

# “Franchising model for expansion of the international travel business”

## AUTHORS

Oleksandr P. Krupskyi  <http://orcid.org/0000-0002-1086-9274>  
Nataliia Stukalo  <http://orcid.org/0000-0003-0517-1653>  
Nataliya A. Krasnikova  <http://orcid.org/0000-0002-6484-2050>  
Yelina A. Falko  <https://orcid.org/0000-0002-3726-2245>

## ARTICLE INFO

Oleksandr P. Krupskyi, Nataliia Stukalo, Nataliya A. Krasnikova and Yelina A. Falko (2017). Franchising model for expansion of the international travel business. *Problems and Perspectives in Management*, 15(4), 230-242. doi:[10.21511/ppm.15\(4-1\).2017.07](https://doi.org/10.21511/ppm.15(4-1).2017.07)

## DOI

[http://dx.doi.org/10.21511/ppm.15\(4-1\).2017.07](http://dx.doi.org/10.21511/ppm.15(4-1).2017.07)

## RELEASED ON

Monday, 25 December 2017

## RECEIVED ON

Friday, 06 October 2017

## ACCEPTED ON

Thursday, 14 December 2017

## LICENSE



This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/)

## JOURNAL

"Problems and Perspectives in Management"

## ISSN PRINT

1727-7051

## ISSN ONLINE

1810-5467

## FOUNDER

LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

**41**



NUMBER OF FIGURES

**6**



NUMBER OF TABLES

**3**

© The author(s) 2025. This publication is an open access article.



BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"  
Hryhorii Skovoroda lane, 10, Sumy,  
40022, Ukraine

[www.businessperspectives.org](http://www.businessperspectives.org)

**Received on:** 6<sup>th</sup> of December, 2017  
**Accepted on:** 14<sup>th</sup> of December, 2017

© Oleksandr P. Krupskyi, Nataliia V. Stukalo, Nataliya A. Krasnikova, Yelina A. Falko, 2017

Oleksandr P. Krupskyi, Ph.D.,  
Associate Professor, Oles Honchar  
Dnipro National University, Ukraine.

Nataliia V. Stukalo, Doctor of  
Economics, Full Professor, Oles  
Honchar Dnipro National University,  
Ukraine.

Nataliya A. Krasnikova, Ph.D.,  
Associate Professor, Oles Honchar  
Dnipro National University, Ukraine.

Yelina A. Falko, Ph.D., Associate  
Professor, Oles Honchar Dnipro  
National University, Ukraine.



This is an Open Access article,  
distributed under the terms of the  
[Creative Commons Attribution 4.0  
International license](https://creativecommons.org/licenses/by/4.0/), which permits  
unrestricted re-use, distribution,  
and reproduction in any medium,  
provided the original work is properly  
cited.

Oleksandr P. Krupskyi (Ukraine), Nataliia V. Stukalo (Ukraine),  
Nataliya A. Krasnikova (Ukraine), Yelina A. Falko (Ukraine)

# FRANCHISING MODEL FOR EXPANSION OF THE INTERNATIONAL TRAVEL BUSINESS

## Abstract

The hotel sector of the travel industry is the leader according to the indicator of economic growth, which is observed in both developed and developing countries. Even under the economic instability and global natural disasters, the industry has seen growth in recent years. The franchising model for expanding activities is central to all successful hotel chains.

The article deals with the franchising model for the travel business expansion and the economic performance of hotel chains such as Marriott International, Wyndham Hotels, and Hilton. They hold a prominent place in the global hotel business, have a steady tendency to expand their business, hold high positions in the ranking of the best franchises in the world and have been recognized by experts.

The main risks for the franchisor and franchisee are determined when making a decision on the expansion of the international travel business, which must be taken into account when developing new markets for hotel chains. The main advantages of the franchising model of expansion, which promote understanding between the parties of the franchise agreement, dynamicize hotel chains expansion and allow for reducing their expenses and increasing incomes.

It was found that the growth of net profit and total income in the indicated hotel chains was due to the increase in the number of rooms in franchising and the positive dynamics of franchise income. A more dynamic pace occurred after the crisis growth in revenues from the franchisee compared with the managerial model. A closer relationship between revenues and key financial indicators has been proved when using a franchising model.

**Keywords** franchising, international travel business, hotel chains,  
tourism enterprises, hospitality enterprises

**JEL Classification** L83, M21, Z3

## INTRODUCTION

In recent years, the development of the hotel industry has taken place against the background of global natural disasters, pandemics, and terrorist attacks, which are becoming more frequent and bloody; geopolitical disasters that took place in the Middle East, South-East Asia, and Ukraine; economic instability, directly related to all of the above. The development of the industry became possible on the basis of moderate management decisions and the effective use of the models for having access to the other countries' markets.

The franchising model is a business expansion mode used by international companies, especially those operating in the service sec-

tor. Franchising provides broad access to international markets and the ability to use up-to-date technology and innovative products. So, in the United States of America, which is the home of franchising (International Franchise Association, 2016):

- enterprises using this model ensured by 2016 increase in the number of jobs by 3.5% (of which 278,000 are direct, in the economy as a whole – 7.6 million); over the last five years, the average increase in this indicator was 2.6% (total – 1 million employed), which is 20% more than the value inherent in other industries;
- more than 300 companies have taken the franchising model on board; they belong to 8 major industries: automotive, business services; fast food restaurants; retail food products; real estate; wholesale trade; household services; and provision of accommodation facilities;
- only in 2016, the number of institutions increased by 1.7% (12,384) – to 732,842; income – by USD 52 billion (5.8% – up to USD 994 billion); GDP – by 5.7% (will reach USD 405 billion, 22 billion in plus). Nowadays, the contribution to the main macroeconomic indicator is about 3%.

It should be noted that, according to the economic forecast, the hotel sector is the leader with an increase of 6.6% in production. At the same time, steady growth in past periods was observed both in developed and developing countries (Krasnikova, 2013; International Franchise Association, 2016).

The franchising expansion model in the hotel business was launched by Holiday Inn (UK) campaign in the 50's of the last century, but until the 80's it was rarely used for expansion (McGuffie, 1996). Today, the franchising model of expansion is confirmed by the success of individual global networks that in a stepwise manner conquer the hearts of consumers, even in the most remote cantons of the planet: Marriott International, Wyndham Hotels, and Hilton. Their reputation is provided by high-quality staff; creating a business environment that is most conducive to the development and satisfaction of the needs of employees and guests in the best way: willingness to meet with poorly anticipated risks, situations in which values, beliefs and judgments are verified or revised; new rules and procedures are being developed, the strategies are defined for conquering/maintaining an optimal market share, desired profitability level, maximizing revenues, as well as a developed and expanding franchise business system whose activities are under the control and care of the parent company.

