

World Market of Hotel Services's Transnationalization and Development of the Hospitality Industry

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Abstract: Transnationalization is one of the main characteristics of the World economy. This process changes all spheres of the world economy, including the national markets institutional environment of the hospitality industry. International hotel chains play a system-forming role in developing of national hotel farms. In this context, the author analyzes developing of the Russian hospitality industry. The author proposed a logical framework analysis. As a result, he defined the priorities in the development of state regulation of the Russian hospitality.

Key words: Globalization • International hotel chains • Transnationalization • Russian hospitality management • State regulation of the hospitality market

INTRODUCTION

The modern world economy characterized by increasing scale and pace of the process of transnationalization, representing a growth of the share of cross-border movement of capital, labor, technology, information in their total migration. Under the conditions of activation of transnationalization increased role of TNCs, international (transnational) companies and their alliances, spreading the economic impact beyond national borders and defining trends as the global economy and national economies in particular. According to UNCTAD, in 2010 the value added within the global production of TNK was approximately \$ 16 trillion. Dollars –about a quarter of global GDP. On foreign affiliates of TNCs accounted for more than 10 % of global GDP and one-third of world exports.

Globalization of the world market is accompanied by a change in its institutional structure, growth potential and its functional significance in the economic system. The study of economic development in this context - an analysis of innovation institutions, those institutional innovations that reduce transaction costs and production costs compared to alternative institutional structures. This study innovation institutions, which makes it

possible to conclude more complex transactions by reducing transaction (and production) costs of these exchanges [1].

International market of services has emerged as a response to demand from the increasingly developing transnational corporations (TNCs) operating on a uniform or similar standards across countries. Factors in the development of the international services market as an alternative to national markets are weak regulation, the possibility of tax optimization, reducing costs for consumers - TNCs on different national markets, the integration of the European market; equality institutional conditions for all market participants. These factors influence the formation and development of the logic of the world market.

Regulatory convergence of national services markets, harmonization of norms and rules of functioning institutional structures of national and international markets will reduce the importance of these factors.

International market of hotel services in a globalizing world economy developing rapidly. According to analysts, Rezidor Hotel Group industry international tourism and hospitality industry is recovering from the effects of the global financial crisis of 2008. This is evidenced by the growth rate RevPAR in 2012 in Europe

Table 1: Rating international hotel chains according to the International Hotel and Restaurant Association in 2013 in the world and Europe

Rating of the largest hotel chains in the world				Rating of the largest hotel chains in the Europe			
No	Title	Num-ber of hotels	Number of rooms	No	Title	Num-ber of hotels	Number of rooms
1	INTERCONTINENTAL	4 602	676 000	1	ACCOR	2 396	258 000
2	HILTON	3 992	652 000	2	BEST WESTERN	1 312	90 600
3	MARRIOTT	3 672	639 000	3	INTERCONTINENTAL	574	89 200
4	WINDHAM	7 342	627 000	4	GROUPE DU LOUVRE	974	70 400
5	CHOICE	6 198	497 000	5	CARLSON REZIDOR	255	51 800
6	ACCOR	3 515	450 000	6	NH HOTELES	347	50 800
7	STARWOOD	1 121	328 000	7	WITHBREAD	641	50 700
8	BEST WESTERN	4 024	312 000	8	HILTON	205	46 600
9	HOME INNS	1 772	214 000	9	MELIA	195	44 700
10	CARLSON REZIDOR	1 077	166 000	10	MARRIOTT	245	44 600

by an average of 2 % in the U.S., the figure was about 7%. In comparison with the data of 2009 RevPAR in Europe grew by an average of 21%, but still below 13% pre-crisis level in 2007. This trend is typical of markets in Eastern Europe and the CIS, where RevPAR growth rate in 2012 was about 9%. This index also increased by 9% and in the Middle East and Africa.

National hotel management in the context of globalization are increasingly integrated in multi-hop networks of TNCs - international hotel chains whose interaction and interconnectedness reach the highest level (Table 1).

The process of transnationalization of capital market participants of hotel services is the basis of formation of the modern market space. Transnationalization global hotel market is a complex reproductive process, which is the main mechanism for attracting foreign direct investment (FDI). In addition to direct participation in capital through FDI transnationalization process involves a combination of different forms of cross-border movement of capital, such as strategic international alliances, the mechanism of IPO (SPO), a cooperation agreement, non-equity forms of expansion.

