

THE INTERNATIONAL GROWTH OF SPANISH HOLIDAY HOTEL CHAINS FROM A GLOBAL PERSPECTIVE: A CASE STUDY

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The growing importance of international competition is converting the tourism sector into a global industry, accelerating the formation of multinational tourism service providers. Tourism activities, made up of a series of companies of varying types, have been affected by the liberalisation of the services sector, particularly the deregulation of the airline industry, together with the emergence of new tourism destinations and changes in demand. Moreover, in most cases, these aspects have been intensified by the technological revolution. In this context, the tourism sector, led by the international expansion of the holiday hotel chains, is undergoing an internationalisation process which will enable it to compete more effectively in the global area.

The dynamism exhibited in the tourism sector is not only reflected by the flow of visitors on an international level with the subsequent emergence of new tourism destinations, but is also a result of the tougher competitive conditions arising from the increased globalisation of markets. The international competition during the 1990s and the beginning of the 21st Century is, in turn, a consequence of the internationalisation and integration strategies implemented by the large tourism companies, essentially the large hotel chains, tour operators and airlines, and also real estate companies, financial entities and construction companies through different types of associations and business alliances.

Within this climate, the tourism companies, pioneers in providing sun and beach tourism, are becoming key players in the development of new holiday tourism destinations, adapting their structures in response to the opportunities arising from globalisation, with a new positioning within the world economic context in order to respond to these new circumstances. Indeed, these new holiday destinations emerge with a need to attract both capital and brands from the main outbound tourism markets in order to position themselves on the circuits of international tourist flows. Consequently, foreign direct investment (FDI) is one of the most important elements for the development of the tourism sector in emerging markets, which do not usually have their own resources in order to compete on an international level with the existing supply, particularly if they are positioned in

the sun and beach segment, a type of tourism that is developed through resorts and large scale projects.

Through a case study analysis, this article seeks to define the typology of the tourism business groups that are involved in the development of new holiday destinations. An analysis is made of both the different internationalisation strategies being carried out and the alliances and integration projects formed with other national and international business organisations, principally tour operators, financial, real estate or construction companies, all involved in the evolution and development of large tourism projects.

With this objective, firstly an analysis is made of the internationalisation process of the leading Spanish hotel chain, Sol Meliá, one of the few Spanish listed companies, focusing on its interests in the international tourism sector. Subsequently, the case of the Barceló chain is studied, a key player in the development of the international holiday sector, with the distinctive characteristic of being a family-run business, highlighting the strategies developed in its international expansion process in Latin America and the USA, being the Spanish hotel chain with the greatest presence in North America. Both of these chains have a double specialisation; the holiday hotel and urban hotel sectors. Then, the main international strategies of the Riu and Iberostar hotel chains are studied. These groups are leading operators in the development of all-inclusive resorts in new tourism destinations, dedicated exclusively to the holiday tourism sector and acting as the hotel division of the main European tour operators. Another two types of company involved in the development of holiday tourism have also been selected: the two main Spanish tour operators which have diversified and expanded into the hotel sector through the Oasis Hoteles and Hotetur Hoteles brands and the transport companies Air Europa and Air Plus Comet.