Consequently, identifying the features of a franchising model for expanding international travel business in the context of managing global hotel chains will allow to assess the effectiveness of managers' actions to overcome the consequences of the crisis and move to a qualitatively new level of management. Particular attention should be paid to determining the contribution of the franchisee to achieving the companies' economic performance.

The financial results of the hotel chains have confirmed the effectiveness of the managers' actions to overcome the crisis consequences and to enter a new level of management. It can be argued that researched hotel chains are world leaders not only in hospitality, but also in business management in general. They have a good reputation, their success is based on a commitment to a high culture of service delivery, mission, values, as well as to all those accepted as a guest or employee by the firm.

Chain expansion far beyond America, adherence to high service quality standards, careful recruitment, and franchisee perceived as an equal partner, earned customer loyalty give reason to hope for the continued prosperity of these chains and their domination in the future.

Each of the campaigns (Hilton Hotels, Marriott International, and Wyndham Worldwide Corporation) was unable to avoid the effects of the external impact of the global economic crisis, they experienced

critical times in its post-crisis development, but not only did they stand, but also maintained a stable positive trend in economic performance and consolidated their position in the world market.

Comparison of the economic efficiency of using managerial and franchising models for Marriott has identified similar trends in cash flow growth, but the growth rate of revenues from managers was twice as low. The regression analysis conducted has proved the significant contribution of the franchisee to the achievement of companies' high performance.

---

## 1. LITERATURE REVIEW

A thorough scientific research was conducted on the influence of management conditions on the economic performance of international hotel chains. A number of researchers paid attention to various aspects of franchising, as well as its analysis, in comparison with other strategies for organizing the hotel firm. Firstly, the main forms of the hotels that expand their niche were identified: such forms include full ownership, joint venture, management contract, lease agreement, and franchising (Ghorbal-Blal, 2008). It is determined that when choosing a franchise as a model for entering the external markets, the specificity of the distribution structure is important: direct, corporate or master franchise arrangements. It is also specified that the franchise regimes vary from business to investment (Connell, 1997). Studies did not identify a single successful form, specificity or model. Effective expansion requires using an entire set of opportunities that are flexibly selected according to the circumstances.

Secondly, it has been proven that in the case of internationalization, when deciding between franchising and the contract for the institution management, the most important role is played by intangible property advantages (trademark, patent, copyright) and unique (idiosyncratic) knowledge: the higher the qualification of managers and standards of the industry and the wider the experience and market segment are, the greater the probability of using a hierarchical model will be (Chen & Dimou, 2005). It turned out that integration into the chain through franchising increases the operational efficiency, while contract management (in cases where tenure is given to managers) – reduces (Ben Aissa & Goaid, 2016).

A comprehensive analysis of the factors influencing the decision-making on a franchise in the pe-

riod from 1993 to 2005 led to the identification of factors specific to the firm and factors specific to the country. It is revealed that ethnocentric approach to management is a key barrier to the franchising development. That is, if the franchisor does not change his own dominant norms and values towards the unique cultural features of each targeted country, this will not facilitate the effective adoption of franchising solutions (Altinay, 2007).

In addition, when deciding on a strategy for systematic development, factors are taken into account such as the desire to make a safe investment, protect the brand integrity and maintain control over the uncertainty of the economic and political situation in the host countries, significant training costs and the possibility of obtaining additional benefits in scale of production (Brookes & Roper, 2010; Martorell et al., 2013); strategic planning, understanding the visitor's needs, the size of the new market (Johnson & Vanetti, 2005); high level of the top management competence, market sensitivity to the services it receives; "queue" of potential investors from abroad (Chekitan et al., 2002).

On the other hand, non-equity co-operation is chosen when the company owns a well-known brand and an advanced reservation system; there are significant cultural differences between the home country and host countries; there is a high level of volatility in financial markets and an intention to obtain additional potentially attractive returns (Martorell et al., 2013); the firm already has a long experience with franchisees, their number is increasing, as well as the share of the relevant units in the general stock (Alon & Wang, 2012; Stanković, 2016); the country is a developed one, the labor force is skilled (Chekitan et al., 2002); finding the optimal value for the last indicator contributes to productivity growth (Piot-Lepetit & Perrigot, 2014). Consequently, the franchisor, when entering new markets, needs to evaluate not

only whether the strategy for clients is working, but also how the output from their own “home” formats will affect the long-term effectiveness of the expanded franchisor network (Connell, 1999). Hachemi Aliouche et al. (2012) found that investors consider franchise firms to be less risky and, therefore, require a lower rate of return that we believe may be an asset for investors.

Franchisee receives support in marketing activity, the choice of location, training and career enhancement, work under a recognizable brand; the right to use trademarks and a well-established business system (including not only the main product, but also the design of the premises, dress code for staff, etc.), to have a stable career (you can start with the opening of one institution, then increase their number); access to the global reservation e-network, operating costs savings (due to the scale effect), etc. His payment for such an acquisition is a tight control, the need to make initial and regular contributions, adhere to strict standards, limited creativity, the threat of non-prolongation of the contract, etc. (Dirnou, 2004; Ghorbal-Blal, 2008; Moon & Sharma, 2014; Hyun-Soo Woo, 2016; Skripak et al., 2016).

In turn, the franchisor receives access to the market, closed for export or direct foreign investment; releases a certain amount of financial resources, receives synergistic effects and additional funds (including via agency costs), improves key performance indicators (KPIs), increases the intangible assets value (brand, reputation, etc.), and diversifies risks. However, he is threatened with insolvency or unwillingness to pay by the licensee; loss of control over operational activities (poorly-run cases may have a bad effect on brand image as a whole); the emergence of misunderstandings between the senior management of the parent company and personnel of different levels in the divisions; conflicts, including those because of pricing (Michael, 2000; Dirnou, 2004; Ghorbal-Blal, 2008; Moon & Sharma, 2014; Hyun-Soo Woo, 2016; Skripak et al., 2016).

In previous studies, the effectiveness of using franchising in the emergence of hotel chains into emerging markets in developing countries was established based on brand equity (Pine et al., 2000; Wong & Wickham, 2015) and the formation of a great organizational culture (Grynko & Krupskiy, 2015).