D. North in their research notes serving as a risk-sharing institution integrating structure – TNK [1]. Ability to internalize international relations and communications services market in its intra- system relationships determines the dynamic development of financial-industrial groups and other integrated corporate structures. In times of crisis, it is the quality of TNCs becomes the main condition for the stabilization and growth of economic activity of the integrated companies.

Showing stability in times of crisis, companies themselves become “automatic stabilizers” of the economic system, maintaining at the same time, the stability and the markets in which these companies operate and their subsidiaries, divisions, as well as their affiliated business entities. Moreover, they are able to

overcome the negative effects of a number of financial constraints, institutional norms constraining their growth [2].

In their studies, Mihir A. Desai, C.Fritz Foley, Kristin J. Forbes [3] confirm the conclusions about the differences in the impact of financial constraints on the growth of TNCs and local firms. Co-investigator justify that affiliates of U.S. multinationals in contrast to local firms in emerging markets are willing to overcome the limitations imposed by national regulations, as well as due to economic crises.

Thus, we can conclude that the role of TNCs in the global hotel market can be realized through the implementation of risk-sharing role of the institution. Local firms have insufficient investment opportunities in times of crisis, in contrast to the integrated structures. However, access of branches and subsidiaries to investment resources TNK removes these restrictions. In addition, as in times of crisis and in the recovery period (recession), the parent company may exercise investment infusion branches.

These results show a different, special role of foreign direct investment through the mechanism of integrated structures in emerging markets, where TNCs conduct their economic activities during the financial crises, whereas local firms are more limited in their growth opportunities. Integrated International Hotel Chains, on the one hand, are agents of globalization processes, on the other - their organization and interaction are the built-in stabilizers, able to adapt to new changes in the globalization process. Thus, the existing network structure of the world market of hotel services based on integrated economic actors and integration mechanism of protection against instability.

Property integrated companies show stability in times of crisis and to act in the economy stabilizing institution through internationalization relations is particularly post-crisis development of national markets.

One of the characteristics of modern hotel market is worsening as the competition between the world players in the industry (large international chains and operators) and between domestic and foreign chains (management companies). In such a situation increases the role of intellectual capital, which ensures that the infrastructure of the enterprise global practice, due to lower values of direct equity.

With the global financial crisis and post-crisis recession in most victims were local companies namely national hotel industry. International hotel chains have been able to, including through the use of mechanisms for the redistribution of investment resources to resist and to retain influence in the market.

Feature of modern activities of multinational companies is to increase the share of such methods of expansion in the national markets as outsourcing, franchising, management and other types of contractual relationships through which TNCs coordinate the activities of national companies host countries not participating in their capital. This trend is especially for the development of services in general and the hotel market in particular. Processes impact on the national economy TNCs poorly controlled regulators, particularly in the absence of direct participation in the capital of enterprises. These circumstances actualize study subjects internationalization of the Russian hotel market, modification of its membership in the context of the impact of the process of transnationalization of the global hotel industry.

In order to analyze the current state of the Russian economy in the context of the market impact of the process of transnationalization of the world market of hotel services will be offered to us logic analysis (Figure 1). This logic can be used at different levels of the global hotel market - global, national and regional. Analysis at each level should be in the context of market trends higher in the conditions of globalization of the world economy.

In conditions of growing internationalization and the development of international tourism in the Russian market is gradually expanding and hotel facilities. Thus the development of the hotel industry in Russia there is not uniform, which is typical for the development of the Russian economy as a whole. Hotel services market in Russia is characterized by concentration in metropolitan areas in conjunction with the active presence of the global hotel chains.

Most developed segment of hotel services in Moscow, St. Petersburg and Sochi. According to the Russian Hotel Association 70% of the hotel market is

concentrated in these cities. At the same time, analysts note the intensification and development of the hotel industry in the regions. According to forecasts by the World Tourism Organization, until the end of 2020. Russia will enter the top 20 most visited countries. Simplification of formalities tourist, significantly expanding the range of potential tourists traveling, the introduction of currency regulation policy - all this caused a revival of tourism industry, the creation of thousands of organizations and tens of thousands of jobs. However, the development of this sector in Russia is currently only at the initial stage [4].