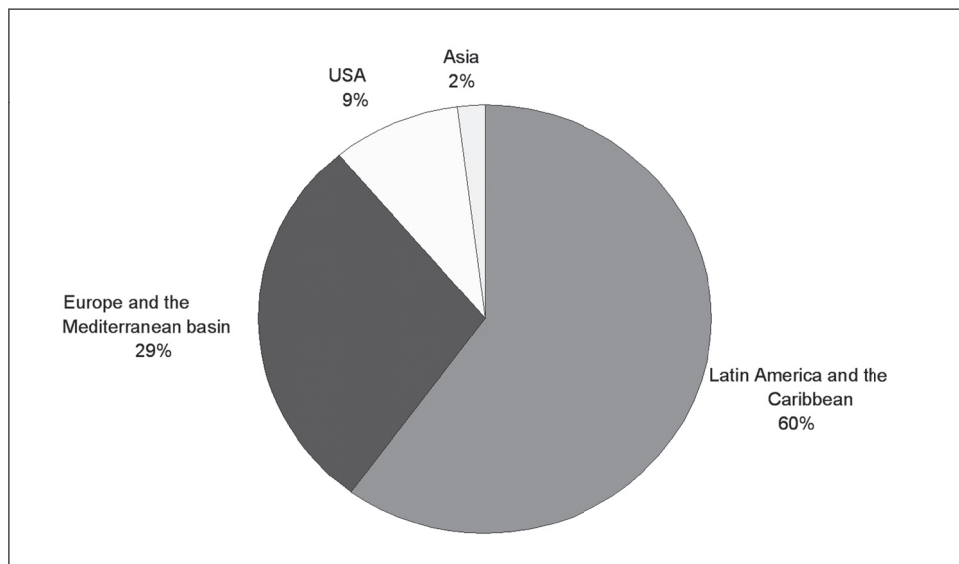
The study reveals a significant international expansion process between 2000 and 2007 of the tourism groups that are object of the study, highlighting Latin America, the Caribbean, Europe and the Mediterranean Basin as preferential destinations in terms of the investment interests of Spanish holiday tourism. However, it should be noted that in the case of Barceló, its expansion in the USA has also been significant.

Table 1
Nº OF FOREIGN COUNTRIES IN WHICH THE HOTEL CHAINS IN THE STUDY HAVE A PRESENCE

	2000	2001	2002	2003	2004	2005	2006	2007
Sol Meliá	25	29	29	29	28	26	24	25
Barceló	13	14	18	19	14	13	15	17
Riu	9	10	10	12	13	16	17	17
Iberostar	7	7	8	9	10	12	12	14
Hotetur club	2	2	4	3	3	3	3	3
Globalia-Oasis	1	1	1	2	2	4	5	5

Source: Authors' calculations using several editions of Hostelmarket.

Graph 1
GEOGRAPHICAL DISTRIBUTION OF THE HOTEL SUPPLY ABROAD
(number of rooms), 2007



Source: Authors' calculations using several editions of Hostelmarket.

The growing presence of the hotel brands included in this study in Latin America and the Caribbean can be explained as being the consequence of two fundamental factors. Firstly, the expansion into new markets considered to be attractive tourist destinations, such as some Caribbean countries including Jamaica, Aruba, The Bahamas and Puerto Rico and others in Latin America, such as Peru, Chile or Panama. Secondly, the consolidation of the leading destinations, particularly Mexico, Cuba, The Dominican Republic and Brazil, which represent more than 54% of the total hotel supply (number of rooms) of these chains abroad.

Practically all of the companies analysed are positioned as five-star resorts in the luxury sun and beach segment, operating through agreements with other national and international companies related to the industry. A growing relevance of Mexico and Brazil may be observed in the investment plans of all of the chains. After 2003, and predominantly in the mature and consolidated destinations, a transition towards a strategy to develop integrated tourism-real estate projects may also be identified. This process is facilitated by the entrance of new capital in the holiday tourism business originating essentially from construction and financial companies. These types of initiatives have been concentrated in North Africa, mainly Morocco, and in Latin America and the Caribbean, specifically on the coasts of Mexico, Central America —mainly in Costa Rica and Panama—, Brazil and many Caribbean islands, of which the Dominican Republic is clearly dominant. This process accentuates the separation between the management and

Table 2
THE IMPORTANCE OF LATIN AMERICA AND THE CARIBBEAN IN THE
INTERNATIONALISATION PROCESS OF THE CHAINS INCLUDED IN THE
STUDY