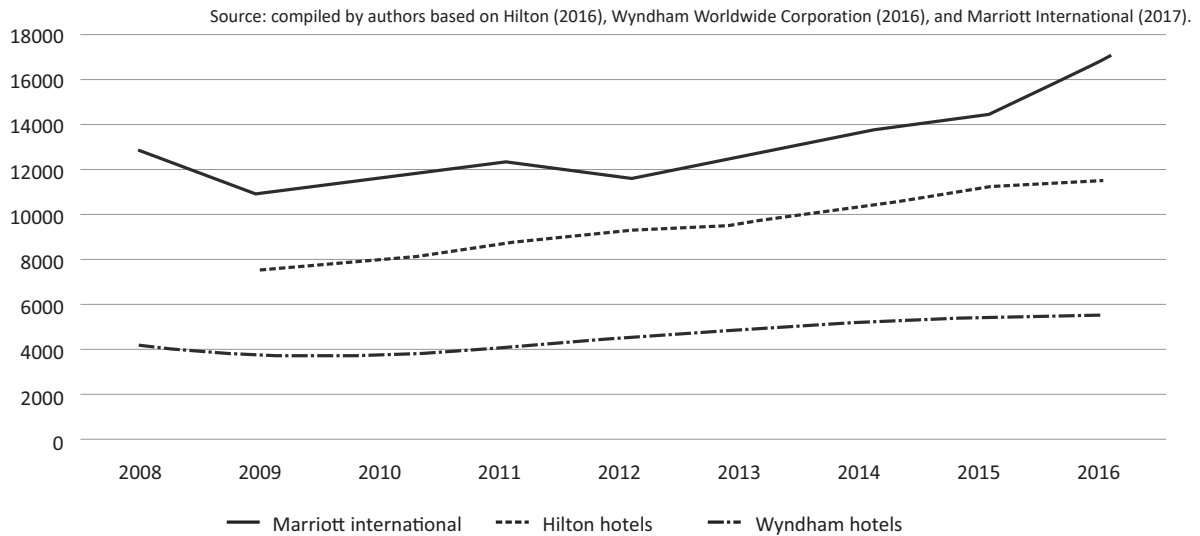
However, there was no systematic study of the effective managerial measures aimed at overcoming external negative effects with the simultaneous strengthening of the hotel enterprises' position in the world market of hotel services through the use of the franchising model for business expansion; and the contribution of the franchisee to achieving the economic results of the companies was not revealed.

## 2. METHODS

General research and special methods were used when conducting the research: abstract-logical – to generalize the risks and advantages of a franchising model of decision-making on the expansion of international travel business; graphic – to build the dynamics of the hotel chains' economic performance, namely Marriott International, Wyndham Hotels and Hilton; method of dynamic series – to estimate economic performance of hotel chains; correlation-regression analysis – to identify the tightness and forms of communication between revenues from franchising and contract management and the main financial indicators of hotel chains; comparative – to compare the economic efficiency of managerial and franchising models for Marriott; tabulated – to summarize the results of correlation-regression analysis. The research was based on the official annual reports of Marriott International, Wyndham Hotels and Hilton; official statistics sites of the International Franchise Association, World Travel and Tourism Council, Franchise Direct and NASDAQ.

## 3. RESULTS

Franchise Direct, using both objective quantitative criteria and qualitative criteria for the sustainable business development, annually allocates 100 best franchises in the world (Franchise Direct, 2017). In the 2017 list, 80% of franchise campaigns are of American origin. 8, 9 and 10th places are held by three American hotel chains: Marriott International Franchise Cost & Fees, Wyndham Hotels and Resorts Franchise Cost & Fees, and Hilton Hotels & Resorts Franchise Cost & Fees. The Wyndham Hotels and Resorts Franchise Cost & Fees has been among the top ten best franchises for many years, while Marriott International and



**Figure 1.** Dynamics of hotel chains' total income, USD mln

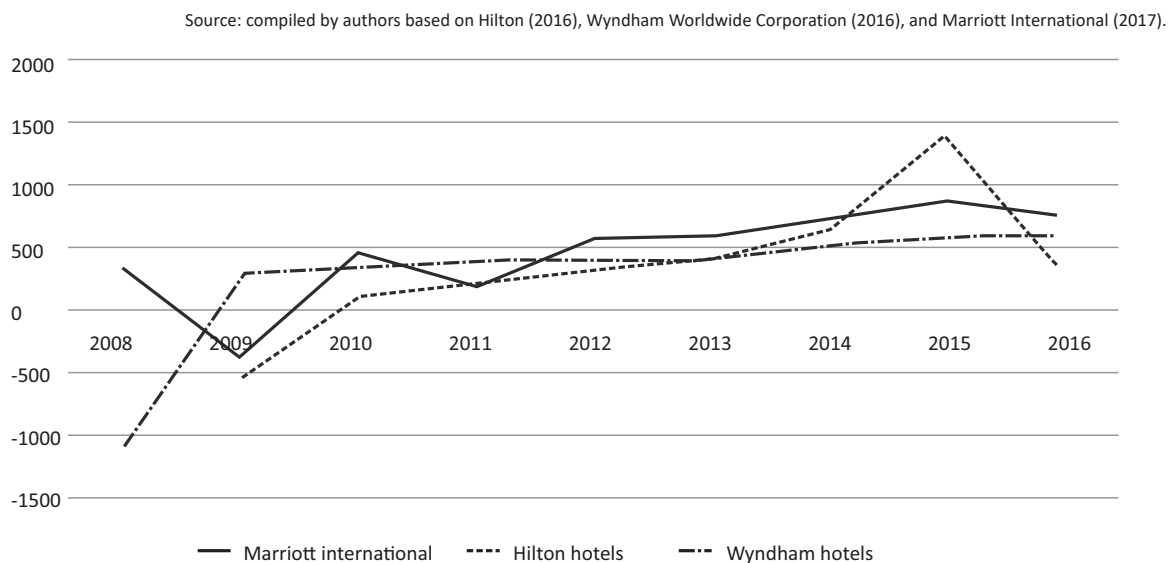
Hilton Hotels have made a significant leap in the ranking and moved 25th and 26th in the 2013 ranking to 8th and 10th places in 2017.

Note that in 2016, the top 100 best franchises list included also the hotel chain which was not of American origin, namely Inter Continental Hotels. According to the grouping of tourism and hospitality companies conducted in the previous study, the first group (cluster) included the companies (Viad Corp., Wyndham Hotel Group, Hilton Hotels, Tripadvisor Inc., and Marriott International), which are in the lead according to all the indicators we were considering (Grynko & Krupskiy, 2015). The values that are announced by these enterprises are quite similar. All this led to the merger of the enterprises into a

single cluster. The history of the three enterprises indicates that they have already begun the restructuring the management, thereby responding in a timely manner to the requirements and challenges of the environment.

They had to take into account the constraints in building their business processes, which concerned social responsibility, environmental friendliness, orientation towards the introduction of innovations, etc. Enterprises included into the group regularly enter different stages of their business segment.

These measures' effectiveness is confirmed by indicators of economic activity of the campaigns (Figures 1 and 2).



**Figure 2.** Dynamics of net income of hotel chains, USD mln

**Table 1.** Comparison of the main competitors according to the key indicators, 2016

Source: compiled by authors based on Hilton (2016), Wyndham Worldwide Corporation (2016), and Marriott International (2017).