The majority of analysts agree that Russia's hotel industry as a whole is recovering from the economic crisis of 2008-2009. Operating Highlights all hotel segments in 2012 were higher than planned. In Moscow, for example, loading hotels started pre-crisis level, the average price per room basically stabilized. Market Forecasts hotel property also optimistic.

In 2012 in Russia significantly increased influx of foreign investment in hotel services. According to research company "Ernst & Young", this trend will be seen in 2013. However, given the dominance of investment in telecommunications (mainly mobile telephony) in the upstream and downstream industries, in banking and electricity, direct investment in the hotel business remains insignificant (Table 2).

Thus, despite the optimistic analysts' forecasts regarding the development of the Russian market of hotel services and increase of its volume, international hotel operators prefer forms of integration into the Russian market without direct participation in equity. Distribution of number fund of international operators is shown in Figure 2.

Hotel market researchers say that by 2018 the situation in the Russian hospitality industry change significantly. Future changes relate primarily international hotel operators. According to analysts, in 2018 among all foreign hotel chains in Russia in second place come the operator "Accor". Corporation "Rezidor", which is today considered the leading international hotel company in the Russian market in the coming years will retain their positions. But networks "Marriott" and "InterContinental" will have to give their 'place' corporation 'Accor'.

Reportedly kommersant.ru, under international operators in six years will be about 215 -minute Russian hotels, the total number of rooms which exceed 46,000 rooms. At the moment, large foreign companies manage 89 hotels Russia. It is assumed that after six years of leading trio in the Russian hotel market of international operators will American corporation 'Marriott', which

