successfully implement the standards, the organization of Best Western assembled a special team of quality assurance experts to visit and review the quality of Best Western property and assist owners in enhancing quality and guest satisfaction as well as profitability.

Quality performance rewards and evaluation

Multinational hotel firms also applied relevant rewards and evaluation protocol as tools to encourage internal properties and franchisees to maintain quality consistency. For instance, in 2005, Doubletree launched its newly designed "Most Improved Quality Award." Intensively focusing on results of guest surveys, the new quality assessment programme, supported by the most updated Guest Endorsement System, was introduced at InterContinental in 2003. The programme uses three criteria that compose the hotel's quality score: performance on physical product-related questions, performance on service-related questions, and the average of responses on key questions designed to determine the guest's intent to return to that hotel.

Social awareness and environmental sensation

Showing concern for social issues and practicing for natural environment protection have been regarded as important corporate norms for multinational firms. Multinational hotel firms have increasingly allocated resources to community development projects, natural disaster assistance programmes, and environmental protection programmes to improve brand image as well as gain economic benefits.

Partnership for community development

In 2000, Starwood launched a new community service programme, StarCare for the Community, which encouraged Starwood employees to donate 8h per year to volunteer activities within their communities. To assist the programme, Starwood partnered with America's Promise and City Cares, which have the capability of matching Starwood volunteers with non-profit organizations and community service events in cities across the U.S. MGM Mirage entered into a partnership agreement with Jeanco Realty Development to form a joint venture. The purpose of this partnership master plan is a mixed-use development of an undeveloped site and the creation of a community featuring residential, commercial, and retail elements in addition to a new hotel casino.

Aid programme for regions wrecked by natural disaster

Some multinational hotel firms provided regions that were wrecked by natural disasters with economic aid as the means for improving company image and brand awareness. For instance, TUI AG set up a long-term aid programme for the crisis region in Southeast Asia that was destroyed by the tsunami, and carried out a total of €1.25 million for the measures in 2005.

Environmental protection practice

Because of the increasing global concern over changing natural environment, more and more multinational hotel firms have correspondingly developed management rules or conducted operation practices to fulfil the initiatives of environmental protection and meanwhile to achieve economic benefits or improve brand awareness. Open in 2003, the Best Western Agnes Water Beach Club, Australia's most impressive and technologically advanced, environmentally sensitive, fully self-sustainable resort, achieved the designed goal of creating a new benchmark for ecotourism and self-sustained development. Starwood set up special management leadership to reduce greenhouse gas emission. In 2005, TUI AG was certified in accordance with international environmental standard DIN EN ISO 14001, indicating that both its in-house system as well as the group-wide environmental management system gained the worldwide recognized certification stamp for environmental standards. In 2006, Marriott was recognized for saving more than 83 million kilowatt-hours (kwh) of electric energy consumption, the equivalent of lighting Washington, DC, for 3 months; and reducing greenhouse gas emissions by 68,000 tons annually, the equivalent of removing 15,000 cars from the road or planting 1,500,000 trees per year.

Summary

Comparison of the competitive methods between the New Millennium and the period 1995–1999

The competitive methods contributed by Zhao (2000) are categorized into eight categories. They are: rapid information technological development; international expansion and market cooperation; relationship management; customer-oriented products and services development; structure re-engineering; new marketing initiatives and campaigns; quality control; and social awareness and environmental protection. The conformity between the overall categorical structure used in this research and that used for the last period indicates a high level of realistic prediction in the previous research with respect to the evolution of the international hotel industry over the last decade. However, comparison between the corresponding categories from the two periods still reveals some differences. The specific differences as well as similarities are summarized as follows:

- The fast development of information technology still works as the most significant driving force for influencing multinational hotel companies to create their competitive methods. Advanced technologies have brought a wide range of options that can help hotel firms gain competitive advantages. Hotel firms have been increasingly invested in this area, thus intensive competition is inevitable. Although the majority of IT-related competitive methods in the new millennium are similar to those of the last period, there has been a significant evolution of technology to an improved mature level. More features and functions have been created, and most of the technologies have been upgraded to a new level. More powerful, cost-effective, and easy-to-use technologies have won the competition. It is expected that tremendous change will take place in the near future in this field. However, when comparing the competitive methods of the two periods, the wide adoption of wireless technology and related applications seems to be the most remarkable difference.
- Mergers and acquisitions are still important ways for multinational hotel firms to implement international expansion strategy. Cross-industry and cross-sector mergers and acquisitions have reached a greater level. This was not so salient in the earlier period. These indicated multinational hotel companies have been increasingly concentrated on achieving competitive advantages by integrating business divisions and implementing economies of scale. In terms of applying joint venture and strategic alliance as expansion methods, more attention has been paid to finding a critical strategic partner, especially in the emerging market.
- The importance of strategic stakeholder relationship management has been widely recognized in the international hotel industry. Many relevant programmes have been launched, and application of new information technology has become a critical way to process the relationship-related management.
- Innovation has become a key competitive method used by multinational hotel firms. Compared to those of the last period, the new product and service development in the new millennium is more concerned with concept design and innovation. Direct investment and resource allocation in research activities is a star point found in this research.
- Spinning off non-core strategic assets, reshaping organizational structure, and naming critical personnel are still critical competitive methods in terms of structure change. More

significantly, division and function integration across a large geographical scope has attracted increasing concerns from the strategic decision makers of multinational hotel firms.

- In terms of market campaigns and initiatives, some traditional methods, such as co-promotion, special sales promotion, and discounted price still play important roles in the overall portfolio of competitive methods. However, this research reveals that instead of specific service packages or products, the overall company brand and image have become the main promoting targets of marketing campaigns.
- In order to maintain consistent service quality, multinational hotel firms have increasingly focused on human asset development. The most useful way is to improve employee education, training, and personal development. Service standard management and upgrading has been a particular concern of multinational hotel firms. This topic was not as extensively researched in the earlier period.
- With respect to social awareness and environmental protection practices, strategic partnerships for community development and aid projects for regions wrecked by natural disasters are two new methods which were not emphasized in previous studies.

Conclusion and implication

In this chapter a total of 36 competitive methods adopted by multinational hotel companies over the last 7 years have been reported. The overall conformity between the results of the two research studies at categorical level implies that the international hotel industry is experiencing a special period in which the function of critical influencing factors is being accumulated. The relatively slight differences existing in each category indicate the complexity of the competitive environment. In the meantime this also implies that time has become a critical factor for judging the business environment, as increased previous competitive methods are being increasing transferred into CSFs at the overall industrial level. Multinational hotel firms must be able to examine the business environment in which they locate and determine appropriate strategy to balance resource between different strategic choices.

More importantly, multinational hotel firms must understand the environmental driving force that is likely to have a profound influence on their business. For example, this research revealed that private equity firms such as Blackstone have become the most powerful investor and intervener in the international hotel industry. But how to create a relevant competitive method supported by this kind of investor and intervener remains unclear. Further research focused on such issues should be conducted by both industrial practitioners and academic scholars.

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