Chain	Number of buildings	Number of rooms	Number of rooms in franchising	OCC, %	ADR, USD	RevPar, USD
Marriott Group	6,080	1,190,604	614,350	72.5	156.53	113.5
Hilton Worldwide	4,922	804,097	573,404	75.0	143.63	107.65
Wyndham Hotels	8,035	697,607	696,574	65.5	123.97	81.19

Undoubtedly, the crisis has had an impact on the hotel chains' activity: in 2009, the total income dropped for all networks, while the net income decreased to negative values for Marriott and Hilton; Wyndham Hotels experienced a significant reduction in net income in 2008 (-1,074 USD mln).

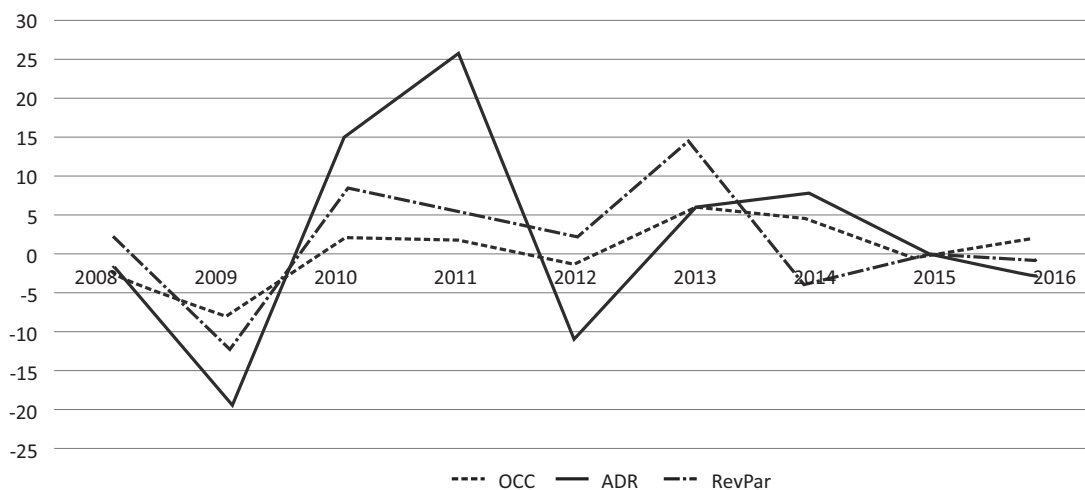
Marriott is ranked first in total income, with hotel net income being approximately the same between 2010 and 2014. Both Hilton and Marriott have experienced critical times in 2015. Hilton has announced its intention to separate its timeshare business as well as its hotel facilities by making them an investment property fund. Marriott has decided to purchase Starwood. The year 2015 was particularly stable in financial terms for Hilton. The RevPar index increased by 5.4% compared with 2014, which resulted in a more than double net profit increase, which, however, decreased by almost 4 times in 2016 (see Figure 2). In 2016, Marriott's revenues grew most among the three chains by 18%, but net income decreased by 9%.

In the course of further research, it was confirmed that the three main KPIs that are commonly used

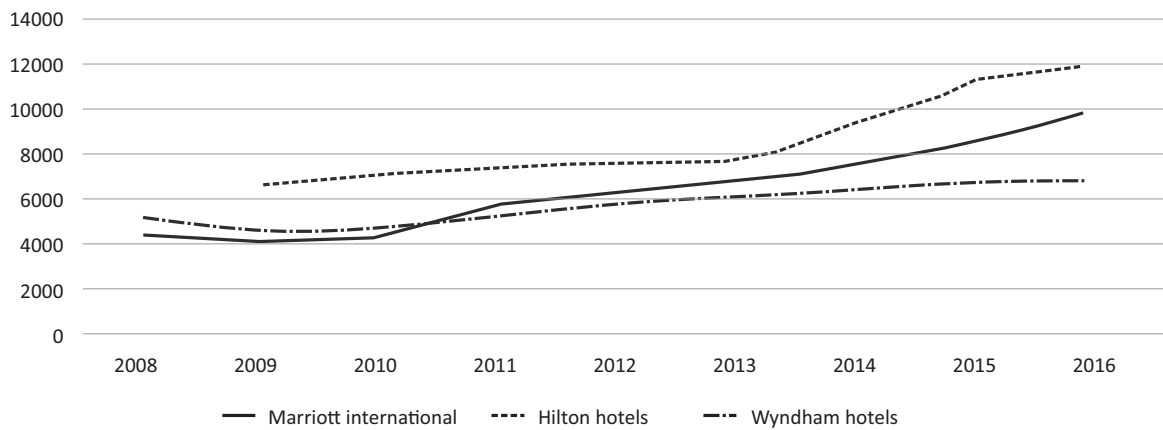
to assess the hotel performance have confirmed the effectiveness of the actions taken by senior management and staff in general, both to prevent the effects of the recession and to consolidate the companies' position in the market. In particular, the crisis has an insignificant impact on the OCC (occupancy rate). The average occupancy rate of rooms belonging to the Marriott chain for the period 2008–2016 was 70.6%; to Wyndham Hotels – 61.2%; and to Hilton – 71.6%. The average growth rate of ADR (average daily rate) for the period 2008–2016 was 1.78% at Marriott; 1.92% at Wyndham Hotels and 2.03% at Hilton. ADR in absolute terms for 2016 was: USD 156.53; USD 123.97 and USD 143.63, respectively (Table 1). All chains experienced a decrease in average room income growth in 2012 and 2016.

Among all the indicators researched, the RevPAR (revenue per available room per day) turned out to be the most volatile. In 2008–2016, the average rate of growth was 1.4% at Marriott, 1.2% at Wyndham Hotels, and 1.8% at Hilton; in 2016, the absolute value of RevPAR – USD 113.5, 81.19 and 107.65, respectively.

Source: compiled and completed by authors based on Marriott International Inc. (2009, 2010, 2013, 2016); NASDAQ (2017).

**Figure 3.** Changes in main hotel KPI's at Marriott International Inc. in 2008–2016, %

Source: compiled by the authors based on Hilton (2016), Wyndham Worldwide Corporation (2016), and Marriott International (2017).



**Figure 4.** Dynamics of income from franchise payment in hotel chains in 2008–2016

Figure 3 shows the dynamics of key performance indicators for Marriott International Inc., where the amplitude and trend variability were the largest among all the chains investigated. The largest decrease in the flow was observed in 2009 (RevPAR was -18.72%); following that, the most significant growth was observed (14.97%). Two other indicators had less significant divergence: ADR (-12.23%; 14.38) and OCC (-7.5%; 6.2%).