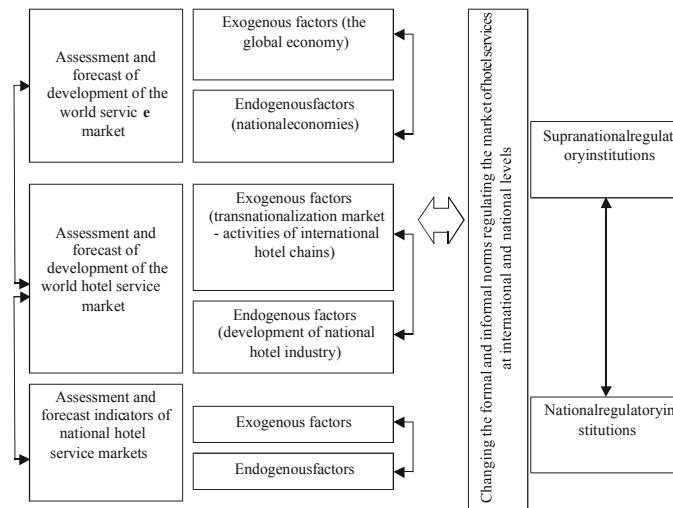


Fig. 1: Logic diagram of the hotel market analysis at different levels

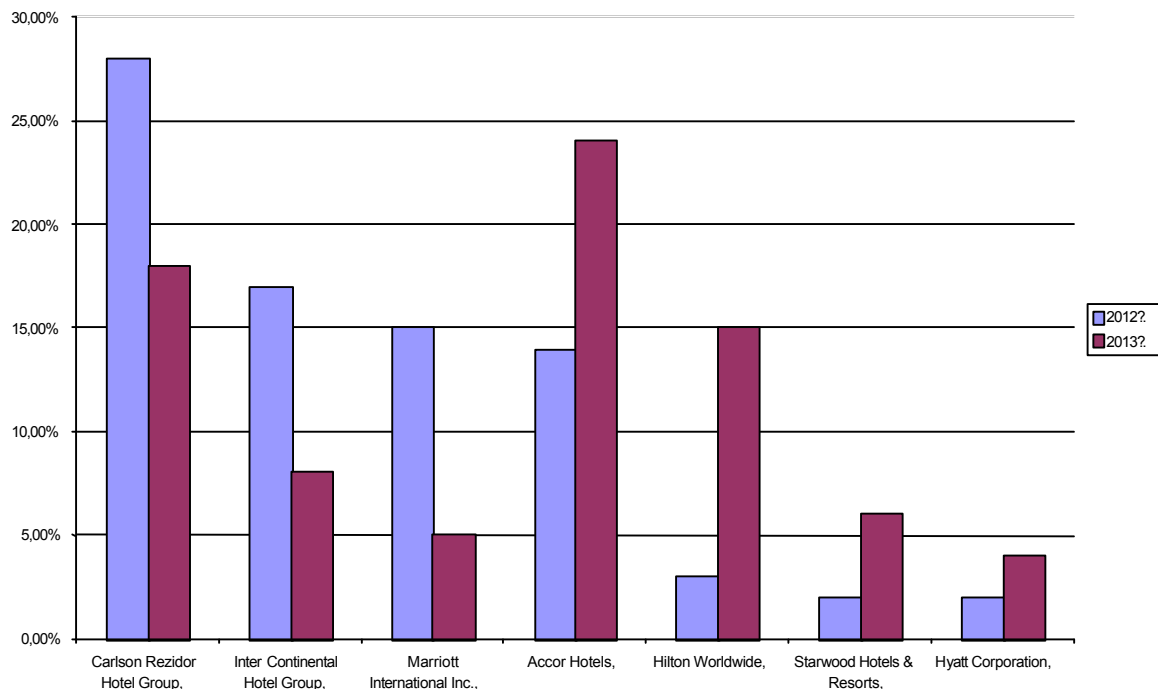


Fig. 2: Change in the share of total room stock of foreign brands in 2012-2013

Table 2: FDI inflows to Russia, CIS countries and Georgia in 2011. (selective analysis by industry)

Kind of business	Direct investment in Russia, billion dollars	Direct investment in other CIS countries and Georgia billion dollars	Direct investment in Russia, the CIS and Georgia billion dollars
Telecommunications	10.79	0.10	10.89
Crude oil and natural gas	6.19	-	6.19
Transportation and sale of gas	5.62	0.34	5.96
Production of pig iron, ferroalloys, steel and rolled steel and coke	4.15	0.12	4.27
Banking	3.29	8.87	4.16
ElectricPower	3.17	-	3.17
Mining of non-ferrous metals, including gold mining	2.54	0.05	2.59
Hospitality	0.6	0.76	1.36

currently manages nearly three and a half thousand hotel rooms Russia. Leading position in the Russian market 'Marriott' will not even increase the room stock in half. It is expected that by 2018, under the control of U.S. hotel operator will be almost five and a half thousand rooms. However, the company's share in the Russian hotel market decreased by almost four percent.

Types of rooms of the French hotel chain "Accor", which in the next six years to oust the Russian market "InterContinental" and "Marriott" will grow from 2149 rooms to 7699 rooms. The main partner of "Accor" on the Russian market is the company "Russian Hotels Investments", which builds brand in Russia Hotel Ibis. Hotel Chain "Accor", unlike many other operators are now focused on the development of networks in Russia budget hotels that are pretty fast.

According to the annual reports of international operators, most actively implementing their projects in Russia (Accor, Marriott, Rezidor) and analyzing the FDI projects in the hotel business in Russia, we can conclude that in most cases, international circuits use a combination strategy of presence the developed markets and in emerging market economies. At the same time, developing countries on market hotel TNCs mainly use such forms as rent, management, franchising.

Thus, the pressing issue of creating an enabling institutional environment for foreign investments in the hotel sector. Among the factors hindering involvement of foreign capital can be identified:

- Preserve the negative effects of the global financial crisis: the crisis in the Russian Federation in 2009 load hotels fell by 22.8 % compared with 2008 [5];
- Unformed legal framework: the formation of national standards for the management and operation of hotels in its infancy and is moving towards adaptation and convergence with international standards;
- Shortage of qualified personnel: currently this issue is resolved at the state level in the context of preparations for the Winter Olympics in Sochi in 2014 and the World Cup in 2018;
- Concentration capacity of large cities (Moscow, St. Petersburg): the problem of uneven distribution of number fund is acute in terms of preparation for the Winter Olympics in Sochi in 2014 and the World Cup in 2018.

With the increasing scale of operations in the process of globalization and transnationalization, development and innovation of the Russian market of

hotel services are of particular importance. In this connection is necessary harmonization of norms and rules (i.e. institutions) different exposure levels (international, regional, national) on the Russian hotel industry. In this context, transparency Participants hotel business, the introduction of corporate governance standards and quality of service standards is also institutional standards to ensure the rights of consumers.

Thus the logic of institutional development is the need to give formal status to these norms, i.e. mandatory under the existing legal systems, status globally.