Country	2000				2007			
	N° hot	% hot.	N° rooms	% rooms	N° hot	% hot.	N° rooms	% rooms
Aruba	0	0	0	0	2	0.52	550	0.49
Argentina	1	0.41	125	0.20	3	0.79	244	0.22
Bahamas	0	0.00	0	0.00	1	0.26	379	0.34
Brazil	11	4.53	1638	2.60	23	6.04	6033	5.34
Columbia	7	2.88	986	1.56	0	0.00	0	0.00
Costa Rica	12	4.94	1841	2.92	8	2.10	1546	1.37
Cuba	25	10.29	7107	11.27	41	10.76	15252	13.50
Chile	0	0.00	0	0.00	1	0.26	91	0.08
Ecuador	1	0.41	95	0.15	1	0.26	100	0.09
Guatemala	2	0.82	298	0.47	0	0.00	0	0.00
Jamaica	0	0.00	0	0.00	4	1.05	2058	1.82
Mexico	27	11.11	10017	15.88	56	14.70	22982	20.35
Nicaragua	1	0.41	293	0.46	1	0.26	290	0.26
Panama	0	0.00	0	0.00	1	0.26	350	0.31
Peru	0	0.00	0	0.00	1	0.26	185	0.16
Puerto Rico	0	0.00	0	0.00	1	0.26	490	0.43
The Dominican Republic	31	12.76	11246	17.83	40	10.50	17284	15.30
Uruguay	2	0.82	152	0.24	2	0.52	149	0.13
Venezuela	7	2.88	1310	2.08	2	0.52	668	0.59
<i>Latin American and the Caribbean</i>	<i>127</i>	<i>5.26</i>	<i>35108</i>	<i>55.65</i>	<i>188</i>	<i>49.34</i>	<i>68651</i>	<i>60.79</i>
<i>TOTAL</i>	<i>243</i>	<i>100</i>	<i>63084</i>	<i>100</i>	<i>381</i>	<i>100</i>	<i>112938</i>	<i>100</i>

Fuente: Authors' calculations using Hostelmarket, Hosteltur, Caribe preferente, Barceló, Meliá, Riu, Iberostar, Hotetur (Marsans), Globalia-Oasis.

the ownership of the infrastructures, with the tourist forming part of the ownership and becoming an investor. In these cases, the owner of the apartments has the option of buying with a right to occupation, by which the buyer may use the residence for a period of time. Or the owner may buy as a pure investor without the right to use the apartment. In either case, the owner is assured a profitable return on the investment, with a guaranteed monthly rent. These new forms of accommodation and enterprise, given the higher profitability expectations, have invigorated the growth of this sector.

So, the internationalisation and growth process of the holiday tourism sector on a global level is reflected in different global trends which have been identified through an analysis of the tourism groups that are object of this study:

- a) Firstly, the large Spanish tourism groups with an international presence in tourism activities other than accommodation (airlines, handling companies, tour operators ...) are entering the hotel sector with force and are rapidly positioning themselves in the international arena, mainly in the Caribbean and Latin America. Their operations consist of the management of hotel establishments either exclusively or combined with activities in the real estate business. For example, Marsans or the Globalia group.
- b) With the evolution of the tourism industry and its internationalisation process, new forms of enterprise that bring together residential and hotel tourism are being introduced, such as large condominiums with fractional or mixed ownership, which promotes both the traditional hotel business and time share activities which are generating extremely good results, for example, the Meliá chain with its Vacation Club division. In other words, formulas are being designed that bring together the interests of the real estate and hotel sectors.
- c) The new financing strategies for this internationalisation process in both the managerial and ownership dimensions are based on business cooperation. An example is the formation by Barceló, and other national and/or international real estate-financial companies of an asset-based venture capital company oriented towards the tourism-real estate sector.

Since the end of 2008, the favourable scenario for these projects has begun to change rapidly as a result of the international financial crisis. In fact, the majority of the expansion plans of tourism companies has been paralysed or has at least slowed down in response to the credit crunch and the fall in hotel and real estate demand. However, provided that the global financial crisis does not worsen, the medium and long-term outlook is promising and the analysis of the evolution of the internationalisation strategies of the tourism groups selected for this study provide a clear example of the trends and typologies which tourism companies are currently experiencing with respect to their international expansion processes from a global perspective.