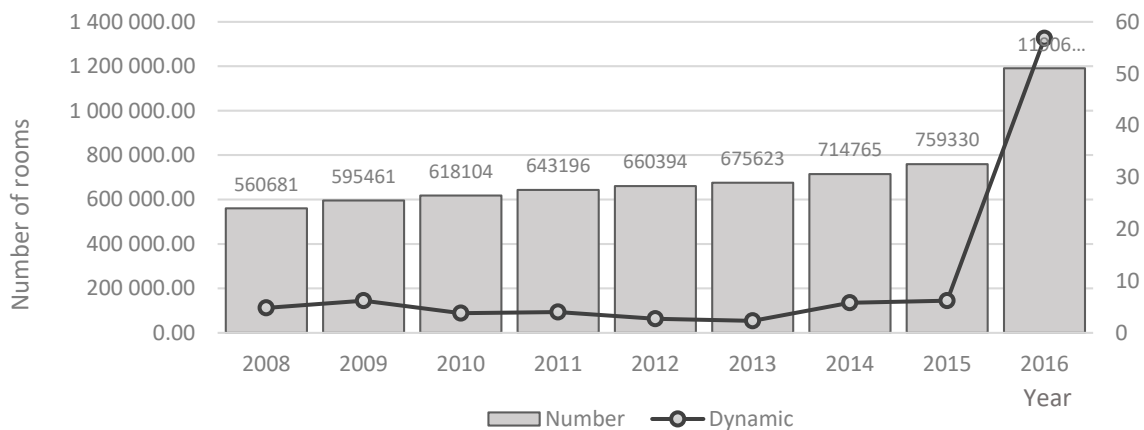
The aforementioned hotel chains are actively using franchising to develop their business: Marriott since 1967, Hilton since 1965, and Wyndham Hotels since 1990 (exactly in the period of the campaign). In 2016, Marriott had 4,005 hotels in its franchise, with more than 50% of the chain's room fund, Hilton had 4,175 hotels in the fran-

chise, which contained more than 70% of the chain's room fund, Wyndham Hotels had 7,923 hotels in which there was almost 98% of the chain's room fund.

That is, Wyndham Hotels outperforms all chains according to using the franchise. However, in regards to the number of rooms, as from 2016, Marriott dominated among the chains; thanks to a merger with Starwood, it has increased its room fund by 56.8% compared to 2015 (up to 1,190,604 rooms) and was ahead of Hilton (804,097 rooms) (see Table 1). In this case, Hilton has greater income from paying a franchise for all the years studied (Figure 4).

The most impressive was the growth in the number of rooms/accommodations provided to Marriott

Source: compiled by the authors based on Marriott International Inc. (2008), STATISTA Official Site (2017).



**Figure 5.** Dynamic of the number of rooms in a hotel chain Marriott, 2008–2016



customers (Figure 5). In general, at the end of 2016, according to the long-term management agreement with the owners, the company disposed of 1,821 hotels (63% more than in the previous year, 521,552 rooms – +74%), as well as 44 houses (7.3%) and 5,179 condominiums (23.2%); 48 objects (17%; 10,933 rooms – +18.8%) under long-term lease agreements, and 22 (267%; 9,906 (589%)) those that are in absolute ownership (Marriott International Inc., 2016).

Marriott's reputation is provided by high-level personal staff; a system of affiliated companies whose activities are under the control and care of the parent company; creating a business environment that is most conducive to the development and satisfaction of the needs of employees and guests in the best way: readiness to cope with poorly anticipated risks, situations in which the values, beliefs and judgments are verified (or revised); new rules and procedures are developed, strategies for gaining/holding the optimal market share, desired level of profitability, and revenues maximization are determined.

According to market experts, the merger gave Marriott an opportunity, at the Starwood expense, to:

- add “upper-upscale” and “upscale” niches to their traditional segments (“luxury” and “upper-midscale”); in other words, to make a more balanced chain portfolio;
- significantly increase the size of the external market (in Marriott, 24% of rooms are located outside the United States, Starwood –52%). Moreover, the latter occupies a significant part of the Asian market (including Chinese), where the first is almost non-existent;
- expand the customer base at the expense of loyal corporate clients and business travelers (Matthews, 2016b);
- improve the operating costs efficiency by centralizing management functions (approximately USD 200 mln);
- increase cash receipts in the second year after the agreement, including through transaction

costs reduction, sale of illiquid assets, introduction of effective management methods, obtaining synergistic effect;

- carry out capital recycling (from 1.5 to 2 billion dollars received from the sale of hotels owned by Starwood);
- get at least 2.7 billion in salary for managers and pay 2.25 billion dollars in dividends during the first year after the merger;
- make the company a global leader in “lifestyle” (analogue “boutique”) segment;
- combine the creative teams' efforts in order to create conditions for an unforgettable holiday for the guests;
- offer Marriott Rewards (54 million members) and Starwood Preferred Guest (21 million) loyalty programs, which today have received the most industry rewards;
- obtain an economy of scale in areas such as booking, purchasing, and auxiliary services;
- increase real estate owners' interest in cooperation and attract new franchisees;
- minimize capital investment in business to maximize shareholder profits (compiled by the author on the materials of the official website of the chain).

Consequently, it can be argued that, in spite of the disadvantages faced by one of the industries that is most vulnerable to external influences, management of hotel chains has shown the effectiveness of the measures taken, as well as its ability to use the situation in the interests of the company and its shareholders, and to withstand the nearest competitors properly.

Figure 6 summarizes the franchising model for the decision to expand the international travel business, which proved its effectiveness during the global economic crisis due to the possibility of risk diversification between franchisor and franchisee, using the advantages of multicultural ties between them and other factors.