Based on the identified problem areas, it should be noted that the issues of creating an effective institutional environment of hotel business development, foreign investment in the hospitality industry as a whole lie in the zone of interests of the state.

Increased foreign economic potential of the country is impossible without infrastructure hospitality. The main task of the state is seen forming the institutional framework for private investment in infrastructure hospitality and tourism industry.

International practice involves the formation of several models of state regulation of the hotel business (Table 3).

In Russia, the formation of the model of government involvement in the development of hotel infrastructure is in its infancy. In the context of the preparations for the Olympic Winter Games in Sochi in 2014 and the World Cup in 2018 the task of forming an effective model of public participation in the development of the market comes to the fore.

At the same time, with the author's position most suitable for the present stage of development of the national market is the second model, which assumes a combination of elements of self-regulation and state involvement. Currently, the main coordinating government body in the hotel segment by the Federal Agency for Tourism of the Ministry of Culture of the Russian Federation (Rosturizm). As part of the Federal Tourism Agency implemented:

- State Program of the Russian Federation "Development of Culture and Tourism" in 2013 - 2020 years;
- Federal Target Program "Development of domestic tourism in the Russian Federation (2011 - 2018 years)" Federal program "South of Russia";
- Regional target program for the development of tourism in the subjects of the Russian Federation;
- Investment projects of tourist- recreational orientation RF.

Table 3: Model of public participation in the development of the hotel market

Model of public participation	Characteristic of model of participation	Features of the application
<i>Centralized market regulation</i>	Creates a central government agency, whose functions include regulation of the hotel business, as well as strict control over this activity	-For countries with budget-hotel industry role (Egypt, Turkey, Tunisia and a number of others); -Assumes implementation of state programs of financial incentives hotel development; -At the state level, the goal of creating a favorable image of the country or locality in the global market for tourist and hotel services
<i>Self-regulation in combination with centralized function of state regulation</i>	Role of the state is determined by the formation of the institutional environment of development of hotel business development through the creation of the legal framework of the state regulatory agency (coordination, control of conformity of quality and safety services to international and national standards, support for innovation, tax incentives, etc.)	-Characterized primarily to European countries; -Basic functions for regulation and development of the hotel market handed over to the local authorities and self-regulating non-governmental organizations.
<i>Self-regulation</i>	Characterized by the lack of centralized control function of the market	-It is characteristic for the countries in which market mechanisms developed so that they can independently ensure the sustainable development of tourism industry and hotel industry (e.g., the U.S.)

Established a Working Group to develop and implement measures to attract extra-budgetary sources for the development of tourist infrastructure, domestic and inbound tourism in the Russian Federation. Performance analysis indicates a rather Rostourism fragmentary approach to the development of the hospitality industry. Lack of cross-sectoral integrated approach is defined by the presence of a variety of problems and poor all elements industry.

On this basis, the following priorities seem expedient public participation in the development of the national hotel market in the context of the revitalization process of transnationalization of the world hotel industry and increasing competition:

- Modern education and training of personnel with the qualifications of the international level;
- Organization of technical assistance in the implementation of programs and strategies for sustainable development of the hotel market as a prerequisite for activation of inbound tourism and attraction of foreign investments;
- Formation and adaptation of national standards for sustainable development of the industry in the context of environmental protection, environmental safety, etc. the international regulatory practices;
- Development of self-regulatory institutions and stimulate the formation of national industry standards for sustainable development and the promotion of professional associations in the implementation of the principles of self-management

industry, taking into account the positive experience of the developed countries;

- Support innovation, aimed at the development of the hotel industry through the instruments of budget funding, representation of state guarantees, as well as through the format of public-private partnership (PPP).

Summing up the results of the study, we can conclude that the development of the national hotel market in the context of active expansion of international hotel chains is a complex and multifaceted process. Modern market participants should have greater flexibility, the ability to rapidly respond to changing macroeconomic environment. This approach prioritizes the expansion of forms of international hotel chains on the Russian market not involve direct participation in equity (lease, management, franchising).

Formation of the institutional environment of the national hotel industry is in its initial stages and is characterized by fragmented state participation in promoting its development. Most promising from the point of the current state of the market see the development model of state involvement in the development of the hotel market, involves a combination of self-regulatory institutions and government regulation.

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