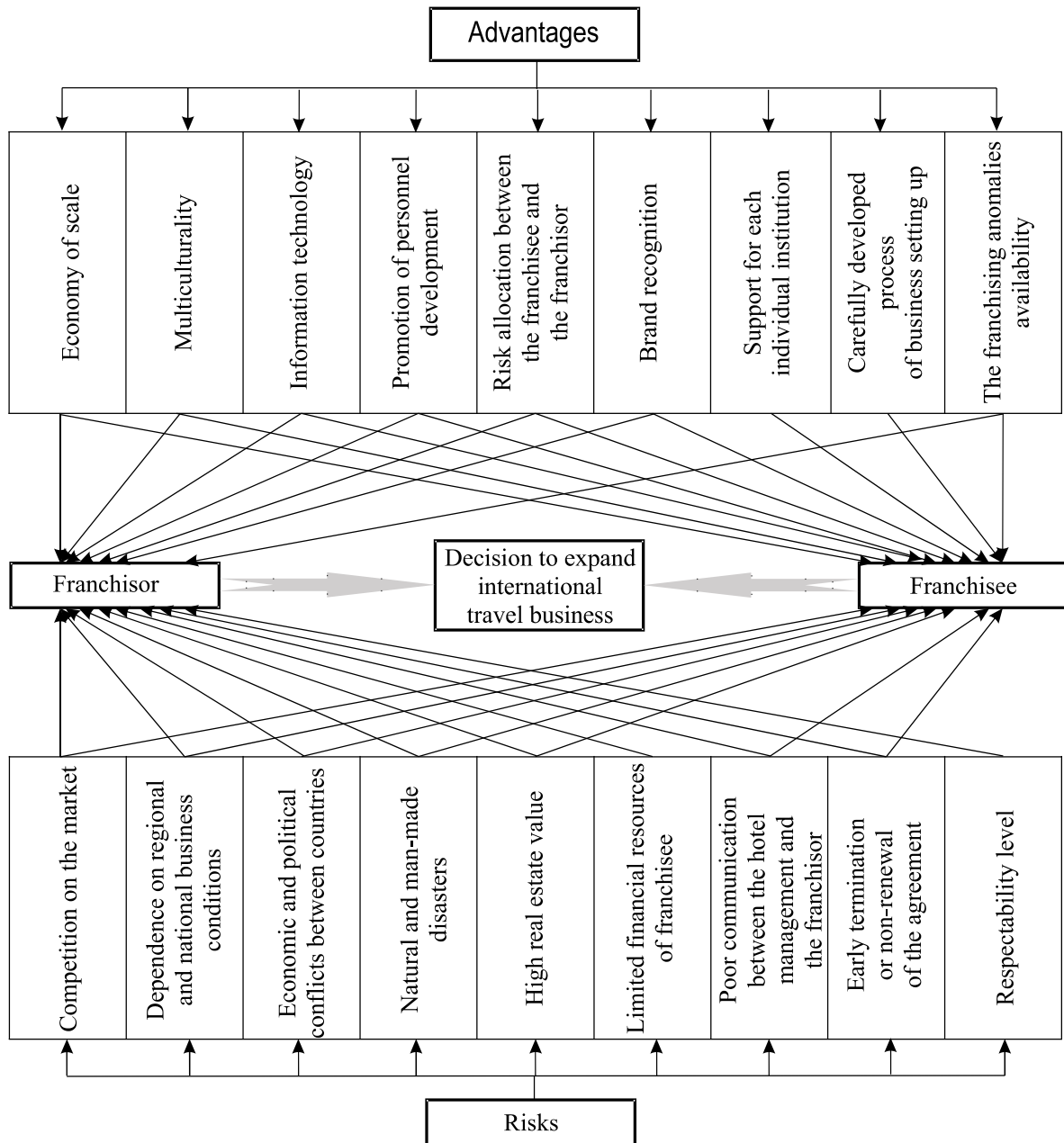


Figure 6. Franchising model for deciding about the international travel business expansion

#### 4. DISCUSSION AND FINDINGS

According to the experience of enterprises – industry leaders, while choosing a strategy for market conquest, overseas chains prefer different forms of international cooperation, while host firms often choose absolute ownership (Ivanova & Ivanov, 2014); the final decision also depends on the number of trademarks within a single brand, its size, the complexity of the structure, the complemen-

tarity of the functions of its own and franchise units, etc. (Brookes & Roper, 2012).

The franchising model for expanding activities is central to all successful hotel chains. It allows the hotel owner to use the name of the brand, and the owner of the hotel chain to receive gross room revenues, gross food and beverage sales, and gross SPA revenues. Thus, in Wyndham Hotels, of over 8,000 hotels, only 110 use managerial model. According to the managerial model, the hotel

**Table 2.** Volume of revenue from different sources, 2008–2016, USD mln

Source: compiled by the authors based on Marriott International Inc. (2009, 2010, 2012, 2013, 2015, 2016), NASDAQ (2017).

Revenue from	Year								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
franchisee	451	400	441	506	607	666	745	853	988
management (basic)	635	530	562	602	581	621	672	698	806
management (motivational)	311	154	182	195	232	256	302	319	425

receives income consisting of the base part and incentive (motivational) part. The economic efficiency of using both models for Marriott demonstrates the dynamics of revenues (Table 2).

Cash flows generated by managers and licensors show similar growth trends. If considered together, the basic contribution of managers in the common goal is slightly lower (on average, USD 634 mln for 2009–2016 versus 650 for franchisees); however, the incentive part not only compensates for the lack, but also changes the “account” (USD +258 mln) in favor of managers. But the managers’ rate of indicator growth was significantly lower (6.3% versus 12%, which led to a merger + 15.5% in 2016). It is necessary, however, to note that the company manages 1,913 facilities (537,664 rooms), which is less than the volume of licensees’ ownership (4,005, 614,350) (Marriott International Inc., 2016).

The franchisee’s interest in cooperation with the franchisor is explained by a number of advantages. First, the parent company offers a significant variety of world-recognized brands in a variety of price segments, access to its information network, reservation systems, and participation in market-

ing companies; and secondly, the loyalty program for partners increases the attractiveness of the industry. Thirdly, the franchisor requires, and at the same time provides gratuitously, advanced training for the staff of the unit. It is carried out in a suitable form for workers; both off- and on-line training are possible; the participation of management in the annual general educational conferences organized by the parent company is also mandatory (Marriott International Franchise Cost & Fees, 2017). Fourthly, the franchising model for the travel industry expansion has become a very effective tool for expanding business in a globalizing environment with maximum use of informational benefits in the field of tourism and hospitality (Falko, 2015).

It is traditionally believed that a franchising model may not be the most effective, and thus less risky for the development of an enterprise, since, as a rule, the hotel industry is capital-intensive, with a high level of fixed costs. Even a slight reduction in revenues with a high probability will have a significant effect on the final financial results (Matthews, 2016a). However, the results of the economic activity of global hotel chains do not support this view (Table 3).

**Table 3.** The regression analysis results for Marriott

Variables	Revenue from		
	franchisee ( $R_1^2$ )	management (basic) ( $R_2^2$ )	management (motivational) ( $R_3^2$ )
Total income	0.978008*	0.999076*	0.998330*
Net cost	0.976760*	0.999036*	0.998584*
Gross income	0.982624*	0.998887*	0.996971*
Operating expenses due to managing and sales	0.661182	0.796300	0.825564
Other expenses	0.859925	0.936273	0.946157
Operating income	0.924358	0.845415	0.818398
Operating result (EBITDA)	0.905496	0.818117	0.789087
Tax on profits	0.923108	0.848971	0.822739
Net income	0.686457	0.565002	0.526614
Total assets	0.816005	0.899701	0.917507

Notes:  $p < 0.05000$ . \* – coefficients in which  $p < 0.5000$  are common mathematical symbols

The authors, based on almost all the values analyzed, found a solid link between franchise and contract revenue (independent variables, see Table 2), on the one hand, and the main financial indicators (dependent variables), on the other hand. For all independent variables, the most significant  $R^2$  was nearest to 1 in the case with total income, net cost and gross income. The largest gap was observed between  $(R_1^2)$ ,  $(R_2^2)$ , and  $(R_3^2)$  in the case with the administration cost (approximately 20% and 25% in favor of management contracts); operational income (about 10% in favor of hotels in franchising); net profit (“the contribution of the franchisee” turned out to be “more significant” +21%).

Similar results are obtained when conducting a regression analysis for Hilton. For all independent variables, the most significant  $R^2$  was nearest to 1 in the case of a total income. The largest gap was observed between  $(R_1^2)$ ,  $(R_2^2)$ , and  $(R_3^2)$  in the case with administration costs (approximately 25% in favor of their own hotels and hotels in leasing); operating income (about 30% in favor of hotels in franchising) with net profit (“franchisee” revealed a “more significant” dependence + 50%).

The combined efforts of managers and franchisees of the companies have been highly appreciated by industry experts, specialized agencies, the public and the media. For example, during its existence, current leader in the number of rooms – the Marriott chain – has continually received awards for specific areas of activity and as a leader in the industry as a whole.

As late as in 2016, Marriott got to the top 100 “Great places to work”; to the top 50 – for diversifying workplaces in the best way (Best Workplaces for Diversity); 10 – as the best work giver for

Latinos, and 10 – for African Americans (10 Best Workplaces for Latinos and 10 Best Workplaces for African Americans).

The institution received 100 points (Corporate Equality Index) for human rights observance (2017); headed the list of fairest companies in America according to Forbes and JUST Capital; was ranked first in Aon Hewitt’s ranking as the best employer in the Asia-Pacific region.

Marriott International was also emphasized:

- for promoting the sustainable development (Most Socially Engaged Companies, Washington Business Journal);
- as the best employer encouraging healthy lifestyle (Best Employers for Healthy Lifestyles; National Business Group on Health), and as the best in general (2016 Global Aon Best Employer and Top 50 Employers according to Equal Opportunity Magazine);
- as the company of the year;
- for developing a quality program of attracting customers (Best Loyalty Program, Freddie Awards – for nine years in a row);
- as the best company in recreation and travels (Top Travel and Leisure Companies, Forbes), as the most ethical firm in the world (World’s Most Ethical Company; Ethispere), industrial leader in terms of innovation (Most Innovative Companies in Travel for 2016, Fast Company) and that winning most customer’s applause (World’s Most Admired Lodging Company, Fortune) (Marriott International Awards and Recognition, 2017).

---

## CONCLUSION

The franchising model for expanding activities is central to all successful hotel chains. It allows the hotel owner to use the name of the brand, and the owner of the hotel chain to receive gross room revenues, gross food and beverage sales, and gross SPA revenues. Among the campaigns under review, Wyndham Hotels outperforms all networks according to using franchise. The revenues from the franchise for all the years studied are greater at Hilton. From 2016, Marriott is the largest one according to number of rooms; it also leads the Average Daily Rate and Revenue per Available Room per Day.

The financial results of the hotel chains have confirmed the effectiveness of the managers' actions to overcome the consequences of the crisis and to enter a new level of management. It can be argued that researched hotel chains are world leaders not only in hospitality but also in business management in general. They have a solid reputation, their success is based on a commitment to a high culture of service delivery, mission, values, as well as to all those who are accepted as a guest or employee by the firm. Expansion of chains far beyond America, adherence to high standards of service quality, careful recruitment, and franchisee perceived as an equal partner, well-earned client loyalty give reason to hope for the continued prosperity of these chains and their domination in the future.

None of the hotel chains (Hilton Hotels, Marriott International, and Wyndham Worldwide Corporation) could not avoid the effects of the external influence of the global economic crisis; they experienced critical moments in the post-crisis development, but not only did they survive, but also maintained a stable positive trend in economic performance and consolidated their position in the global market.

Comparison of the economic efficiency of using managerial and franchising models for Marriott has identified similar trends in cash flow growth, but the growth rate of revenues from managers was twice as low. The conducted regression analysis has proved the significant contribution of the franchisee to the achievement of high companies' performance.

## REFERENCES

1. Alon, I., Ni, L., & Wang, Y. (2012). Examining the determinants of hotel chain expansion through international franchising. *International Journal of Hospitality Management*, 31(2), 379-386. <https://doi.org/10.1016/j.ijhm.2011.06.009>
2. Altinay, L. (2007). The internationalization of hospitality firms: factors influencing a franchise decision-making process. *Journal of Services Marketing*, 21(6), 398-409. <https://doi.org/10.1108/08876040710818895>
3. Ben Aissa, S., & Goaid, M. (2016). Determinants of tourism hotel market efficiency. *International Journal of Culture, Tourism and Hospitality Research*, 10(2), 173-190. <https://doi.org/10.1108/ijc-thr-11-2013-0080>
4. Brookes, M., & Roper, A. (2010). The impact of entry modes on the organizational design of international hotel chains. *The Service Industries Journal*, 30(9), 1499-1512. <https://doi.org/10.1080/02642060802626857>
5. Brookes, M., & Roper, A. (2012). Realizing plural-form benefits in international hotel chains. *Tourism Management*, 33(3), 580-591. <https://doi.org/10.1016/j.tourman.2011.06.013>
6. Chen, J. J., & Dimou, I. (2005). Expansion strategy of international hotel firms. *Journal of Business Research*, 58(12), 1730-1740. <https://doi.org/10.1016/j.jbusres.2004.11.001>
7. Connell, J. (1997). International hotel franchise relationships – UK franchisee perspectives. *International Journal of Contemporary Hospitality Management*, 9(5/6), 215-220. <https://doi.org/10.1108/09596119710172598>
8. Connell, J. (1999). Diversity in large firm international franchise strategy. *Journal of Consumer Marketing*, 16(1), 86-95. <https://doi.org/10.1108/07363769910250796>
9. Dev, C. S., Erramilli, M. K., & Agarwal, S. (2002). Brands Across Borders: Determining Factors in Choosing Franchising or Management Contracts for Entering International Markets. *The Cornell Hotel and Restaurant Administration Quarterly*, 43(6), 91-104. <https://doi.org/10.1177/0010880402436008>
10. Dirnou, I. (2004). *Expansion Strategies of International Hotel Firms: A Transaction Cost Economics and Agency Theory* (285 p.). School of Management Studies, University of Surrey.
11. Falko, Y. A. (2015). Scientific-theoretical principles of global informatization in tourism business. *The Bulletin of the Dnipropetrovsk University. Series: Management of Innovations*, 23(4), 92-100. <https://doi.org/10.15421/191513> [In Ukrainian].
12. Franchise Direct (2017). Methodology for the Top 100 Global Franchises Ranking. Retrieved from <http://www.franchisedirect.com/top100globalfranchises/methodology/158/768/>
13. Ghorbal-Blal, I. (2008). *An Exploration of the Role of the Construct of Control in Expansion Strategy of Hotel Chains: A Multiple-Case Study* (341 p.). Virginia Polytechnic Institute and State University.
14. Grynko, T. V., & Krupskyi, O. P. (2015). Franchising as a tool for organizational culture formation in tourism. *Actual Problems in Economics*, 1(163), 145-154 [in Ukrainian].
15. Grynko, T. V., & Krupskyi, O. P. (2015). Unit culture role in operate developing of tourism

- and hotel business. In K. S. Shaposhnikova et al. (Ed.), *Corporate management: processes, strategies, technologies* (pp. 142-167). Kherson: Helvetica [In Ukrainian].
16. Hachemi Aliouche, E., Kaen, F., & Schlenrich, U. (2012). The market performance of franchise stock portfolios. *International Journal of Contemporary Hospitality Management*, 24(5), 791-809. <https://doi.org/10.1108/09596111211237309>
  17. Hilton (2016). We Are Hilton. We Are Hospitality. 2016 ANNUAL REPORT. Retrieved from [http://www.corporatereport.com/hilton/2016/ar/\\_pdf/Hilton\\_2016\\_AR.pdf](http://www.corporatereport.com/hilton/2016/ar/_pdf/Hilton_2016_AR.pdf)
  18. Hyun-Soo Woo (2016). *Intra-Firm and Inter-Firm Agglomeration: The Location Decisions of Multi-Unit Firms* (125 p.). Arizona State University.
  19. International Franchise Association (2016). *Franchise Business Economic Outlook for 2016* (27 p.). International Franchise Association Educational Foundation. IHS Economics, January 2016.
  20. Ivanova, M., & Ivanov, S. (2014). Hotel Chains' Entry Mode in Bulgaria. *Anatolia*, 25(1), 131-135. <https://doi.org/10.1080/13032917.2013.815117>
  21. Johnson, C., & Vanetti, M. (2005). Locational strategies of international hotel chains. *Annals of Tourism Research*, 32(4), 1077-1099. <https://doi.org/10.1016/j.annals.2005.03.003>
  22. Krasnikova, N. (2013) Current trends of Development in international tourism. *Herald of the Dnepropetrovsk National University Series 'Economics'*, 7(3), 257-262 [in Ukrainian].
  23. Marriott International (2017). About the Marriott Fact Book. Retrieved from <http://files.shareholder.com/downloads/MAR/0x0x135543/1e9c6628-768a-425f-ac1f-349a47ca6c2a/factbook.pdf>
  24. Marriott International Awards and Recognition (2017). Retrieved from <http://news.marriott.com/p/awards-and-recognition/>
  25. Marriott International Franchise Cost & Fees (2017). Retrieved from <http://www.franchisedirect.com/travelfranchises/marriott-international-franchise-08393/ufoc/>
  26. Marriott International, Inc. (2010). Transition Report 2010 (123p.). United States Securities and Exchange Commission. Washington, D.C..
  27. Marriott International, Inc. (2013). Transition Report 2013 (122 p.). United States Securities and Exchange Commission. Washington, D.C..
  28. Marriott International, Inc. (2016). Transition Report 2016 (139 p.). United States Securities and Exchange Commission. Washington, D.C..
  29. Martorell Cunill, O., Mulet Forteza, C., & Gil-Lafuente, A. M. (2013). Choice of entry mode into a foreign market. *Kybernetes*, 42(5), 800-814. doi:10.1108/k-07-2013-0135
  30. Matthews, S. (2016a). Introducing Marriott International: Your Key Company Overview. Retrieved from <http://marketrealist.com/2016/01/introducing-marriott-international-key-company-overview/>
  31. Matthews, S. (2016b). What You May Not Know – But Should – about Marriott International. Part 8 of 15. Jan 14, 2016. Retrieved from <http://marketrealist.com/2016/01/just-must-can-marriott-international-benefit-starwood-acquisition/>
  32. McGuffie, J. (1996). Franchising hotels in Europe. *Travel and Tourism Analyst*, 1, 36-52.
  33. Michael, S. C. (2000). The effect of organizational form on quality: the case of franchising. *Journal of Economic Behavior & Organization*, 43(3), 295-318. [https://doi.org/10.1016/s0167-2681\(00\)00125-6](https://doi.org/10.1016/s0167-2681(00)00125-6)
  34. Moon, J., & Sharma, A. (2014). Franchising Effects on the Lodging Industry: Optimal Franchising Proportion in Terms of Profitability and Intangible Value. *Tourism Economics*, 20(5), 1027-1045. <https://doi.org/10.5367/te.2013.0336>
  35. NASDAQ. (2017). MAR Company Financials. Retrieved from <http://www.nasdaq.com/symbol/mar/financials?query=income-statement>
  36. Pine, R., Qiu Zhang, H., & Qi, P. (2000). The challenges and opportunities of franchising in China's hotel industry. *International Journal of Contemporary Hospitality Management*, 12(5), 300-307. <https://doi.org/10.1108/09596110010339670>
  37. Piot-Lepetit, I., Perrigot, R., & Cliquet, G. (2014). Organizational form and efficiency of franchise chains. *International Journal of Retail & Distribution Management*, 42(7), 671-684. <https://doi.org/10.1108/ijrdm-04-2013-0089>
  38. Skripak, S. J., Parsons, R., Cortes, A., & Walz, A. (2016). In *Fundamentals of Business. Hospitality and Tourism* (pp. 329-362). Pamplin College of Business and Virginia Tech Libraries.
  39. Stanković, M. (2017). International Franchising in the Hotel Industry. *Facta Universitatis, Series: Economics and Organization*, 415-426. <https://doi.org/10.22190/fueo1604415s>
  40. Statista Official Site (2017). Number of Marriott International Hotel Rooms Worldwide from 2009 to 2016. Retrieved from <https://www.statista.com/statistics/247304/number-of-marriott-international-hotel-rooms-worldwide/>
  41. Wong, T., & Wickham, W. (2015). An examination of Marriott's entry into the Chinese hospitality industry: a Brand Equity perspective. *Tourism Management*, 48, 439-454. <https://doi.org/10.1016/j.tourman.2014.12.014>
  42. Wyndham Worldwide Corporation (2016). Annual Report 2016. Retrieved from [http://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE\\_WYN\\_2016.pdf](http://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_WYN_2016.pdf)